

CERRO GRANDE MINING CORPORATION

**ANNUAL INFORMATION FORM
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

DECEMBER 15, 2011

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PRELIMINARY NOTES

Currency Exchange Rates

Unless otherwise indicated, all currency amounts in this Annual Information Form are expressed in United States dollars. The following table sets forth the currency exchange rates for the conversion of United States dollars into Canadian dollars for the following years ended September 30 (the Corporation's fiscal year end), as reported by the Bank of Canada. The average rates were manually calculated for the 12-month period starting October 1 of the prior year and ending September 30 of the indicated year. The average prices were calculated by taking each month's average, as reported by the Bank of Canada, summing the averages for each 12-month period and dividing by 12.

	2011	2010	2009	2008	2007
Closing (As at September 30)	1.0482	1.0290	1.0707	1.0642	0.9948
Average (October 1 – September 30)	0.9868	1.0415	1.1803	1.0096	1.1135

Conversion Table and Technical Abbreviations

Amounts in this Annual Information Form are generally in metric units. Conversion rates from Imperial measure to metric and from metric to Imperial are provided below.

Imperial Measure	= Metric Unit	Metric Measure	= Imperial Measure
2.47 acres	1 hectare	0.4047 hectares	1 acre
3.28 feet	1 metre	0.3048 metres	1 foot
0.62 miles	1 kilometre	1.609 kilometres	1 mile
0.032 ounces (troy)	1 gram	31.1035 grams	1 ounce (troy)
1.102 tons (short)	1 tonne	0.907 tonnes	1 ton
0.029 ounces (troy/ton)	1 gram/tonne	34.28 grams/tonne	1 ounce (troy/ton)

All ounces are troy ounces; 14.58 troy ounces equal one pound (containing 16 Imperial ounces).

Abbreviations

Ha	Hectares	tpd	tonne per day
g	grams	Oz.	ounces
g/t	grams per tonne	km	kilometres
ppb	parts per billion	T	tonnes

Unless the context otherwise requires, references to the "Corporation", "Cerro Grande Mining Corporation" or "Cerro Grande" in this Annual Information Form refer to Cerro Grande Mining Corporation and its subsidiaries.

Forward-Looking Information

This Annual Information Form contains certain "forward-looking information". All information, other than historical facts, that address activities, events or developments that the Corporation believes, expects or anticipates will or may occur in the future (including, without limitation, information regarding mineral resources, metallurgical results, plans to increase production at the Pimenton mine and the anticipated timing for receipt of permission thereof, the Corporation's development plans with respect to the Pimenton mine, the estimated cost of expansion of the tailings deposit of Pimenton mine, the timing of the updated mineral resource and mineral reserve report for the Pimenton property, the Corporation's plans with respect to the Santa Cecilia Project, potential mineralization, expectations regarding continuation of contracts and expectations regarding the Corporation's dividend policy) are forward-looking information. Forward-looking information reflects the current expectations or beliefs of the Corporation based on information currently available to the Corporation. Forward-looking information is subject to significant risks and uncertainties and other factors that could cause the actual results to differ materially from those

discussed in the forward-looking information, and even if such actual results are realized or substantially realized, there can be no assurance that they will have the expected consequences to, or effects on the Corporation. Factors that could cause actual results or events to differ materially from current expectations include, but are not limited to: failure to establish estimated mineral resources, the preliminary nature of metallurgical results, changes in gold and other mineral prices, changes in equity markets, political developments in Chile, changes to regulations affecting the Corporation's activities, delays in obtaining or failures to obtain required regulatory approvals, uncertainties relating to the availability and costs of financing needed in the future, the uncertainties involved in interpreting drilling results and other geological data, the other risks involved in the gold exploration and development industry and the risks described under "Narrative Description of the Business – Risk Factors, Economic Environment and Operations" in this Annual Information Form. Forward-looking information speaks only as of the date on which it is made and, except as may be required by applicable securities laws, the Corporation disclaims any intent or obligation to update any forward-looking information, whether as a result of new information, future events or results or otherwise. Although the Corporation believes that the assumptions inherent in the forward-looking information are reasonable, forward-looking information is not a guarantee of future performance and accordingly undue reliance should not be put on such information due to the inherent uncertainty therein.

The mineral resource figures referred to in this Annual Information Form are estimates, and no assurances can be given that the indicated levels of gold would be produced. Such estimates are expressions of judgment based on knowledge, mining experience, analysis of drilling results and industry practices. Valid estimates made at a given time may significantly change when new information becomes available. While the Corporation believes that the resource estimate included in this Annual Information Form is well established, by their nature, resource estimates are imprecise and depend, to a certain extent, upon statistical inferences which may ultimately prove unreliable. Mineral resources are not mineral reserves and do not have demonstrated economic viability. There is no certainty that mineral resources can be upgraded to mineral reserves through continued exploration.

CORPORATE STRUCTURE

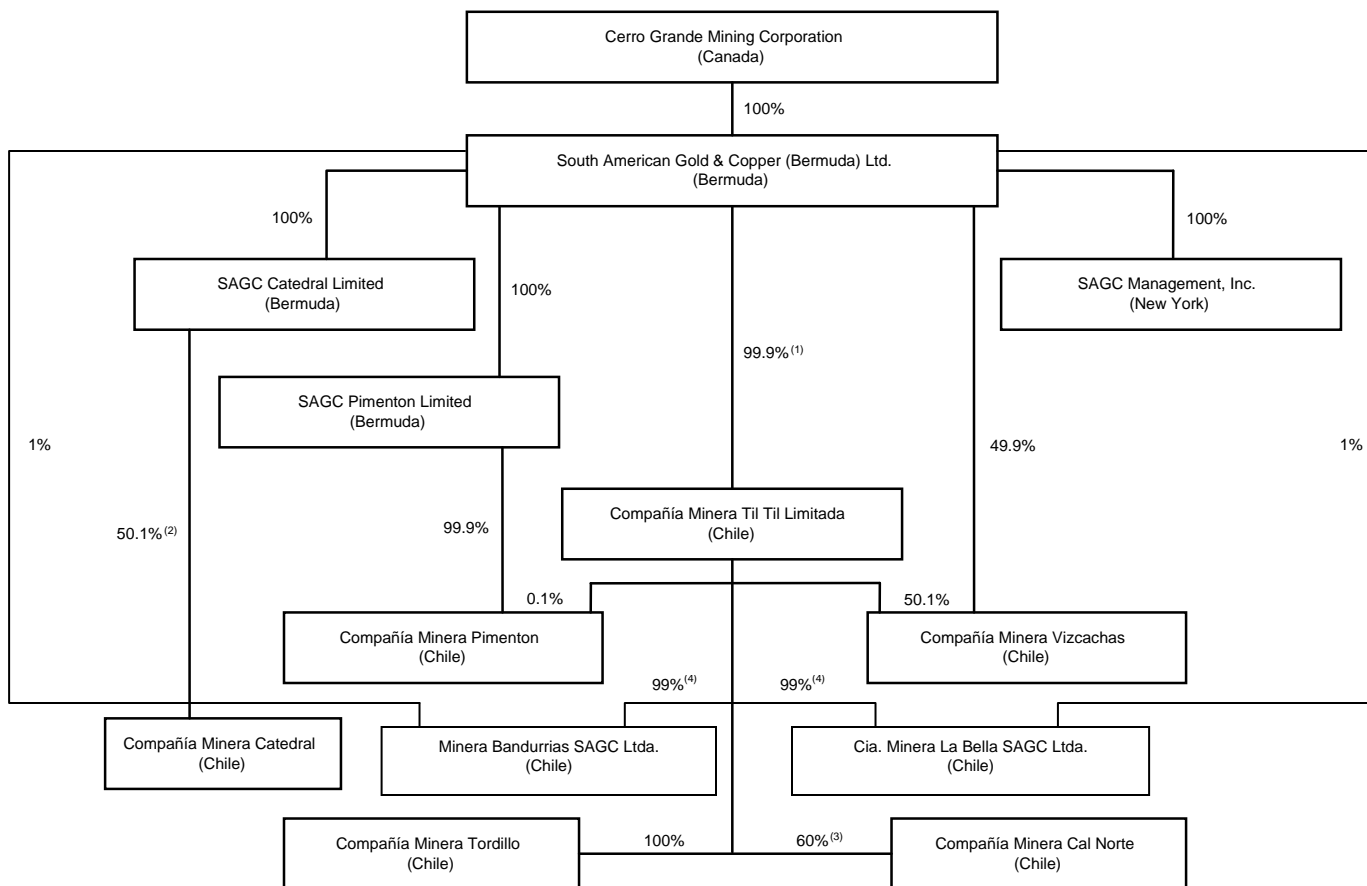
The Corporation was originally incorporated on May 6, 1991, under the laws of the Cayman Islands, British West Indies, and under the name of "South American Gold & Copper, Ltd." On May 12, 1994, Osborne & Chappel Goldfields Limited ("**O&C**"), a company incorporated under the laws of Bermuda, acquired all of the issued shares of South American Gold & Copper Company, Ltd. ("**Old SAGC**") in exchange for new shares of O&C pursuant to a reverse takeover. Subsequent to the acquisition of Old SAGC, O&C changed its name to "South American Gold and Copper Company Limited" and its fiscal year to September 30. At the time of the acquisition of Old SAGC by O&C, O&C's common stock was listed on the Toronto Stock Exchange ("**TSX**"), but suspended from trading due to its not meeting certain financial criteria. Following the reverse takeover, the TSX approved reinstatement of trading in the shares of the Corporation on May 18, 1994. In March 1996, the Corporation's shareholders approved the transfer and consolidation of all the Corporation's assets and liabilities from the British West Indies corporation to and into its Bermudian subsidiary and on October 3, 1996, the Corporation became subject to the "Companies Act" of the Province of Nova Scotia, Canada. On May 3, 2007, the Corporation was continued under the *Canada Business Corporations Act*.

On March 31, 2011, by articles of amendment, the Corporation changed its name to "Cerro Grande Mining Corporation" and amended the articles of the Corporation to consolidate the issued and outstanding common shares of the Corporation by changing each one of the then issued and outstanding common shares of the Corporation into one-tenth of one new common share of the Corporation (each whole such consolidated common share, a "**Common Share**").

The registered office of the Corporation is located at Suite 2300, 79 Wellington Street West, Toronto, Ontario M5K 1H1, Canada. The Corporation's business office is located at 67 Yonge Street, Suite 1201, Toronto, Ontario M5J 1J8, Canada. The Corporation's principal activities are conducted from its offices in Santiago, Chile, located at La Concepcion 266, Of. 704, Providencia, Santiago, Chile.

The following diagram sets out all of the Corporation's material subsidiaries as at September 30, 2011, their jurisdictions of incorporation and the Corporation's direct and indirect voting interests in each of these subsidiaries:

CERRO GRANDE MINING CORPORATION



Notes:

- (1) Under Chilean law, a limited liability company must have at least two shareholders. The other 0.1% interest is held by Mr. Stephen W. Houghton, the Corporation's founder and Chief Executive Officer.
 - (2) The other 49.9% interest is held equally by Messrs. David R.S. Thomson and Mario Hernandez both of whom are Executive Vice Presidents and directors of the Corporation.
 - (3) The other 40% interest is held by two individuals who are not affiliated with the Corporation.
 - (4) Minera Bandurrias and Cia Minera la Bella SAGC Ltda. are governed under the laws of Chile. 99% of both these subsidiaries are held indirectly by the Corporation's 99.9% owned subsidiary, Compañía Minera Til Til Ltda., and 1% is held by the Corporation's 100% owned subsidiary, South American Gold and Copper (Bermuda) Ltd.
- All shareholdings represented on the above diagram are of common shares.

GENERAL DEVELOPMENT OF THE BUSINESS

The Corporation is a mining company with mineral exploration and development properties. The business of the Corporation is to acquire, explore, develop and operate natural resource properties, either alone or in joint venture with other companies. Cerro Grande has one producing gold mining property which was on temporary shut-down from June 2005 until January 2008 when work was started to put the mine back into operation.

The Pimenton mine was put into production in July 2008. Commercial production was declared effective October 1, 2008, at a rate of production of 91 tonnes per day during the 21 days the plant was in operation during October 2008. The Corporation had planned to gradually increase production to approximately 150 tonnes per day or 15,000 gold ounces in the fiscal year ended September 30, 2010 as development of reserves were converted into Canadian

Securities Administrator's National Instrument 43-101 - *Standards of Disclosure for Mineral Projects* ("NI 43-101") compliant proven and probable reserves. However, due to mine equipment break downs and regulatory authorities closing a part of the mine for the first six months of the Corporation's year ended September 30, 2009 due to a fatal mining accident the Corporation produced at the rate of approximately 100 tons per day. Such equipment issues and mining accident, as well as a lack of skilled mechanics led to delays in the development of Pimenton. This in turn led to production plan delays as higher grade stopes were not prepared in time to meet production grade estimates. As a result of mining from lower grade stopes the head grade dropped to 8.9g/t Au and 0.53% Cu during the first six months of the fiscal year ended September 30, 2010. For the last six months of such fiscal year the head grade was increased to 12.1 g/t and 0.59% Cu. For the fiscal year ended September 30, 2011 Pimenton sold approximately 14,013 ounces of gold, 390 tonnes of copper and 8,132 ounces of silver compared to the year ended September 30, 2010 when Pimenton sold 8,598 ounces of gold, 132 tonnes of copper and 3,686 ounces of silver.

In addition, mine operating expenses increased during the year ended September 30, 2011 primarily due to higher labor costs as wage pressure increased combined with hiring of more miners to prepare the mine for the planned production increases.

The regulatory problem mentioned above has been resolved and the mine equipment availability problems have been improved with an aggressive hiring and parts purchasing program. Additional mine equipment was purchased during the second half of the fiscal year ended September 30, 2011. The Corporation expects the mine to gradually increase production above current tons per day during the year ended September 30, 2012 at current reserve grades. At the present rate of production, proven and probable reserves are sufficient for 3 years. The Corporation is currently working to convert 189,000 tonnes of drill indicated resources into the proven and probable reserves and continue exploration for new gold veins at Pimenton.

The Corporation is currently reviewing alternative strategies for the sale, joint venture or spin-off of the Catedral and Rio limestone properties as well as Cal Norte.

In July, 2011 the Corporation entered into a letter agreement (the "**Letter Agreement**") with Mario Hernandez, Dr. David Thomson and Merwin Bernstein (together, the "**Majority Shareholders**") who, in aggregate, own 65.6% of Compañía Minera Cerro del Medio ("**CDM**").

CDM is the 100% owner of the Santa Cecilia Property which covers 3,251 hectares of claims in the Maricunga District of Chile. The eastern claim boundary of the Santa Cecilia Project lies adjacent to Exeter Resources Ltd.'s Caspiche Project claims. The Caspiche Project has published measured and indicated resources of 21.3 million ounces of gold, 5.3 billion pounds of copper and 48.4 million ounces of silver. The measured and indicated resource is based on 1,316 Mt (million metric ton) at a grade of 0.50 g/t gold (grams per metric ton) and 1.14 g/t of silver including 1,217 Mt at a grade of 0.18% copper. The Santa Cecilia Property and the Caspiche Project are both close to the Kinross Maricunga gold mine 16 kilometres to the north and to the Barrick/Kinross Cerro Casale gold/copper project 14 kilometres to the south. All are part of Chile's prolific Maricunga gold and copper porphyry district.

Under the terms of the Letter Agreement, the Corporation has the opportunity to acquire at least 65.6% of CDM by conducting a diamond drilling campaign consisting of a minimum of 7,200 metres estimated to cost approximately US \$4,000,000, of which the Corporation is committed to fund 65.6% (estimated US \$2,624,000) over a two year period commencing July 1, 2011.

The Corporation will engage a qualified engineering firm to supervise the drilling campaign on Santa Cecilia. This firm will also update NI 43-101 technical reports on Cerro Grande Mining Corporation's other projects and Santa Cecilia on completion of the drilling campaign.

Following completion of the drilling campaign on Santa Cecilia and receipt of the NI 43-101 technical reports, an evaluation (an "**Evaluation**") of the Corporation and CDM will be undertaken by a competent, independent investment banking group to value the Corporation and CDM. On completion of a satisfactory Evaluation, the Corporation has ninety days in which to determine if it wishes to proceed with acquiring the interest of the Majority Shareholders in CDM.

The Corporation or CDM may terminate the Letter Agreement under certain circumstances. Depending on the circumstance, the Corporation will be reimbursed up to 125% of its share of the drilling campaign costs. The Corporation may terminate the agreement at any time after having drilled not less than 1,500 metres.

Mario Hernandez (holder of 37.1% of CDM's issued and outstanding common shares (the "CDM Shares")) and David R.S. Thomson (holder of 23.5% of the CDM Shares), are shareholders, directors and executive officers of the Corporation and have held a majority interest in the Santa Cecilia Property since 1983. On this basis, the Letter Agreement, and any definitive acquisition agreement entered into following a satisfactory Evaluation may constitute a related party transaction. While the Letter Agreement has no immediate impact on the shareholdings of Mr. Hernandez and Dr. Thomson in the Corporation, at this time the Corporation is unable to provide a description of any impact that a definitive acquisition agreement may have on any such shareholdings in CEG.

CDM has conducted Mobile Metal Ion geochemical and CSAMT geophysical surveys on the Santa Cecilia property. These surveys have successfully established the existence of a drill target in the shape of a large gold and copper anomaly. This gold and copper drill target is 3,000 metres directly west of the Caspiche measured and indicated resource.

NARRATIVE DESCRIPTION OF THE BUSINESS

General

The Corporation is a junior mining, exploration, development and producing company which requires it to have mining claims knowledge, geological knowledge, production experience, personnel management, finance and administrative knowledge. The Corporation believes that it employs people with such aforementioned knowledge and experience fulfilling each of these areas of expertise.

The Corporation currently has interests, through its subsidiary companies, in five principal properties, Pimenton (100%), Tordillo (100%), Bandurrias (100%), Catedral/Rino (50.10%) and Cal Norte (60%), all of which are located in Chile. In addition the Corporation holds an option agreement on the La Bella property through one of its subsidiaries. The Corporation has also entered into the Letter Agreement which provides for the Corporation's option to acquire at least a 65.6% interest in CDM which owns the Santa Cecilia Property as described above.

The Corporation commenced commercial production at its Pimenton gold mine in Chile in July 2004, and subsequently shut down operations in June 2005 due to extreme weather conditions which damaged the mine's main portal entrance.

The Corporation was successful in putting its Pimenton Mine in operation by mid-2008 and declared commercial production effective October 1, 2008. The mining method used at the Pimenton Mine is open stope mining. The mineral ore is transported from the mine to the plant, a distance of two kilometres, where the ore is crushed, processed through a ball mill and through a Knelson concentrator, then passed through flotation cells, then through a thickener and then through a dryer. The end product consists of a Knelson gold concentrate and a copper/gold concentrate which is transported and sold to Enami, the Chilean state owned smelter located at Ventanas, Chile, approximately 164 kilometres from the Pimenton Mine site. The Corporation also sells gold doré to Argor-Heraeus, a major gold refinery in Mendrisio, Switzerland.

Gold and copper concentrate, and gold doré are sold to Enami and Argor- Heraeus, respectively, under one year renewable contracts. The Corporation is currently dependent on such contracts.

For the fiscal year ended September 30, 2010 the Corporation had gold sales of \$9,998,000 and copper and silver sales of \$951,000 before \$222,650 discounted by Enami and the Pimenton mine processed 31,075 tonnes of ore per day and produced and sold 8,598 ounces of gold at an average price of \$1,162.00 per ounce. The cash costs per ounce of gold net of by product credits of copper and silver after discounts to Enami was \$992.

For the fiscal year ended September 30, 2011 the Corporation had gold sales of \$20,707,575 and copper and silver sales of \$3,581,798 before \$243,013 discounted by Enami and Argor-Heraeus and the Pimenton mine processed

28,621 tonnes of ore and sold 14,083 ounces of gold at an average price of \$1,500 per ounce. The cash costs per ounce of gold net of by product credits of copper and silver after discounts was \$716.65.

The Corporation is also engaged in the exploration of other mineral properties and in the development of its limestone deposits.

The Corporation has four officers. The Corporation and its subsidiaries employed approximately 290 people as of December 2011. The Corporation's accounting in Chile is handled by a Manager of Accounting who is employed by the Corporation and by an accounting service, which maintains six full-time persons in Cerro Grande's Chilean office.

The Corporation may be materially adversely affected in the current financial year by renegotiation with its labour union at Pimenton scheduled for February 2012.

No material reorganization is proposed for the current financial year ending September 30, 2012.

Risk Factors, Economic Environment and Operations

The Corporation's operations will be subject to all of the hazards and risks normally incidental to exploring, developing and exploiting natural resources. Some of these risks include:

- environmental hazards;
- industrial accidents;
- labour disputes;
- unusual or unexpected geologic formations or other geological or grade problems;
- unanticipated changes in metallurgical characteristics and gold recovery;
- unanticipated ground or water conditions, cave-ins, pit wall failures, flooding, rock bursts;
- periodic interruptions due to bad or hazardous weather conditions and other acts of God; and
- unfavourable operating conditions.

Any of these risks and hazards could adversely affect the Corporation's exploration activities or mining activities resulting in:

- an increase in the cost of exploration, development or production to a point where it is no longer economically feasible to continue;
- the Corporation writing down the carrying value of one or more properties or mines;
- delays or a stoppage in the exploration, development or production of the projects;
- damage to or destruction of mineral properties or processing facilities; and/or
- personal injury, death and/or legal liability.

Any of these results would have a material adverse effect on the Corporation's financial condition, results of operation and future cash flows.

The exploration for and development of mineral deposits involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. Substantial expenses may be required to locate and establish ore reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the exploration programs planned by the Corporation will result in a profitable commercial mining operation. Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are: the particular attributes of the deposit, such as size, grade and proximity to infrastructure; metal prices, which are inherently cyclical and cannot be predicted with certainty; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. As a result, it is possible that actual costs and economic returns will differ significantly from those currently estimated for the Corporation's projects.

In addition, it is also not unusual in mining operations to experience unexpected problems both during the start-up and during ongoing operations. To the extent that unexpected problems occur affecting the production in the future, the Corporation's revenues may be reduced, costs may increase and the Corporation's profitability and ability to continue its mining operation may be adversely affected.

The mining industry is intensely competitive in all of its phases. The Corporation competes with many companies possessing greater technical facilities and financial resources than are available to it.

The principal area on which the Corporation is focusing its exploration efforts is Chile. The competition for good exploration prospects can be intense. Many mining companies operating in Chile have far greater resources than the Corporation. Therefore, the Corporation may not always be successful in acquiring exploration prospects that it has identified.

The mining business is subject to accidents or fatal deaths due to a variety of causes. Most accidents are caused by miners not following strict guidelines which have been established by the mining industry. Accidents or fatal deaths in a mine can cause regulatory authorities to shut down a mine or parts of a mining operation while regulators are investigating the causes of the accident. Partial or full mine shut downs could cause very damaging financial hardships for a mining company.

All phases of the Corporation's operations are subject to environmental regulation in the various jurisdictions in which it operates. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that existing or future environmental regulation will not materially adversely affect the Corporation's business, financial condition and results of operations. Environmental hazards may exist on the properties on which the Corporation holds interests which are unknown to the Corporation at present and which have been caused by previous or existing owners or operators of the properties. Government approvals and permits are currently, or may in the future be, required in connection with the Corporation's operations. To the extent such approvals are required and not obtained, the Corporation may be curtailed or prohibited from proceeding with planned exploration or development of mineral properties. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Companies engaged in mining operations, including the Corporation, may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Corporation and cause increases in exploration expenses, capital expenditures or production costs, reduction in levels of production at producing properties, or abandonment or delays in development of new mining properties.

The mineral exploration activities of the Corporation are subject to various laws governing prospecting, development, production, taxes, labour standards, employment and occupational health, mine safety, use of water, toxic substances and waste disposal, environmental and other matters. Mining and exploration activities are also subject to various laws and regulations relating to protection of the environment. Although the Corporation believes that its exploration and production activities are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner that could limit or curtail production or development. Amendments to current laws and regulations governing the operations and activities of the Corporation or more stringent implementation thereof could have a material adverse effect on the business, financial condition and results of operations of the Corporation.

The acquisition of title to mineral properties is a very detailed and time-consuming process. Title to, and the area of, mineral concessions may be disputed. Although the Corporation believes it has taken reasonable measures to ensure proper title to its properties, there is no guarantee that title to any of its properties will not be challenged or impaired. Third parties may have valid claims underlying portions of the Corporation's interests.

The operations of the Corporation may require licenses and permits from various governmental authorities. Obtaining necessary permits and licenses can be a complex, time consuming process and the Corporation cannot be certain that it will be able to obtain necessary permits on acceptable terms, in a timely manner or at all. The costs and delays associated with obtaining necessary permits and complying with these permits and applicable laws and regulations could stop, delay or restrict the Corporation from proceeding with the development of an exploration project or the development and operation of a mine. Any failure to comply with applicable laws and regulations or permits could result in interruption or closure of exploration, development or mining operations, or fines, penalties or other liabilities. The Corporation could also lose its mining concessions under the terms of its existing agreements.

The profitability of the Corporation's operations on any producing properties is dependent in part upon the market price of mineral commodities and precious metals. Mineral prices fluctuate widely and are affected by numerous factors beyond the control of the Corporation. The level of interest rates, the rate of inflation, the world supply of and demand for mineral commodities and exchange rate stability can all cause significant price fluctuations. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political developments. The price of mineral commodities has fluctuated widely in recent years, and future price declines could cause commercial production to be impracticable, thereby having a material adverse effect on the Corporation's business, financial condition and results of operations.

Fluctuations in market price of mineral commodities subsequent to the date of any estimate of mineral reserve or mineral resource may require revision of such estimate. An adverse fluctuation in the market price of mineral commodities may cause a re-evaluation of the economic feasibility of any project. If the economic feasibility is subsequently questioned, the Corporation may be adversely affected and may have to write-off costs previously incurred.

Development and exploration activities depend on adequate infrastructure, including reliable roads, power sources and water supply. The Corporation's inability to secure adequate water and power resources, as well as other events outside its control, such as unusual weather, sabotage, government or other interference in the maintenance or provision of such infrastructure, could adversely affect the Corporation's operations and financial condition.

The Corporation is subject to exchange variations against its functional currency, the United States dollar, as it purchases certain goods and services in Chilean pesos and Canadian dollars. The Chilean peso fluctuates in line with a basket of currencies currently consisting of the US dollar, the Euro and the Japanese yen. The Central Bank of Chile from time to time re-weights the percentage of emphasis placed on a given currency in the basket and may from time to time replace one world currency in the basket with another world currency. The Corporation's revenues, if any, in the future, will be primarily derived from the mining and sale of gold, copper, limestone and lime and the disposition of interests in mineral properties or interests related thereto. The price of these commodities has fluctuated widely, particularly in recent years, and is affected by numerous factors beyond the Corporation's control including international, economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates and global or regional consumptive patterns.

There is a significant degree of uncertainty attributable to the calculation of mineral deposit estimates and corresponding mineralization grades. Until the mineralized material is actually mined and processed, mineral deposit estimates, mineralization grades and recovery rates must be considered as estimates only. Consequently, there can be no assurance that any mineral deposit estimates or ore-grade information contained herein (including in the documents incorporated herein by reference) will prove accurate. In addition, the value of mineral deposits may vary depending on mineral prices and other factors. Any material change in ore grades, stripping ratios and processing factors may affect the economic viability of the Corporation's projects. Furthermore, mineral deposit estimate information should not be interpreted as any assurance of mine life or of the potential profitability of existing or future projects.

The exploration and development of the Corporation's properties, including continuing exploration and development projects, and the construction of mining facilities and the commencement of mining operations, may require substantial additional financing. Additional financing may not be available when needed or, even, if available, the terms of such financing might not be favourable to the Corporation and might involve substantial dilution to existing shareholders or sale or other dispositions of an interest in any of the Corporation's assets or properties. Failure to

obtain sufficient financing when needed may result in a delay or indefinite postponement of exploration, development or production on any or all of the Corporation's properties or even a loss of a property interest and may have a material adverse effect on the Corporation's business, financial condition and results of operations. Sources of funds now available to the Corporation are limited.

The principal area in Chile where the Corporation's proposed Cal Norte and Catedral lime projects are located is in the Central Regions of Chile (Regions IV, V, VI and the Metropolitan Region). These regions are currently supplied by one independently-owned lime processing company. The Argentinean lime suppliers may offer strong price competition to the Cal Norte and Catedral projects.

The parts and equipment currently being used or which may be used by the Corporation in its exploration, mine property development and plant operations are readily available in Chile. If imports of specialized equipment or parts are required, Chile's import duty and customs procedures are clearly defined and well managed by the Chilean authorities.

The lime business is generally conducted through medium (two to five years) term sales contracts with price escalation clauses and not impacted by day to day price changes.

While the mining businesses in which the Corporation operates are not seasonal, the location of specific mining operations in Chile can be adversely impacted by seasonal weather conditions. Pimenton, Tordillo and Catedral are subject to harsh winter weather conditions including potential avalanche conditions, high winds and sub-zero temperatures. La Bella, Bandurrias and Cal Norte have not historically been subject to harsh winter weather conditions.

The mining interests of the Corporation may be affected in varying degrees by political or economic stability. Associated risks include, but are not limited to: terrorism, military repression, extreme fluctuations in currency exchange rates and high rates of inflation. Any change in regulations or shifts in political attitudes are beyond the control of the Corporation and may materially adversely affect its business, financial condition and results of operations. Operations may also be affected in varying degrees by such factors as government regulations (or changes thereto) with respect to the restrictions on production, export controls, income taxes, expropriation of property, repatriation of profits, land use, environmental legislation, water use, land claims of local people, and mine safety. The effect of these factors cannot be accurately predicted.

The Corporation's material properties are currently located in Chile and, as such, a substantial portion of the Corporation's business is exposed to various degrees of political, economic and other risks and uncertainties. Although Chile has a mature and stable political system and enjoys one of the best country risk ratings of the region, there is always the potential for changes in mining policies or shifts in political attitude towards foreign investment in natural resources. Changes, even if minor in nature, may adversely affect the Corporation's operations.

There is no assurance that Chile or any other foreign country in which the Corporation may operate in the future will not impose restrictions on the repatriation of earnings to foreign entities.

The Corporation will be dependent upon the continued support and involvement of a number of key management personnel. The loss of the services of one or more of such personnel could have a material adverse effect on the Corporation. The Corporation's ability to manage its exploration and development activities and, hence, its success, will depend in large part on the efforts of these individuals. The Corporation faces intense competition for qualified personnel and there can be no assurance that the Corporation will be able to attract and retain such personnel.

The TSX has, from time to time, experienced significant price and volume fluctuations unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the market price of the Common Shares. In addition, the market price of the Common Shares is likely to be highly volatile. Factors such as the price of gold and other minerals, the average volume of shares traded, announcements by competitors, changes in stock market analyst recommendations regarding the Corporation, market perception with respect to investments in the mineral exploration and development sector and general market conditions and attitudes affecting other exploration and mining companies may have a significant effect on the market price of the Common Shares.

Moreover, it is likely that during future quarterly periods, the Corporation's results and exploration activities may fluctuate significantly or may fail to meet the expectations of stock market analysts and investors and, in such event, the market price of the Common Shares could be materially adversely affected. In the past, securities class action litigation has often been initiated following periods of volatility in the market price of a company's securities. Such litigation, if brought against the Corporation, could result in substantial costs and a diversion of management's attention and resources, which could have a material adverse effect on the Corporation's business, financial condition and results of operations.

Certain of the directors and officers of the Corporation also serve as directors, officers and/or advisors of and to other companies involved in natural resource exploration and development. Consequently, there exists the possibility for such directors and officers to be in a position of conflict. The Corporation expects that any decision made by any of such directors and officers involving the Corporation will be made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of the Corporation and its shareholders, but there can be no assurance in this regard. In addition, each of the directors is required to declare and refrain from voting on any matter in which such directors may have a conflict of interest or which are governed by the procedures set forth in the *Canada Business Corporations Act* and any other applicable law.

The Corporation has never paid a dividend on its Common Shares, and does not expect to do so in the foreseeable future. Any future determination to pay dividends will be at the discretion of the board of directors and will depend upon the capital requirements of the Corporation, results of operations and such other factors as the board of directors considers relevant. Accordingly, it is likely that investors will not receive any return on their investment in the Common Shares other than possible capital gains.

Under applicable Canadian law, shareholder approval is not required for the Corporation to issue Common Shares in a number of circumstances. Moreover, the Corporation has commitments that could require the issuance of a substantial number of additional Common Shares, in particular warrants exercisable into Common Shares and options to acquire Common Shares under the Corporation's stock option plan. The future business of the Corporation will require substantial additional financing which will likely involve the sale of equity capital. The Corporation can also be expected to issue additional options, warrants and other financial instruments, which may include debt. Future issuances of equity capital may have a substantial dilutive effect on existing shareholders. The Corporation is not able at this time to predict the future amount of such issuances or dilution.

Mine Concessions in Chile

The acquisition and maintenance of mining concessions is of critical importance to the Corporation.

Chile's mining policy has been to develop a strong body of laws that promotes both local and foreign investment. Many of the legal provisions concerning mining activities were enacted in 1980.

A Chilean mining concession is a property right, distinct and independent of the ownership of land on which it is located, even though both may belong to the same person or entity. The rights guaranteed by mining concessions are defensible against third parties, transferable, chargeable and, in general, may be the subject of any transaction or contract. A mining concession is not susceptible to physical division and can only be divided by percentage parts or shares. Buildings and other structures in a mining operation are real property accessories to the concession on which they are located.

If claims are filed on land owned by landowners, the claims holder must negotiate a "servidumbre" (right of way) with the landowner. If a reasonable compensation amount cannot be negotiated with the landowner for the servidumbre, the concession holder may seek remedies from the local Court having jurisdiction in the area in which the claims are located. There is a strong body of law in Chile that gives concession owners the right of access and the right to explore and develop mining concessions.

The Chilean Mining Law, Constitutional Organic Law No. 18097 of 1982, provides the legal framework for the exploration and exploitation of mining concessions. The law provides that mining concessions are granted by the

courts and can be mortgaged or transferred. A concession owner has full ownership rights. The concession holder also has the right to defend his ownership interests against the state and third parties.

The Corporation maintains a database of all of its claims. Under the Chilean claims system, a claimant may file on top of (“**top filed**”) an existing claims holder. Once claims are filed under the claims procedure, they are published in the Mining Bulletin (which is printed weekly and subscribed to by the Corporation). In the event that a claims holder is top filed, the top filer has no rights to the claim unless the original claim holder lets its claim lapse for lack of payments. Alternatively, the top filer may announce his intention in the Mining Bulletin to measure the claims if the claims are held in the “Pedimento” (a well-defined initial exploration claim with a duration of two-years) stage by the original claims holder. On receipt of the Mining Bulletin, the Corporation’s land department reviews all newly published claims by inputting the newly published claims’ registration number into the computer program which then runs a cross-check of published claims against the claims that the Corporation holds. If a top filing situation exists, the Corporation must take appropriate action to defend its claims position.

In Chile, the basic tax rate for mining companies is 20%.

A royalty on minerals produced from Chilean mining properties has been imposed. Currently, the minimum tax rate on non-distributed income is 17% for non-registered DL-600 companies and a maximum tax on distributable income of 35%. The Congress and Senate have increased the maximum tax from 35% to 38%. DL-600 registered companies currently are subject to a 17% tax on non-distributed income and a tax of 45% on distributed income. DL-600 registered companies have been given the right to elect to become non DL-600 registered companies. Companies electing to remain DL-600 registered will not be affected by the proposed tax increase.

The Corporation’s wholly-owned Chilean subsidiary, Compañía Minera Til Til Ltda, is a DL-600 registered company. All incoming funds provided by the Corporation to its operating activities in Chile are registered under DL-600. For the foreseeable future the Corporation will retain DL-600 registered status of Compañía Minera Til Til Ltda.

Under DL-600, all inflows of funds are registered with the Central Bank of Chile. All registered incoming funds are guaranteed to have the right of repatriation at the Central Bank’s published convertibility rate on the day of repatriation.

Regulatory Matters

The Corporation received confirmation from SERNAGEOMIN, the Chilean state mining and permitting authority, that the Corporation’s wholly-owned subsidiary, Compañía Minera Pimenton (“**CM Pimenton**”), did not require new permits in order to reactivate operations at Pimenton. The Corporation submitted an application for expansion of the Pimenton Mine’s tailings deposits, which was approved by SERNAGEOMIN on December 17, 2004. See “Narrative Description of the Business – Competition, Environment and Foreign Operations” and the Pimenton Technical Report (as defined below).

On January 9, 2009, CM Pimenton filed an application with Corporacion Nacional del Medio Ambiente (“**Conama**”) to increase production from 166.7 tons per day to 500 tons per day. Under Conama’s regulations production of less than 166.7 tons per day by a mine is classified a small miner. In order to obtain the 500 tons per day permits, CM Pimenton must file a plan of the mine and plants’ proposal expansion and a topographical map showing the areas impacted by the expansion of the mine and plant and related facilities. CM Pimenton must also file a final technical report on its tailings pond expansion and renegotiate its servidumbre with the local community which owns the land on which the Pimenton mine is located. The Corporation believed that CM Pimenton would receive permission from Conama to increase production to 500 tons per day on or about February 2010. This date has now been delayed until about August 2012 due to delays in obtaining all of the necessary permits.

Competition, Environment and Foreign Operations

The Pimenton gold/copper mine is located in a remote area of the high mountains of Chile and is eighty kilometres from the nearest community. Pimenton is at present a small high grade underground mine. Pimenton maintains two

safety engineers on a full time basis to monitor safety standards of the mine and plant. The mine has a small tailings pond which is closely monitored by the mine personnel and has been built in accordance with the standards of Sernagomin, the government of Chile's mining agency. The Corporation engages a government approved firm to measure the water quality coming out of the mine's adits and the quality of the water in the stream below the mine site in each quarter. The Pimenton mine uses no arsenic in the plant and the gold/copper ore mined at the mine site has no arsenic. The Corporation has completed the first phase of the Pimenton tailings, which plan has been approved by Sernagomin, and will be built in stages over three to six years. The estimated cost of the first stage was approximately \$500,000 but reduced to \$370,000 due to the use of own equipment and personnel. The total cost is estimated to be \$1,700,000 which will have a negative impact on the Corporation's cash flow after capital expenditures are accounted for.

The Corporation follows the Chilean mining code of ethics in implementing its human right policies and practices. The Corporation also strives to have good relations with the small community located eighty kilometres from the mine site as well as with the town of Los Andes, Chile, which is located one hundred kilometres from the mine site.

The Pimenton mine employs personnel who live in each of the communities as well as personnel from cities located much further in distance from the mine site. The personnel at the mine work seven days a week, ten hours each day and then have a seven day paid holiday. The mine has four shifts, two of which are at the mine site at any one time. The men are transported to and from the mine site with each shift change from Los Andes where the Corporation has a small office and shop. While at the mine the personnel are housed, fed and provided with all miners' standard safety equipment required by Sernagomin.

The Corporation provides for the fair value of liabilities and capitalized costs for asset retirement obligations in the period in which they are incurred. Over time, the liability is accreted to its present value and the capitalized cost is amortized over the useful life of the related asset. Asset retirement obligations are obligations of the Corporation that arise as a result of an existing law, regulation or contract related to asset retirements. Estimates of the liability associated with the retirement of an asset are based on current laws and regulations and the expected resulting costs, all of which are subject to change. If actual costs of reclamation exceed the recorded amount the Corporation will record a loss. Alternatively, if reclamation costs incurred are less than those recorded, the Corporation will record a gain. The total undiscounted amount of the estimated cash flows of \$3,825,000 is expected to be incurred over a period extending to ten years. These estimated cash flows are discounted using a credit-adjusted risk-free rate of 7.5%.

The Corporation is subject to exchange variations against its functional currency, the United States dollar, as it purchases certain goods and services in Chilean pesos and Canadian dollars. The Chilean peso fluctuates in line with a basket of currencies currently consisting of the US dollar, the Euro and the Japanese yen. The Central Bank of Chile from time to time re-weights the percentage of emphasis placed on a given currency in the basket and may from time to time replace one world currency in the basket with another world currency. The Corporation's revenues, if any, in the future, will be primarily derived from the mining and sale of gold, copper, limestone and lime and the disposition of interests in mineral properties or interests related thereto. The price of these commodities has fluctuated widely, particularly in recent years, and is affected by numerous factors beyond the Corporation's control including international, economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates and global or regional consumptive patterns.

DESCRIPTION OF MINERAL PROJECTS

Pimenton Property, Chile and Tordillo Property, Chile

In February 2011, the Corporation filed a technical report dated January 31, 2011 entitled "A Technical Review of the Pimenton Properties in Central Chile for South American Gold and Copper Company Limited" (the "**Pimenton Technical Report**") in respect of its Pimenton Mine, the Pimenton Porphyry Project and the Tordillo property. The Pimenton Technical Report was prepared by James A. McGregor of Watts, Griffis and McOuat Limited and Marco A. Alfaro Sironvalle, an independent mining consultant, each an independent qualified person under NI 43-101.

The summary section from the Pimenton Technical Report is reproduced in its entirety in Schedule “A” attached hereto. The Pimenton Technical Report is available on the Corporation’s SEDAR profile at www.sedar.com and is incorporated by reference herein.

Santa Cecilia Project, Chile

Santa Cecilia is an exploration project for hydrothermal gold, silver and copper in the high western Cordillera of Chile’s “Third Region”. Targeted alteration and mineralization occur over an area of approximately 10 km² at elevations of 3,600 to 4,600 m. See “General Development of the Business” for a description of the Corporation’s interest in the Santa Cecilia project.

La Bella Property, Chile

The Corporation has signed an option agreement, as amended on December 16, 2010 (collectively, the “**La Bella Option Agreement**”) to earn a 100% interest on claims covering approximately 4,000 hectares (9,880 acres) (the inner circle) and has put down additional claims covering an outer circle which encompasses an additional area of approximately 29,500 hectares (72,865 acres) of claims located 75 kilometres southwest of Santiago, Chile.

A small field crew is prospecting the 33,500 hectares (82,745 acres) of total claims held by the Corporation for gold veins. In addition, geochemical soil sampling is being carried out on the vein outcrops. Subsequent drilling will be based on geochemical results after the Corporation’s Pimenton mine is in production at commercial production rates for at least six months.

Under the terms of the La Bella Option Agreement (inner circle) the Corporation has paid an aggregate of \$376,577. The remaining payment obligations are as follows: \$100,000 in December 2011; \$200,000 in December 2012; \$300,000 in December 2013 and \$875,000 in December 2014. The Corporation will pay a 3% net smelter royalty to the optionee of the inner circle from production thereafter.

The Corporation has paid an aggregate of \$227,760 in respect of the outer circle. Under the new agreement, the remaining payment obligations are as follows: \$100,000 in December 2011; \$200,000 in December 2012; \$300,000 in December 2013 and \$875,000 in December 2014. The Corporation will pay a 3% net smelter royalty to the optionee of the outer circle from production thereafter.

Catedral/Rino Limestone Project, Chile

The Catedral/Rino project covers an area of 5,025 hectares reduced from 19,895 hectares held in 2008 and consists of 25 concessions. The Corporation’s interest in this project is held through its 50.1% interest in Compania Minera Catedral, which is the holder of the Catedral concession. Catedral/Rino consists of two separate but adjacent limestone deposits, the Catedral deposit and the Rino deposit. Both deposits lie at an elevation of less than 2,100 up to 2,900 metres and are located 120 km southeast of Santiago, Chile, of which 78 km are paved and the last 42 km are gravel.

Cal Norte Property, Chile

Compañía Minera Cal Norte (“**Cal Norte**”) is a 60% owned subsidiary of the Corporation and holds three mining claims totaling approximately 600 hectares on the Hornito and Ceci Tres limestone deposits. The properties are located in Quebrada, Quelon, Community of Canela, IV Region, approximately 325 km north of Santiago, at an elevation of 1,000 metres and is not impacted by snow during the Chilean winter season. Access is by paved road for approximately 310 km and 15 km of gravel road to the mine site. All claims payments are current and paid to date.

The Cal Norte property is currently available for sale.

Bandurrias Prospect, Chile

The Corporation has made the decision to renew a part of its claims on the Bandurrias prospect. This prospect encompasses 1,714 hectares. There was no exploration work conducted on the Bandurrias prospect during 2011.

DIVIDENDS

The Corporation has not paid any cash dividends during the three most recently completed financial years nor prior to that time. The Corporation does not contemplate paying any dividends at this time, but will review its dividend policy in the future.

CAPITAL STRUCTURE

The Corporation has one class of authorized security, the Common Shares. Holders of Common Shares are entitled to: (i) upon dissolution of the Corporation, share in the remaining property thereof; (ii) receive any dividends validly authorized by the board of directors of the Corporation and declared by the Corporation on the Common Shares; and (iii) vote at all meetings of shareholders except meetings at which only holders of a specified class of shares are entitled to vote.

MARKET FOR SECURITIES

Trading Volume

The Common Shares are traded on the Toronto Stock Exchange under the symbol “CEG”.

CEG Stock Closing Prices and Volume on the TSX

Month	High (Cdn\$)⁽¹⁾	Low (Cdn\$)⁽¹⁾	Volume⁽¹⁾
October 2010	0.45	0.25	1,851,433
November 2010	0.50	0.40	869,982
December 2010	0.65	0.45	1,907,404
January 2011	0.95	0.60	2,331,281
February 2011	0.85	0.65	809,913
March 2011	0.85	0.60	2,664,017
April 2011	0.90	0.60	8,292,023
May 2011	0.80	0.57	611,604
June 2011	0.66	0.50	600,999
July 2011	0.65	0.52	399,711
August 2011	0.73	0.42	1,078,089
September 2011	0.74	0.56	482,859

Note:

- (1) The shares of the Corporation were consolidated on a one-for-ten basis on March 31, 2011. The high and low closing prices and volumes are presented on a post-consolidation basis. On April 14, 2011, the Common Shares commenced trading on the TSX under the current symbol “CEG”. Prior to such date, the pre-consolidated shares of the Corporation traded under the symbol “SAG”.

The Common Shares were also listed for trading on the OTCQB in the United States commencing July 27, 2011.

Prior Sales

Details of securities of the Corporation outstanding but not listed on the TSX issued during the financial year ended September 30, 2011, are set out in the following table:

Date Issued	Type of Security	Number Issued	Exercise/Conversion Price	Expiry/Maturity Date
January 11, 2011	Stock Options	60,000	Cdn\$0.60	Jan 11, 2014
April 29, 2011	Stock Options	757,428	Cdn\$0.79	April 29, 2016
July 26, 2011	Stock Options	51,000	Cdn\$0.60	July 26, 2016

ESCROWED SECURITIES

To the Corporation's knowledge, none of the securities of the Corporation were held in escrow during the year ended September 30, 2011.

DIRECTORS AND OFFICERS

Directors are elected at each annual meeting of shareholders to hold office until the subsequent annual meeting. The name and province or state and country of residence of each director or officer of the Corporation, the positions and offices held by them within the Corporation, their direct and indirect shareholdings in the Corporation, and their principal occupations for the past five years are set forth in the table below.

Name and Province/State and Country of Residence	Position held in Corporation	Principal Occupation ⁽¹⁾	Director Since	Number of Common Shares Beneficially Owned or Controlled as at December 15, 2011 ⁽²⁾
Paul J. DesLauriers ⁽³⁾⁽⁴⁾⁽⁵⁾⁽⁶⁾ Ontario, Canada	Chairman and Director	Executive Vice President, Loewen, Ondaatje, McCutcheon Limited (brokerage firm)	February 5, 2002	235,606 ⁽⁷⁾
Mario Hernandez Santiago, Chile	Executive Vice President, Claims and Land Management and Director	Executive Vice President, Claims and Land Management and a director of the Corporation	March 13, 1997	13,957,118 ⁽⁸⁾
William Hill ⁽³⁾⁽⁵⁾⁽⁶⁾ Ontario, Canada	Director	President of Wm. Hill Associates (a mining consulting firm)	May 15, 2007	nil
Stephen W. Houghton New York, U.S.A.	Chief Executive Officer and Director	Chief Executive Officer and a director of the Corporation	May 12, 1994	2,874,963
Richard Lachcik ⁽⁵⁾⁽⁶⁾ Ontario, Canada	Director and Secretary	Partner of the law firm of Macleod Dixon LLP, Toronto, Canada.	March 11, 2008	nil
Juan Proaño ⁽⁶⁾ Washington, DC, U.S.A.	Director	A director of Minera Poderosa S.A. (a gold company located in Peru)	May 31, 2007	nil
Frederick D. Seeley ⁽³⁾⁽⁴⁾⁽⁵⁾ Massachusetts, U.S.A.	Director	Chairman Givens Hall Bank and Trust Ltd. (Cayman Islands, BVI)	May 12, 1994	37,500
John J. Selters ⁽⁶⁾ Santiago, Chile	Director	General Manager, Magma Energy Chile Ltda., Santiago, Chile	January 10, 2008	430,946
David R. S. Thomson Santiago, Chile	Executive Vice-President, Exploration and Director	Executive Vice-President, Exploration and a director of the Corporation	March 13, 1997	13,694,356 ⁽⁹⁾

Name and Province/State and Country of Residence	Position held in Corporation	Principal Occupation ⁽¹⁾	Director Since	Number of Common Shares Beneficially Owned or Controlled as at December 15, 2011 ⁽²⁾
Fernando Saenz Poch Concepcion, Chile	Director	General Manager, Inversiones FERSA S.A., Concepcion, Chile	April 19, 2010	6,334,428 ⁽¹⁰⁾
Peter W. Hogg Ontario, Canada	Chief Financial Officer	President, Palmer Services, Toronto, Canada.	N/A	nil

Notes:

- (1) Information respecting the principal occupation of each director or executive officer has been provided by such director or executive officer.
- (2) Information respecting holdings of Common Shares has been provided by individual directors or executive officers.
- (3) Member of Audit Committee.
- (4) Member of Compensation Committee.
- (5) Member of the Corporate Governance and Nominating Committee.
- (6) Member of the Technical Committee.
- (7) Held by a company which is wholly-owned by Mr. DesLauriers.
- (8) Of said Common Shares, 13,859,785 are held by companies, which are wholly-owned by Mr. Hernandez. The remaining 97,333 are held in the name of Mr. Hernandez personally.
- (7) Of said Common Shares, 8,765,642 are held by a company which is controlled by another company of which Mr. Thomson owns 66% of the issued and outstanding shares, 4,928,714 are held by a company controlled by Mr. Thomson.
- (8) Of said Common Shares, 2,309,468 are held by Inversiones FERSA S.A., a company which is wholly-owned by Mr. Poch's father, 3,865,560 are held by Lyss Investments C.V., a company which is wholly-owned by Mr. Poch's father and 159,400 registered in the name of Maria Soledad Poch, Mr. Poch's mother.

As at the date hereof, the directors and executive officers of the Corporation, as a group, beneficially owned, or controlled or directed, directly or indirectly, or exercised control or direction over, an aggregate of 37,564,917 Common Shares representing approximately 39.88% of the issued and outstanding Common Shares.

Cease trade orders, Bankruptcies, Penalties and Sanctions

Except as described below, no director or executive officer of the Corporation is, as at the date hereof, or has been, within 10 years before the date of this Annual Information Form, a director, chief executive officer or chief financial officer of any company (including the Corporation) that,

- (a) was the 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 a director, chief executive officer or chief financial officer; or
- (b) 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.

As a result of not filing its audited financial statements for the year ended December 31, 2004 by the filing deadline, Eurasia Gold Inc. (which was then named Eurasia Gold Corp.) ("**Eurasia**") was made subject to an issuer cease trade order issued by the British Columbia, Alberta and Ontario Securities Commissions which was revoked on June 29, 2005 (following the filing of the required records). Mr. Richard J. Lachcik, a director of the Corporation, was a director of Eurasia during the time said cease trade order was in effect.

No director or executive officer of the Corporation, or shareholder holding a sufficient number of Common Shares to affect materially the control of the Corporation is, as at the date of this Annual Information Form, or has been within 10 years before the date of this Annual Information Form, 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.

No director or executive officer of the Corporation, shareholder holding a sufficient number of Common Shares to affect materially the control of the Corporation or any personal holding company of such persons has, within the 10 years before the date of this Annual Information Form, 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, shareholder or personal holding company.

No director or executive officer of the Corporation, shareholder holding a sufficient number of Common Shares to affect materially the control of the Corporation or any personal holding company of such persons 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.

Conflicts of Interest

The directors of the Corporation are required by law to act honestly and in good faith with a view to the best interest of the Corporation and to disclose any interests that they may have in any project or opportunity of the Corporation. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict is required to disclose his interest and abstain from voting on such matter.

To the best of the Corporation's knowledge, there are no known existing or potential conflicts of interest among the Corporation, its directors, officers or other members of management of the Corporation as a result of their outside business interests at the date hereof, other than as set out under "Interests of Management and Others in Material Transactions" herein. However, certain of the directors, and officers and other members of management are engaged and will continue to be engaged in certain business interests on their own behalf and on behalf of other companies, and situations may arise in the futures where the directors, and officers and other members of management may be in direct competition with the Corporation.

The directors and officers of the Corporation have been advised of their obligations to act at all times in good faith in the interest of the Corporation and to disclose any conflicts to the Corporation if and when they arise.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

To the knowledge of the directors and officers of the Corporation, there are no legal proceedings material to the Corporation to which the Corporation is a party or of which any of its property is the subject matter of, during the Corporation's most recently completed financial year, nor are any such proceedings currently contemplated or threatened.

To the knowledge of the directors and officers of the Corporation, no penalties or sanctions have been imposed against the Corporation by a court relating to securities legislation or by a securities regulatory authority during the Corporation's most recently completed financial year, no penalties or sanctions have been imposed against the Corporation by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision in respect of the Corporation, and no settlement agreements have been entered into by the Corporation before a court relating to securities legislation or with a securities regulatory authority during the Corporation's most recently completed financial year.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

A company owned by the Chief Executive Officer of the Corporation (who is also a director) (the “CEO”) billed the Corporation \$12,501 for the twelve month period ended September 30, 2011 (2010 - \$26,041; 2009 - \$64,220) for the provision of office space and services used by the Corporation. Receivables from such officer and director of the Corporation were \$386,449 as at September 30, 2011 (2010 - \$236,577; 2009 - \$240,574) of which \$286,233 was the net amount of a non-interest-bearing note receivable, \$32,000 was a loan in August 2011, and \$68,116 was net of cash advances, salary and truck expenses reimbursement. The note has been extended to September 30, 2012 and is collateralized by 653,200 Common Shares owned by this officer and director.

A company controlled by the Chief Financial Officer of the Corporation billed the Corporation \$51,707 for accounting and administration services rendered for the twelve month period ended September 30, 2011 (2010 - \$40,712). Accounts payable and accrued liabilities include payables to this officer of \$8,325 for such services at September 30, 2011 (2010 - \$5,195).

A law firm of which a director of the Corporation is a partner billed the Corporation \$202,777 in the twelve month period ended September 30, 2011 (2010 - \$178,452) for legal services. Accounts payable and accrued liabilities include \$3,781 and \$70,732 as at September 30, 2011 and 2010, respectively.

During 2007, the Executive Vice President and Director of Land and Administration who is also a director of the Corporation, purchased an interest in the Pimenton notes and royalty from a non-related party. The present value of this note was nil at September 30, 2011 (2010 - \$974,918; 2009 - \$957,793) and interest expense was \$36,211 for the twelve months ended September 20, 2011 (2010 - \$48,746; 2009 - \$48,432). Accounts payable and accrued liabilities include \$nil (2010 - \$36,459; 2009 - \$242,358) for interest and \$114,273 for royalties as at September 30, 2011 (2010 - \$254,979; 2009 - \$398,136).

Accounts payable and accrued liabilities include \$nil, \$36,224 and \$243,984 as at September 30, 2011, 2010 and 2009, respectively, for interest due to the Executive Vice President - Director of Exploration who is also a director of the Corporation who holds one of the Pimenton notes. Such Pimenton note has the present value amounts of \$nil, \$968,645 and \$951,683 as at September 30, 2011, 2010 and 2009, respectively, and interest expense was \$40,437 for the twelve months ended September 30, 2011 (2010 - \$48,432; 2009 - \$48,432). In addition accounts payable and accrued liabilities include \$114,273, \$254,979 and \$398,136 as at September 30, 2011, 2010 and 2009, respectively, for royalties due to this officer and director who is the owner of a net smelter royalty on the Pimenton gold mine. Accounts payable also include \$9,094 for interest not paid on a debenture issued to such officer and director of the Corporation in 2006 and which was converted on June 9, 2009.

Working capital of \$330,000 was provided between April and July 2010, by Compañía Minera Auromin Ltda. which is owned by the Executive Vice-President-Director of Exploration who is also a director of the Corporation. On January 26, 2011, the Corporation repaid this amount in full.

Working capital of \$500,000 was provided in June 2010, by Minera Chañar Blanco S.A. which is owned by the Executive-Vice President and Director of Land and Administration who is also a director of the Corporation. During the period December 18, 2011 to February 28, 2011 this amount was repaid in full.

On April 1, 2010, a Corporation owned by David Thomson, Compañía Minera Auromin Ltda, entered into a services contract with the Corporation for a period of two years, which can be renewed for an additional two year period at the end of each year. Under the term of the contract, Compañía Minera Auromin Ltda is to be paid \$300,000 per year. The services to be provided by Compañía Minera Auromin Ltda include: seeking new mining projects; performing geological studies and design drill programs for the Corporation on exploration projects; conducting preliminary design of the mining plan for designated project and providing other services related to the explorations and development of mining projects. As of September 30, 2011 accounts payable and accrued liabilities included \$75,000 related to such contract.

On April 1, 2010 a company owned by Mario Hernández, Compañía Minera Chañar Blanco S.A., entered into a services contract with the Corporation for a period of two years, which can be renewed for an additional two year

period at the end of each year. Under the term of the contract Compañía Minera Chañar Blanco S.A. is to be paid \$110,000 per year. The services to be provided by Minera Chañar Blanco S.A. include: maintaining title and ownership of mining properties acquired by the Corporation; acquiring water rights or request concessions of water rights on the properties acquired by the Corporation; and negotiations the acquisition of new mining properties for the Corporation. As of September 30, 2011 accounts payable and accrued liabilities included \$27,500 related to such contract.

The Corporation made payments and issued of securities to certain directors and officer. For the twelve month ended September 30, 2011 the expense related to this was \$60,428 (\$24,706 – 2010).

On April 1, 2010, the CEO entered into a salary contract for a period of two years, which can be renewed for an additional two year period at the end of each year. Under the terms of the contract, the CEO is to be paid \$110,000 per year. Additionally, during the term of the agreement, the Corporation will provide him with a diesel truck or its equivalent with all expenses paid. As of September 30, 2011 the Corporation paid \$44,785 for the truck and \$11,721 for expenses.

On June 21, 2011, the board approved a resolution that non-executive directors be paid \$1,000 per meeting attended. As at September 30, 2011 amounts due to the directors for these director fees were \$11,000.

On July 11, 2011, the Corporation entered into the Letter Agreement with the Majority Shareholders, including, Mario Hernandez and David R.S. Thomson, both directors and executive officers of the Corporation. See “General Development of the Business”.

Messrs. Hernandez and Thomson (officers and directors of the Corporation) hold the non-controlling interest in Catedral. Under an agreement dated November 27, 1996, the Corporation agreed to provide or cause to provide these officers and directors a loan of up to \$1,250,000 each or \$2,500,000 in total. Such loans are to pay their proportionate share of development costs if a bankable feasibility study demonstrates that the properties can be placed into commercial production, and to fund their combined 50% share of an option payment totalling \$500,000, which was paid during 1997.

On February 9, 1999, the board of directors agreed to amend the November 27, 1996, agreement with Messrs. Hernandez and Thomson regarding the recovery of advances made to explore and develop the Catedral prospect. The board of directors agreed that all funds advanced will be recovered from 80% of the cash flow of the properties or from the sale thereof until the Corporation has recovered 125% of such advances. On September 11, 2000, the board of directors agreed to an additional amendment to this agreement limiting recovery of advances made through September 30, 2000, to \$3,125,000 (and not the 125% of such advances). Such recovery will be from 60% (reduced from 80% previously agreed upon) of the cash flow from the property or the sale of the property. Future advances will also be recovered from 60% of the cash flow. Accordingly, such advances have been reflected in “Exploration and development costs”.

In 2001, the board of directors and compensation committee of the board approved the granting of a 3.2% net smelter royalty interest on Tordillo, a 2.5% net smelter royalty interest on both the inner circle and outer circle of claims on La Bella to the CEO, the Executive Vice President and Director of Exploration and the Executive Vice President and Director of Administration who are also directors of the Corporation.

TRANSFER AGENT AND REGISTRAR

The registrar and transfer agent for the Common Shares is Computershare Trust Company of Canada at its principal office in Toronto, Ontario.

MATERIAL CONTRACTS

The Corporation did not enter into any material contract during the most recently completed financial year, and has not entered into any material contract since January 1, 2002 and before the most recently completed financial year that is still in effect, other than material contracts entered into in the ordinary course of business that are not required

to be filed under National Instrument 51-102 - *Continuous Disclosure Obligations*, except the letter agreement among the Corporation, Mario Hernandez, David Thomson and Merwin Bernstein providing for the Corporation's option to acquire at least 65.6% of CDM, which is the 100% owner of the Santa Cecilia Project. See "General Development of the Business" and "Description of Mineral Projects – Santa Cecilia Project, Chile" for a description of such letter agreement and the Santa Cecilia Project.

INTEREST OF EXPERTS

James A. McGregor prepared the Pimenton Technical Report, the Catedral/Rino Technical Report and the Santa Cecilia Technical Report. Mr. McGregor did not hold any registered or beneficial interest, direct or indirect, in any securities or other property of the Corporation or subsidiaries or affiliates of the Corporation at the time of preparing such reports and has not since acquired any such interest.

Marco Antonio Alfaro Sironvalle prepared the Pimenton Technical Report. Mr. Sironvalle did not hold any registered or beneficial interest, direct or indirect, in any securities or other property of the Corporation or subsidiaries or affiliates of the Corporation at the time of preparing such report and has not since acquired any such interest.

AUDIT COMMITTEE INFORMATION

The Audit Committee's Charter

The complete text of the Charter for the Audit Committee (the "**Charter**"), is attached hereto as Schedule "B".

Composition of the Audit Committee

The Audit Committee has three members all of whom are independent. All of the members of the Audit Committee are financially literate.

Name of Member	Independent⁽¹⁾	Financially Literate⁽²⁾	Relevant Education and Experience
Paul J. DesLauriers	Yes	Yes	Concordia University, BA, BC ⁽³⁾
Frederick D. Seeley	Yes	Yes	Princeton University, BA ⁽⁴⁾
William Hill	Yes	Yes	University of Toronto, PE ⁽⁵⁾

Notes:

- (1) To be considered independent, a member of the Audit Committee must not have any direct or indirect "material relationship" with the Corporation. A "material relationship" is a relationship which could, in the view of the board of directors of the Corporation, be reasonably expected to interfere with the exercise of a member's independent judgment.
- (2) To be considered financially literate, a member of the Audit Committee must have the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements.
- (3) Mr. DesLauriers has more than 30 years experience in the stock brokerage business and is Executive Vice President of Loewen Ondaatje McCutcheon Ltd.
- (4) Mr. Seeley has more than 30 years experience as a banker with the Schroder Group and is currently a Director of Givens Hall Bank and Trust Ltd.
- (5) Mr. Hill has more than 30 years experience as a professional engineer and has been a director of more than 10 mining companies several of which he was a member of the audit committee.

Audit Committee Oversight

Since the commencement of the Corporation's most recently completed financial year, there has not been a recommendation of the Audit Committee to nominate or compensate an external auditor which was not adopted by the Corporation's board of directors.

Pre-Approval Policies and Procedures

The Audit Committee has adopted specific policies and procedures for the engagement of non-audit services as described in Section III of the Charter entitled “Responsibilities and Duties - External Auditors”.

External Auditor Service Fees (By Category)

The following table discloses the fees billed to the Corporation and its subsidiaries for professional services rendered by its external auditors, PricewaterhouseCoopers LLP during the financial years ended September 30, 2011 and 2010. The figures in the following table are stated in Canadian dollars.

Financial Period Ending	Audit Fees⁽¹⁾	Audit-Related Fees⁽²⁾	Tax Fees⁽³⁾	All Other Fees⁽⁴⁾
September 30, 2011	\$224,575	\$23,675	Nil	\$32,200
September 30, 2010	\$208,585	\$40,393	Nil	\$2,200

Notes:

1. The aggregate fees billed for audit services.
2. The aggregate fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Corporation’s financial statements and are not disclosed in the “Audit Fees” column consisting of reimbursement of out-of-pocket expenses incurred by the auditors.
3. The aggregate fees billed for tax compliance, tax advice, and tax planning services.
4. The aggregate fees billed for professional services other than those listed in the other columns consisting of initial fees relating to International Financing Reporting Standards (IFRS) and reimbursement of Canadian Public Accounting Board Fees.

PricewaterhouseCoopers LLP, Chartered Accountants, Licensed Public Accountants, have prepared the Independent Auditor’s Report dated December 9, 2011 in respect of the Corporation’s consolidated audited financial statements as at and for the years ended September 30, 2011 and 2010. PricewaterhouseCoopers LLP has advised the Corporation that they are independent in accordance with the rules of professional conduct of the Institute of Chartered Accountants of Ontario.

ADDITIONAL INFORMATION

Additional information concerning the Corporation may be found on SEDAR at www.sedar.com.

Additional information, including directors’ and officers’ remuneration and indebtedness, principal holders of the Corporation’s securities and securities authorized for issuance under equity compensation plans, if applicable, is contained in the Corporation’s information circular for its most recent annual meeting of shareholders that involved the election of directors.

Additional financial information is contained in the Corporation’s audited consolidated financial statements and management discussion and analysis for the year ended September 30, 2011.

SCHEDULE "A"
SUMMARY FROM PIMENTON TECHNICAL REPORT

This report is one of two NI 43-101 reports for South American Gold and Copper Company Limited ("**SAGC**") on their mineral properties in Chile. The reports were commissioned in a letter agreement dated July 22, 2010, between Watts, Griffis and McOuat Limited ("**WGM**") and SAGC.

The Pimenton Properties include the Pimenton Mine, the Pimenton Porphyry Project, which comprise the concessions surrounding the mine, and the separate Tordillo property.

The projects include exploration for hydrothermal gold, silver, copper and molybdenum in the high western Cordillera of Chile's Region V. They fall within the San Felipe cluster, which includes a number of porphyry-copper or copper-gold prospects of Miocene age. The cluster includes Novicio and West Wall in the vicinity and Vizcachitas at lower elevation and greater distance from the projects.

The geology in the Pimenton area is complex. Stratigraphic units are folded, faulted and multiply intruded by plutons of similar lithology such that it is difficult or impossible to differentiate between ages and impacts of the different plutons. Combined with the intrusive history is one of successive mineralizing events and alteration that is both widespread and variable in its effects because of structure, ground preparation in relation to structure, porosity variations in brecciated, pyroclastic and volcanic rocks, zoning around intrusive nuclei, and altitude.

In the project area the stratigraphy is made up of a folded volcanic sequence of andesitic and dacitic lavas, tuffs and volcanic breccias, corresponding to the Farellones Formation. The folds are asymmetric, chevron style, with steeply southwest-dipping axial planes. The formations are intersected by a series of high-angle reverse faults that are parallel or sub-parallel to the fold axial planes, and which generally weakened the rocks so that they were eroded into valleys.

The volcanic formations are intruded by a series of porphyritic plutons of diorite and quartz diorite composition. These intrusions range from broad, but elongated stocks, to sheet-like dykes that are partly emplaced along northwest to NNW trending reverse faults. However, several porphyry bodies and breccia pipes (as in the Hondo valley) have likely north or northeast trends. At depth, it is believed that the intrusions may have been emplaced with dilation along the north-south corridor, and that at shallow depths they diverted into structures offering least resistance.

The project area features a striking example of Andean geological alteration. Within an area of approximately 25 km² there are red to orange (as well as greenish) propylitic zones, white

phyllitic, argillic and silica-cap zones, and darker grey to greenish grey zones of potassic and chloritic alteration. The colours are dispersed down talus slopes and are interspersed with unaltered rock at higher altitude and glacial deposits in the valleys. In addition to topography, the visual effects are influenced by lithology and hydrothermal activity. Porous tuffs and breccias may be pervasively altered while near-by massive andesites may be little affected. The core zone of potassic alteration is directly related to porphyry intrusions which themselves are mineralized with sulphides. The white alteration zones tend to surround the potassic core, but also occur in isolation. Such isolated occurrences are believed to indicate underlying porphyry, but may also result from structurally controlled hydrothermal invasion. The propylitic alteration constitutes the outer envelope in which weak sulphide mineralization in this setting is largely oxidized.

According to Minera Anglo-American Corporation (“AAC”) who explored the property in 2007-08, other alteration features within the potassic zone include chlorite-epidote assemblages where the original rocks were calcium-rich and retrograde alteration of biotite to chlorite. Adjoining fault conduits there is superposition of quartz-sericite-clay, and mineralization of tennantite-pyrite. Also fault-related are restricted zones of pervasive sericite-clay-tourmaline replacement which obliterates the texture of the host-rock.

Pimenton Mine

In 1994, SAGC agreed with the former owners to explore, develop and subsequently mine the gold-copper bearing veins. This essentially involved a new company Compania Minera Pimenton (“CMP”) paying a Net Smelter Royalty of 5 to 6%. In 1996, SAGC acquired the remaining 44% of the shares it did not already own. During this period, SAGC drove over 4,000 m of drifts and crosscuts on the veins and completed 9,000 m of diamond drilling beneath the veins.

Mining operations commenced in 1996 at which time gold recovered in a 35 tpd mill helped offset the cost of mine development. By the end of 1996 reserves were developed on several veins and the mill had been expanded to 120 tpd. Operations were curtailed in 1997 after the site was severely damaged in a storm and the combination of low gold prices and a lack of prepared stopes discouraged resumption.

From 1997 to 2004, the mine was maintained on stand-by and most of the equipment was stored at the town of Los Andes. Through this period SAGC was kept alive by capital provisions from its senior directors but, with the improvement of gold and copper prices in 2004, SAGC raised money through the Overseas Private Investment Corporation (“OPIC”) of the American Government (fully repaid in 2010), and by a public offering.. By May 2004 production had resumed at Pimenton, but there were many start-up problems. It was not until May 2005 that the operational cash flow became positive. Then, in June 2005 the Pimenton area was subjected to very heavy El Niño related snowfalls which were coincident with unusually high temperatures. This resulted in large multiple avalanches rendering the mine inoperable, and confinement of 109

mine personnel to the camp area for a month. By then SAGC did not have the financial strength to continue and the operations ceased.

While looking for means to put the mine back into production, SAGC again received capital from its directors, through private placements and through public offerings. This continued until 2008 when operations were resumed and commercial production declared in October of that year.

The Pimenton Mine exploits a cluster of D-type epithermal tensional veins that mostly strike N30°E and were formed in response to regional compression. The veins, which dip steeply to the east and are mildly sinuous, occur within a 3 km by 3 km area. They are affected by fractures that strike north-south and others that cut across, but displacements are minor. The cluster extends between elevation 3,600 m to a drilled depth of 3,180 m. Individual veins typically form shoots up to 450 m long, up to 50 cm wide, and have good depth continuity. The dominant vein type contains massive pyrite and chalcopyrite and subordinate barite. Gold is both free and contained in sulphides. Silver generally reports with gold. A typical assay of vein material is 1.5% Cu, 12 g Au/t and 12 g Ag/t.

Similar veins have been mapped approximately 2.5 km farther north. South of the cluster are several veins (Maria Elena Sector) that appear to be emplaced in northwest-striking shear-zones, are richer in silver than at Pimenton, and are not related directly to the north trending veins.

Recent development on the deeper and northern part of the Lucho-Leyton vein system (the dominant source being mined at Pimenton) has disclosed brecciation that widens the mineable portion from approximately 80 cm to perhaps as much as two m. Accompanying the brecciation is alteration resulting in whitening of the volcanic host rocks and coarse-clustering of alteration products such as specularite.

Pimenton Mine Reserves

A summary of *in situ* reserves for the Pimenton Mine, as estimated by CMP is shown in the following table. The reserves were audited by Marco Alfaro Sironvale, Ph.D. (Geostatistician) QP (Qualified Person) AusIMM, No. 229692 on behalf of for SAGC and WGM. He had participated in the estimation and audited the results in 2009 as well as in 2010, and is knowledgeable of all aspects of the operations.

Summary of Reserves, Pimenton Mine

Reserves	Proven	Probable	Average width
Tonnes	26,000	113,000	0.84 metres

Total Proven + Probable : 139,000 tonnes

Grades	Proven	Probable	Average
Au (g/t)	12.8	13.7	13.5
Cu (%)	1.4	1.5	1.5
Au Eq (g/t)	15.2	16.2	16.0

The present estimation uses the same blocks, procedures and methodology which were applied in 2009 and previously to arrive at the inventory of resources and reserves.

The proven blocks are derived from the measured resources, which are estimated with an extension of 5 m upward and downward from a level, on which channel samples have been taken, every two m along the vein. The probable blocks are derived from the indicated resources using 20 additional m upward or downward of a measured block compared to the previous 15 m projection used in 2002. The measured grade is estimated from the sampled grades in the channel sample multiplied by the width of the vein.

The volumes are estimated by the traditional formula (width) * (length) * (height of the block), which are converted to tonnes by multiplying by a density of approximately 3.0 t/m³.

The conversion of Resources (measured and indicated) to Mineral Reserves (proven and probable) is made by using a coefficient of recovery and a mining dilution of the resources. The vein width is diluted to a minimum mining width of 80 cm.

Pimenton Mine Inferred Mineral Resources

In addition to auditing the reserves at Pimenton Mine, Marco Alfaro Sironvalle reviewed resources that were estimated in 2009 and provided the following up-date for use in this NI 43-101 report:

	Tonnes	Au g/t	Cu%
Inferred Class A	27,000	13.5	1.4
Inferred Class B	162,000	12.8	1.4

Class A Inferred refers to a 20 m extension of the existing probable ore in the vertical sense, assuming 450 m horizontal extension of the Leyton Vein system. It is given a fairly high probability of being converted to Probable classification in the future.

The Class B Inferred is the projection of the known veins down to below the 3185 m level using a combination of existing drill holes and the reserve grades as a guide. The Class B resource uses the same 450 m assumed horizontal extension as above.

The reserves and resource estimates are effective December 1, 2010. Specific gravity was determined by measurement and statistical analysis in 2009 and is 3.0. Dilution to 80 cm mining width has been added.

WGM Cash Flow Model

WGM developed a cash flow model to validate the Pimenton proven and probable reserves. The model, which is based on Pimenton Mine historical costs, current estimated grades, and metal prices reflecting an 18 month trailing average, runs for three years and generates a cash flow of \$22.9 million, excluding interest, taxes and off-mine exploration costs. At a discount rate of 10%, the Present Value of the cash flow is \$20 million..

Pimenton Porphyry

The potential for a large copper-gold porphyry deposit started to come into focus in 2003. In that year, SAGC drilled four diamond drill holes totalling 1,900 m. While not encountering economic values, these holes confirmed the possibility of a large porphyry system at Pimenton.

After previewing the project in 2004, an option agreement was signed with Rio Tinto ("**RT**") in 2005. Stored drill cores were examined and an initial three holes (2,000 m) were drilled. These holes provided further evidence for the presence of a porphyry system and in 2005 RT drilled a further four diamond drill holes (1,900 m). RT then withdrew from the option. Significantly, in their 2006 final report, RT disclosed potential for a resource of 400 Mt containing 0.40% Cu and 0.43 g Au/t. WGM considers that disclosure to be historical, but material under NI 43-101, 2.3(2) and 2.4, as having been made by a reputable senior mining company. For this report, WGM reviewed data from the RT and subsequent drilling and estimated an inferred resource of 40 Mt containing 0.37% Cu and 0.42 g Au/t in the area of the historical disclosure. Although the inferred resource may be expanded considerably by routine delineation drilling, WGM cautions that the potential quantity and grade of the historical disclosure was conceptual in nature, that there has been insufficient exploration to define the quoted potential as a mineral resource, and that it is uncertain if exploration will define it as a mineral resource in its entirety and at grades similar to those disclosed by RT.

From 2007 to 2008 the Pimenton Porphyry Project was explored by AAC within an exploration agreement entered into with SAGC. The main objective of the AAC program was to continue the exploration of the deep porphyry-copper system previously explored by RT. Their program sought to identify a higher grade core associated to this porphyry, and to find new centres with the potential for economic mineralization within the property. AAC completed district geological mapping at a scale of 1:10,000 and detailed mapping at a scale of 1:5,000, over the

defined targets. Before terminating their option, they added two deep drill holes (2,037.m) to the existing database at the main or central target.

WGM concludes that the Pimenton Porphyry Project is host to part of a north-south belt of porphyry systems of significant economic potential. Emplaced on the property are discrete stocks and dyke-like sheets of porphyry that are elongated vertically and are frequently also elongated along structures. Different intrusive, alteration and mineralizing events coupled with erosion of higher levels of the complex have resulted in complex geology with different exploration opportunities. Recognized among them are:

- The Pimenton valley part of the project area where drilling by RT and AAC identified a porphyry system with copper and gold mineralization in vertical to steeply-dipping, elongate bodies of porphyry exhibiting low sulphidation, copper mineral zoning and potassic alteration. Here, WGM has estimated an NI 43-101 compliant inferred resource of 40 Mt containing 0.37% Cu and 0.42 g Au/t on the basis of polygonal sections constructed from the previous drilling and examination of the currently available data. WGM considers the potential to be excellent for adding substantial additional tonnage by delineation drilling. The resource estimate uses an arbitrary cutoff grade 0.25 g Au/t, a minimum width of 10 m, and dip and strike projections of 200 m and 100 m, respectively; and
- The Hondo Valley exposures of breccia and zones of anomalous geochemistry which are perhaps linked under the higher altitude lithocap, make it a northern extension of the porphyry intrusion in the Pimenton valley. With limited exploration, these exposures appear to exhibit higher sulphidation, but similar mineral potential to that of the Pimenton valley; and near the mine camp is the so called "Vein Target" where high sulphidation and anomalous copper molybdenum values indicate a buried porphyry system in the more southern part of the property. It may be fault controlled and therefore linked structurally to the system to the west in the Pimenton valley, but may also indicate a very different, and perhaps major, porphyry copper system.

Drill sections by AAC and RT were constructed on the basis of a northwest strike and steep southwest dip of the porphyry bodies, but the north-south trending fabric of magnetic survey data suggests that such assumptions need to be reviewed. In addition, north to northeast trending dilation zones may occur near surface as well as at depth. All such influences, on porphyry intrusion and mineralization in the local setting, warrant consideration when drilling deeper holes.

Geophysics has included magnetic, induced polarization and resistivity surveys. All are combined with conventional soil geochemistry, MMI sampling, and recognition of favourable alteration to identify targets for future drilling. The results of the surveys have been variously interpreted and reinterpreted. This is because features of potential interest lack precise definition and may be inadvertently correlated with topography which in turn is a function of NW trending

structures, proximity to magnetite-bearing alteration, metal content and distribution (disseminated and in veins), and porosity. In WGM's opinion, the geophysical surveys are useful tools, but the data are not diagnostic of mineralization and should be used cautiously.

MMI sampling is capable of detecting mineralization at depths of over 700 m. The method can provide a more direct means, when compared to geophysics, of exploring for source mineralization. In the Pimenton area, where 50% of the surface area is masked by cover, mineralization has been found by MMI beneath 80 m of moraine and talus, and consequently the MMI method is favoured in selecting drill targets.

Tordillo

Based on preliminary fieldwork by SAGC, the main feature at Tordillo is a strongly leached silicified, sericitized and brecciated dacite-porphyry intrusive within an amphitheatre. measuring 1.5 km across. The breccias carry disseminated limonite and specularite together with tourmaline, some local copper oxides, chalcopyrite and pyrite. At the northern contact of the dacitic intrusive with silicified volcanics there is a zone of reddish alteration that extends over a distance exceeding a km in length with a width of 600 m. This zone hosts narrow, surface-leached, siliceous veins containing massive specularite and chalcopyrite in ribbons up to 10 cm or more wide. Rock samples assayed up to 31.49 g Au/t and 17.63% Cu (across 0.4 m).

Exploration included three east-west reconnaissance geochemical profiles of talus fines and sampling of rock float. Abnormal copper and gold were identified for further exploration which has not been undertaken as yet.

Recommendations

Pimenton Mine

WGM's recommendations regarding operations are minimal. More thorough sampling and mineralogical study are recommended in the newly developed northern and deeper parts of the mine to obtain a better understanding of metal distribution in relation to alteration and subordinate structures. Screen sizing and assaying run of mine ore, separately from upper and lower levels, for metal content is suggested, as it may be found that larger sizes are significantly lower grade and may not be worth treating. Drilling at depth beneath the workings is strongly recommended, and is covered in the overall exploration program for porphyry deposits.

Pimenton Porphyry

WGM reviewed recommendations made by CMP for the drilling of seven deep holes. All are considered to be well researched and are endorsed by WGM with some suggested revisions

The second hole, PMDD 010, is planned to explore MMI and induced polarization anomalies in the mine area. The planned hole may not adequately explore the potential at this site since it is approximately in the strike direction of the veins. WGM recommends that consideration be given to drilling a hole from the Colorado Valley in a north-westerly direction. So placed, the drill hole would explore beneath the vein system across their direction of dip. Results from a hole such as is recommended by WGM may alter the concept on which PMDD 010 is based.

The third hole PMDD 011 is planned north of the Pimenton valley area of inferred resources. Planned to be drilled in an easterly direction, the hole will explore coinciding magnetic, resistivity, induced-polarization and MMI anomalies that are more indicative of mineralization than at the site of the resources. It is strongly recommended by WGM because it has two-fold objectives of extending the resources and finding mineralization of higher grade than found to date. The results from this drill hole will influence subsequent drilling in this area to delineate additional resources. However, in WGM's opinion, a minimum of two 500 m holes, and preferably three holes, should be sited on sections 100 m apart in the up-dip vicinity of PMDD 004 to delineate and start expanding the resources reliably.

Four holes are planned in a campaign for the Hondo Valley. PMDD 012 will drill into the north eastern side of the Hondo Valley exploring the northern end of a strong northerly trending vertical fault-shear zone, which may be near 1,000 m wide and which can be followed for over 3,000 m north-south. At this target, MMI, magnetics, and partial induced polarization data together with surface geology and some drill information are consistent with the exploration recommended by AAC for its "Breccia Target". Holes PMDD 013, PMDD 014 and PMDD 015 are currently planned on sections 500, 1,000 and 1,500 m south of PMDD 012 and are sited on strong copper and gold MMI results and favourable geophysics.

The company plans to use its recently purchased diamond-drill. Rated as capable of 1,500 m, it may not reach capability initially. Nevertheless, the seven holes proposed by Thomson are budgeted for 10,500 m total. In WGM's opinion, drilling to 1,500 m is not likely to be necessary to explore most of the MMI targets on which they have been located. Furthermore, the targets are based on widely spaced lines of MMI sampling, and the length of drill holes might be reduced if the targets are better defined. In WGM's opinion, both cost and time are factors to be considered which, because of the short summer, will probably take the deep drilling program into one of at least three years duration. If the CMP drilling can be reduced, the Colorado Valley hole recommended by WGM may be added without increasing the total. To this should be added 1,000 m in three holes recommended by WGM for further delineation of the inferred resources.

It is also recommended by CMP that MMI sampling at Pimenton should be extended towards the south and west using east west traverses to cover the entire alteration zone. WGM agrees with this recommendation. To this should be added MMI sampling on intermediate lines at the selected drill sites. It is also recommended that water analysis be undertaken in the Colorado and Hondo valleys to try to locate sources of metals and sulphur in the streams.

Tordillo

WGM endorses a program previously recommended within SAGC for the entire Tordillo amphitheatre to be geologically mapped and covered with an 80 m by 40 m geochemical talus-fines sample grid. Samples will be run for copper, molybdenum, lead, zinc, gold and silver. Further investigation is proposed of geochemical anomalies by MMI sampling to pin-point drill targets.

A second objective will be to evaluate the vein potential which will include both the epithermal veins that have been partially explored and the possible presence of veins with polymetallic mineralization.

Budget

WGM has prepared the following budget on the basis that all of the drilling will be done using the company's rig. It is assumed that all of the proposed exploration will be completed in three years.

Budget Estimate		Cost (C\$)
Description		
Drilling	11,500 m @ \$250/ m all in	\$2,875,000
MMI and other surveys:	Pimenton	200,000
	Tordillo	100,000
Contingency (15% approximately)		<u>425,000</u>
Total Budget		\$3,600,000

SCHEDULE “B”

CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

I. PURPOSE

The audit committee (the “**Audit Committee**”) is a committee of the board of directors (the “**Board of Directors**”) of South American Gold and Copper Limited (the “**Corporation**”). The primary function of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities relating to the financial accounting and reporting process and internal controls for the Corporation by:

- reviewing the financial reports and other financial information before such reports and other financial information is provided by the Corporation to any governmental body or the public;
- recommending the appointment and reviewing and appraising the audit efforts of the Corporation’s external auditors and providing an open avenue of communication among the external auditors, financial and senior management and the Board of Directors;
- serving as an independent and objective party to monitor the Corporation’s financial reporting process and internal controls, the Corporation’s processes to manage business and financial risk, and its compliance with legal, ethical and regulatory requirements; and
- encouraging continuous improvement of, and fostering adherence to, the Corporation’s policies, procedures and practices at all levels.

The Audit Committee will primarily fulfill these responsibilities by carrying out the activities enumerated in Part III of this Charter. The Audit Committee’s primary function is to assist the Board of Directors in fulfilling its responsibilities. It is, however, the Corporation’s management which is responsible for preparing the Corporation’s financial statements and it is the Corporation’s external auditors which are responsible for auditing those financial statements.

II. COMPOSITION AND MEETINGS

The Audit Committee is to be comprised of such number of directors as determined by the Board of Directors, all of whom must be “independent” directors (as such term is defined in Appendix I). All members of the Audit Committee must, to the satisfaction of the Board of Directors, be “financially literate” (as such term is defined in Appendix I).

The members of the Audit Committee must be elected by the Board of Directors at the annual organizational meeting of the Board of Directors and serve until their successors are duly elected. Unless a Chairman is elected by the full Board of Directors, the members of the Audit Committee may designate a Chairman by majority vote of the full Audit Committee membership.

The Audit Committee is to meet at least four times annually (and more frequently if circumstances require). The Audit Committee is to meet prior to the filing of quarterly financial statements to review and discuss the unaudited financial results for the preceding quarter and the related management’s discussion & analysis (“**MD&A**”) and is to meet prior to filing the annual audited financial statements and MD&A in order to review and discuss the audited financial results for the year and related MD&A.

As part of its role in fostering open communication, the Audit Committee should meet at least annually with management and the external auditors in separate executive sessions to discuss any matters that the Audit Committee or each of these groups believe should be discussed privately.

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

Committee are to be provided with full access to all corporate information and are to be permitted to discuss such information and any other matters relating to the financial position of the Corporation with senior employees, officers and external auditors of the Corporation.

A quorum for the transaction of business at any meeting of the Audit Committee is (the presence in person or by telephone or other communication equipment of) a simple majority of the total number of members of the Audit Committee or such greater number as the Audit Committee may by resolution determine. If within one hour of the time appointed for a meeting of the Audit Committee, a quorum is not present, the meeting shall stand adjourned to the same hour on the second business day following the date of such meeting at the same place. If at the adjourned meeting a quorum as hereinbefore specified is not present within one hour of the time appointed for such adjourned meeting, the quorum for the adjourned meeting will consist of the members then present.

Should a vacancy arise among the members of the Audit Committee, the remaining members of the Audit Committee may exercise all of its powers and responsibilities so long as a quorum remains in office.

Meetings of the Audit Committee are to be held from time to time at such place as the Audit Committee or the Chairman of the Audit Committee may determine, within or outside Nova Scotia, upon not less than three days' prior notice to each of the members. Meetings of the Audit Committee may be held without three days' prior notice if all of the members entitled to vote at such meeting who do not attend, waive notice of the meeting and, for the purpose of such meeting, the presence of a member at such meeting shall constitute waiver on his or her part. The Chairman of the Audit Committee, any member of the Audit Committee, the Chairman of the Board of Directors, the Corporation's external auditors, or the Chief Executive Officer, Chief Financial Officer or Secretary of the Corporation is entitled to request that the Chairman of the Audit Committee call a meeting. A notice of the Audit Committee may be given verbally, in writing or by telephone, fax or other means of communication, and need not specify the purpose of the meeting.

The Audit Committee shall keep minutes of its meetings which shall be submitted to the Board of Directors. The Audit Committee may, from time to time, appoint any person who need not be a member, to act as secretary at any meeting.

All decisions of the Audit Committee will require the vote of a majority of its members present at a meeting at which quorum is present. Action of the Audit Committee may be taken by an instrument or instruments in writing signed by all of the members of the Audit Committee, and such actions shall be effective as though they had been decided by a majority of votes cast at a meeting of the Audit Committee called for such purpose. Such instruments in writing may be signed in counterparts each of which shall be deemed to be an original and all originals together shall be deemed to be one and the same instrument.

III. RESPONSIBILITIES AND DUTIES

To fulfill its responsibilities and duties, the Audit Committee shall:

Generally

1. Create an agenda for the ensuing year.
2. Review and update this Charter at least annually, prepare revisions to its provisions where conditions so dictate and submit such proposed revisions to the Board of Directors for approval.
3. Describe fully in the Corporation's management information circular or its annual information form ("AIF") the Audit Committee's composition and responsibilities and how they were discharged, and otherwise assist management in providing the information required by applicable securities legislation (including the form requirements under Multilateral Instrument 52-110) in the Corporation's AIF.
4. Report periodically to the Board of Directors.
5. Conduct or authorize investigations into any matters within the Audit Committee's scope of responsibilities. The Audit Committee shall be empowered to retain and compensate independent counsel, accountants and other professionals to assist it in the performance of its duties as it deems necessary.

6. Perform any other activities consistent with this Charter, the Corporation's By-laws and governing law, as the Audit Committee or the Board of Directors deems necessary or appropriate.

Documents/Reports Review

7. Review the Corporation's interim and annual financial statements, results of audits as well as all interim and annual MD&A and interim and annual earnings press releases prior to their publication and/or filing with any governmental body, or the public.
8. Review policies and procedures with respect to directors' and senior officers' expense accounts and management perquisites and benefits, including their use of corporate assets and expenditures related to executive travel and entertainment, and review the results of the procedures performed in these areas by the external auditors, based on terms of reference agreed upon by the external auditors and the Audit Committee.
9. Satisfy itself that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, other than the public disclosure addressed in paragraph 7 of this part, and periodically assess the adequacy of such procedures.
10. Review the audited annual financial statements to satisfy itself that they are presented in accordance with general accepted accounting principles.
11. Provide insight to related party transactions entered into by the Corporation.

External Auditors

12. Recommend to the Board of Directors the selection of the external auditors, considering independence and effectiveness, and approve the fees and other compensation to be paid to the external auditors. Instruct the external auditors that the Board of Directors, as the shareholders' representative, is the external auditors' client.
13. Monitor the relationship between management and the external auditors, including reviewing any management letters or other reports of the external auditors and discussing and resolving any material differences of opinion between management and the external auditors.
14. Review and discuss, on an annual basis, with the external auditors all significant relationships they have with the Corporation to determine their independence.
15. Pre-approve all audit and non-audit services to be provided to the Corporation or its subsidiaries by the external auditors.
16. Oversee the work and review the performance of the external auditors and approve any proposed discharge of the external auditors when circumstances warrant. Consider with management and the external auditors the rationale for employing accounting/auditing firms other than the principal external auditors.
17. Periodically consult with the external auditors out of the presence of management about significant risks or exposures, internal controls and other steps that management has taken to control such risks, and the completeness and accuracy of the Corporation's financial statements. Particular emphasis should be given to the adequacy of internal controls to expose any payments, transactions, or procedures that might be deemed illegal or otherwise improper.
18. Ensure that the external auditors report directly to the Audit Committee, ensure that significant findings and recommendations made by the external auditors are received and discussed with the Audit Committee on a timely basis and arrange for the external auditors to be available to the Audit Committee and the full Board of Directors as needed.

19. Review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the Corporation's external auditors.

Financial Reporting Processes

20. In consultation with the external auditors, review the integrity of the Corporation's financial reporting processes, both internal and external.
21. Consider the external auditors' judgments about the quality and appropriateness, not just the acceptability, of the Corporation's accounting principles and financial disclosure practices, as applied in its financial reporting, particularly about the degree of aggressiveness or conservatism of its accounting principles and underlying estimates and whether those principles are common practices.
22. Consider and approve, if appropriate, major changes to the Corporation's accounting principles and practices as suggested by management with the concurrence of the external auditors and ensure that management's reasoning is described in determining the appropriateness of changes in accounting principles and disclosure.

Process Improvement

23. Establish regular and separate systems of reporting to the Audit Committee by each of management and the external auditors regarding any significant judgments made in management's preparation of the financial statements and the view of each as to appropriateness of such judgments.
24. Review the scope and plans of the external auditors' audit and reviews prior to the audit and reviews being conducted. The Audit Committee may authorize the external auditors to perform supplemental reviews or audits as the Audit Committee may deem desirable.
25. Following completion of the annual audit, review separately with management and the external auditors any significant changes to planned procedures, any difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information and the cooperation that the external auditors received during the course of the audit.
26. Review and resolve any significant disagreements between management and the external auditors in connection with the preparation of the financial statements.
27. Where there are significant unsettled issues, the Audit Committee is to assist in arriving at an agreed course of action for the resolution of such matters.
28. Review with the external auditors and management significant findings during the year and the extent to which changes or improvements in financial or accounting practices, as approved by the Audit Committee, have been implemented. This review should be conducted at an appropriate time subsequent to implementation of changes or improvements, as decided by the Audit Committee.
29. Review activities, organizational structure, and qualifications of the Corporation's Chief Financial Officer and staff in the financial reporting area and see to it that matters related to succession planning within the Corporation are raised for consideration to the full Board of Directors.

Ethical and Legal Compliance

30. Establish procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal controls or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.
31. Review management's monitoring of the Corporation's systems in place to ensure that the Corporation's financial statements, reports and other financial information disseminated to governmental organizations and the public satisfy legal requirements.

32. Review, with the Corporation's counsel, legal and regulatory compliance matters, including corporate securities trading policies, and matters that could have a significant impact on the Corporation's financial statements.

Risk Management

33. Review management's program of risk assessment and steps taken to address significant risks or exposures, including insurance coverage, and obtain the external auditors' opinion of management's assessment of significant financial risks facing the Corporation and how effectively such risks are being managed or controlled.

The foregoing list is not exhaustive. The Audit Committee may, in addition, perform such other functions as may be necessary or appropriate for the performance of its responsibilities and duties.

March 1, 2006

Appendix I
SOUTH AMERICAN GOLD AND COPPER COMPANY LIMITED
CHARTER OF THE AUDIT COMMITTEE
OF THE BOARD OF DIRECTORS

Independence and Financial Literacy

Independence Requirement of Multilateral Instrument 52-110

Multilateral Instrument 52-110 - Audit Committees (“**MI 52-110**”) provides, in effect, that a member of the Audit Committee is “**independent**” if that member has no direct or indirect material relationship with the Corporation which could, in the view of the Board of Directors, reasonably interfere with the exercise of the member’s independent judgment. MI 52-110 provides that the following individuals are considered to have a “**material relationship**” with the Corporation and, as such, would not be considered independent:

- (a) an individual who is, or has been, an employee or executive officer of the Corporation, unless the prescribed period has elapsed since the end of the service or employment;
- (b) an individual whose immediate family member is, or has been, an executive officer of the Corporation, unless the prescribed period has elapsed since the end of the service or employment;
- (c) an individual who is, or has been, an affiliated entity of, a partner of, or employed by, a current or former internal or external auditor of the Corporation, unless the prescribed period has elapsed since the person’s relationship with the internal or external auditor, or the auditing relationship, has ended;
- (d) an individual whose immediate family member is, or has been, an affiliated entity of, a partner of, or employed in a professional capacity by, a current or former internal or external auditor of the Corporation, unless the prescribed period has elapsed since the person’s relationship with the internal or external auditor, or the auditing relationship, has ended;
- (e) an individual who is, or has been, or whose immediate family member is or has been, an executive officer of an entity if any of the Corporation’s current executive officers serve on the entity’s compensation committee, unless the prescribed period has elapsed since the end of the service or employment;
- (f) an individual who
 - (i) has a relationship with the Corporation pursuant to which the individual may accept, directly or indirectly, any consulting, advisory or other compensatory fee from the Corporation or any subsidiary entity of the Corporation, other than as remuneration for acting in his or her capacity as a member of the Board of Directors or any committee of the Board of Directors, or as a part-time chair or vice-chair of the Board of Directors or any committee of the Board of Directors; or
 - (ii) receives, or whose immediate family member receives, more than Cdn\$75,000 per year in direct compensation from the Corporation, other than as remuneration for acting in his or her capacity as a member of the Board of Directors or any committee of the Board of Directors, or as a part-time chair or vice-chair of the Board of Directors or any committee of the Board of Directors, unless the prescribed period since he or she ceased to receive more than Cdn\$75,000 per year in such compensation; and
- (g) an individual who is an affiliated entity of the Corporation or any of its subsidiary entities.

For purpose of the definition of “material relationship”, the terms set out below shall have the following meanings:

“affiliated entity” - a person or company is considered to be an affiliated entity of another person or company if (a) one of them controls or is controlled by the other or if both persons or companies are controlled by the same person

or company, or (b) the person or company is (i) both a director and an employee of an affiliated entity, or (ii) an executive officer, general partner or managing member of an affiliated entity. A person will not be considered to be an affiliated entity of the Corporation if the person (a) owns, directly or indirectly, 10% or less of any class of voting securities of the Corporation; and (b) is not an executive officer of the Corporation;

“company” - any corporation, incorporated association, incorporated syndicate or other incorporated organization;

“control” - the direct or indirect power to direct or cause the direction of the management and policies of a person or company, whether through ownership of voting securities or otherwise;

“executive officer” of an entity – means an individual who is (a) a chair of the entity; (b) a vice-chair of the entity; (c) the president of the entity; (d) a vice-president of the entity in charge of a principal business unit, division or function including sales, finance or production; (e) an officer of the entity or any of its subsidiary entities who performs a policy-making function in respect of the entity; or (f) any other individual who performs a policy-making function in respect of the entity;

“person” - an individual partnership, unincorporated association, unincorporated syndicate, unincorporated organization, trust, trustee, executor, administrator, or other legal representative;

“prescribed period” - means the shorter of: (a) the period commencing on March 30, 2004 and ending prior to the date the determination as to the independence of the individual by the Board of Directors is made; and (b) the three year period ending immediately prior to the date the determination as to the independence of the individual by the Board of Directors is made; and

“subsidiary entity” - a person or company is considered to be a subsidiary entity of another person or company if (a) it is controlled by (i) that other, or (ii) that other and one or more persons or companies each of which is controlled by that other, or (iii) two or more persons or companies, each of which is controlled by that other; or (b) it is a subsidiary entity of a person or company that is the other’s subsidiary entity.

Financial Literacy

MI 52-110 provides that a director will be considered “**financially literate**” if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation’s financial statements.