



**Annual and Special Meeting of
Shareholders
to be held
June 6, 2012**

Management Information Circular

220 BAY STREET, SUITE 700, TORONTO, ONTARIO, CANADA M5J 2W4
Telephone: 416-362-8243 Facsimile: 416-368-5344
Email: info@xtierra.ca Website: www.xtierra.ca

XTIERRA INC.

NOTICE OF ANNUAL AND SPECIAL

MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that an annual and special meeting (the "Meeting") of the shareholders of Xtierra Inc. (the "Corporation") will be held in Suite 700, 220 Bay Street, Toronto, Ontario M5J 2W4 on Wednesday, June 6, 2012 at 2:30 P.M. (Toronto time) for the following purposes:

1. to receive and consider the financial statements of the Corporation for the financial year ended December 31, 2011, together with the report of the auditors thereon;
2. to elect directors;
3. to appoint auditors and to authorize the directors to fix their remuneration;
4. to consider and, if thought advisable, to approve an ordinary resolution, as more particularly set forth in the accompanying Information Circular prepared for the purposes of the Meeting ratifying the Corporation's existing Stock Option Plan; and
5. to transact such further or other business as may properly come before the Meeting or any adjournment or adjournments thereof.

Shareholders who are unable to attend the Meeting in person are requested to complete, date, sign and return the enclosed form of proxy so that as large a representation as possible may be had at the Meeting.

DATED at Toronto, Canada as of the 27th day of April, 2012.

BY ORDER OF THE BOARD OF DIRECTORS

"Terence N. McKillen"

Terence N. McKillen
President and Chief Executive Officer

NOTES: Shareholders eligible to vote but unable to attend in person are requested to complete, sign and return to the Corporation the enclosed form of proxy in the envelope provided for that purpose.

1. A Management Information Circular and a Proxy for holders of common shares accompany this Notice of Meeting. Shareholders who are unable to be present at the Meeting are kindly requested to specify on the accompanying form of proxy the manner in which the shares represented thereby are to be voted and to sign, date and return same in accordance with the instructions set out in the Proxy and the Management Information Circular.
2. As provided under the Business Corporation Act, (Ontario) the directors have fixed a record date of April 27, 2012. Accordingly, shareholders registered on the books of the Corporation at the close of business on April 27, 2012 are entitled to Notice of the Meeting.
3. A copy of the consolidated financial statements of the Corporation for the financial year ended December 31, 2011 will be mailed to shareholders of the Corporation who requested same and are available on SEDAR at www.sedar.com and on the Corporation's website at www.xtierra.ca
4. If you are a beneficial shareholder and receive these materials through your broker or another intermediary, please complete and return the materials in accordance with the instructions provided to you by your broker or intermediary.

XTIERRA INC
220 Bay Street, Suite 700,
Toronto, Ontario
Telephone: 416-362-8243 Facsimile: 416-368-5344
Email: info@xtierra.ca Website: www.xtierra.ca

MANAGEMENT INFORMATION CIRCULAR

SOLICITATION OF PROXIES

This Information Circular is furnished in connection with the solicitation of proxies by and on behalf of the management of XTIERRA INC. (the "Corporation" or "Xtierra") for use at the Annual and Special Meeting of Shareholders of the Corporation (the "Meeting") to be held on Wednesday, June 6, 2012 at 2:30 P.M. (Toronto time), in the offices of the Corporation at 220 Bay Street, Suite 700, Toronto, Ontario for the purposes set out in the accompanying notice of meeting. In addition to the use of the mails, proxies may be solicited by officers, directors and regular employees of the Corporation personally or by telephone. The cost of such solicitation will be borne by the Corporation.

Registered and Non-Registered Holders

Shareholders of the Corporation are either registered or non-registered. Only a relatively small number of shareholders are registered. Registered shareholders typically hold shares of the Corporation in their own names because they have requested that their shares be registered in their names on the records of the Corporation rather than holding such shares through an intermediary. Intermediaries include, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered RRSP's, RRIF's, RESP's and similar plans. Most shareholders are non-registered because their shares are registered in the name of either (a) an intermediary with whom the non-registered shareholder deals in respect of their shares, or (b) a clearing agency (such as The Canadian Depository for Securities Limited) of which the intermediary is a participant.

Only registered shareholders or duly appointed proxyholders will be permitted to vote at the Meeting. Non-registered shareholders may vote through a proxy or attend the Meeting to vote their own shares only if, before the Meeting, they communicate instructions to the intermediary or clearing agency that holds their shares. Instructions for voting through a proxy, appointing a proxyholder and attending the Meeting to vote are set out in this Circular.

A shareholder may receive multiple packages of Meeting materials if the shareholder holds shares of the Corporation through more than one intermediary or if the shareholder is both a registered shareholder and a non-registered shareholder for different shareholdings. Any such shareholder should repeat the steps to vote through a proxy, appoint a proxyholder or attend the Meeting, if desired, separately for each shareholding to ensure that all the shares from the various shareholders are represented and voted at the Meeting.

Voting Information

Each registered shareholder is entitled to one vote for each common share of the Corporation ("Common Shares") registered in his or her name as of the Record Date (as defined below). The directors of the Corporation have fixed the close of business on April 27, 2012 as the Record Date (the "Record Date") for the purpose of determining shareholders entitled to receive notice of the Meeting, but the failure of any shareholder to receive a Notice of Meeting (a "Notice") does not deprive the shareholder of a vote at the Meeting.

Voting in Person

If you attend the Meeting in Toronto on Wednesday June 6, 2012 and are a registered shareholder you may cast one vote for each of your registered Common Shares on any and all resolutions voted on by way of ballot at the Meeting. This may include the election of directors, the other issues listed on the Notice, and any other business that may arise at the Meeting. You may oppose any matter proposed at the Meeting by withholding your vote from, or voting your Common Shares against, any resolution at the Meeting, depending on the specific resolution. If you attend the Meeting in person and are a non-registered beneficial shareholder, you will not be entitled to vote at the Meeting unless you contact your Intermediary (as defined herein) well in advance of the Meeting and carefully follow its instructions and procedures as discussed below.

Voting by Proxy

Shareholders who are unable to be present at the Meeting may vote through the use of proxies. Shareholders should convey their voting instructions using one of the three voting methods available: (1) use of the form of proxy or voting instruction form to be returned by mail or delivery, (2) use of the telephone voting procedure, or (3) use of the Internet voting procedure. By conveying voting instructions in one of the three ways, shareholders

can participate in the Meeting through the person or persons named on the voting instruction form or form of proxy.

To convey voting instructions through any of the three methods available, a shareholder must locate the voting instruction form or form of proxy, one of which is included with the Circular in the package of Meeting materials sent to all shareholders. The voting instruction form is a white, computer scanable document with red squares marked "X" (the "voting instruction form") and is sent to most non-registered shareholders. The form of proxy is a form headed "Form of Proxy" (the "form of proxy") and it is sent to all registered shareholders and a small number of non-registered shareholders.

Voting by Mail

A shareholder who elects to use the paper voting procedure should complete a voting instruction form or a form of proxy. If the form of proxy is already signed, do not sign it again. Complete the remainder of the voting instruction form or form of proxy. Ensure that you date and sign the form at the bottom. Completed voting instruction forms should be returned to the relevant intermediary in the envelope provided and should be received by the cut-off date shown on the voting instruction form. Completed forms of proxy should be returned in the envelope provided to the Corporation's transfer agent and registrar, Equity Financial Trust Company ("Equity"), 200 University Avenue, Suite 400, Toronto, Ontario, M5H 4H1 no later than 2:30 p.m. (local time, Toronto, Ontario) on June 4, 2012 (or the last business day preceding any adjournment of the Meeting).

Voting by Telephone or Internet

Shareholders may convey their voting instructions using a touch-tone telephone or the Internet. The relevant toll-free telephone number or website address is set out on the voting instruction form and form of proxy. Follow the instructions given over the telephone or through the Internet to cast your vote. When instructed to enter a control number or holder account number and proxy access number, refer to your voting instruction form or your form of proxy. Votes conveyed by telephone or the Internet must be received no later than the cut-off time given on the voting instruction form or the form of proxy.

Appointing a Proxyholder

Shareholders unable to attend the Meeting in person may participate and vote at the Meeting through a proxyholder. The persons named on the enclosed form of proxy as proxyholders to represent shareholders at the Meeting, being Terence N. McKillen, John F. Kearney and Neil J.F. Steenberg, are directors of the Corporation. A shareholder has the right to appoint a person other than those named above to represent such shareholder at the Meeting. A non-registered shareholder who would like to attend the Meeting to vote must appoint himself or herself proxyholder. To appoint a person other than Terence N. McKillen, John F. Kearney and Neil J.F. Steenberg as proxyholder strike out the names on the voting instructions form or form of proxy and write the name of the person you would like to appoint as your proxyholder in the blank space provided. That person need not be a shareholder of the Corporation.

Non-registered shareholders appointing a proxyholder using a voting instruction form should fill in the rest of the form indicating a vote "for", "against" or "withhold", as the case may be, for each of the proposals listed, sign and date the form and return it to the relevant intermediary or clearing agency in the envelope provided by the cut-off time given on the form. Proxyholders named on a signed form of proxy will be entitled to vote at the Meeting upon presentation of the form of proxy. No person will be entitled to vote at the Meeting by presenting a voting instruction form.

Alternatively, any shareholder may use the Internet to appoint a proxyholder. To use this option, access the website address printed on the voting instruction form or form of proxy and follow the instructions set out on the website. Refer to the control number or holder account number and proxy access number printed on the voting instruction form or form of proxy when required to enter these numbers.

REVOCATION OF PROXY

A shareholder executing the enclosed form of proxy has the power to revoke it. In addition to revocation in any other manner permitted by law, a proxy may be revoked by instrument in writing deposited at the registered office of the Corporation at any time up to and including the last business day preceding the day of the Meeting or any adjournment thereof at which the proxy is to be used or with the chairman of such Meeting on the day of the Meeting or adjournment thereof, and upon either of such deposits the proxy is revoked.

ADVICE TO BENEFICIAL SHAREHOLDERS

The non-registered shareholders of the Corporation should review the information set forth in this section carefully. Shareholders who do not hold their shares in their own name (referred to in this Management Information Circular as "Beneficial Shareholders") should note that only proxies deposited by shareholders who appear on the records maintained by the Corporation's registrar and transfer agent as registered holders of shares will be recognized and acted upon at the Meeting. If shares are listed in an account statement provided to a shareholder by a broker, those shares will, in all likelihood, not be registered in the shareholder's name. Such shares will more likely be registered under the name of the shareholder's broker or an agent of that broker. In

Canada, the vast majority of such shares are registered under the name of CDS & Co. (the registration name for The Canadian Depository for Securities Limited, which acts as nominee for many Canadian brokerage firms). In the United States, the vast majority of such shares are registered in the name of CEDE & Co. (the registration name for The Depository Trust Company, which acts as nominee for many U.S. brokerage firms). Shares held by brokers (or their agents or nominees) on behalf of a broker's client can only be voted at the direction of the Beneficial Shareholder. Without specific instructions, brokers and their agents and nominees are prohibited from voting shares for the broker's clients. Therefore, each Beneficial Shareholder should ensure that voting instructions are communicated to the appropriate person well in advance of the Meeting.

National Instrument 54-101 of the Canadian Securities Administrators requires brokers and other intermediaries to seek voting instructions from Beneficial Shareholders in advance of shareholders' meetings. The various brokers and other intermediaries have their own mailing procedures and provide their own return instructions to clients, which should be carefully followed by Beneficial Shareholders in order to ensure that their shares are voted at the Meeting. The form of proxy supplied to a Beneficial Shareholder by its broker (or the agent of the broker) is substantially similar to the form of proxy provided directly to registered shareholders by the Corporation. However, its purpose is limited to instructing the registered shareholder (i.e., the broker or agent of the broker) how to vote on behalf of the Beneficial Shareholder. The vast majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Investor Communication Solutions, Canada ("Broadridge") (formerly: ADP Investor Communications) in Canada. Broadridge typically prepares a machine-readable voting instruction form, mails those forms to Beneficial Shareholders and asks Beneficial Shareholders to return the forms to Broadridge, or otherwise communicate voting instructions to Broadridge (by way of the Internet or telephone, for example). Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of shares to be represented at the Meeting. A Beneficial Shareholder who receives a Broadridge voting instruction form cannot use that form to vote shares directly at the Meeting. The voting instruction forms must be returned to Broadridge (or instructions respecting the voting of shares must otherwise be communicated to Broadridge) well in advance of the Meeting in order to have the shares voted. If you have any questions respecting the voting of shares held through a broker or other intermediary, please contact that broker or other intermediary for assistance.

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

All references to shareholders in this Management Information Circular and the accompanying form of proxy and Notice of Meeting are to registered shareholders unless specifically stated otherwise.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

Each holder of common shares in the capital of the Corporation ("**Common Shares**") of record at the close of business on April 27, 2012 will be entitled to vote at the Meeting or at any adjournment thereof, either in person or by proxy, except to the extent that such holder has transferred any Common Shares after the record date and the transferee of such Common Shares establishes proper ownership thereof and demands, not later than ten days before the Meeting, to be included in the list of shareholders entitled to vote at the Meeting, in which case such transferee is entitled to vote.

As of April 27, 2012, the Corporation had 103,425,892 issued and outstanding Common Shares. Each Common Share carries the right to one vote per share. The outstanding Common Shares are listed on the TSX Venture Exchange (the "**TSXV**") under the symbol "**XAG**".

To the knowledge of the directors and executive officers of the Corporation, the following table sets out the names of all persons who beneficially own, directly or indirectly, or exercise control or direction over more than 10% of the outstanding Common Shares:

Name	Number of Common Shares Beneficially Owned (Directly or Indirectly), Controlled or Directed	Percentage of Issued and Outstanding Common Shares as of April 27, 2012
Minco plc	30,000,003	29.00%
Pacific Road Holdings NV ⁽¹⁾	28,306,786	27.37%
Pacific Road Capital A Pty Ltd ⁽¹⁾	3,507,212	3.39%
Pacific Road Capital B Pty Ltd ⁽¹⁾	3,507,212	3.39%

Notes:

(1) These funds are managed or advised by Pacific Road Capital Management Pty. Limited of Sydney, Australia.

As at the date hereof, the directors and senior officers of the Corporation, as a group, beneficially own, directly, or indirectly less than one percent of the outstanding Common Shares.

Messrs. Kearney and McKillen, directors of the Corporation are Directors of Minco plc.

ELECTION OF DIRECTORS

Under the constating documents of the Corporation, the Board is to be elected annually. The Board currently consists of five directors, and management proposes to nominate five directors for election to the Board at the upcoming Shareholders' Meeting. Each director holds office until the next annual meeting or until his or her successor is duly elected or appointed unless his or her office is earlier vacated in accordance with the Corporation's by-laws.

At the Meeting, shareholders will be asked to approve an ordinary resolution for the election of the eight persons named hereunder as directors of the Company (the "Nominees"). **Unless authority to do so is withheld, the persons named in the accompanying proxy intend to vote for the election of the Nominees.**

Management does not contemplate that any of the Nominees will be unable to serve as a director, but if that should occur for any reason prior to the Meeting, it is intended that discretionary authority shall be exercised by the persons named in the accompanying proxy to vote the proxy for the election of any other person or persons in place of any Nominee or Nominees unable to serve. Each director elected will hold office until the close of the first annual meeting of shareholders of the Company following his election or until his successor is duly elected or appointed unless his office is earlier vacated in accordance with the by-laws of the Company. Each of the Nominees was elected at the last annual and special meeting of the Company's shareholders held on June 2, 2011.

Majority Voting Policy

The Board has adopted a policy which requires that any nominee who receives a greater number of votes "withheld" from his or her election than votes "for" such election, promptly tender his or her resignation to the Board, to be effective upon acceptance by the Board. The Board will review the circumstances of the election and make a recommendation to the Board as to whether or not to accept the tendered resignation. The Board must determine whether or not to accept the tendered resignation as soon as reasonably possible and in any event within 90 days of the election. Subject to any corporate law restrictions, the Board may fill any resulting vacancy through the appointment of a new director. The nominee in question may not participate in any committee or Board votes concerning his or her resignation. This policy does not apply in circumstances involving contested director elections.

The following table sets out the name of each of the persons proposed to be nominated for election as a director, all positions and offices in the Corporation held by each of them, the principal occupation or employment of each of them for the past five years, the year in which each was first elected a director of the Corporation (where applicable) and the approximate number of Common Shares that each has advised are beneficially owned (directly or indirectly) or subject to his or her control or direction:

Name and Municipality of Residence	Offices with the Corporation	Principal Occupation	Director/Officer Since	Shares held Directly or Indirectly or over which control or direction is exercised
John F. Kearney ⁽¹⁾ ⁽³⁾ Toronto, Ontario	Chairman and Director	Mining Executive Chairman of Canadian Zinc Corporation, and Labrador Iron Mines Holdings Limited	August 14, 2008	Nil
Terence N. McKillen ⁽¹⁾ Mississauga, Ontario	President, Chief Executive Officer and Director	Geologist and Executive Vice President Labrador Iron Mines Holdings Limited; President and Chief Executive Officer of Conquest Resources Limited; Chief Executive Officer of Minco plc	August 14, 2008	Nil
Neil J.F. Steenberg Toronto, Ontario	Secretary and Director	Barrister & Solicitor, principal of Steenberglaw Professional Corporation, a law firm	August 14, 2008	Nil
Lee A. Graber ⁽²⁾ ⁽³⁾ San Francisco, California	Director	Mining Executive and Investment Director, Pacific Road Capital Management	August 14, 2008	Nil
Tim Gallagher ⁽³⁾ Toronto, Ontario	Director	Financial Executive, President Inflection Capital Inc.	August 14, 2008	605,237

Notes:

- (1) Messrs Kearney and McKillen are directors and/or officers and shareholders of Minco plc which holds 30,000,003 Xtierra Shares (29.0%);
- (2) Mr. Graber is an investment director with Pacific Road Capital Management Pty. Limited which acts as manager or adviser to the Pacific Road Funds.
- (3) Member of the audit committee.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

No director, officer, promoter or other member of management of Xtierra, or within the ten years prior to the date hereof has been, a director, officer, promoter or other member of management of any other issuer that, while that person was acting in the capacity of a director, officer, promoter or other member of management of that issuer, was the subject of a cease trade order or similar order or an order that denied the issuer access to any statutory exemptions for a period of more than thirty consecutive days or was declared bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or has been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets except as follows:

Mr. Kearney served as a non-executive director of McCarthy Corporation plc, from July 2000 to March 2003. In June 2003, McCarthy Corporation plc proposed a voluntary arrangement with its creditors pursuant to the legislation of the United Kingdom.

Mr. Steenberg served as a Director of Tagish Lake Gold Corp. ("Tagish"). On April 9, 2010, Tagish filed an application to the British Columbia Supreme Court and an Order was made granting an Initial Order under the *Companies' Creditors Arrangement Act* ("CCAA"). This order was lifted and a plan of arrangement was implemented on October 27, 2010 pursuant to which all of the creditors of Tagish were paid in full.

Mr. Varma, Chief Financial Officer, was President and Managing Director of American Resource Corporation Limited in respect of which a cease trade order was issued in June 2004 for failure to file its financial statements. The cease trade order is still currently in effect.

COMPENSATION DISCUSSION AND ANALYSIS

The purpose of this Compensation Discussion and Analysis is to provide information about the Corporation's executive compensation objectives and processes and to discuss compensation decisions relating to its named executive officers ("Named Executive Officers") listed in the Summary Compensation Table that follows. During its fiscal year ended December 31, 2011, the following individuals were Named Executive Officers (as defined in applicable securities legislation) of Xtierra Inc., namely:

Terence N. McKillen	President and Chief Executive Officer
Danesh Varma	Chief Financial Officer

The board of directors of the Corporation does not have a Compensation Committee. Compensation matters are reviewed by the full board of directors. An interested board member is required to abstain from voting on matters concerning his own compensation.

Objectives of Executive Compensation

The general compensation philosophy of the Corporation for executive officers, including for the Chief Executive Officer, is to provide a level of compensation that is competitive within the North American marketplace and that will attract and retain individuals with the experience and qualifications necessary for the Corporation to be successful, and to provide long-term incentive compensation which aligns the interest of executives with those of shareholders and provides long-term incentives to members of senior management whose actions have a direct and identifiable impact on the performance of the Corporation and who have material responsibility for long-range strategy development and implementation. The Corporation's objective is to provide suitable compensation for executives that is internally equitable, externally competitive and reflects individual achievement.

Structure of Executive Compensation

The Corporation is in the mineral exploration and development business and, accordingly, does not yet have significant revenues from operations and often operates with sufficient financial resources only to ensure that funds are available to complete scheduled programs. As a result, the Board of Directors has to consider not only the financial situation of the Corporation at the time of the determination of executive compensation, but also the estimated financial situation of the Corporation in the mid- and long-term.

The Corporation has not paid any salaries or fixed retainers to Executive Officers in their capacity as executive officers during the last financial year. However Executive Officers are compensated for professional or consulting services actually provided to the Corporation in accordance with industry rates based upon invoices submitted periodically. Management of the Corporation considers this compensation strategy to be appropriate as many of its Executive Officers provide services to other businesses upon similar terms. Moreover, Management believes this compensation would be standard in comparable business within the mineral exploration industry.

Upon achieving stable revenues from operations, the Corporation's compensation arrangements for the Named Executive Officers will be reviewed and may, in addition to salary, include compensation in the form of bonuses and, other long term benefits. No bonuses were paid to the Named Executive Officers during the fiscal year ended December 31, 2011.

Stock Options

An additional component of the executive compensation program is stock options and to this end the Corporation has established an incentive stock option plan (the "Stock Option Plan"). The Stock Option Plan is administered by the board of directors of the Corporation. The Stock Option Plan is designed to give each option holder an interest in preserving and maximizing shareholder value in the longer term, to enable the Corporation to attract and retain individuals with experience and ability, and to reward individuals for current performance and expected future performance. Stock option grants are considered when reviewing executive officer compensation packages as a whole.

Other Incentives

The Corporation does not have a formal annual incentive bonus plan in place. Any award of a bonus to executive officers would be entirely at the discretion of the Board of Directors.

Defined Benefit or Actuarial Plan

The Corporation does not have a defined benefit or actuarial plan.

Summary Compensation Table

The following table (presented in accordance with National Instrument 51-102F6) sets out total compensation for the year ended December 31, 2011 in respect of the Named Executive Officers of the Corporation.

Name and Principal Position	Year	Salary	Share-based awards	Option-based awards ⁽⁴⁾	Non-equity incentive plan compensation			All other compensation ⁽³⁾	Total Compensation
					(\$)				
					Annual incentive plans	Long-term plans	Pension value		
		(\$)	(\$)	(\$)			(\$)	(\$)	
Terence McKillen President & CEO ⁽¹⁾	2011	124,200 ⁽²⁾	Nil	195,000	Nil	Nil	Nil	Nil	319,200
	2010	116,925 ⁽²⁾	Nil	80,000	Nil	Nil	Nil	Nil	196,925
	2009	107,775 ⁽²⁾	Nil	Nil	Nil	Nil	Nil	Nil	107,775
Danesh Varma Chief Financial Officer	2011	40,000	Nil	97,500	Nil	Nil	Nil	Nil	137,500
	2010	40,000	Nil	12,800	Nil	Nil	Nil	Nil	52,800
	2009	40,000	Nil	Nil	Nil	Nil	Nil	Nil	40,000

Notes:

- (1) Mr. McKillen is a director of the Corporation but was not compensated for services in this capacity.
- (2) Paid to a private company controlled by Terence McKillen.
- (3) Perquisites have not been included, as they do not exceed 10% of total salary for the financial year ended December 31, 2011, 2010 and 2009.
- (4) During February, 2010, the Company granted 2,431,250 stock options to directors, officers and employees pursuant to its Stock Option Plan. These options vested on the date of the grant. The grant fair value of these options is \$370,000 which has been recorded to stock-based compensation and contributed surplus. The following assumptions were used in calculating the fair value of options granted, using the Black-Scholes option pricing model: expected dividend yield of 0%, expected volatility of 103%, risk-free interest rate of 2.5% and expected life of five years. Directors and officers were granted 1,981,250 stock options.
- (5) On April 27, 2011, the Company granted 4,225,000 stock options to directors, officers and employees pursuant to its Stock Option Plan. These options vested on the date of the grant. The grant fair value of these options is \$1,729 which has been recorded to share-based payments expense and share-based payment reserve. The following assumptions were used in calculating the fair value of options granted, using the Black-Scholes option pricing model: expected dividend yield of 0%, expected volatility of 103%, risk-free interest rate of 2.5% and expected life of five years. Directors and officers were granted 2,700,000 stock options.

INCENTIVE PLAN AWARDS

The following table shows all awards outstanding to each Named Executive Officers as at December 31, 2011.

Name	Option-based Awards				Share-based Awards		
	Number of securities underlying unexercised options	Option exercise price	Option expiration date	Value of unexercised in-the-money options	Number of shares or units of shares that have not vested	Market or payout value of share-based awards that have not vested	Market or payout value of vested share-based awards not paid out or distributed
	(#)	(\$)		(\$) ⁽¹⁾	(#)	(\$)	(\$)
Terence N. McKillen President, Chief Executive Officer and Director	500,000	\$0.51	April 26, 2016	Nil	N/A	N/A	N/A
	750,000	\$0.50	May 22, 2013	Nil			
	500,000	\$0.21	February 15, 2015	Nil			
Danesh Varma Chief Financial Officer	250,000	\$0.51	April 26, 2016	Nil	N/A	N/A	N/A
	500,000	\$0.50	May 22, 2013	Nil			

Notes:

- (1) "In-the-money" options are options that can be exercised at a profit (i.e., the market value of the Common Shares is higher than the price at which they can be purchased from the Corporation). On December 31, 2011, the Company's common shares closed at \$0.16 on the TSX Venture Exchange.

Incentive plan awards – value vested or earned during the year

Name	Option-based awards – Value Vested during the year (\$) ⁽¹⁾⁽²⁾	Share-based awards – Value vested during the year (\$) ⁽³⁾	Non-equity incentive plan compensation – Value earned during the year (\$) ⁽⁴⁾
Terence N. McKillen President, Chief Executive Officer and Director	Nil	N/A	N/A
Danesh Varma, Chief Financial Officer	Nil	N/A	N/A

Notes:

- (1) Calculated using the difference between the exercise price and the fair value of the common shares of the Company immediately before the vesting date. 80,000 stock options were exercised by Danesh Varma at \$0.21 per share.
- (2) 100% of the Options vested on the date of grant.
- (3) No share-based awards were granted during the fiscal year ended December 31, 2011.
- (4) No non-equity incentive plan compensation was awarded during the fiscal year ended December 31, 2011.

Stock Option Plan

Under the stock option plan of the Corporation (the “Stock Option Plan”), options to purchase common shares of the Corporation may be granted to employees, officers and directors of the Corporation or subsidiaries of the Corporation and other persons or companies engaged to provide ongoing management or consulting services (“Service Providers”) for the Corporation or any entity controlled by the Corporation. In determining the number of common shares of the Corporation subject to each option granted under the Stock Option Plan, consideration is given to the present and potential contribution by such person or company to the success of the Corporation.

Pension Plan Benefits

The Corporation does not provide any form of group pension plan benefits to employee, officers or directors.

Termination and Change of Control Benefits

Except as otherwise disclosed herein, the Corporation and its subsidiaries have no compensatory plan or arrangement in respect of compensation received or that may be received by an executive officer of the Corporation in the Corporation's most recently completed or current financial year to compensate such executive officer in the event of the termination of employment (resignation, retirement, change of control) or in the event of a change in responsibilities following a change in control, where in respect of the executive officer the value of such compensation exceeds \$100,000.

Director Compensation

No cash compensation was paid to directors who are not officers of Xtierra for the most recently completed financial year. It is intended that the matter of cash compensation of Directors will be considered by the board of directors with reference to levels of director compensation paid in other companies comparable to Xtierra. Directors who also provide professional or consulting services to the Corporation are compensated based upon the invoiced value of the services provided. Directors are reimbursed for all reasonable expenses incurred in attending meetings of the board or any committee of the board. The principal method used to compensate non-executive directors in their capacity as directors has been and, subject to the board determining otherwise as noted above, will continue to be the awarding of incentive stock options pursuant to the Corporation's Stock option Plan.

The following table sets forth information in respect of all compensation paid to, or earned by the directors of the Corporation during the financial year ended December 31, 2011, but excludes compensation paid to Mr. McKillen as he is a Named Executive Officer whose compensation is disclosed above. Mr. McKillen was not compensated for services as a director of the Corporation.

Name	Fees earned (\$)	Share-based awards (\$)	Option-based awards (\$) ⁽³⁾	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total (\$)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
Lee Graber	Nil	Nil	156,000	Nil	Nil	Nil	156,000
Tim Gallagher	Nil	Nil	156,000	Nil	Nil	72,000	228,000
John Kearney	Nil	Nil	195,000	Nil	Nil	-	195,000
Neil Steenberg	Nil	Nil	97,500	Nil	Nil	30,000	127,500

Notes:

- (1) Mr. Gallagher is compensated for Financial Consulting services provided to the Corporation.
- (2) Mr. Steenberg, Barrister and Solicitor, is also a director of the Corporation and provides legal services.
- (3) On April 27, 2011, the Company granted 4,225,000 stock options to directors, officers and employees pursuant to its Stock Option Plan. These options vested on the date of the grant. The grant fair value of these options is \$1,729 which has been recorded to share-based payments expense and share-based payment reserve. The following assumptions were used in calculating the fair value of options granted, using the Black-Scholes option pricing model: expected dividend yield of 0%, expected volatility of 103%, risk-free interest rate of 2.5% and expected life of five years. Directors and officers were granted 2,700,000 stock options.

Share-Based Awards, Option-Based Awards and Non-Equity Incentive Plan Compensation

The following table shows all option-based and share-based awards outstanding to each director, other than those that are also Named Executive Officers, as at December 31, 2011.

Name	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)	Market or payout value of vested share-based awards not paid out or distributed (\$)
Lee Graber	400,000	\$0.51	April 26, 2016	Nil	N/A	N/A	N/A
	250,000	\$0.50	May 22, 2013	Nil			
	100,000	\$0.21	February 15, 2015	Nil			
Tim Gallagher	400,000	\$0.51	April 26, 2016	Nil	N/A	N/A	N/A
	521,250	\$0.21	February 15, 2015	Nil			
John Kearney	500,000	\$0.51	April 26, 2016	Nil	N/A	N/A	N/A
	250,000	\$0.50	May 22, 2013	Nil			
	100,000	\$0.21	February 15, 2015	Nil			
Neil Steenberg	250,000	\$0.51	April 26 2016	Nil	N/A	N/A	N/A
	500,000	\$0.50	May 22, 2013	Nil			
	80,000	\$0.21	February 15, 2015	Nil			

Tim Gallagher exercised 78,750 stock options in July 2011 at a price of \$0.21 per share.

Incentive plan awards – value vested or earned during the year

Name	Option-based awards – Value Vested during the year (\$)	Share-based awards – Value vested during the year (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
Lee Graber	Nil	N/A	N/A
Tim Gallagher	Nil	N/A	N/A
John Kearney	Nil	N/A	N/A
Neil Steenberg	Nil	N/A	N/A

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

Set forth below is a summary of securities issued and issuable under all equity compensation plans of the Corporation as at December 31, 2011. As of the date hereof, the Stock Option Plan is the only equity compensation plan of the Corporation.

Equity Compensation Plan Information

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	8,826,250	0.43	1,516,339
Equity compensation agreements subject to approval by security holders	Nil	N/A	Nil
Total	8,826,250	0.43	1,516,339

Summary of Stock Option Plan

The Corporation has established a stock option plan to provide incentive compensation to the Corporation's directors, officers, employees and consultants (the "Stock Option Plan").

The Stock Option Plan is administered by the board of directors of the Corporation. Stock options may be granted at any time to any director, senior officer, key employee or other person providing services to the Corporation (each an "Optionee"), taking into consideration his or her contribution to the success of the Corporation and any other factor which the board of directors of the Corporation may deem proper and relevant. The aggregate number of Common Shares which may be reserved for issuance pursuant to the Stock Option Plan and any other share compensation arrangements of the Corporation will not exceed 10% of the total number of issued and outstanding Common Shares (calculated on a non-diluted basis) from time to time.

Stock options granted under the Stock Option Plan are exercisable over a period not exceeding ten years, subject to earlier cancellation upon the termination of the optionee's employment with the Corporation, upon the optionee ceasing to be an employee, senior officer, director or consultant of the Corporation, as applicable, or upon the optionee retiring, becoming permanently disabled or dying. Under the Stock Option Plan, the Board of Directors, in its discretion but upon the advice of its Human Resources and Corporate Governance Committee, is authorized to impose deferred vesting restrictions on any options granted and to fix the exercise price provided that such price may not be lower than the market price of the Corporation's shares determined in accordance with the rules of any stock exchange or other trading market upon which the shares of the Corporation are then listed or quoted or, if the shares of the Corporation do not trade on any such exchange or market, by the Board of Directors in their discretion. The stock options are non-assignable and non-transferable. The Stock Option Plan contains provisions for adjustment in the number of shares issuable in the event of a subdivision, consolidation, reclassification or change of the Common Shares, or a merger or other relevant changes in the Corporation's capitalization. The Stock Option Plan does not contain any provision for financial assistance by the Corporation in respect of stock options granted thereunder.

The Board may from time to time amend or revise the terms of the Stock Option Plan or may discontinue the Stock Option Plan at any time provided however that no such right may in any manner adversely affect an Optionee's rights under the option theretofore granted under the Stock Option Plan without consent of such Optionee.

Any amendments to the Stock Option Plan are subject to the prior approval of any stock exchange upon which shares of the Corporation are then listed for trading and any other regulatory authority having jurisdiction over the Corporation.

Shareholder approval will be required for the following types of amendments to the Stock Option Plan:

- an increase in the maximum number of Common Shares issuable under the Stock Option Plan;
- a change in the manner of determining the option price;
- an extension of the expiry date of an option;

- an extension of the period during which options may be granted; and
- an alteration or impairment of any option previously granted to an Optionee, without the prior written consent of the Optionee.

All other amendments to the Stock Option Plan will not require shareholder approval.

INDEMNIFICATION OF DIRECTORS AND OFFICERS

The by-laws of the Corporation provide that the Corporation is required to indemnify a director or officer, or former director or officer, or a person who acts or acted at the request of the Corporation as a director or officer of a body corporate of which the Corporation is or was a shareholder or creditor, and his or her heirs and legal representatives, against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by him or her in respect of any civil, criminal or administrative action or proceeding to which he or she is made a party by reason of having been a director or officer of such body corporate if (a) he or she acted honestly and in good faith with a view to the best interests of the Corporation, and (b) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, he or she had reasonable grounds for believing that his or her conduct was lawful.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

There is no indebtedness of any officer or director, or any associate of any such director or officer to the Corporation.

INTERESTS OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

No director, executive officer, shareholder beneficially owning (directly or indirectly) or exercising control or direction over more than 10% of the Common Shares, or proposed nominee for election as a director of the Corporation, and no associate or affiliate of the foregoing persons has or has had any material interest, direct or indirect, in any transaction since the beginning of the Corporation's last completed fiscal year or in any proposed transaction which, in either such case, has materially affected or will materially affect the Corporation, other than,

- Messrs. Kearney, McKillen and Varma who are directors and/or officers and shareholders of Minco plc which holds 30,000,003 Xtierra shares (29.05%); and
- Pacific Road Holdings NV, Pacific Road Capital A Pty Ltd. and Pacific Road Capital B Pty Ltd. (collectively the "**Pacific Road Funds**") held 35,321,210 Xtierra shares (34.15%) at December 31, 2011. On January 20, 2011, Pacific Road Funds acquired 5,331,210 additional Xtierra shares, and on February 28, 2011, Pacific Road Funds exercised 6,250,000 warrants into Xtierra shares, for a total of 35,321,210 Xtierra shares (34.15%). On April 14, 2009, the Company and Pacific Road entered into an agreement, whereby Pacific Road subscribed for an aggregate principal amount of \$1,250,000 in non-interest bearing notes (the "Notes") issued by Orca Minerals Limited ("Orca Minerals"), a subsidiary of the Company. The Notes have a term of five years and are convertible, at the holders' option, into a number of common shares of Orca Minerals which will equal ten percent (10%) of the issued shares of Orca Minerals on a fully diluted basis. Pacific Road also has a put right, exercisable at its option at any time prior to maturity to require Xtierra to purchase the Notes for a number of common shares equal to the principal amount of the Notes divided by the volume weighted average trading price of Xtierra's common shares during the 30 day period prior to the exercise of such right.

DISCLOSURE OF CORPORATE GOVERNANCE PRACTICES

National Instrument 58-101 ("NI 58-101") of the Canadian Securities Administrators requires the disclosure by each listed corporation of its approach to corporate governance. It is recognized that the unique characteristics of individual corporations will result in varying degrees of compliance.

The following discloses the Corporation's corporate governance practices as required by NI 58-101.

1. The Board of Directors

NI 58-101 suggests that a majority of the Board of Directors should be "independent" directors. NI 58-101 defines an "independent director" as a director who has no direct or indirect material relationship with the Corporation. A "material relationship" is in turn defined as a relationship which could, in the view of the Corporation's board of directors (the "Board"), be reasonably expected to interfere with such member's

independent judgement. The Board is currently comprised of five members and is not currently comprised of a majority of independent directors.

Messrs. Kearney and Graber are considered independent directors since they are independent of management and free from any material relationship with the Corporation. The basis for this determination is that, since the beginning of the fiscal year ended December 31, 2011, none of the independent directors have worked for the Corporation, received direct remuneration from the Corporation or had material contracts with or material interests in the Corporation which could interfere with their ability to act with a view to the best interests of the Corporation.

Mr. Gallagher is not a member of Management but is compensated for providing Consulting Services to the Corporation. Mr. Steenberg operates an independent business law practice and provides legal services to, and acts as Secretary of the Corporation.

The Directors believe that a relatively small Board is appropriate for the current size and stage of development of the Corporation and to ensure that the Board can function effectively. The Board may in the future consider the enlargement of the Board and the appointment of additional "independent" directors.

2. Participation of Directors in Other Reporting Issuers

The participation of the Directors in other reporting issuers is described in the following table:

Name of Director	Name of Other Reporting Issuer
John Kearney	Avnel Gold Mining Limited (Director) Anglesey Mining plc (Chairman & Director) Canadian Zinc Corporation (President, Chairman, CEO & Director) Conquest Resources Limited (Chairman & Director) Labrador Iron Mines Holdings Limited (Chairman, CEO & Director) Minco plc. (Chairman & Director) Vatukoula Gold Mines plc (Director)
Terence McKillen	Conquest Resources Limited (President, CEO & Director) Labrador Iron Mines Holdings Limited (Executive Vice President & Director) Minco plc. (CEO & Director)
Neil J.F. Steenberg	Conquest Resources Limited (Secretary & Director) Labrador Iron Mines Holdings Limited (Secretary)
Lee Graber	First Bauxite Corporation (Director) Renaissance Gold Inc. (Director)
Tim Gallagher	Excalibur Resources Ltd. (Chairman) Xmet Inc. (Director)

3. Orientation and Continuing Education

While the Corporation currently has no formal orientation and education program for Board members, sufficient information (such as recent reports, prospectus, proxy solicitation materials, technical reports and various other operating, property and budget reports) is provided to all Board members to ensure that directors are familiarized with the Corporation's business and the procedures of the Board. In addition, directors are encouraged to visit and meet with management on a regular basis. The Corporation also encourages continuing education of its directors and officers where appropriate in order to ensure that they have the necessary skills and knowledge to meet their respective obligations to the Corporation.

4. Ethical Business Conduct

The Board has found that the fiduciary duties placed on individual directors by the Corporation's governing corporate legislation and the common law and the restrictions placed by applicable corporate legislation on an individual director's participation in decisions of the Board in which the director has an interest have been sufficient to ensure that the Board operates independently of management and in the best interests of the Corporation.

5. Nomination Of Directors

The Board performs the functions of a nominating committee with responsibility for the appointment and assessment of directors. The Board believes that this is a practical approach at this stage of the Corporation's development and given the size of the Board.

While there are no specific criteria for Board membership, the Corporation attempts to attract and maintain directors with business knowledge and a particular knowledge of mineral exploration and development or other areas which provide knowledge which would assist in guiding the officers of the Corporation. As such, nominations tend to be the result of recruitment efforts by management of the Corporation and discussions among the directors prior to the consideration by the Board as a whole.

6. Compensation

The Board reviews on an annual basis the adequacy and form of compensation of directors to ensure that the compensation of the Board reflects the responsibilities, time commitment and risks involved in being an effective director. Currently, the independent directors of the Corporation do not currently receive fees in their capacities as directors, as described under "Compensation of Directors". All directors are eligible to participate in the Corporation's Stock Option Plan. See "Compensation of Directors".

7. Committees

The Board currently has one committee: the Audit Committee. From time to time, the Board will form ad hoc committees to consider specific transactions comprised of persons unrelated to the transaction.

8. Assessments

The Board assesses, on an annual basis, the contributions of the Board as a whole, the Audit Committee and each of the individual directors, in order to determine whether each is functioning effectively. Given the size of the Board and the stage of the Corporation's development the Board believes that this structure and composition is appropriate and that the Board is functioning effectively at the current time.

AUDIT COMMITTEE AND RELATIONSHIP WITH AUDITOR

Audit Committee

The Audit Committee assists the board of directors in fulfilling its responsibilities for oversight of financial and accounting matters. The committee recommends the auditors to be nominated and reviews the compensation of the auditors. The committee is directly responsible for overseeing the work of the auditors, must pre-approve non-audit services, be satisfied that adequate procedures are in place for the review of Xtierra's public disclosure of financial information extracted or derived from Xtierra's financial statements and must establish procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters. The current members of the Audit Committee are Messrs. Graber, Kearney and Gallagher, a majority of whom are independent and each of whom is financially literate in accordance with National Instrument 52-110 (NI 52-110) – *Audit Committees*.

The Audit Committee has adopted a Charter, the text of which is set out below:

PURPOSE

The Audit Committee (the "**Committee**") is appointed by the Board of Directors (the "**Board**") to assist the Board in fulfilling its oversight responsibilities relating to financial accounting and reporting process and internal controls for Xtierra Inc (the "**Corporation**"). The Committee's primary duties and responsibilities are to:

- review the quarterly and annual financial statements and management's discussion and analysis of the Corporation and report thereon to the Board;
- select and monitor the independence and performance of the outside auditors of the Corporation (the "**Independent Auditors**"), including meetings with the Independent Auditors;
- conduct such reviews and discussions with management and the independent auditors relating to the audit and financial reporting as are deemed appropriate by the Committee;
- provide oversight to related party transactions entered into by the Corporation; and

- if necessary, assess the integrity of internal controls and financial reporting procedures of the Corporation and review the internal control report prepared by management required to be included with the annual report of the Corporation;

The Committee has the authority to conduct any investigation appropriate to its responsibilities, and it may request the Independent Auditors as well as any officer of the Corporation, or outside counsel for the Corporation, to attend a meeting of the Committee or to meet with any members of, or advisors to, the Committee. The Committee shall have unrestricted access to the books and records of the Corporation and has the authority to retain, at the expense of the Corporation, special legal, accounting, or other consultants or experts to assist in the performance of the Committee's duties.

The Committee shall review and assess the adequacy of this Charter annually and submit any proposed revisions to the Board for approval.

COMPOSITION AND MEETINGS

1. The Committee and its membership shall meet all applicable legal and listing requirements, including, without limitation, those of the TSX Venture Exchange.
2. The Committee shall be composed of three or more directors, one of whom shall serve as the Chair; both the members and the Chair shall be designated by the Board from time to time.
3. A majority of the members of the Committee shall be "independent" as defined by National Instrument 58-101 - *Disclosure of Corporate Governance Practices*, and all of whom shall be financially literate in accordance with National Instrument 52-110 - *Audit Committees*.
4. The Committee shall meet at the discretion of the Chair or a majority of its members, as circumstances dictate or as may be required by applicable legal or listing requirements, and a majority of the members of the Committee shall constitute a quorum.
5. If and whenever a vacancy shall exist, the remaining members of the Committee may exercise all of its powers and responsibilities so long as a quorum remains in office.
6. The time and place at which meetings of the Committee shall be held, and procedures at such meetings, shall be determined from time to time by the Committee.
7. Any member of the Committee may participate in the meeting of the Committee by means of conference telephone or other communication equipment, and the member participating in a meeting pursuant to this paragraph shall be deemed, for purposes hereof, to be present in person at the meeting.
8. The Committee shall keep minutes of its meetings which shall be submitted to the Board. The Committee may, from time to time, appoint any person who need not be a member, to act as a secretary at any meeting.
9. The Committee may invite such officers, directors and employees of the Corporation and its subsidiary as it may see fit, from time to time, to attend at meetings of the Committee.
10. The Board may at any time amend or rescind any of the provisions hereof, or cancel them entirely, with or without substitution.
11. Any matters to be determined by the Committee shall be decided by a majority of votes cast at a meeting of the Committee called for such purpose; actions of the Committee may be taken by an instrument or instruments in writing signed by all of the members of the Committee, and such actions shall be effective as though they had been decided by a majority of votes cast at a meeting of the Committee called for such purpose.

The Committee members will be elected annually at the first meeting of the Board following the annual meeting of shareholders.

RESPONSIBILITIES

A Financial Accounting and Reporting Process and Internal Controls

1. The Committee shall review the annual audited financial statements to satisfy itself that they are presented in accordance with International Financial Reporting Standards ("IFRS") as issued by the

International Accounting Standards Board (“IASB”) and report thereon to the Board and recommend to the Board whether or not same should be approved prior to their being filed with the appropriate regulatory authorities. The Committee shall also review the interim financial statements. With respect to the annual audited financial statements, the Committee shall discuss significant issues regarding accounting principles, practices, and judgments of management with management and the external auditors as and when the Committee deems it appropriate to do so. The Committee shall satisfy itself that the information contained in the annual audited financial statements is not significantly erroneous, misleading or incomplete and that the audit function has been effectively carried out.

2. The Committee shall review any internal control reports prepared by management and the evaluation of such report by the external auditors, together with management’s response.
3. The Committee shall be satisfied 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, management’s discussion and analysis and interim financial press releases, and periodically assess the adequacy of these procedures.
4. The Committee shall review management’s discussion and analysis relating to annual and interim financial statements and any other public disclosure documents, including interim financial press releases, that are required to be reviewed by the Committee under any applicable laws before the Corporation publicly discloses this information.
5. The Committee shall meet no less frequently than annually with the external auditors and the Chief Financial Officer or, in the absence of a Chief Financial Officer, with the officer of the Corporation in charge of financial matters, to review accounting practices, internal controls and such other matters as the Committee, Chief Financial Officer or, in the absence of a Chief Financial Officer, the officer of the Corporation in charge of financial matters, deem appropriate.
6. The Committee shall inquire of management and the external auditors about significant risks or exposures, both internal and external, to which the Corporation may be subject, and assess the steps management, has taken to minimize such risks.
7. The Committee shall review the post-audit or management letter containing the recommendations of the external auditors and management’s response and subsequent follow-up to any identified weaknesses.
8. The Committee shall establish procedures for:
 - (a) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters; and
 - (b) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.
9. The Committee shall provide oversight to related party transactions entered into by the Corporation.

B Independent Auditors

1. The Committee shall recommend to the Board the external auditors to be nominated, shall set the compensation for the external auditors, provide oversight of the external auditors and shall ensure that the external auditors report directly to the Committee.
2. The Committee shall be directly responsible for overseeing the work of the external auditors, including the resolution of disagreements between management and the external auditors regarding financial reporting.
3. The Committee shall pre-approve all audit and non-audit services not prohibited by law to be provided by the external auditors in accordance with the terms of this charter.
4. The Committee shall monitor and assess the relationship between management and the external auditors and monitor, support and assure the independence and objectivity of the external auditors.
5. The Committee shall review the external auditors’ audit plan, including the scope, procedures and timing of the audit.
6. The Committee shall review the results of the annual audit with the external auditors, including matters related to the conduct of the audit.

7. The Committee shall obtain timely reports from the external auditors describing critical accounting policies and practices, alternative treatments of information within IFRS that were discussed with management, their ramifications, and the external auditors' preferred treatment and material written communications between the Corporation and the external auditors.
8. The Committee shall review fees paid by the Corporation to the external auditors and other professionals in respect of audit and non-audit services on an annual basis.
9. The Committee shall review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former auditors of the Corporation.
10. The Committee shall monitor and assess the relationship between management and the external auditors and monitor the independence and objectivity of the external auditors.

C. Other Responsibilities

The Committee shall perform any other activities consistent with this Charter and governing law, as the Committee or the Board deems necessary or appropriate.

V. Composition of the Audit Committee

The Audit Committee is composed of Lee Graber, Tim Gallagher and John Kearney. The Board of Directors has determined that the Committee members have the appropriate level of financial understanding and industry specific knowledge to be able to perform the duties of the position. Furthermore, the Board has determined that each member of the Audit Committee is financially literate as defined in MI 52-110 and a majority are independent.

The education and experience of each Audit Committee Member is set forth below:

Lee Graber: Mr. Graber is financially literate and is a mining industry executive with over 30 years experience in the mining industry. He is currently Investment Director with Pacific Road Capital Management, based in San Francisco. Mr. Graber spent 23 years with Homestake Mining Company where as Vice President responsible for Corporate Development, he initiated, managed and closed major acquisition and divestment transactions. Subsequent to Homestake, Mr. Graber was Managing Director, Mergers and Acquisitions for Endeavour Financial Ltd. in Vancouver advising junior resource companies on financings, mergers and acquisitions and project development and has served as a director of numerous of public resource companies and presently is a director of First Bauxite Corporation and Renaissance Gold Inc.

Mr. Graber has served as an officer and a director of public companies for a period in excess of thirty years. He has an in depth understanding of the accounting principles used by the Company to prepare its financial statements and has the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and reserves. He has in depth experience preparing, auditing, analyzing and evaluating financial statements with accounting issues at least comparable to the financial statements and the issues that can be reasonably be expected to be raised by the Company's financial statements. He has an in depth understanding of internal controls and procedures for financial reporting.

Tim Gallagher: Mr. Gallagher is a graduate in commerce from McMaster University and holds a Master of Business Administration from York University and is a Chartered Financial Analyst. He is currently Chairman of Excalibur Resources Ltd., and a Director of Xmet Inc. He has been a director or senior officer of a number of public and private companies including Inflection Capital Inc., Schneider Power Inc., Eminence Capital I Inc. and Biorem Inc. Previously he was in institutional sales for Loewen Ondaatje McCutcheon and Union Bank of Switzerland (Canada). Mr. Gallagher has assisted a number of companies implement their growth plans primarily through the TSXV's Capital Pool Program since 1997.

Mr. Gallagher has served as an officer and director of public companies for a period in excess of twenty years. He has an in depth understanding of the accounting principles used by the Company to prepare its financial statements and has the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and reserves. He has in depth experience preparing, auditing, analyzing and evaluating financial statements with accounting issues at least comparable to the financial statements and the issues that can be reasonably be expected to be raised by the Company's financial statements. He has an in depth understanding of internal controls and procedures for financial reporting.

John Kearney: Mr. Kearney is financially literate. He is a mining and business executive with over 37 years experience in the mining industry internationally. He holds law and economics degrees from University College Dublin, a Masters Degree in Business Administration from Trinity College, Dublin and obtained the designation Associate of the Chartered Institute of Secretaries and Administrators (ACIS) in which he completed advanced accounting courses. He is a member of the Law Society of Ireland.

Mr. Kearney has been an officer and director of public companies for a period in excess of thirty seven years. He has an in depth understanding of the accounting principles used by the Company to prepare its financial statements and has the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and reserves. He has in depth experience in supervising the preparation, auditing analyzing and evaluation of financial statements with accounting issues at least comparable to the financial statements and the issues that can be reasonably be expected to be raised by the Company's financial statements. He has an in depth understanding of internal controls and procedures for financial reporting.

VI. Pre-approval Policies & Procedures

The Audit Committee has adopted procedures requiring Audit Committee review and approval in advance of all particular engagement for services provided by the Auditors. Consistent with applicable laws, the procedures permit limited amounts of services, other than audit services, to be approved by the Audit Committee provided the Audit Committee is informed of each particular service. All of the engagements and fees for Fiscal 2010 and 2009 were approved by the Audit Committee. The Audit Committee reviews with the auditors whether the non-audit services to be provided are compatible with maintaining the Auditor's independence. Since the adoption of these procedures, there has not been a recommendation of the Audit Committee to nominate or compensate an external auditor which was not adopted by the Board of Directors.

VII. Audit Fees & Services

The aggregate amounts billed by Auditors for the two fiscal years ended December 31, 2011 and 2010 for audit fees, audit related fees, tax fees and all other fees are set forth below:

	Year Ended December 31, 2011	Year Ended December 31, 2010
Audit Fees ⁽¹⁾	\$96,370	\$71,308
Audit-Related Fees ⁽²⁾	Nil	Nil
Tax Fees ⁽³⁾	Nil	Nil
All Other Fees	Nil	Nil
Total	\$96,370	\$71,308

- (1) "Audit Fees" represent fees for the audit of the annual financial statements, and review in connection with statutory and regulatory filings.
- (2) "Audit Related Fees" represents fees for assurance and related services that are related to the performance of the audit.
- (3) "Tax Fees" represent fees for tax compliance, tax advice and planning.

APPOINTMENT OF AUDITORS

The directors propose to nominate McGovern, Hurley, Cunningham LLP, the present auditors, as the auditors of the Corporation to hold office until the close of the next annual meeting of shareholders. McGovern, Hurley, Cunningham LLP were first appointed auditors of the Corporation effective August 26, 2008.

In the past, the directors have negotiated with the auditors of the Corporation on an arm's length basis in determining the fees to be paid to the auditors. Such fees have been based on the complexity of the matters in question and the time incurred by the auditors. The directors believe that the fees negotiated in the past with the auditors of the Corporation were reasonable and in the circumstances would be comparable to fees charged by other auditors providing similar services.

In order to appoint McGovern, Hurley, Cunningham LLP as auditors of the Corporation to hold office until the close of the next annual meeting, and authorize the directors to fix the remuneration thereof, a majority of the votes cast at the Meeting must be voted in favour thereof.

The management representatives named in the attached form of proxy intend to vote in favour of the appointment of McGovern, Hurley, Cunningham LLP as auditors of the Corporation and in favour of authorizing the directors to fix the remuneration of the auditors, unless a shareholder specifies in the proxy that his or her Common Shares are to be withheld from voting in respect of the appointment of auditors and the fixing of their remuneration.

PARTICULARS OF OTHER MATTERS TO BE ACTED UPON

RATIFICATION OF STOCK OPTION PLAN

Shareholders will be asked at the Meeting to consider and, if thought advisable, to ratify the Corporation's existing stock option plan (the "Plan"), which is considered a "rolling" stock option plan, which reserves a maximum of 10% of the Corporation's total outstanding Common Shares at the time of grant for issuance pursuant to the Plan. The policies of the TSX Venture Exchange provide that, where a Corporation has a rolling stock option plan in place, it must seek shareholder approval, for such plan annually.

The purpose of the Plan is to provide incentive to employees, directors, officers, management companies and consultants who provide services to the Corporation and reduce the cash compensation the Corporation would otherwise have to pay.

The Plan complies with the current policies of the Exchange, including the requirement for annual approval by shareholders. Under the Plan, a maximum of 10% of the issued and outstanding shares of the Corporation are proposed to be reserved at any time for issuance on the exercise of stock options. As the number of shares reserved for issuance under the Plan increases with the issue of additional shares of the Corporation, the Plan is considered to be a "rolling" stock option plan.

The following is a summary of the material terms of the Stock Option Plan:

Number of Shares Reserved: The number of common shares which may be issued pursuant to options granted under the Plan may not exceed 10% of the issued and outstanding shares of the Corporation from time to time at the date of granting of options (including all options granted by the Corporation under the Plan).

Maximum Term of Options: The term of any options granted under the Plan is fixed by the Board of Directors and may not exceed five years. The options are non-assignable and non-transferable.

Exercise Price: The exercise price of options granted under the Plan is determined by the Board of Directors, provided that it is not less than the discounted market price, as that term is defined in the Exchange policy manual or such other minimum price as is permitted by the Exchange in accordance with the policies from time to time, or, if the shares are no longer listed on the Exchange, then such other exchange or quotation system on which the shares are listed or quoted for trading.

Reduction of Exercise Price: The exercise price of stock options granted to insiders may not be decreased without disinterested shareholder approval at the time of the proposed amendment.

Termination: Options granted are non-transferable and will terminate on: (i) twelve months after the date the optionee ceases to be a director or hold an office of the Corporation by reason of death; (ii) thirty days after ceasing to be a director or officer for any reason other than retirement (including termination of employment due to change in control and/or management of the Corporation), permanent disability or death; or (iii) three months after termination of the optionees employment due to permanent disability or retirement under any plan of the Corporation.

Administration: The Plan is administered by the board of the Corporation, who will determine and designate from time to time those employees, officers, directors and service providers to whom options are to be granted. The number of shares reserved for issuance to any one individual in one year is limited to 5%, and the number reserved for insiders is limited to 10% in any one year and in total.

Board Discretion: The Plan provides that, generally, the number of shares subject to each option, the exercise price, the expiry time, the extent to which such option is exercisable, including vesting schedules, and other terms and conditions relating to such options shall be determined by the Board of Directors of the Corporation or senior officer or employee to which such authority is delegated by the Board of Directors from time to time and in accordance with Exchange policies. The number of option grants, in any 12 month period, may not result in the issuance to any one optionee which exceed 5% of the outstanding common shares of the Corporation (unless the Corporation has obtained the requisite disinterested shareholder approval), or the issuance to a consultant or an employee engaged in investor relations activities which exceed 2% of the outstanding common shares of the Corporation. Disinterested shareholder approval will be sought in respect of any material amendment to the Plan.

A full copy of the Plan is available from the Corporation upon request.

As at the date of this Circular there are 103,425,892 common shares of the Corporation issued and outstanding and accordingly, the maximum number of options which may be issued as of the date of this Circular is 10,342,589.

During the financial year ended December 31, 2011, 4,225,000 stock options were granted and 228,750 stock options were exercised during the year, leaving a total of 8,826,250 stock options outstanding at December 31, 2011.

Shareholders will be asked at the Meeting to approve with or without variation the following resolution:

“BE IT RESOLVED THAT

1. The Stock Option Plan of the Corporation as set forth in the Management Information Circular prepared for the purposes of the Meeting, be and the same is hereby ratified, confirmed and approved; and

2. Any one director or officer of the Corporation is authorized and directed, on behalf of the Corporation, to take all necessary steps and proceedings and to execute, deliver and file any and all declarations, agreements, documents and other instruments and do all such other acts and things (whether under corporate seal of the Corporation or otherwise) that may be necessary or desirable to give effect to this ordinary resolution.”

Unless a shareholder who has given a proxy has instructed that the shares represented by such proxy are to be voted against, on any ballot that may be called for ratification of the Plan, the person named in the enclosed proxy will cast the shares represented by such proxy FOR such ratification.

ADDITIONAL INFORMATION

Additional information relating to the Corporation is available on SEDAR at www.sedar.com. Financial information is provided in the Corporation’s Consolidated Financial Statements and Management Discussion and Analysis for the year ended December 31, 2011. Shareholders may also contact the Secretary of the Corporation to request copies of the Corporation’s Financial Statements and Management Discussion and Analysis.

APPROVAL

The contents and the sending of this Management Information Circular have been approved by the directors of the Corporation.

DATED: **April 27, 2012**

“Terence N. McKillen”

Terence N. McKillen
President & Chief Executive Officer