

## **CORPORATE GOVERNANCE DISCLOSURE**

National Instrument 58-101, *Disclosure of Corporate Governance Practices*, requires all reporting issuers to provide certain annual disclosure of their corporate governance practices with respect to the corporate governance guidelines (the “Guidelines”) adopted in National Policy 58-201. These Guidelines are not prescriptive, but have been used by the Company in adopting its corporate governance practices. The Company’s approach to corporate governance is set out below.

### **Board of Directors**

Management is nominating five individuals to the Company’s board of directors (the “Board”), all of whom are current directors.

The Guidelines suggest that the board of directors of every reporting issuer should be constituted with a majority of individuals who qualify as “independent” directors under NI 52-110, which provides that a director is independent if he or she has no direct or indirect “material relationship” with the Company. The majority of the Company’s board is independent as that term is defined in NI 52-110.

The Company doesn’t currently have a chairman or a lead director of the board.

### **Directorships**

The following directors of the Company are directors of other reporting issuers:

- Mark T. Brown is a director of Everclear Capital Ltd., Fox Resources Ltd., Portal Resources Ltd., Rare Element Resources Ltd., Strategem Capital Corporation and Animas Resources Ltd.
- Allen S. Winters is a director of U.S. Energy Corp.
- David Fennell is a director of Gleichen Resources Ltd., Sabina Gold and Silver Corp., Reunion Gold Corporation, Queensland Minerals Ltd., Rodeo Capital Corporation and Major Drilling Group International Inc.
- James A. Crombie is a director of Arian Silver Corporation, Reunion Gold Corporation, Queensland Minerals Ltd., Rodeo Capital Corporation and Odyssey Resources Ltd.

### **Orientation and Continuing Education**

The Board does not have any formal policies with respect to the orientation of new directors nor does it take any measures to provide continuing education for the directors. At this stage of the Company’s development the Board does not feel it necessary to have such policies or programs in place.

### **Ethical Business Conduct**

To date, the Board has not adopted a formal written Code of Business Conduct and Ethics. However, the current limited size of the Company’s operations, and the small number of officers and consultants, allow the Board to monitor on an ongoing basis the activities of management and to ensure that the highest standard of ethical conduct is maintained. As the Company grows in size and scope, the Board anticipates that it will formulate and implement a formal Code of Business Conduct and Ethics.

### **Nomination and Assessment**

The Board does not have a formal process in place with respect to the appointment of new directors. The Board expects that when the time comes to appoint new directors to the Board that the nominees would be recruited by the current Board members, and the recruitment process would involve both formal and informal discussions among Board members and the CEO. The Board monitors, but does not formally assess, the performance of individual Board members and their contributions.

The Board does not, at present, have a formal process in place for assessing the effectiveness of the Board as a whole, its committees or individual directors, but will consider implementing one in the future should circumstances warrant. Based on the Company's size, its stage of development and the limited number of individuals on the Board, the Board considers a formal assessment process to be inappropriate at this time.

### **Compensation**

The Company formed a Corporate Governance and Compensation Committee comprised of Mark Brown, Chairman, Jim Crombie, and David Fennell. The quantity and quality of the Board compensation is reviewed on an annual basis by the Board. At present, the Board is satisfied that the current compensation arrangements, which currently consist solely of incentive stock options, adequately reflect the responsibilities and risks involved in being an effective director of the Company.

### **Other Board Committees**

The written charter of the Audit Committee, as required by NI 52-110, is contained in Schedule "A" to this Circular. The Company also formed a Health, Environmental & Safety Committee comprised of David Fennell, Chairman, Rick Winters, and Al Winters. As the Company grows, and its operations and management structure became more complex, the Board expects it will constitute formal standing committees, and are composed of at least a majority of independent directors.

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

### **Adoption of Articles**

Shareholders will be asked to approve by special resolution, to adopt a new form of Articles of the Company.

The Board of Directors has determined that the adoption of a new form Articles of the Company is in the best interests of the Company and its shareholders and accordingly, the Board of Directors recommends that shareholders vote in favour of the new form of Articles.

The special resolution to adopt the new form of Articles of the Company must be passed by not less than two thirds (2/3) of the votes cast by the shareholders present in person or by proxy at the Meeting. Accordingly, the Company's shareholders will be asked to consider, and if thought appropriate, to pass, with or without amendment, a special resolution as follows:

“IT IS RESOLVED, as a special resolution that:

1. The existing Articles of the Company be deleted in their entirety and that the new form of Articles presented at the Meeting be adopted as the Articles of the Company.
2. The alterations made to the Company’s Articles shall take effect upon deposit of this resolution at the Company’s records office.
3. Any one director or officer of the Company, signing alone, be authorized to execute and deliver all such documents and instruments, including the new form of the Articles, and to do such further acts, as may be necessary to give full effect to these resolutions or as may be required to carry out the full intent and meaning thereof.”

**The above amendment to the Articles, if approved by the shareholders, shall take effect immediately on the date and time of their execution and delivery to the records office of the Company. Note that Articles are no longer required to be filed with the Registrar of Companies.**

### **Confirming Stock Option Plan**

Shareholders are being asked to confirm approval of the Company’s Stock Option Plan which was initially adopted by the directors of the Company on October 12, 2006. There have been no changes to the Stock Option Plan since it was adopted by the directors. The Stock Option Plan remains subject to acceptance by the TSXV, which the Company expects to have received by the date of the Meeting. The purpose of the Stock Option Plan is described in the section “Executive Compensation – Options and Stock Appreciation Rights (SARS)” of the information circular.

The following information is intended as a brief description of the Stock Option Plan and is qualified in its entirety by the full text of the Stock Option Plan, which will be available for review at the Meeting.

1. The maximum number of shares that may be issued upon the exercise of stock options granted under the Stock Option Plan shall not exceed 10% of the issued and outstanding common shares of the Company at the time of grant, the exercise price of which, as determined by the board of directors in its sole discretion, shall not be less than the closing price of the Company’s shares traded through the facilities of the Exchange on the date prior to the date of grant, less allowable discounts, in accordance with the policies of the Exchange or, if the shares are no longer listed for trading on the Exchange, then such other exchange or quotation system on which the shares are listed or quoted for trading.
2. The board of directors shall not grant options to any one person in any 12 month period which will, when exercised, exceed 5% of the issued and outstanding shares of the Company or to any one consultant or to those persons employed by the Company who perform investor relations services which will, when exercised, exceed 2% of the issued and outstanding shares of the Company.
3. Upon expiry of an option, or in the event an option is otherwise terminated for any reason, the number of shares in respect of the expired or terminated option shall again be available for the purposes of the Stock Option Plan. All options granted under the Stock Option Plan may not have an expiry date exceeding ten years from the date on which the board of directors grant and announce the granting of the option provided the Company is a Tier 1 Issuer or five years if the Company is a Tier 2 Issuer.

4. If the option holder ceases to be a director of the Company or ceases to be employed by the Company (other than by reason of death), or ceases to be a consultant of the Company as the case may be, then the option granted shall expire on no later than the 30th day following the date that the option holder ceases to be a director, ceases to be employed by the Company or ceases to be a consultant of the Company, subject to the terms and conditions set out in the Stock Option Plan.

In accordance with the policies of the Exchange, a plan with a rolling 10% maximum issuance, as set out in paragraph 1 above, must be confirmed by shareholders at each annual general meeting.

Accordingly, at the Meeting, the shareholders will be asked to pass the following resolution:

“IT IS RESOLVED THAT the Stock Option Plan is hereby confirmed.

### **General Matters**

It is not known whether any other matters will come before the Meeting other than those set forth above and in the Notice of Meeting, but if any other matters do arise, the person named in the Proxy intends to vote on any poll, in accordance with his or her best judgement, exercising discretionary authority with respect to amendments or variations of matters set forth in the Notice of Meeting and other matters which may properly come before the Meeting or any adjournment of the Meeting.

### **ADDITIONAL INFORMATION**

Additional information relating to the Company may be found on SEDAR at [www.sedar.com](http://www.sedar.com). Financial information about the Company is provided by the Company’s comparative annual financial statements to December 31, 2009. Additional financial information concerning the Company may be obtained by any securityholder of the Company free of charge by contacting the Company at 165 South Union Blvd., Suite 565, Lakewood, Colorado, 80228.

### **BOARD APPROVAL**

The contents of this Circular have been approved and its mailing authorized by the directors of the Company.

DATED at Vancouver, British Columbia, the 4<sup>th</sup> day of May, 2010.

### **ON BEHALF OF THE BOARD**

*(signed) “James A. Crombie”*

James A. Crombie,  
Chief Executive Officer and President