

Annual Information Form

SAN GOLD CORPORATION

For the year ended December 31, 2010

Dated as of March 28th, 2011



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SCHEDULE "A" – AUDIT COMMITTEE CHARTER

GLOSSARY

Capitalized terms used in this AIF have the meanings ascribed to them below:

“007 East” means a gold ore-body located on San Gold Corporations Mine Lease Property. The ore-body consists of gold bearing quartz veins in the Shore Line Basalt. 007 East is currently being accessed from the Hinge Ramp.

“007 Zone” means the zone discovered in the fall of 2009, located approximately 2,000 feet southeast of the Hinge Mine;

“AIF” means this Annual Information Form of the Company;

“Audit Committee” means the audit committee of the Board of Directors;

“Board of Directors” means the board of directors of the Company;

“Bulk Sample” means a collection of representative Mineralized material whose location, geologic character and metal assay content can be determined and then used for metallurgical or geotechnical testing purposes;

“Carbon-in-leach” means a recovery process in which a slurry of gold ore, carbon granules and cyanide are mixed together. The cyanide dissolves the gold content and the gold is absorbed on the carbon. The carbon is subsequently separated from the slurry for further gold removal;

“Care and Maintenance” means the indefinite suspension of all operations except those services and personnel necessary to ensure the safeguarding of mining property and assets against controllable acts;

“Cartwright Zone” means the zone discovered in 2006, located approximately 3,000 feet west of the Rice Lake Mine;

“Cohiba Zone” means the zone discovered in 2009, located approximately 1,500 feet northeast in the Hinge Mine;

“Common Shares” means the common shares of the Company;

“Company” means San Gold Corporation;

“Compensation Committee” means the compensation committee of the Board of Directors;

“Cross-cut” means a horizontal opening driven from a shaft or haulage drift at an oblique or right angle to the strike of a Vein or ore body;

“Dore” means the final saleable product from a gold mine;

“Emperor Zone” means a continuation of the mineralized region along the Shoreline Basalt, approximately 2,500 feet (762 metres) east of the 007 Zone;

“ESOP” means the employee share ownership plan of the Company dated June 23, 2008;

“Fault” means a Fracture or break in rock along which there has been movement;

“Feasibility Study” means a definitive study of the viability of a Mineral project by a Qualified Person that defines: (i) mining methods, pit configuration, mine scheduling, mine equipment and all related costing, (ii) method of Mineral processing and all related plant, equipment and costing,

(iii) necessary determination of all infrastructure required and relevant costs and (iv) all requirements of government and markets for mine operation;

“**Fracture**” means a break or crack in rock;

“**Geoex**” means Geoex Limited;

“**Governance Committee**” means the governance and human resources committee of the Board of Directors;

“**Grade**” means the metal content of rock with precious metals;

“**Hinge Mine**” means the independent near-surface decline mine of the Company located approximately 5,000 feet northeast of the Rice Lake Mine that forms part of the Rice Lake Project. The Hinge Mine started development in July 2008 and is currently in production;

“**Indicated Mineral Resource**” means that part of a Mineral Resource for which quantity, Grade or quality, densities, shape and physical characteristics can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and Grade continuity to be reasonably assumed;

“**Inferred Mineral Resource**” means that part of a Mineral Resource for which quantity and Grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and Grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes;

“**ITA**” means the *Income Tax Act* (Canada);

“**L-10**” means a gold ore-body located on the San Gold Corporation Mine Lease Property. The L-10 ore-body consists of gold bearing quartz veins that are hosted in the Shore Line Basalt near the Hinge gold ore body. The L-10 ore-body is planned to be cross-cut and silled for production ore in the second quarter of 2011.

“**L13 Zone**” means the zone discovered in 2009, located approximately 1,200 feet northwest of the Hinge Mine;

“**Laurion**” means Laurion Mineral Exploration Inc.;

“**Measured Mineral Resource**” means, in reference to Minerals, a quantity computed from dimensions revealed in outcrops, trenches, workings or drill holes with Grade and/or quality computed from the results of detailed sampling. The sites for inspection, sampling and measurement are spaced so closely and the geological character is so well defined that size, shape, depth and Mineral content of the Resources are well established;

“**Mineral**” means a naturally formed chemical element or compound having a definitive chemical composition and usually a characteristic crystal form;

“**Mineralization**” and “**Mineralized**” means a natural concentration in rocks or soil of one or more Minerals;

“Mineral Reserve” means the economically mineable part of a Measured Mineral Resource or Indicated Mineral Resource demonstrated by at least a Prefeasibility Study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified;

“Mineral Resource” means a concentration or occurrence of natural, solid, inorganic or fossilized organic material in or on the earth’s crust in such form and quantity and of such a Grade or quality that it has reasonable prospects for economic extraction. The location, quantity, Grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge;

“Mining Lease 63” means the lease (ML 063), under which the Rice Lake Mine operates, granted by the Manitoba government for a period of 21 years commencing April 1st, 1992;

“National Instrument 43-101” means National Instrument 43-101 - Standards of Disclosure for Mineral Projects;

“National Instrument 52-110” means National Instrument 52-110 – Audit Committees;

“Nominating Committee” means the nominating committee of the Board of Directors;

“Prefeasibility Study” means a comprehensive study of the viability of a Mineral project that has advanced to a stage where the mining method, in the case of underground mining, or the pit configuration, in the case of an open pit, has been established and where an effective method of Mineral processing has been determined. This study must include a financial analysis based on reasonable assumptions of technical engineering, operating and economic factors, which are sufficient for a Qualified Person acting reasonably, to determine if all or part of the Mineral Resource may be classified as a Mineral Reserve;

“Probable Mineral Reserve” means the economically mineable part of an Indicated Mineral Resource, and in some circumstances, a Measured Mineral Resource, demonstrated by at least a Prefeasibility Study;

“Proven Mineral Reserve” means the economically mineable part of a Measured Mineral Resource demonstrated by at least a Prefeasibility Study;

“Qualified Person” means an individual who is an engineer or geoscientist with at least five (5) years of experience in Mineral exploration, mine development, mine operation, project assessment or any combination of these; has experience relevant to the subject matter of a Mineral project and technical report; and is a member in good standing of a professional association;

“Quartz” means crystalline silica; often forming Veins in Fractures and Faults within older rocks;

“Resource” means a concentration of Mineral material in such form and amount that economic extraction of a commodity from the concentration is currently or potentially feasible. Locations, Grade, quality or quantity are estimated from specific geological evidence;

“Rice Lake Mill” means the mill of the Company located adjacent to the Rice Lake Mine where the Company processes its mined ore;

“Rice Lake Mine” means the deep underground shaft mine of the Company that forms part of the Rice Lake Project. The Rice Lake Mine was formerly called the San Antonio Mine and is known by some as the Bissett Mine;

“Rice Lake Project” means the Company’s operations in the Rice Lake area of the Province of Manitoba, including the Rice Lake Mine, the San Gold #1 Mine, the Hinge Mine and the surrounding property and Mineral claims of the Company including but not limited to the 007 Zone, the Cohiba Zone and the L13 Zone. The Rice Lake Project is located approximately 140 miles by road northeast of Winnipeg, Manitoba;

“Rights Plan” means the amended and restated shareholder rights plan of the Company between the Company and CIBC Mellon Trust Company dated June 23, 2008, as amended from time to time;

“San Gold #1 Mine” means the decline access mine of the Company located 2 miles to the east of the Rice Lake Mine that forms part of the Rice Lake Project. The San Gold #1 Mine started development in 2005. The San Gold #1 Mine was put on Care and Maintenance by the Company in late 2008;

“San Gold #1 Zone” means the Resource that was the basis for development of the San Gold #1 mine;

“San Gold #2 Zone” is an undeveloped Resource located approximately 2 miles east of San Gold #1 Zone;

“San Gold #3 Zone” is an undeveloped Resource located approximately 2 miles east of San Gold #1 Zone;

“SGX” means SGX Resources Inc., the shares of which are listed on the Exchange under the symbol “SXR”;

“Shoreline Basalt” means the basaltic flow that runs roughly parallel and stratigraphically above the San Antonio Mine unit providing a secondary trap-rock unit acting in a similar manner as the San Antonio Mine unit for the deposition of gold;

“Stock Option Plan” means the amended and restated stock option plan of the Company dated June 21, 2010, as amended from time to time;

“Stope” means an underground excavation from which ore has been extracted, either above or below a level;

“Technical Report” means the National Instrument 43-101 compliant technical report entitled “Mineral Reserves, Mineral Resources and Economic Assessment, Rice Lake Project, Rice Lake Greenstone Belt, Bissett, Manitoba for San Gold Corporation” prepared by Geox effective June 30, 2010;

“TSX” means the Toronto Stock Exchange;

“TSX Venture” means the TSX Venture Exchange; and

“Vein” means a thin, sheet-like Cross-cutting body of hydrothermal Mineralization, principally Quartz; and sometimes possessing other indicative inclusions.

METRIC CONVERSIONS

For ease of reference, the following conversion rates for converting from imperial to metric and from metric to imperial are provided below:

IMPERIAL MEASURE	=	METRIC UNIT	METRIC UNIT	=	IMPERIAL MEASURE
2.47 ACRES		1 HECTARE	0.4047 HECTARE		1 ACRE
3.28 FEET		1 METRE	0.3048 METRE		1 FOOT
0.62 MILE		1 KILOMETRE	1.609 KILOMETRES		1 MILE
0.032 OUNCE (TROY)		1 GRAM	31.103 GRAMS		1 OUNCE (TROY)
1.102 TONS (SHORT)		1 TONNE	0.907 TONNE		1 TON (SHORT)
0.029 OUNCE (TROY)/TON		1 GRAM/TONNE	34.28 GRAMS/TONNE		1 OUNCE (TROY/TON)

PRELIMINARY NOTES

This AIF is prepared in the form prescribed by National Instrument 51-102 *Continuous Disclosure Obligations* of the Canadian Securities Administrators.

All dollar amounts in this AIF are expressed in Canadian dollars unless otherwise indicated.

All information in this AIF is as of December 31, 2010, unless otherwise indicated.

All information stated to be incorporated by reference in this AIF is filed on the SEDAR website (www.sedar.com).

FORWARD-LOOKING STATEMENTS

All statements, other than statements of historical fact, contained or incorporated by reference in this AIF including, but not limited to, any information as to the future financial or operating performance of the Company, constitute “forward-looking information” or “forward-looking statements” within the meaning of Canadian securities legislation. These forward-looking statements are based on assumptions, analysis, opinions of management of the Company, expectations, estimates and projections as of the date of this AIF or, in the case of documents incorporated by reference herein, as of the date of such documents, made in light of the Company’s experience and its perceptions of trends, current conditions and expected developments as well as other factors which the Company believes to be relevant and reasonable in the circumstances. Forward-looking statements are provided for the purpose of providing information about management’s expectations and plans relating to the future. All of the forward-looking statements made in this AIF are qualified by these cautionary statements and those made in the Company’s other filings with the securities regulators of Canada.

Other than as specifically required by law, the Company does not intend, and does not assume any obligation, to explain any material difference between subsequent actual events and such forward-looking statements, or to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events, whether as a result of new information, future events or results or otherwise. These forward-looking statements represent management’s best judgment based on facts and assumptions that management considers reasonable, including that: there are no significant disruptions affecting operations, whether due to labour disruptions, supply disruptions, power disruptions, damage to equipment or otherwise; permitting, development, operations, expansion and acquisitions at the Rice Lake Project continue on a basis consistent with the Company’s current expectations; the exchange rate between the Canadian dollar and the U.S. dollar stays approximately consistent with current levels; certain price assumptions for gold hold true; prices for fuel, electricity and other key supplies remains consistent with current levels; production and cost of sales forecasts meet expectations; the accuracy of the Company’s current

Mineral Reserve and Mineral Resource estimates hold true; and labour and material costs increase on a basis consistent with the Company's current expectations. The Company makes no representation that reasonable business people in possession of the same information would reach the same conclusions.

Forward-looking statements include, but are not limited to, possible events, statements with respect to possible events, exploration and mining risks, estimates of Resources, Mineral Reserves and production, production and cost estimates, financing risks, negative cash flow, uninsurable risks, no assurance of titles or boundaries, the issuance of flow-through securities, service of process, governmental regulation, gold prices, competition, environmental regulations, conflicts of interest, shortages of supplies and personnel, labour difficulties, market perception, a lack of earnings history, hedging, Common Share price fluctuations, exchange rate fluctuations, reliance on key personnel, litigation risk and the current global financial condition. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Statements relating to Mineral Reserves or Mineral Resources are deemed to be forward-looking statements as they involve the implied assessment, based on certain estimates and assumptions that the Mineral Reserves and Mineral Resources described can be profitably produced in the future.

Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. As well as those factors discussed in the section entitled "Risk Factors" in this AIF, known and unknown risks which could cause actual results to differ materially from projections in forward-looking statements include, among others: fluctuations in the currency markets; fluctuations in the spot and forward price of gold or certain other commodities (such as fuel and electricity); the availability of personnel for the Company's exploration, development and production projects; the costs of the Company and the Company's production and productivity levels, as well as those of its competitors; the ability to meet engineering and construction timetables and capital costs budgets for the Company's development projects; the availability of financing for the Company's development projects and other operations on reasonable terms; tax benefits; the supply and availability of consumables and services; the accuracy of geological and metallurgical assumptions; unanticipated challenges with various stake holders; changes in interest rates; changes in national and local government legislation, taxation, controls, regulations and political or economic developments in Canada; business opportunities that may be presented to, or pursued by, the Company; the Company's ability to successfully integrate acquisitions; operating or technical difficulties in connection with mining or development activities; employee relations; the speculative nature of gold exploration and development, including the risks of obtaining necessary licenses and permits; diminishing quantities or Grades of Mineral Reserves; and contests over title to properties, particularly title to undeveloped properties. In addition, there are risks and hazards associated with the business of gold exploration, development and mining, including environmental hazards, industrial accidents, unusual or unexpected formations, pressures, cave-ins, flooding and gold bullion losses (and the risk of inadequate insurance, or the inability to obtain insurance, to cover these risks).

Although the Company has attempted to identify important factors (which it believes are reasonable) that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

CAUTIONARY NOTES TO UNITED STATES INVESTORS CONCERNING ESTIMATES OF INDICATED AND INFERRED RESOURCES

This AIF uses the terms “Measured Mineral Resource”, “Indicated Mineral Resource” and “Inferred Mineral Resource”. United States investors are advised that while such terms are recognized and required by Canadian regulations, the United States Securities and Exchange Commission does not recognize them. “Inferred Mineral Resources” have a great amount of uncertainty as to their existence, and as to their economic and legal feasibility. It cannot be assumed that all or any part of an Inferred Mineral Resource will ever be upgraded to a higher category. Under Canadian rules, estimates of Inferred Mineral Resources may not form the basis of a Feasibility Study or other economic studies. United States investors are cautioned not to assume that all or any part of Indicated Mineral Resources will ever be converted into Mineral Reserves. United States investors are also cautioned not to assume that all or any part of an Inferred Mineral Resource exists, or is economically or legally mineable.

DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this AIF from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Company, 212-1661 Portage Avenue, Winnipeg, MB. R3J 3T7, telephone 204-772-9149 ext. 201, and are also available electronically at www.sedar.com.

Except to the extent that their contents are modified, superseded or qualified by a statement contained in this AIF or the Technical Report, each of which has been filed with applicable securities regulatory authorities in Canada, are specifically incorporated by reference herein and form an integral part of this AIF.

Any statement contained in a document incorporated by reference herein shall be deemed to be modified or superseded, for the purposes of this AIF, to the extent that a statement contained herein, modifies, supersedes or qualifies that statement. The modifying, superseding or qualifying statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact, or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed in its unmodified or superseded form to constitute part of this short form prospectus.

CORPORATE STRUCTURE

Name, Address and Incorporation

The Company was formed by the amalgamation of San Gold Resources Corporation and Gold City Industries Ltd. under *The Corporations Act* (Manitoba) on July 1, 2005, by the filing of articles of amalgamation. On January 1, 2009, San Gold Corporation amalgamated with its wholly-owned subsidiary, Rice Lake Gold Corporation, and retained the name “San Gold Corporation”.

The Common Shares are listed on the TSX under the trading symbol “SGR”. The Common Shares are also listed on the OTCQX in the United States under the trading symbol “SGRCF”. The OTCQX is an “over the counter” trading market in the United States. Notwithstanding the fact that the Common Shares are listed on the OTCQX, the Company is not a reporting issuer in the United States and is not required to make filings with the United States Securities and Exchange Commission as it has received an exemption under Section 12 pursuant to Rule 12g3-2(b) of the *Securities Exchange Act of 1934*.

Previously, on January 1, 2008, Rice Lake Joint Venture Inc., a wholly-owned subsidiary of the Company, was amalgamated with its wholly-owned subsidiary, Rice Lake Gold Corporation, to form a new corporation which retained the name Rice Lake Gold Corporation. As noted above, Rice Lake Gold Corporation was amalgamated with San Gold Corporation on January 1, 2009.

The address of the Company’s corporate head office and principal place of business is P.O. Box 1000, General Delivery, Bissett, Manitoba, R0E 0J0. The registered office of the Company is Aikins, MacAulay & Thorvaldson LLP, 30th floor, 360 Main Street, Winnipeg, Manitoba, R3C 4G1. The corporate offices of the Company are located at 212 – 1661 Portage Avenue, Winnipeg, MB R3J 3T7. The Company is a reporting issuer in all provinces of Canada, other than Quebec.

Inter-corporate Relationships

San Gold Corporation has three wholly-owned subsidiaries, 6573258 Canada Ltd., 6493068 Canada Ltd. and 6772684 Canada Ltd. that were all incorporated pursuant to the *Canada Business Corporations Act*. These corporations were incorporated to hold assets pursuant to certain financing transactions and do not carry on any active business.

GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

The Company’s main business operations consist of the exploration for and production of gold, primarily in the Bissett area of the Province of Manitoba, Canada. The Company produces gold from the Rice Lake Mine and the Hinge Mine, both of which form part of what the Company refers to as the “Rice Lake Project”.

Since mid-2004, the Company and its predecessors have rehabilitated and developed the Rice Lake Mine, developed and initiated production at the Hinge Mine and initiated the development of the 007 Zone deposit. Several near surface deposits have been identified in the 2010 year. The Company processes its ore at the 1,250 ton per day Rice Lake Mill. Significant upgrades and enhancements have occurred to power distribution, ore processing and other surface infrastructure during 2010. The ore produced by the Rice Lake Mine and the Hinge Mine is processed and refined to Dore bars at the Rice Lake Mill.

In the past number of years, the Company has undertaken a substantial exploration program and has established gold Mineral Reserves and Mineral Resources in the Cartwright Zone, San Gold #1 Zone, San Gold #2 Zone, San Gold #3 Zone, Hinge Mine, 007 Zone and Cohiba Zone.

In late 2006, the Company began to produce gold from the Rice Lake Mine and from the San Gold #1 Mine, as described below and in the Technical Report.

The Company discovered a gold Mineral Resource in the Hinge Mine zone in March 2008. Development of this deposit, including creation of the Hinge Mine, began in June 2008 and a Bulk Sample was completed in July 2009. The Hinge Mine began commercial production in the latter part of 2009 and is expected to contribute up to 50% of the ore tonnage.

In November 2009, the Company discovered the 007 Zone, 2,000 feet to the southeast of the Hinge Mine. Development of the 007 Zone is underway, originating from the decline at the Hinge Mine. Initial development of the 007 Zone commenced in 2010 and during 2010 the Company milled approximately 20,000 tons of ore from the 007 Zone for the purposes of Bulk Sampling.

Also in 2009, the Company discovered the Cohiba Zone to the northeast of the Hinge Mine and the L13 Zone to the northwest of the Hinge Mine. Mineral Resource estimates for these zones are expected to be completed in 2010.

In 2010, the Company carried out 200,000 meters (657,000 feet) of diamond drilling from stations located at surface and underground. 91,000 meters (300,000 feet) of drilling occurred underground with another 109,000 meters (357,000 feet) carried out from surface. 56,000 meters (185,000 feet) of underground drilling occurred in the Rice Lake Mine, with the remainder occurring near surface. About two-thirds of this drilling was definition drilling with the remainder targeted toward new exploration.

Drilling in existing exploration zones is intended to improve confidence in existing deposits thereby providing an opportunity to increase identified Measured Mineral Resources, Indicated Mineral Resources and Inferred Mineral Resources. Drilling in new exploration zones will be targeted primarily toward drilling areas along the Shoreline Basalt, in between existing zones and following extensions of those zones to depth. Exploration will also continue along identified pathways running north of the existing San Antonio Mine unit.

In 2010, drilling in the Rice Lake Mine focused on defining the 98 Vein, located to the east of existing workings on 26 and 28 levels of the Rice Lake Mine, and on defining the high-grade veins located at the bottom of the Rice Lake Mine's deep ramps, located about 5,500 feet below surface. As the year progressed, production shifted toward the 98 Vein extending down toward 30 level of the Rice Lake Mine while pursuing new exploration targets located the east of the 98 Vein. During the fourth quarter of 2010, exploration drilling focused on pursuing extensions of the Shoreline Basalt and related near-surface deposits at depth from drilling stations on 26 and 28 levels of the Rice Lake Mine.

Drilling into the Shoreline Basalt region started the year focused on targets near the 007 Zone. High-grade strikes early in the year intensified drilling near the 007 Zone, leading to the announcement of new discoveries at the Emperor Zone in August, the L-10 Zone in October, and 007 East in November. In December, San Gold geologists realized that these deposits were part of an interconnected system of mineralization located on the hanging wall of a basalt unit running along the north shoreline of Rice Lake. This basalt unit provides the property with a second mining unit. The Shoreline Basalt reaches 1,400 m (4,900 feet) along strike. A previous discovery, about 2 km west of the L-10 Zone in the 3 level of the Rice Lake Mine, known as the "334 Zone" appears to be part of this same system.

The Hinge Zone and Cohiba Zones appear to share similar characteristics and to be unrelated to the deposits located along the Shoreline Basalt.

On September 16, 2009, the Company entered into an option agreement with Strikepoint Gold Inc. ("Strikepoint") pursuant to which the Company has the option to earn a 50% undivided interest in

certain property held by Strikepoint comprising approximately 3,595 hectares situated in southeast, Manitoba. The Company has paid Strikepoint \$200,000 cash for the option and is required to conduct a total minimum of \$1,500,000 in exploration work on the property over three years. See "Interest of Management and Others in Material Transactions".

On January 21, 2010, the Company completed the acquisition of all of Laurion's property interests in Tisdale Township, Ontario. These interests consisted of a 100% interest in 15 mineral claims referred to as the "North Tisdale Property" and a 31.5% interest in 12 mineral claims referred to as the "Davidson-Tisdale Property". The remaining 68.5% interest in the Davidson-Tisdale Property is owned by VG Gold Corp. The consideration paid by the Company to Laurion for these claims consisted of \$1,000,000 cash and 1,000,000 Common Shares. The Company has begun certain minor exploration activities on these claims but these activities do not form a material portion of the business of the Company.

On February 12, 2010, the Company acquired four mineral claims known as the "Gold Horse mineral claims" from Newquest Gold Inc. for consideration of \$50,000 in cash and the issuance of 60,000 Common Shares to Newquest Gold Inc. These mineral claims cover a total of approximately 400 hectares and are located near and to the west of the Company's mineral properties in and around Bissett, Manitoba.

In June of 2010, Georex completed the Technical Report which provided an initial Mineral Resource estimate for the Company's entire Rice Lake Project as at June 30, 2010. The following table sets out the Measured, Indicated and Inferred Resources for the Rice Lake Project. The Technical Report was filed on SEDAR on October 1, 2010.

SUMMARY OF RICE LAKE PROJECT RESOURCES (at June 30, 2010)

	Tons	Grade oz./ton (g/tonne)		Contained Ounces
<u>Rice Lake Mine</u>				
Measured Mineral Resources	388,200	0.24	(8.2)	91,175
Indicated Mineral Resources	642,240	0.25	(8.6)	163,090
Total Measured and Indicated Resources	1,030,440	0.25	(8.6)	254,265
Inferred Mineral Resources	1,519,750	0.29	(9.9)	439,090
<u>Hinge Mine</u>				
Measured Mineral Resources	91,790	0.29	(9.9)	26,510
Indicated Mineral Resources	425,670	0.40	(13.7)	171,190
Total Measured and Indicated Resources	517,460	0.38	(13.0)	197,700
Inferred Mineral Resources	1,375,200	0.39	(13.4)	538,700
<u>SG1 Mine (currently on care and maintenance status)</u>				
Indicated Mineral Resources	214,200	0.24	(8.2)	52,150
Inferred Mineral Resources	936,500	0.22	(7.5)	206,900
<u>007 Zone</u>				
Indicated Mineral Resources	305,240	0.75	(25.7)	230,330
Inferred Mineral Resources	398,200	0.47	(16.1)	186,980
<u>Cohiba Zone</u>				
Indicated Mineral Resources	55,970	0.23	(7.9)	12,675
Inferred Mineral Resources	25,210	0.16	(5.5)	4,050
<u>Cartwright Zone</u>				
Indicated Mineral Resources	136,200	0.22	(7.5)	29,830
Inferred Mineral Resources	1,761,200	0.21	(7.2)	388,940
<u>SG-2 and SG-3 Zones</u>				
Indicated Mineral Resources	173,100	0.20	(6.8)	35,320
Inferred Mineral Resources	195,600	0.26	(8.9)	50,210
<u>Rice Lake Project</u>				
Total Measured plus Indicated	2,432,610	0.33	(11.3)	812,270
Total Inferred Resources	6,211,660	0.29	(9.9)	1,814,870

In September of 2010, the Company, together with SGX, completed the acquisition of 18 mineral claims in Tully Township, Ontario from Canada Lithium Corp targeting gold exploration. The consideration paid by the Company for its 50% interest in these claims consisted of 150,000 Common Shares. Following completion of the acquisition of these claims, SGX has acted as operator of the claims. The Company's interest in these claims is not material to its overall operations.

On October 8, 2010, the Company received conditional approval for the listing of its Common Shares on the TSX. On October 20, 2010, the Common Shares formally graduated from the TSX Venture to the TSX. The trading symbol of the Common Shares remained "SGR".

On December 8, 2010, George Pirie was appointed as the President and Chief Executive Officer of the Company. Dale Ginn became Executive Vice-Chairman of the Company at the same time. Mr. Pirie has over 29 years experience in senior management roles in the mining industry, including over 20 years with Placer Dome Inc., culminating in his appointment as President and Chief Executive Officer of Placer Dome Canada and Executive Vice President of Placer Dome Inc. On January 31, 2011, Mr. Pirie was appointed as a director of the Company.

Significant Acquisitions

The Company has not completed any acquisitions that are considered to be “significant acquisitions” for the purposes of applicable securities laws in its most recently completed financial year.

DESCRIPTION OF THE BUSINESS

General

Summary

The Company's main operations consist of exploring for gold primarily in the Bissett area of Manitoba, Canada and producing gold from: (i) the Rice Lake Mine; and (ii) the Hinge Mine. The Company also owns certain Mineral claims in and around the Timmins, Ontario area. The Company has begun certain minor exploration activities on these claims but these activities do not form a material portion of the business of the Company.

The primary product produced by the Company is gold, which is sold by the Company as described below. A small amount of silver is also produced as a by-product of the gold production process. As the price of gold is determined by international market forces, the Company is not required to undertake any marketing efforts in order to sell its gold and is able to find buyers for its gold provided that it is selling the gold at the prevailing market price. Since commencing commercial production of gold, the Company has received revenue from, and anticipates that its markets will continue to be, the North American gold bullion markets. All purchasers of gold and silver from the Company are arm's length parties.

Gold Production

The Company produces gold from underground Mineral Reserves and Mineral Resources at the Rice Lake Mine and the Hinge Mine. The Rice Lake Mine had been placed on Care and Maintenance by its previous owners on August 8, 2001 and resumed limited operations in the first quarter of 2006. Commercial production of gold commenced in late 2006. Currently, the Rice Lake Mine produces approximately 300 tons of ore per day. The Rice Lake Mine produces gold using a two-shaft system. The A-shaft penetrates to 1,230 meters (4,060 feet) below surface. There is a 1,400 meter (4,600 foot) railway Cross-cut that connects the A-shaft to the D-shaft. The D-shaft currently penetrates an additional 1,015 feet of depth and there is a spiral ramp that goes down from the 32nd Level of D-shaft. Currently, the total depth of the Rice Lake Mine is approximately 1,685 meters (5,530 feet). The Rice Lake Mine employs conventional shrinkage as well as long hole mining methods. The ore is drawn out by scoop trams and transported to surface using the A-shaft hoisting skip and for the deeper portions through the D-shaft hoisting skips and transport by rail to the A-shaft.

The San Gold #1 Mine commenced the production of development ore in the first quarter of 2006. The San Gold #1 Mine was put on Care and Maintenance in late 2008 in order to focus the resources of the Company on the higher grade Rice Lake Mine and the Hinge Mine. The Hinge Mine began producing gold in August 2009 and currently produces approximately 500 tons of ore per day. The Hinge Mine represented almost 65% of ore production in 2010 and is expected to provide an increasingly significant portion of the future production profile.

The ore from the Rice Lake Mine and the Hinge Mine is processed and refined to Dore bars at the Rice Lake Mill. The nominal capacity of the Rice Lake Mill is 1,250 tons of ore per day. The Company has undertaken steps towards expanding the production capacity of the mill to 1,800 tons of ore per day as more ore becomes available from multiple sources. The Rice Lake Mill produces gold using gravity concentration systems to produce up to 40% of the gold and flotation and Carbon-in-leach circuit to produce the remaining gold.

The Dore bars are transported by armoured car and other secure means of transportation to a commercial refinery in Southern Ontario and further refined into bars of 99.5% purity or higher on behalf of the Company. The Company does not undertake any hedging arrangements and records the sale at the realized sale price.

Gold Exploration and Development

The Company continues to undertake exploration and development work, primarily in the Bissett area of the Province of Manitoba and recently in the Timmins area of Ontario and has continued to increase its ore Mineral Resources and Mineral Reserves as further described in the Technical Report.

On December 4, 2009, the Company sold and transferred its interest in a number of Mineral property option agreements to SGX. All of these Mineral property option agreements relate to properties located in the Timmins, Ontario area. At the time of the sale and transfer of such properties, SGX was a wholly-owned subsidiary of the Company. Subsequently, SGX has undertaken a number of private placement offerings such that the Company now owns approximately 41% (and approximately 26% on a fully diluted basis) of the issued and outstanding common shares of SGX. The common shares of SGX are listed on the TSX Venture under the symbol "SXR".

The Company's growth strategy in the upcoming year and beyond is two-fold: (i) to establish a profitable mine production level from the Company's existing mines; and (ii) to continue exploration activities and to increase the level of Mineral Reserves and Mineral Resources of the Company. This strategy includes seeking joint ventures, acquisitions and other relationships with companies and individuals that can be accretive to Mineral Reserves and Mineral Resources and can increase gold production.

Specialized Skill and Knowledge

All aspects of the business of the Company require specialized skill and knowledge. Such skill and knowledge include the areas of geology, drilling, logistical planning, engineering, construction, mine operations, metallurgical processing, environmental compliance and accounting. The Company employs a number of technical personnel with relevant experience, education and professional designations, and constantly evaluates the need for additional employees with particular expertise. In addition, from time to time, the Company engages consultants as necessary. The Company has developed a training program to train its workforce and has successfully graduated miners, hoist operators and other skilled trade specialities.

Competitive Conditions

The mining industry is intensely competitive and the Company must compete in all aspects of its operations with a substantial number of other mining companies, many of which have greater technical and financial resources. The Company may be at a disadvantage with respect to some of its competitors in the acquisition and/or development of mining properties in the geographical areas in which the Company carries on its business activities. The Company also competes with other mining companies for the recruitment and retention of qualified employees. The mining industry overall has been suffering from a lack of sufficient, qualified, experienced miners.

Accordingly, competition for such personnel is fierce and lack of sufficient personnel can be a limiting factor in the timeliness of development of the Company and its business.

Components

The Company sources machinery, parts and services from local businesses wherever possible but also procures components from Winnipeg, Manitoba and other major centers where necessary. Mine inventory items, mill components, consumables, etc. are ordered when required to allow for lead times on delivery and in order to have a large enough supply to not run out of critical supplies. The Company has credit accounts with most of its vendors and has some service contracts on major equipment (e.g. compressors, generator sets, etc.). Bissett is located on Manitoba Provincial Highway 304 and is easily reached by truck and is also close to railway lines, accordingly the transportation and timing of equipment delivery is manageable.

Cycles

The Company's business is highly dependent on the price of gold. The gold mining and exploration business has historically been cyclical and the prices received for gold have been volatile and affected by factors and segments outside the cost of production. The gold mining business operates in a worldwide market, and prices are derived from market forces, so competition to sell gold produced is not an issue if gold prices warrant production.

Environmental Protection

The Company's mining and mill operations at Bissett, Manitoba are located in the Wanipigow River watershed, which drains westerly into Lake Winnipeg. All mining and milling operations are on the Rice Lake basin with the tailings management area draining into the Wanipigow River below Rice Lake.

The Company's mining and milling operations at Bissett, Manitoba are regulated by licenses issued by the Province of Manitoba. Licenses are written specifically to: (i) draw fresh water from Rice Lake; and (ii) discharge waste water and tailings to containment ponds built and maintained by the Company. The latter license also regulates the release of water from the tailings polishing pond to the Wanipigow River watershed.

Environmental monitoring data is maintained and environmental incidents and accidents are reported. The Company strives to continuously improve its environmental performance and prepares annual reports that include monitoring data, environmental incidents and accidents.

The Rice Lake Mine and the Hinge Mine operate under Environmental License No. 2161 S1 RR issued by Manitoba Conservation in March 1996 and amended in September 1998. The Rice Lake Mine also has a closure and rehabilitation plan that has been accepted by Manitoba Industry, Trade, and Mines. The plan covers all aspects of rehabilitation of the Rice Lake Mine and the Hinge Mine including post closure monitoring.

The Company's environmental obligations consist primarily of costs associated with mine reclamation and closure activities. These activities, which tend to be site specific, generally include costs for earthworks, including detoxification and re-contouring, re-vegetation, water treatment and demolition. In determining the estimated costs, the Company considers such factors as changes in laws and regulations and requirements under existing permits. Such analyses are performed on an ongoing basis. In calculating the fair value of the Company's asset retirement obligations, management used a credit adjusted risk-free rate applicable to the Company.

Employees

As at December 31, 2010, the Company had approximately 400 employees. The Company also uses various contract personnel and consultants and other services as required. The Company is continually monitoring labour availability and striving to increase its pool of qualified, experienced miners. The Company currently utilizes the services of mining contractors with respect to surface diamond drilling, underground diamond drilling and specific underground development work.

In order to attract qualified employees, the Company has increased the capacity of its camp in Bissett, Manitoba and moved the majority of its employees to a 14 days in and 14 days out work schedule. The Company also has a competitive wage and bonus program to provide incentives for experienced miners to join the Company, and recently introduced a defined contribution pension plan.

Recently, the Company has been successful in attracting and retaining experienced miners and technical staff and is well positioned to continue the safe increase in production levels. Closures of other mines as well as the continuing development of the Company is permitting the attraction and retention of experienced miners and technical staff and what has historically been a key challenge facing the Company is being addressed. The Company will continue to utilize contractors on an as required basis to supplement the current workforce and in the performance of non-core work.

Reorganizations

Effective January 1, 2008, Rice Lake Joint Venture Inc., a wholly-owned subsidiary of the Company, was amalgamated with its wholly-owned subsidiary, Rice Lake Gold Corporation, to form a new corporation which retained the name "Rice Lake Gold Corporation". Effective January 1, 2009, the Company and Rice Lake Gold Corporation were amalgamated. The new corporation retained the name "San Gold Corporation".

Social and Environmental Policies

The Company believes that a sustainable future depends on a reliable workforce and to that end the Company is working closely with neighbouring First Nations and Metis communities to recruit and train local workers to develop the mining and operations skills required by the Company for long term and sustainable mining in the Rice Lake Greenstone Belt in the Province of Manitoba. To date, this program has been a success for the Company and has benefited local workers and communities as well. Local workers make up approximately 30% of the Company's workforce and closer to 45% of underground employees. A training program for residents of local communities has operated continuously since July 2005. The Company's strategy is to have a large enough talent pool of qualified operations personnel that the Company can minimize the use of "outside" contract miners. This will provide labour stability and the co-operation of the surrounding communities.

The Company also recognizes the value in supporting local businesses that provide goods and services necessary for the Company's operations. The Company works with local suppliers to increase their capacity to serve the Company and provide reliable services and supplies at competitive prices.

RISK FACTORS

Exploration and Mining Risks

The level of profitability of the Company in future years will depend mainly on gold prices, the cost of production at its properties and whether any of the Company's exploration stage properties can be brought into production. The exploration for and development of Mineral deposits involves

significant risks, which even a combination of careful evaluation, experience and knowledge may not eliminate. It is impossible to ensure that the current and future exploration programs on the Company's Mineral properties will establish Mineral Reserves. Whether an ore body will continue to 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, as well as metal prices, which cannot be predicted and which have been highly volatile in the past, mining costs, and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of Minerals, environmental protection and reclamation and disclosure obligations. The effect of these factors cannot be accurately predicted, but the combination of these factors may cause a Mineral deposit that has been mined profitably in the past, to become unprofitable. The Company is subject to the risks normally encountered in the mining industry, such as unusual or unexpected geological formations, cave-ins or flooding. The Company may become subject to liability for pollution, cave-ins or other hazards against which it cannot insure or against which it may elect not to insure.

The development of gold and other Mineral properties is affected by many factors, including the cost of operations, variations in the grade of ore, fluctuations in commodity markets, costs of processing equipment and other factors such as government regulations, including regulations relating to royalties, fluctuations in the U.S. dollar versus Canadian dollar exchange rate, allowable production, importing and exporting of Minerals and environmental protection.

In addition to the foregoing, substantial expenditures are required to establish ore Mineral Reserves through drilling, to develop metallurgical processes to extract the metal from the ore and, in the case of new properties, to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major Mineral deposit, no assurance can be given that Minerals will be discovered in sufficient quantities to justify commercial operations or that funds required for development can be obtained on a timely basis. Few properties that are explored are ultimately developed into producing mines. It is impossible to ensure that the exploration and development programs planned by the Company will result in profitable mining operations.

Resources, Reserves and Production

The figures for Mineral Resources and Mineral Reserves presented in this AIF are estimates and no assurance can be given that the anticipated level of recovery and/or Grades of Mineral Reserves or Mineral Resources will be realized. Establishment of a gold Mineral Reserve and development of a gold mine does not assure a profit on the investment or recovery of costs. In addition, geological complexity, mining hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from a mine. These conditions include delays in obtaining governmental approvals or consents, insufficient transportation capacity or other geological and mechanical conditions. While diligent mine supervision and effective maintenance operations can contribute to maximizing production rates over time, production delays from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels. Moreover, short-term operating factors relating to ore Mineral Reserves and Mineral Resources, such as the need for orderly development of an ore body or the processing of new or different ore Grades, may cause a mining operation to be unprofitable in any particular accounting period. The quantity of a given Mineral tends to vary in all types of deposits. Due to the nature of drilling and building Mineral Reserves, small variances both positive and negative must be anticipated. Mineral Resources are estimated and must account for large sections of ore bodies that are believed to contain what the average overall results demonstrate. The effect of these factors could have a material adverse effect on the Company's business, financial conditions and prospects.

The Company May Not Meet Key Production and Other Cost Estimates

A decrease in the amount and a change in the timing of the production outlook for the Rice Lake Project will directly impact the amount and timing of the Company's cash flow from operations. The actual impact of such a decrease on the Company's cash flow from operations would depend on the timing of any changes in production and on actual prices and costs. Any change in the amount or timing of these projected cash flows that would occur due to production shortfall, changes in prices or costs, labour disruptions, or reduced availability of required equipment or suppliers would, in turn, result in delays in receipt of such cash flows and may require additional financing to fund capital expenditures.

Financing Risks

The Company has limited financial resources, has a history of losses and has no assurance that additional funding will be available to it for further exploration and development. Failure to obtain such additional financing or to obtaining financing on satisfactory terms could result in delay or indefinite postponement of further exploration and development of the Rice Lake Project. Any further additional equity financing undertaken by the Company will cause dilution to the shareholders of the Company.

Integration of Future Acquisitions

The Company may make selected acquisitions of Mineral properties or companies in the future. The Company's success at completing any acquisitions will depend on a number of factors, including, but not limited to:

- (a) identifying acquisitions that fit the Company's business strategy;
- (b) negotiating acceptable terms with the seller of the business or property to be acquired; and
- (c) obtaining approval from regulatory authorities in the jurisdictions of the business or property to be acquired.

If the Company does make further acquisitions, any positive effect on the Company's results will depend on a variety of factors, including, but not limited to:

- (a) assimilating the operations of an acquired business or property in a timely and efficient manner;
- (b) maintaining the Company's financial and strategic focus while integrating the acquired business or property;
- (c) implementing uniform standards, controls, procedures and policies at the acquired business, as appropriate; and
- (d) to the extent that the Company makes an acquisition outside of markets in which it has previously operated, conducting and managing operations in a new operating environment.

Acquiring additional businesses or properties could place increased pressure on the Company's cash flow if such acquisitions involve a cash consideration. The integration of the Company's existing operations with any acquired business will require significant expenditures of time, attention and funds. Achievement of the benefits expected from consolidation would require the Company to incur significant costs in connection with, among other things, implementing financial and planning systems. The Company may not be able to integrate the operations of a recently

acquired business or restructure the Company's previously existing business operations without encountering difficulties and delays. In addition, this integration may require significant attention from the Company's management team, which may detract attention from the Company's day-to-day operations. Over the short-term, difficulties associated with integration could have a material adverse effect on the Company's business, operating results, financial condition and the price of the Common Shares. In addition, the acquisition of mineral properties may subject the Company to unforeseen liabilities, including environmental liabilities, which could have a material adverse effect on the Company. There can be no assurance that any future acquisitions will be successfully integrated into the Company's existing operations.

Negative Cash Flow

The success of the Company's business depends upon the Company's ability to develop its cash flow from operations to a point where it becomes profitable. The Company's revenue from operations continues to improve but may still result in negative overall cash flow. Accordingly, the Company may require additional funds raised through the sale of equity and/or debt capital.

Uninsurable Risks

In the course of exploration, development and production of Mineral properties, certain risks, and in particular, unexpected or unusual geological operating conditions including rock bursts, cave-ins, fires, flooding and earthquakes may occur. It is not always possible to fully insure against such risks and the Company may decide not to take out insurance against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the securities of the Company.

No Assurance of Titles or Boundaries

The acquisition of title to Resource properties can be a very detailed and time-consuming process. The Company holds an interest in its properties through mining claims. Title to, and the area of, the mining claims may be disputed. There is no guarantee that such title will not be challenged or impaired. There may be challenges to the title of the properties in which the Company may have an interest, which, if successful, could result in the loss or reduction of the Company's interest in the properties.

Although title to its material properties have been reviewed by or on behalf of the Company, no assurances can be given that there are no title defects affecting the properties. Title insurance generally is not available for mining claims in Canada and the Company's ability to ensure that it has obtained secure claim to individual Mineral properties may be severely constrained. The Company has not conducted surveys of all of the claims in which it holds direct or indirect interests, therefore, the precise area and location of such claims may be in doubt. Accordingly, the properties of the Company may be subject to prior unregistered liens, agreements, transfers or claims including native land claims, and title may be affected by, among other things, undetected defects.

Issuance of Flow-Through Securities

Flow-through securities are securities of the Company, which meet certain criteria and qualify for flow-through tax treatment for the purposes of ITA. Qualification as a "flow-through share" enables the Company to renounce certain eligible resource expenditures incurred by the Company for the benefit of any investor who is a Canadian taxpayer. Once issued, the shares are Common Shares, which are not differentiated from Common Shares that were not issued as flow-through shares.

Under the ITA, companies are permitted to issue flow-through shares pursuant to a written

agreement under which the issuer agrees to incur certain eligible Canadian exploration expenses within the time frame specified in the agreement (generally, 12 to 24 months) and to flow-through or “renounce” the related tax deduction to the investor. The proceeds from the issuance of flow through shares must be expended on “qualifying expenditures,” which are related to Mineral exploration in Canada.

In the event that the Company is unable to make the renunciation or fails to expend the funds on qualifying exploration expenditures, investors may be subject to reassessment for any related tax deduction taken by the investor and the Company could be liable to the investor for damages in an action for breach of contract. However, there is no right of rescission of the subscription contract that would result in a reversal of the share issuance. The investor may be entitled to damages (based on a breach of contract claim), which may include amounts related to the increased tax liability that the shareholder experienced resulting from the failure of the Company to renounce the contracted qualifying expenditures. In addition, the Company could be required to pay a penalty and interest to the Government of Canada for failure to make and renounce such qualifying expenditures, within prescribed time limits.

Although the Company believes it will make the qualifying expenditures and renounce the related tax deduction for the benefit of the purchasers of its Common Shares that are flow-through shares, there can be no assurance that the Company will be able to make the qualifying expenditures or renounce such deductions in a timely manner. The failure to make the qualifying expenditures or to renounce such deductions in a timely manner could have a material adverse effect on the Company’s business or its ability to raise additional financing through the issuance of flow-through shares.

Service of Process – U.S. Investors

The Company is incorporated under the laws of Manitoba. All of the Company’s directors and officers are residents of Canada and all of the Company’s assets and its subsidiaries are located outside of the United States. Consequently, it may be difficult for United States investors to affect service of process in the United States upon the Company’s directors or officers or to realize in the United States upon judgments of United States courts predicated upon civil liabilities under the United States Securities Exchange Act of 1934, as amended. A judgment of a U.S. court predicated solely upon such civil liabilities may be enforceable in Manitoba by a Manitoba court if the U.S. court in which the judgment was obtained had jurisdiction, as determined by the Manitoban court, in the matter. There is substantial doubt whether an original action could be brought successfully in Manitoba against any of such persons or the Company predicated solely upon such civil liabilities.

Government Regulation

Exploration, development and mining of Minerals are subject to extensive federal, provincial and local laws and regulations governing acquisition of the mining interests, prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. These laws and regulations are administered by various federal, provincial and local governmental authorities.

In addition, the current and future operations of the Company, from exploration through development activities and production, require permits, licences and approvals from some of these governmental authorities. The Company has obtained all government licenses, permits and approvals necessary for the operation of its business to date, however, additional licenses, permits and approvals may be required.

The failure to obtain any licenses, permits or approvals that may be required or the revocation of existing ones would have a material and adverse effect on the Company, its business and results

of operations. Failure to comply with applicable laws, regulations and permits may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities requiring the Company's operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. The Company may be required to compensate those suffering loss or damage by reason of its Mineral exploration activities and may have civil or criminal fines or penalties imposed for violations of such laws, regulations and permits. Any such events could have a material and adverse effect on the Company and its business.

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 Company and cause increases in capital expenditures or production costs or reduced levels of production at producing properties or require abandonment or delays in development of its mining properties.

In addition to the foregoing, operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, foreign exchange controls, income taxes, expropriation of property and mine safety legislation.

Gold Prices

The business of the Company is dependent on the price of gold, which is affected by numerous factors beyond the control of the Company. Factors tending to put downward pressure on the price of gold include: (i) sales or leasing of gold by governments and central banks; (ii) strengthening of the US dollar; (iii) global or regional recession or reduced economic activity; (iv) speculative trading; (v) decreased demand for industrial uses, use in jewelry or investment; (vi) high supply of gold from production, disinvestment and scrap; (vii) increases in interest rates; (viii) sales by gold producers in forward transactions and other hedging; (ix) the production and cost levels for gold in major gold-producing nations; and (x) the cost level (in local currencies) for gold in major consuming nations.

Any drop in the price of gold would adversely impact the Company's future revenues, profits and cash flows. In addition, sustained low gold prices can: (i) reduce revenues further by production cutbacks due to cessation of the mining of deposits or portions of deposits that have become uneconomic at the then-prevailing gold price; (ii) halt or delay the development of new projects; and (iii) reduce funds available for exploration, with the result that depleted Minerals are not replaced. If gold prices were to decline significantly for an extended period of time, the Company might not be able to produce gold economically or continue with the exploration and development of its properties.

There can be no assurance that the price of gold will remain stable or that such price will be at a level that will prove feasible to continue the Company's exploration activities, or if applicable, begin development of its properties, or commence or, if commenced, continue commercial production.

Competition

The mining industry is intensely competitive in all its phases. The Company competes with many companies possessing greater financial resources and technical facilities than itself for the acquisition of Mineral concessions, claims, leases and other Mineral interests as well as for the recruitment and retention of qualified employees. In particular, the mining industry has been suffering from a lack of sufficient, qualified experienced miners. Accordingly, competition for such personnel is fierce and the Company must compete against other mining companies to retain such personnel. The lack of sufficient personnel can be a limiting factor in the timeliness of the development of the Company and its business.

Environmental Regulations

The operations of the Company are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which could result in environmental pollution. A breach of such legislation may result in the imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner, which introduces stricter standards, enforcement and fines and penalties for non-compliance. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in statutes and regulations has the potential to reduce the profitability of operations. To the best of the Company's knowledge, the Company is in compliance with all material environmental laws and regulations.

The Company has posted, in accordance with a mine closure plan filed pursuant to *The Mines and Minerals Act* (Manitoba), a security agreement to secure the costs of rehabilitating the Rice Lake Mine and the Hinge Mine. Failure to comply with the Company's mine closure plan would result in some or all of such security being drawn down and the Company being liable for the cost of such amounts. In addition, it is possible that such security is not sufficient to secure all of the reclamation costs for which the Company could become liable.

Conflicts of Interest

Certain directors and officers of the Company are also directors, officers or shareholders of other companies that are similarly engaged in the business of acquiring, developing and exploiting natural resource properties. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interest that they may have in any project or opportunity of the Company. If a conflict of interest arises at a meeting of the Board of Directors, any director in a conflict will disclose his interest and abstain from voting on such matter in accordance with *The Corporations Act* (Manitoba). See "Interest of Management and Others in Material Transactions" and "Directors and Officers – Conflicts of Interest".

Shortages of Supplies and Personnel

The Company may be adversely affected by shortages of critical supplies or equipment or trained personnel required to operate the business of the Company. Any shortage of critical supplies or equipment or trained personnel will affect the timeliness of the development of the Company's Mineral Resources and its business.

Labour Difficulties

Factors such as work slowdowns or stoppages caused by the attempted unionization of operations and difficulties in recruiting qualified miners and hiring and training new miners could materially adversely affect the Company's business. This would have a negative affect on the Company's business and results of operations, which might result in the Company not meeting its business objectives.

Market Perception

Market perception of junior exploration, development and mining companies may shift such that these companies are viewed less favourably. This factor could impact the value of investors' holdings and the Company's ability to raise further funds by issue of additional securities or debt.

No History of Earnings

The Company has no significant history of earnings with respect to its Mineral exploration and development activities and there is no assurance that its operations will ever be profitable or provide a return on investment in the future. The Company has not paid dividends in the past and has no plans to pay dividends in the future.

Hedging

The Company does not have a hedging policy with respect to the price of gold and has no current intention of adopting such a policy. Accordingly, the Company has no protection from declines in gold prices.

Share Price Fluctuations

In recent years, the securities markets in Canada and around the world have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered development stage companies, have experienced wide fluctuations in price that would have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continued fluctuations in price will not occur.

Exchange Rate Fluctuation

The financial results of the Company may be adversely affected by fluctuations in the rate of exchange of Canadian dollars into U.S. dollars. A substantial increase in the value of the Canadian dollar against the U.S. dollar would adversely affect the Company's revenue and net income, if any. The Company does not currently take any steps to hedge against currency fluctuations. During the year ended December 31, 2010, the CDN\$/US\$ exchange rate ranged from a low of \$1.0848 to a high of \$0.9931 with an average of \$1.0299.

Key Personnel

The Company's success is dependent upon the performance of certain key personnel. The Company does not maintain life insurance for such personnel. The loss of the services of certain senior management or key personnel could have a material and adverse effect on the Company, its business and results of operations.

Litigation Risk

All industries, including the mining industry, are subject to legal claims, with and without merit. The Company has in the past and may from time to time be involved in various routine legal proceedings. Further, defence and settlement costs can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, there can be no assurance that the resolution of any particular legal matter will not have material adverse effects on the Company's future cash flow, results of operations or financial condition.

Current Global Financial Condition

Current global financial conditions have been characterized by increased volatility and many financial institutions have either gone into bankruptcy or have had to be rescued by governmental authorities. The fallout from the current global financial crisis has resulted in the following conditions, which may have an impact on the operations and cash flows of the Company: (i) volatility in commodity prices and foreign exchange rates; (ii) tightening of credit markets; (iii) increased counterparty risk; and (iv) volatility in the prices of publicly traded entities.

These factors may impact the ability of the Company to obtain equity or debt financing in the future on terms favourable to the Company. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. If such increased levels of volatility and market turmoil continue, the Company's operations could be adversely impacted and the trading price of its Common Shares may be adversely affected.

Future Sales of Common Shares by Existing Shareholders

Sales of a large number of Common Shares in the public markets, or the potential for such sales, could decrease the trading price of the Common Shares and could impair the Corporation's ability to raise capital through future sales of its Common Shares.

MINERAL PROJECTS

General

Peter T. George, on behalf of Geox, prepared the Technical Report. Peter T. George is a Qualified Person and is independent of the Company.

The following summary of the Mineral projects of the Company is a reproduction on the "Summary" section of the Technical Report, which is included in this AIF with the consent of the author of the Technical Report, Peter T. George. Investors should consult the Technical Report to obtain further particulars regarding the Mineral properties of the Company. The Technical Report is incorporated by reference herein and is available for review on the SEDAR website located at www.sedar.com under the Company's profile. Readers are cautioned that the summary of technical information in this AIF should be read in the context of the qualifying statements, procedures and accompanying discussion within the complete Technical Report and the summary provided herein is qualified in its entirety by the Technical Report. Capitalized and abbreviated terms appearing in this section and not otherwise defined herein have the meaning ascribed to such terms in the Technical Report. Preliminary assessments are preliminary in nature. The Technical Report includes Inferred Mineral Resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as Mineral Reserves. There is no certainty that the assessment contained in the Technical Report will be realized. See "Risk Factors – Resources, Reserves and Production".

Summary of Technical Report

The technical report (the "Report") has been prepared by Geox Limited at the request of the management of San Gold Corporation ("the Company"). The report was authored by Mr. Peter George, B.Sc., P.Geol. Mr. George ("the Author") has over 40 years of experience in the mining industry including extensive experience in the gold exploration and mining sector in Canada. In the past 5 years the Author has completed resource reports and/or geological potential reports on 4 significant Archean gold projects, Gold Eagle's (now Goldcorp) Bruce Channel deposit in Red Lake, Ontario, Valgold's (now Northern Gold) Jonpol deposit in Garrison Township, Timmins area, Black Pearl's (now Canadian Lithium) Tully deposit in the Timmins area, and the Company's Rice Lake Mine ("RLM"), SG-1 Mine, Hinge Mine, 007 Zone, Cohiba Zone, Cartwright Zone, SG-2 Zone, and SG-3 Zone in Bissett, Manitoba.

The purpose of the technical report (the "Report") is to provide a current (effective date June 30, 2010) resource and reserve estimate for the Company's Rice Lake Project area (the Property) in Bissett, Manitoba. The gold mineralization in the area occurs in quartz veins located in shear-type and tensional-type fractures in lithologies that are more brittle than the surrounding lithologies. The gold-mineralized structures are related to the Rice Lake Mine shear-structures and are hosted in the San Antonio Mine (the "SAM") unit and overlying volcanic rocks. The SAM Unit is a

gabbro sill that hosts the gold-bearing quartz veins of the RLM. The Report also includes an interpretation of Lidar airborne imagery acquired in 2009 that provides significant insights into the regional structural setting of the vein systems.

The format and content of the Report are intended to conform to Form 43-101F1 of National Instrument 43-101 (“NI 43-101”) of the Canadian Securities Administrators.

Note that during the long operational history at the RLM the technical data has consistently been in Imperial Measures. Imperial units of feet, miles, troy ounces, short tons (2000 pounds), etc. continue to be used throughout the current operations. The mine grid is in feet and the surface elevation at the top of the RLM shaft collar is nominally the 10000 level.

The Project area is comprised of Mining Lease 63, covering an area of 996.9 hectares around the Rice Lake Mine, and 40 mining claims covering an area of 4,658 hectares contiguous to Mineral Lease 63. An additional 41 non-contiguous mining claims covering an area of 4,032 hectares are located in the surrounding area to the west, south and east of Mineral Lease 63. All of the current resources occur on the Mining Lease.

The following table, with an effective date of June 30, 2010, summarizes the mineral resources for the Rice Lake Project. Note that the numbers have been rounded from the detailed resource estimates.

SUMMARY OF RICE LAKE PROJECT RESOURCES (at June 30, 2010)

	Tons	Grade		Contained
		oz./ton (g/tonne)		Ounces
<u>Rice Lake Mine</u>				
<i>Measured Mineral Resources</i>	388,200	0.24	(8.2)	91,175
<i>Indicated Mineral Resources</i>	642,240	0.25	(8.6)	163,090
<i>Total Measured and Indicated Resources</i>	1,030,440	0.25	(8.6)	254,265
<i>Inferred Mineral Resources</i>	1,519,750	0.29	(9.9)	439,090
<u>Hinge Mine</u>				
<i>Measured Mineral Resources</i>	91,790	0.29	(9.9)	26,510
<i>Indicated Mineral Resources</i>	425,670	0.40	(13.7)	171,190
<i>Total Measured and Indicated Resources</i>	517,460	0.38	(13.0)	197,700
<i>Inferred Mineral Resources</i>	1,375,200	0.39	(13.4)	538,700
<u>SG1 Mine (currently on care and maintenance status)</u>				
<i>Indicated Mineral Resources</i>	214,200	0.24	(8.2)	52,150
<i>Inferred Mineral Resources</i>	936,500	0.22	(7.5)	206,900
<u>007 Zone</u>				
<i>Indicated Mineral Resources</i>	305,240	0.75	(25.7)	230,330
<i>Inferred Mineral Resources</i>	398,200	0.47	(16.1)	186,980
<u>Cohiba Zone</u>				
<i>Indicated Mineral Resources</i>	55,970	0.23	(7.9)	12,675
<i>Inferred Mineral Resources</i>	25,210	0.16	(5.5)	4,050
<u>Cartwright Zone</u>				
<i>Indicated Mineral Resources</i>	136,200	0.22	(7.5)	29,830
<i>Inferred Mineral Resources</i>	1,761,200	0.21	(7.2)	388,940

SG-2 and SG-3 Zones

Indicated Mineral Resources	173,100	0.20	(6.8)	35,320
Inferred Mineral Resources	195,600	0.26	(8.9)	50,210

Rice Lake Project

Total Measured plus Indicated	2,432,610	0.33	(11.3)	812,270
Total Inferred Resources	6,211,660	0.29	(9.9)	1,814,870

The mineral resources are in-situ, undiluted, and uncapped and have not had economic parameters applied to them.

The following table, with an effective date of June 30, 2010, summarizes the mineral reserves for the Rice Lake Project. Note that the numbers have been rounded from the detailed resource estimates. The reader is referred to the Appendices of the Report for details of the reserve estimates.

SUMMARY OF RICE LAKE PROJECT RESERVES (at June 30, 2010)

	Tons	Grade oz./ton (g/tonne)	Contained Ounces
<u>Rice Lake Mine</u>			
Proven Mineral Reserves	414,000	0.22 (7.5)	91,175
Probable Mineral Reserves	753,320	0.22 (7.5)	163,090
Total Proven and Probable Reserves	1,166,320	0.22 (7.5)	254,265
<u>Hinge Mine</u>			
Proven Mineral Reserves	114,740	0.23 (7.9)	26,510
Probable Mineral Reserves	532,085	0.32 (11.0)	171,190
Total Proven and Probable Reserves	646,825	0.31 (10.6)	197,700
<u>SG1 Mine (currently on care and maintenance status)</u>			
Probable Mineral Reserves	180,150	0.26 (8.9)	47,110
<u>007 Zone</u>			
Probable Mineral Reserves	381,550	0.60 (20.7)	225,545
<u>Cohiba Zone</u>			
Probable Mineral Reserves	69,960	0.18 (6.2)	12,675
<u>Cartwright Zone</u>			
Probable Mineral Reserves	170,250	0.18 (6.2)	29,830
<u>Rice Lake Project</u>			
Total Proven and Probable Reserves	2,615,055	0.29 (9.9)	767,125

The 2009 bulk sample milling at the Hinge Mine recovered 16,052 ounces of gold. Assuming 93% mill recovery, 95% mine recovery, and 20% dilution the bulk sample equates to an in-situ resource of 45,000 tonnes grading 0.38 ounces per ton. This reconciles well with the average grade of the Hinge Mine uncapped measured plus indicated resources. Further, monthly average grade fed to the mill (based on hourly mill belt samples) ranged from 0.25 to 0.64 ounces per ton, which indicates the variability of average grades over an area approximately 400 feet high by 700 feet along strike.

Reconciliation of the Company's diluted, recoverable reserve estimates based on assay data, underground face samples, and mill belt samples indicate that the sampling and assaying protocols are providing good quality data.

The Company monitors the QAQC information for the assaying process on a regular basis (standards and blanks sent to assay laboratories and the duplicates and replicates done by the laboratories). The Author has reviewed this information and found no serious discrepancies that had not been recognized and dealt with by the Company geologists.

The mineral resources are defined in terms of NI 43-101 regulations and their estimation was carried out using industry standard polygonal longitudinal section methodology. The drill hole data was evaluated in plan and section in three dimensional AutoCAD to determine continuity between holes. Vein structures in the RLM area have vertical extents from 4 to 8 times their strike length. Because of this, areas of influence used around drill hole pierce points on the longitudinal section for purposes of defining measured and indicated resources are ellipses, elongate down dip. For measured resources an ellipse with short axis of 50 feet and long axis of 100 feet was used; and for indicated resources an ellipse with short axis 75 feet and long axis 150 feet was used.

The Company's production department uses Amine software for reserve estimation and mine planning. Amine is a 3D AutoCAD based system that uses block modelling to determine reserve and resource estimates. The Author has crosschecked the Amine methodology versus his polygonal longitudinal section methodology and has found no material differences between the results of the two methodologies. Amine uses 3D modelling to determine volumetric information for resources and beyond that step, the same tonnage factors are used to determine the tonnages. For reserve estimation, the Author used the minimum mining width, recovery, and metal price criteria that are currently used by the Production department. Cut-off grades were based upon current mining costs as presented in the economic assessment of the Project.

The key assumptions used by the Author for conversion of measured and indicated resources to proven and probable reserves are:

- 1) Resource tonnage factor 11.4 cubic feet per ton (equivalent to an average specific gravity of 2.8)*
- 2) Minimum mining width 5 feet horizontal.*
- 3) Mill Call Factor 95%*
- 4) Mill Gold Recovery 93%*
- 5) Gold price US\$1200, Canadian\$1260 at 1.05 exchange rate.*
- 6) External cut-off grade 0.13 ounces per ton (based upon total operating costs of \$165/ton and taking into account mill gold recovery and the assumed price of gold).*
- 7) Internal cut-off grade 0.10 ounces per ton (based upon total mining costs (ore delivered to mill) of \$123/ton and taking into account mill gold recovery and the assumed price of gold).*

The Author concludes that the work completed to date on the Property has demonstrated the presence of significant gold reserves and resources that warrant additional surface and underground exploration and development programs with the objective to confirm the geometry and continuity of the vein structures and to confirm sufficient measured and indicated mineral resources to warrant completion of internal feasibility studies.

The economic assessment contained in the Report indicates that the Rice Lake Project is economically viable. The following is a summary of key economic results.

SUMMARY OF KEY ECONOMIC RESULTS
(Canadian dollars unless indicated otherwise)

Life of Mine (“LOM”)	5.5 years
LOM Tons Mined	1,908,812
LOM Ounces Gold Produced	618,515
LOM Average Assumed Gold Price	US\$ 1200
LOM Average Breakeven Gold Price	US\$ 575
Total Revenue	\$778,898,235
Total Operating Costs	\$315,485,383
Cashflow from Operations (EBITDA)	\$463,412,852
Capital Costs	\$ 56,807,000
Cash Surplus before taxes	\$406,605,852

The economic assessment includes only measured and indicated resources, however, all of the development capital required to convert the inferred resources to reserves and develop those resources has been included in the economic assessment.

Over a 5.5-year mine-life the project will generate \$407 million cash surplus before taxes and cashflow from operations (EBITDA) of \$463 million (average EBITDA approximately \$84 million per year). The breakeven life-of-mine gold price is US\$575 to allow for recovery of ongoing development capital expenses.

The project has positive cash flow from operations at gold prices in excess of US\$575.

In Geoex’s opinion, given the current inventory of approximately 3.7 million tons of inferred resources and the long operating history of the Rice Lake Project, it is probable that sufficient inferred resources will be converted to resources to achieve a minimum of 10 years of mine life.

NI 43-101 Cautionary Note - Mineral resources that are not mineral reserves do not have demonstrated economic viability and there is no certainty that the results of the economic assessment will be realized.

The capital development allocated in the model is sufficient to fund conversion of inferred resources to reserves and as well has the capability to potentially add additional inferred resources to the current indicated resource inventory.

The Author concludes that the work completed to date on the Property has demonstrated the presence of significant gold reserves that should, subject to the various economic risks of variation in gold prices, operating costs, and other unforeseen economic factors, provide at least 7 years of mill feed at an average production rate of 400,000 tons milled per year. The Property warrants additional surface and underground exploration and development programs with the objective to confirm the geometry and continuity of the vein structures and to confirm sufficient measured and indicated mineral resources to warrant completion of internal feasibility studies on new stoping areas and future discoveries.

The Author recommends the following:

1. The Company should continue funding an aggressive exploration program in the Rice Lake Area.
2. The Company should create a 3D model of the major shear structures and resource areas on the Property to provide a tool for use by its Exploration and Production Geologists as well as for use with third parties who have an interest in the Property.
3. The Company should initiate underground bulk sampling programs on the L10, L13, and Cohiba exploration targets.

4. *As this Report will be made public it is inappropriate for the Author to provide other specific recommendations relative to ongoing exploration concepts and targets.*

DIVIDENDS

The Company has never paid any dividends on any of its Common Shares and presently has no intention of paying dividends. The future dividend policy will be determined by the Board of Directors on the basis of earnings, financial requirements and other relevant factors.

DESCRIPTION OF CAPITAL STRUCTURE

Common Shares

The authorized share capital of the Company consists of an unlimited number of Common Shares. As of the date of this AIF, there are 309,115,841 Common Shares issued and outstanding.

The holders of the Common Shares are entitled to one vote per Common Share at all meetings of shareholders, to receive dividends as and when declared by the directors, and to receive a *pro rata* share of the remaining property and assets of the Company in the event of liquidation, dissolution or winding up of the Company. The Common Shares have no pre-emptive, redemption, purchase or conversion rights. There are no sinking fund provisions in relation to the Common Shares and the Common Shares are not liable to further calls or to assessment by the Company.

Common Share Purchase Options

The Stock Option Plan is administered by the Compensation Committee of the Board of Directors but all option issuances are approved by the Board. The purpose of the Stock Option Plan is to advance the interests of the Company by encouraging participants in the Stock Option Plan ("Participants") to acquire Common Shares thereby increasing their proprietary interest in the Company, encouraging them to remain associated with the Company and providing them with additional incentive in their efforts on behalf of the Company in the conduct of its affairs.

Pursuant to the Stock Option Plan, the Company may grant options to purchase Common Shares to a director of the Company or a director of a subsidiary of the Company, a senior officer of the Company or a subsidiary of the Company, an employee of the Company or a subsidiary of the Company, management company employees of the Company or a subsidiary of the Company and consultants retained by the Company, including investor relations consultants. The directors set the exercise price at the time that an option is granted under the Stock Option Plan. The options have a maximum term of five years from the date of grant.

The Stock Option Plan provides that the number of Common Shares reserved for issuance pursuant to the Stock Option Plan in respect of all options granted to any one Participant, other than a consultant or a person employed in investor relations, together with any other previously established or proposed security compensation arrangement of the Company, at any one time shall not exceed 5% of the issued and outstanding Common Shares in the capital of the Company from time to time. The number of Common Shares reserved for issuance pursuant to the Stock Option Plan in respect of all options granted to any one Participant that is a consultant or a person involved in investor relations at any one time shall not exceed 2% of the outstanding Common Shares in the capital of the Company from time to time. The Stock Option Plan also provides that the number of Common Shares reserved for issuance pursuant to the Stock Option Plan together with any other previously established or proposed security compensation arrangement of the Company, at any one time shall not exceed 10% of the outstanding Common Shares in the capital of the Company from time to time.

The exercise price of the Common Shares subject to each option shall be determined by the Board at the time that the option is granted. In no event shall such exercise price be lower than the last daily closing price of the Common Shares on the day before the grant of the options. Once the exercise price has been determined by the Board, the exercise price of an option may be reduced upon receipt of the approval of the Board, provided that in the case of options held by insiders of the Company, the exercise price of an option may be reduced only if disinterested shareholder approval is obtained.

The number of Common Shares issuable to insiders of the Company, at any time, under the Stock Option Plan and all other security-based compensation arrangements of the Company, cannot exceed 10% of the issued and outstanding Common Shares (calculated on a non-diluted basis). The number of Common Shares issued to insiders of the Company within any one year period, under the Stock Option Plan and all other security-based compensation arrangements of the Company cannot exceed 10% of the issued and outstanding Common Shares (calculated on a non-diluted basis).

If a Participant shall cease to be a director of the Company, a director of a subsidiary of the Company, a senior officer of the Company or a subsidiary of the Company, an employee of the Company or a subsidiary of the Company, a management company employee of the Company or a subsidiary of the Company for any reason (other than death), such Participant may then only exercise his or her option to the extent that the Participant was entitled to exercise it at the date of such cessation, provided that such exercise must occur within 90 days after the Participant ceases to hold such office.

In the event of the death of a Participant, the options previously granted to him or her shall be exercisable only within the first year after such death and then only: (a) by the person or persons to whom the Participant's rights under the options shall pass by the Participant's will or the laws of descent and distribution; and (b) if and to the extent that such Participant was entitled to exercise the option at the date of his or her death.

Subject to any vesting restrictions imposed by the relevant exchange upon which the Common Shares are listed or applicable securities laws, the Board may, in its sole discretion, determine the time period(s) during which options shall vest and the method of vesting, or that no vesting restriction shall exist.

All benefits, rights and options accruing to any Participant in accordance with the terms and conditions of the Stock Option Plan shall not be transferable or assignable. During the lifetime of a Participant any benefits, rights and options may only be exercised by the Participant.

The Board of Directors has the power to amend, modify, suspend or terminate the Stock Option Plan, subject to any necessary regulatory and shareholder approvals. Subject to the receipt of any necessary regulatory or shareholder approvals, the Board of Directors may also at any time amend or revise the terms of any options granted under the Stock Option Plan from time to time. The Board of Directors has the authority to make amendments to the Stock Option Plan without requiring shareholder approvals that: (i) are regarded as "housekeeping" in nature; (ii) change the vesting provisions of an option or the Stock Option Plan; or (iii) change the termination provisions of an option or the Stock Option Plan so long as such change does not extend the expiry date of any option. Notwithstanding the foregoing, the following amendments to the Stock Option Plan may not be made without the approval of the shareholders: (i) an increase to the maximum number of options that may be granted or reserved for granting pursuant to the Stock Option Plan; (ii) a change to the amendment provisions of the Stock Option Plan; (iii) a reduction of the exercise price of options held by insiders of the Company; (iv) an extension to the term of options held by insiders of the Company; and (v) any changes to the insider participation limits of the Stock Option Plan.

As at the date of this AIF there are currently 13,167,686 options to purchase Common Shares issued and outstanding pursuant to the Stock Option Plan.

Employee Share Ownership Plan

The ESOP was approved by the shareholders of the Company effective June 23, 2008. The ESOP provides the Board of Directors with the ability to grant certain eligible employees (“Eligible Employees”) the right to subscribe for Common Shares from treasury. To date, the Company has not implemented the ESOP and no grants of Common Shares to Eligible Employees have been made. It is the intention of the Company to implement the ESOP and commence granting rights to purchase Common Shares to Eligible Employees at some point in the next 12 months. It is anticipated that the shareholders of the Company will re-approve the ESOP at the next annual meeting of shareholders.

Pursuant to the ESOP, the Board of Directors from time to time may designate a maximum number of Common Shares that Eligible Employees may purchase in accordance with the terms of the ESOP. The price at which Common Shares may be sold to an Eligible Employee shall be determined by the Board of Directors at the time of the grant of the right to purchase the Common Shares, but shall not be less than the market price of the Common Shares, less the maximum discount permitted by the TSX. The maximum number of Common Shares which may be purchased by any Eligible Employee pursuant to the ESOP in a particular fiscal year shall be equal to 5% of the basic salary or compensation of the Eligible Employee, not including overtime or bonuses, before payroll deductions and taxes. In addition, the maximum number of Common Shares which may be purchased by any Eligible Employee pursuant to the ESOP in a particular fiscal year shall not exceed 0.1% of the issued and outstanding Common Shares of the Company.

A total of 5,000,000 Common Shares have been reserved for issuance pursuant to the ESOP. No Common Shares shall be permitted to be issued to insiders of the Company pursuant to the ESOP. As noted above, no Common Shares have been issued pursuant to the ESOP to date.

In order to assist Eligible Employees in purchasing Common Shares, the Company may arrange for loans (“Employee Loans”) to Eligible Employees from an independent financial institution (the “Lender”) equal to the purchase price of the Common Shares to be purchased by the Eligible Employee. There is no requirement for an Eligible Employee to obtain an Employee Loan in order to participate in the ESOP but it is anticipated by the Company that most Eligible Employees will wish to do so. The Employee Loans will bear interest at a rate determined by the Lender and agreed to by each Eligible Employee from time to time. The Employee Loans shall be guaranteed by the Company. Each Employee Loan made to an Eligible Employee shall be repaid over a maximum term of one year by way of monthly payments from the Eligible Employee to the Lender. Provided that the Eligible Employee remains employed by the Company, the monthly payments shall be made by way of payroll deductions from the Eligible Employee by the Company and shall be forwarded to the Lender by the Company. Upon the death, permanent disability, resignation, retirement, or termination of employment or engagement with the Company, as applicable, of an Eligible Employee, the Eligible Employee, or his successors or assigns, as applicable, shall be required to repay the Employee Loan from their own funds, rather than from payroll deductions as contemplated above. The right of Eligible Employees to purchase Common Shares pursuant to the ESOP shall not be assignable by the Eligible Employee.

The Common Shares purchased by each Eligible Employee shall be registered in the name of such Eligible Employee but shall be hypothecated and pledged to the Company as security for the guarantee of the Employee Loan by the Company to the Lender. The certificates representing such Common Shares shall be held by the Company. In the event that there is a default on an Employee Loan and the Company is required to repay the Employee Loan pursuant to its guarantee, all Common Shares of the applicable Eligible Employee held by the Company pursuant to the pledge shall be cancelled. Upon the repayment in full of an Employee Loan by the

Eligible Employee, the Common Shares to which such Employee Loan relates shall cease to be subject to the ESOP or any security interest of the Company and the certificate representing such Common Shares shall be delivered to the Eligible Employee by the Company.

The Board of Directors may make amendments of a “housekeeping” nature to the ESOP, but no amendment of the ESOP, or any termination of the ESOP, shall divest any Eligible Employee that has purchased Common Shares pursuant to the ESOP of his entitlement to any rights of such Eligible Employee without the prior written consent of such Eligible Employee.

Shareholder Rights Plan

The following is a summary of the features of the Rights Plan that was implemented pursuant to an amended and restated shareholder rights plan agreement dated as of June 23, 2008 (the “Rights Plan Agreement”) between the Company and CIBC Mellon Trust Company, as rights agent. The Rights Plan shall remain in force until the earlier of the Termination Time (the time at which the right to exercise Rights shall terminate pursuant to the Rights Plan) and the termination of the annual meeting of the shareholders of the Company in the year 2011 unless at or prior to such meeting the Independent Shareholders (as that term is defined in the Rights Plan) ratify the continued existence of the Rights Plan. It is anticipated that the Independent Shareholders will ratify the continued existence of the Rights Plan at the annual meeting of the shareholders of the Company to be held prior to the end of June, 2011 with such amendments as may be determined by the Company and CIBC Mellon Trust Company.

The summary is qualified in its entirety by the full text of the Rights Plan, a copy of which is available from the Company or on SEDAR at www.sedar.com. All defined terms, where used in this summary without definition, have the meanings attributed to them in the Rights Plan Agreement.

(a) Issuance of Rights

One Right was issued by the Company in respect of each Common Share outstanding at the close of business on June 30, 2005, the date of implementation of the original shareholder rights plan of the Company (the “Original Rights Plan”), and one Right was issued and will continue to be issued in respect of each Common Share of the Company issued thereafter, prior to the earlier of the Separation Time and the Expiration Time. Under the Rights Plan, the Rights are simply reconfirmed and the Company reconfirms its authorization to continue the issuance of new Rights for each Common Share issued. Each Right entitles the registered holder thereof to purchase from the Company one Common Share. The exercise price under the Rights Plan is \$30. The Rights are not exercisable until the Separation Time. If a Flip-In Event occurs, each Right will entitle the registered holder to receive, upon payment of the Exercise Price, Common Shares of the Company having an aggregate market price equal to twice the Exercise Price.

The Rights Plan includes a provision that the Company is not required to issue or deliver Rights, or securities upon the exercise of Rights, outside of Canada or the United States, where such issuance or delivery would be unlawful without registration of the relevant Persons or securities. If the Rights Plan would require compliance with securities laws or comparable legislation of a jurisdiction outside of Canada and the United States, the Board of Directors may establish procedures for the issuance of such securities to a Canadian resident fiduciary, to hold such Rights or other securities in trust for the Persons beneficially entitled to them, to sell such securities, and to remit the proceeds to such Persons.

(b) Trading of Rights

Until the Separation Time (or the earlier termination or expiration of the Rights), the Rights will be evidenced by the certificates representing the Common Shares of the Company and will be transferable only together with the associated Common Shares.

From and after the Separation Time, separate certificates evidencing the Rights (“Rights Certificates”), together with a disclosure statement prepared by the Company describing the Rights, will be mailed to holders of record of Common Shares (other than an Acquiring Person) as of the Separation Time. Rights Certificates will also be issued in respect of Common Shares issued prior to the Expiration Time, to each holder (other than an Acquiring Person) converting, after the Separation Time, securities (“Convertible Securities”) convertible into or exchangeable for Common Shares. The Rights will trade separately from the Common Shares after the Separation Time.

(c) Separation Time

The Separation Time is the Close of Business on the tenth Business Day after the earlier of (i) the “Stock Acquisition Date”, which is generally the first date of public announcement of facts indicating that a Person has become an Acquiring Person, and (ii) the date of the commencement of, or first public announcement of the intent of any Person (other than the Company or any Subsidiary of the Company) to commence a Take-over Bid (other than a Permitted Bid or a Competing Permitted Bid, so long as such bid continues to satisfy the requirements of a Permitted Bid or Competing Permitted Bid). In either case, the Separation Time can be such later date as may from time to time be determined by the Board of Directors. If a Take-over Bid expires, is cancelled, terminated or otherwise withdrawn prior to the Separation Time, it shall be deemed never to have been made.

(d) Acquiring Person

In general, an Acquiring Person is a Person who is the Beneficial Owner of 20% or more of the Company’s outstanding Voting Shares. Excluded from the definition of “Acquiring Person” are the Company and its Subsidiaries, and any Person who becomes the Beneficial Owner of 20% or more of the outstanding Voting Shares as a result of one or more or any combination of an acquisition or redemption by the Company of Voting Shares, a Permitted Bid Acquisition, an Exempt Acquisition, a Convertible Security Acquisition and a Pro Rata Acquisition. The definitions of “Permitted Bid Acquisition”, “Exempt Acquisition”, “Convertible Security Acquisition” and “Pro Rata Acquisition” are set out in the Rights Plan Agreement. However, in general:

- (i) a “Permitted Bid Acquisition” means an acquisition of Voting Shares made pursuant to a Permitted Bid or a Competing Permitted Bid;
- (ii) an “Exempt Acquisition” means a share acquisition (A) in respect of which the Board of Directors has waived the application of the Rights Plan pursuant to the provisions of the Rights Plan; (B) pursuant to a dividend reinvestment plan of the Company; (C) pursuant to the receipt or exercise of rights issued by the Company to all holders of Voting Shares to subscribe for or purchase Voting Shares or Convertible Securities, provided that the Person does not thereby acquire a greater percentage of Voting Shares or Convertible Securities so offered than the Person’s percentage of Voting Shares or Convertible Securities Beneficially Owned immediately prior to such acquisition; (D) pursuant to a distribution by the Company of Voting Shares or Convertible Securities by way of prospectus or private placement by the Company, provided that the Person does not thereby acquire (or is deemed to Beneficially Own) a greater percentage of Voting Shares so offered than the Person’s percentage of Voting Shares Beneficially Owned immediately prior to such acquisition; or (E) the exercise of stock options granted under a stock option plan of the Company or rights to purchase securities granted under a share purchase plan of the Company;
- (iii) a “Convertible Security Acquisition” means an acquisition of Voting Shares upon the exercise of Convertible Securities received by such Person pursuant to a Permitted Bid Acquisition, an Exempt Acquisition or a Pro Rata Acquisition; and

- (iv) a “Pro Rata Acquisition” means an acquisition of Voting Shares or Convertible Securities as a result of a stock dividend, a stock split or another similar event, acquired on the same pro rata basis as all other holders of Voting Shares.

Also excluded from the definition of “Acquiring Person” are underwriters or members of a banking or selling group acting in connection with a distribution of securities by way of prospectus or private placement.

To the best of the knowledge of the directors and senior officers of the Company, as of the date hereof, no person is the Beneficial Owner of 20% or more of the outstanding Voting Shares.

(e) Beneficial Ownership

In general, a Person is deemed to Beneficially Own Common Shares actually held by others in circumstances where those holdings are or should be grouped together for purposes of the Rights Plan. Included are holdings by the Person’s Affiliates (generally, a person that controls, is controlled by, or is under common control with another person) and Associates (generally, relatives sharing the same residence). Also included are securities, which the Person or any of the Person’s Affiliates or Associates has the right to acquire within 60 days (other than (1) customary agreements with and between underwriters and/or banking group and/or selling group members with respect to a public offering of securities, or (2) pursuant to a pledge of securities).

A Person is also deemed to “Beneficially Own” any securities that are Beneficially Owned (as described above) by any other Person with which the Person is acting jointly or in concert (a “Joint Actor”). A Person is a Joint Actor with any Person who is a party to an agreement, arrangement or understanding with the first Person or an Associate or Affiliate thereof for the purpose of acquiring or offering to acquire Common Shares.

(i) Institutional Shareholder Exemptions from Beneficial Ownership

The definition of “Beneficial Ownership” contains several exclusions whereby a Person is not considered to “Beneficially Own” a security. There are exemptions from the deemed “Beneficial Ownership” provisions for institutional shareholders acting in the ordinary course of business. These exemptions apply to: (A) an investment manager (“Investment Manager”) which holds securities in the ordinary course of business in the performance of its duties for the account of any other Person (a “Client”), including the acquisition or holding of securities for non-discretionary accounts held on behalf of a Client by a broker or dealer registered under applicable securities law; (B) a licensed trust company (“Trust Company”) acting as trustee or administrator or in a similar capacity in relation to the estates of deceased or incompetent persons (each an “Estate Account”) or in relation to other accounts (each an “Other Account”) and which holds such security in the ordinary course of its duties for such accounts; (C) the administrator or the trustee (a “Plan Trustee”) of one or more pension funds or plans (a “Plan”) registered under applicable law; (D) a Person who is a Plan or is a Person established by statute (the “Statutory Body”), and its ordinary business or activity includes the management of investment funds for employee benefit plans, pension plans, insurance plans, or various public bodies, or (E) a Crown agent or agency. The foregoing exemptions only apply so long as the Investment Manager, Trust Company, Plan Trustee, Plan, Statutory Body or Crown agent or agency is not then making or has not then announced an intention to make a Take-over Bid, other than an Offer to Acquire Voting Shares or other securities pursuant to a distribution by the Company or by means of ordinary market transactions.

A Person will not be deemed to “Beneficially Own” a security because (i) the Person is a Client of the same Investment Manager, an Estate Account or an Other Account of the same Trust Company, or Plan with the same Plan Trustee

as another Person or Plan on whose account the Investment Manager, Trust Company or Plan Trustee, as the case may be, holds such security; or (ii) the Person is a Client of an Investment Manager, Estate Account, Other Account or Plan, and the security is owned at law or in equity by the Investment Manager, Trust Company or Plan Trustee, as the case may be.

(ii) Exemption for Permitted Lock-up Agreement

A Person will not be deemed to “Beneficially Own” any security where the holder of such security has agreed to deposit or tender such security pursuant to a Permitted Lock-up Agreement in respect of a Take-over Bid made by such Person or such Person’s Affiliates or Associates or a Joint Actor, or such security has been deposited or tendered pursuant to a Take-over Bid made by such Person or such Person’s Affiliates, Associates or Joint Actors until the earliest time at which any such tendered security is accepted unconditionally for payment or is taken up and paid for.

A Permitted Lock-up Agreement is essentially an agreement between a Person and one or more holders of Voting Shares and/or Convertible Securities (the terms of which are publicly disclosed and made available to the public within the time frames set forth in the definition of Permitted Lock-up Agreement) pursuant to which each Locked-up Person agrees to deposit or tender Voting Shares and/or Convertible Securities to the Lock-up Bid and which further provides that such agreement permits the Locked-up Person to withdraw its Voting Shares and/or Convertible Securities in order to deposit or tender the Voting Shares to another Take-Over Bid or support another transaction: (A) at a price or value that exceeds the price under the Lock-Up Bid; or (B) is for a number of Voting Shares or Convertible Securities at least 7% greater than the number of Voting Shares or Convertible Securities under the Lock-Up Bid at a price or value that is not less than the price or value offered in the Lock up Bid; or (C) (1) that contains an offering price for each Voting Share or Convertible Security that exceeds by as much as or more than a specified amount (the “Specified Amount”) the offering price for each Voting Share or Convertible Security contained in or proposed to be contained in the Lock-up Bid and (2) does not by itself provide for a Specified Amount that is greater than 7% of the offering price contained in or proposed to be contained in the Lock-up Bid.

A Permitted Lock-up Agreement may contain a right of first refusal or require a period of delay to give the Person who made the Lock-up Bid an opportunity to match a higher price in another Take-Over Bid or transaction or other similar limitation on a Locked-up Person’s right to withdraw Voting Shares and/or Convertible Securities so long as the limitation does not preclude the exercise by the Locked-up Person of the right to withdraw Voting Shares during the period of the other Take-Over Bid or transaction. Finally, under a Permitted Lock-up Agreement no “break up” fees, “top up” fees, penalties, expenses or other amounts that exceed in aggregate the greater of: (A) 2.5% of the price or value of the consideration payable under the Lock-up Bid; and (B) 50% of the amount by which the price or value of the consideration received by a Locked-up Person under another Take-Over Bid or transaction exceeds what such Locked-up Person would have received under the Lock-up Bid; can be payable by such Locked-up Person if the Locked-up Person fails to deposit or tender Voting Shares to the Lock-up Bid or withdraws Voting Shares and/or Convertible Securities previously tendered thereto in order to deposit such Voting Shares to another Take-Over Bid or support another transaction.

(f) Flip-In Event

A Flip-In Event occurs when any Person becomes an Acquiring Person. In the event that, prior to the Expiration Time, a Flip-In Event which has not been waived by the Board

of Directors occurs (see “Redemption, Waiver and Termination”), each Right (except for Rights Beneficially Owned or which may thereafter be Beneficially Owned by an Acquiring Person or a transferee of such a Person, which Rights will become null and void) shall constitute the right to purchase from the Company, upon exercise thereof in accordance with the terms of the Rights Plan, that number of Common Shares having an aggregate Market Price on the date of the Flip-In Event equal to twice the Exercise Price, for the Exercise Price (such Right being subject to anti-dilution adjustments). For example, if at the time of the Flip-In Event the Exercise Price is \$30 and the Market Price of the Common Shares is \$2, the holder of each Right would be entitled to purchase Common Shares having an aggregate Market Price of \$60 (that is, 30 Common Shares) for \$30 (that is, a 50% discount from the Market Price).

(g) Permitted Bid and Competing Permitted Bid

A Permitted Bid is a Take-over Bid made by way of a Take-over Bid circular and which complies with the following additional provisions:

- (i) the Take-over Bid is made to all holders of record of Voting Shares, other than the Offeror;
- (ii) the Take-over Bid contains irrevocable and unqualified conditions that:
 - (A) no Voting Share shall be taken up or paid for pursuant to the Take-over Bid prior to the close of business on a date which is not less than 60 days following the date of the Take-over Bid and the provisions for the take-up and payment for Voting Shares tendered or deposited thereunder shall be subject to such irrevocable and unqualified condition;
 - (B) unless the Take-over Bid is withdrawn, Voting Shares may be deposited pursuant to the Take-over Bid at any time prior to the close of business on the date of first take-up or payment for Voting Shares and all Voting Shares deposited pursuant to the Take-over Bid may be withdrawn at any time prior to the close of business on such dates;
 - (C) more than 50% of the outstanding Voting Shares held by Independent Shareholders must be deposited to the Take-over Bid and not withdrawn at the close of business on the date of first take-up or payment for Voting Shares; and
 - (D) in the event that more than 50% of the then outstanding Voting Shares held by Independent Shareholders have been deposited to the Take over Bid and not withdrawn as at the date of first take-up or payment for Voting Shares under the Take-over Bid, the Offeror will make a public announcement of that fact and the Take-over Bid will remain open for deposits and tenders of Voting Shares for not less than 10 Business Days from the date of such public announcement.

A Competing Permitted Bid is a Take-over Bid that is made after a Permitted Bid has been made but prior to its expiry, satisfies all the requirements of a Permitted Bid as described above, except that a Competing Permitted Bid is not required to remain open for 60 days so long as it is open until the later of (i) the earliest date on which Common Shares may be taken-up or paid for under any earlier Permitted Bid or Competing Permitted Bid that is in existence and (ii) 35 days (or such other minimum period of days as may be prescribed by applicable law in Manitoba) after the date of the Take-over Bid constituting the Competing Permitted Bid.

(h) Redemption, Waiver and Termination

- (i) *Redemption of Rights upon Approval by Holders of Voting Shares and Rights.* The Board of Directors acting in good faith may, after having obtained the prior approval of the holders of Voting Shares or Rights, at any time prior to the

occurrence of a Flip-In Event, elect to redeem all but not less than all of the then outstanding Rights at a redemption price of \$0.0001 per Right, appropriately adjusted for anti-dilution as provided in the Rights Plan (the "Redemption Price").

- (ii) *Waiver of Inadvertent Acquisition.* The Board of Directors acting in good faith may waive the application of the Rights Plan in respect of the occurrence of any Flip-In Event if (A) the Board of Directors has determined that a Person became an Acquiring Person under the Rights Plan by inadvertence and without any intent or knowledge that it would become an Acquiring Person; and (B) the Acquiring Person has reduced its Beneficial Ownership of Voting Shares such that at the time of waiver the Person is no longer an Acquiring Person.
- (iii) *Deemed Redemption.* In the event that a Person who has made a Permitted Bid or a Take-over Bid in respect of which the Board of Directors has waived or has deemed to have waived the application of the Rights Plan consummates the acquisition of the Voting Shares, the Board of Directors shall be deemed to have elected to redeem the Rights for the Redemption Price.
- (iv) *Discretionary Waiver with Mandatory Waiver of Concurrent Bids.* The Board of Directors acting in good faith may, prior to the occurrence of the relevant Flip-In Event as to which the Rights Plan has not been waived under this clause, upon prior written notice to the Rights Agent, waive the application of the Rights Plan to a Flip-In Event that may occur by reason of a Take-over Bid made by means of a Take-over Bid circular to all holders of record of Voting Shares. However, if the Board of Directors waives the application of the Rights Plan, the Board of Directors shall be deemed to have waived the application of the Rights Plan in respect of any other Flip-In Event occurring by reason of such a Take-over Bid made prior to the expiry of a bid for which a waiver is, or is deemed to have been, granted.
- (v) *Discretionary Waiver Respecting Acquisition not by Take-over Bid Circular.* The Board of Directors acting in good faith may, with the prior consent of the holders of Voting Shares, determine, at any time prior to the occurrence of a Flip-In Event as to which the application of the Rights Plan has not been waived, if such Flip-In Event would occur by reason of an acquisition of Voting Shares otherwise than pursuant to a Take-over Bid made by means of a Take-over Bid circular to holders of Voting Shares and otherwise than by inadvertence in the circumstances described in (h)(ii) above, to waive the application of the Rights Plan to such Flip-In Event. However, if the Board of Directors waives the application of the Rights Plan, the Board of Directors shall extend the Separation Time to a date subsequent to and not more than 10 Business Days following the meeting of Shareholders called to approve such a waiver.
- (vi) *Redemption of Rights on Withdrawal or Termination of Bid.* Where a Take-over Bid that is not a Permitted Bid is withdrawn or otherwise terminated after the Separation Time and prior to the occurrence of a Flip-In Event, the Board of Directors may elect to redeem all the outstanding Rights at the Redemption Price. In such event, the Rights Plan will continue to apply as if the Separation Time had not occurred and one Right will remain attached to each Common Share as provided for in the Rights Plan.

If the Board of Directors is deemed to have elected or elects to redeem the Rights as described above, the right to exercise the Rights will thereupon, without further action and without notice, terminate and the only right thereafter of the holders of Rights is to receive the Redemption Price. Within 10 Business Days of any such election or deemed election to redeem the Rights, the Company will notify the holders of the Voting Shares or, after the Separation Time, the holders of the Rights.

- (i) Anti Dilution Adjustments

The Exercise Price of a Right, the number and kind of shares subject to purchase upon exercise of a Right, and the number of Rights outstanding, will be adjusted in certain events, including:

- (i) if there is a dividend payable in Voting Shares or Convertible Securities (other than pursuant to any optional stock dividend program or dividend reinvestment plan or a dividend payable in Voting Shares in lieu of a regular periodic cash dividend) on the Common Shares, or a subdivision or consolidation of the Common Shares, or an issuance of Voting Shares or Convertible Securities in respect of, in lieu of or in exchange for Common Shares; or
 - (ii) if the Company fixes a record date for the distribution to all holders of Common Shares of certain rights or warrants to acquire Voting Shares or Convertible Securities, or for the making of a distribution to all holders of Common Shares of evidences of indebtedness or assets (other than regular periodic cash dividends or stock dividends payable in Common Shares) or rights or warrants.
- (j) **Supplements and Amendments**

Changes that the Board of Directors, acting in good faith, determines are necessary to maintain the validity of the Rights Plan as a result of any change in any applicable legislation, rules or regulation may be made subject to subsequent confirmation by the holders of the Common Shares or, after the Separation Time, the holders of Rights.

The Company may make amendments to correct any clerical or typographical error. Subject to the above exceptions, any amendment, variation or deletion of or from the Rights Plan and the Rights, is subject to the prior approval of the holders of Common Shares, or, after the Separation Time, the holders of the Rights.

- (k) **Expiration**

The Rights Plan shall remain in force until the earlier of the Termination Time (the time at which the right to exercise Rights shall terminate pursuant to the Rights Plan) and the termination of the annual meeting of the shareholders of the Company in the year 2011 unless at or prior to such meeting the Independent Shareholders ratify the continued existence of the Rights Plan. It is anticipated that the Independent Shareholders will ratify the continued existence of the Rights Plan at the annual meeting of the shareholders of the Company to be held prior to the end of June, 2011 with such amendments as may be determined by the Company and CIBC Mellon Trust Company.

A shareholder of the Company or other interested party may obtain a copy of the Rights Plan by accessing the Company's publicly filed documents, including the Rights Plan, on SEDAR at www.sedar.com.

MARKET FOR SECURITIES

Trading Price and Volume

The following table sets out the high and low closing market prices and the volume traded of the Common Shares on the TSX Venture and the TSX for the most recently completed financial year. The Common Shares were listed on the TSX Venture until October 19, 2010 and began trading on the TSX on October 20, 2011.

	<u>HIGH (\$)</u>	<u>LOW (\$)</u>	<u>VOLUME</u>
January 2010	3.78	3.33	21,767,229
February 2010	3.80	3.27	17,223,059
March 2010	3.56	3.10	25,157,077
April 2010	4.35	3.06	41,514,619
May 2010	5.00	3.75	36,533,300
June 2010	4.65	4.29	22,819,400
July 2010	4.30	3.67	14,889,139
August 2010	4.13	3.90	17,838,667
September 2010	3.95	3.27	21,296,185
October 2010	3.50	3.07	23,885,749
November 2010	3.59	3.14	20,529,336
December 2010	4.02	3.29	17,361,793

Prior Sales

Other than the grant of stock options pursuant to the Stock Option Plan, no unlisted securities of the Company that are currently outstanding have been issued since January 1, 2010.

During the year-ended December 31, 2010, the Company granted an aggregate of 6,030,000 stock options pursuant to the Stock Option Plan, with such options having exercise prices ranging from \$3.20 to \$4.36 and expiry dates ranging from January 22nd, 2015 to December 7th, 2015.

ESCROWED SECURITIES

To the knowledge of the Company, there are no securities of the Company held in escrow as at the date hereof.

DIRECTORS AND OFFICERS

Name, Occupation and Security Holdings

The following table sets forth all current directors and executive officers of the Company as of the date of this AIF, with each position and office held by them in the Company and the period of service as well as the number of securities beneficially owned, directly or indirectly, or over which control or direction is exercised. Each director's term of office expires at the next annual general meeting of shareholders of the Company.

Name, Jurisdiction of Residence and Present Office Held	Director or Executive Officer Since	# of Common Shares Beneficially Owned, Directly or Indirectly, or Over Which Control or Direction is Exercised as at the Date of this AIF and percentage of outstanding Common Shares ⁽¹⁾	Principal Occupation and Occupation During the Past Five (5) Years
George Pirie Toronto, ON President, CEO and Director	12/2010	Nil ⁽¹⁾	President and CEO of the Company since December 2010. Previously President and CEO of Breakwater Resources; President and CEO of Placer Dome Canada and Executive Vice President of Placer Dome Inc.
Hugh Wynne Bissett, MB ⁽⁵⁾	06/2005	7,860,002 Common Shares (2.5%) ^{(1) (6) (9)}	Executive Chairman (since February 2007, previously Chairman) of the Company. President and CEO of Wynne Mining Services Inc. and Wynne Drilling Ltd.

Name, Jurisdiction of Residence and Present Office Held	Director or Executive Officer Since	# of Common Shares Beneficially Owned, Directly or Indirectly, or Over Which Control or Direction is Exercised as at the Date of this AIF and percentage of outstanding Common Shares ⁽¹⁾	Principal Occupation and Occupation During the Past Five (5) Years
Executive Chairman, Director			
Dale Ginn Kenora, ON ⁽⁵⁾ Executive Vice-Chairman, Director	06/2005	1,581,140 Common Shares (0.5%) ⁽¹⁾⁽⁷⁾⁽¹⁰⁾	Executive Vice-Chairman (previously CEO and President) of the Company.
Richard Boulay, Calgary, AB ⁽⁵⁾ Director	06/2005	880,763 Common Shares (0.3%) ⁽¹⁾⁽¹¹⁾	CEO (since November 2007, previously President) and director of Strikepoint Gold Inc. (formerly Marum Resources Inc.) since June 1993.
Courtney Shearer, Calgary, AB ⁽³⁾ ⁽⁴⁾ Director	06/2005	372,350 Common Shares (0.10%) ⁽¹⁾⁽⁸⁾⁽¹²⁾	Business Development Consultant with Polar Pacific Mgt. Group Inc. and Larkspur Associates Inc. President and a director of Strikepoint Gold Inc. (formerly Marum Resources Inc.) since November 2007.
Benjamin Hubert Calgary, AB ⁽²⁾ ⁽³⁾ Director	11/2006	1,531,200 Common Shares (0.5%) ⁽¹⁾⁽¹³⁾	Management consultant and corporate director.
Michael Power Toronto, ON ⁽²⁾ ⁽⁴⁾ Director	06/2008	19,000 (0.006%) ⁽¹⁾⁽¹⁴⁾	Vice-President, Secretary and a director of Moydow Mines International Inc. from 1998 to January 2010. Corporate director since February 2010.
James W. McCutcheon Q.C. Toronto, ON ⁽²⁾ ⁽³⁾ ⁽⁴⁾ Director	01/2009	9,633 (0.003%) ⁽¹⁾⁽¹⁵⁾	President of Gormley Investments Limited. Counsel to the law firm of McCarthy Tétrault LLP until December 31, 2005; continues his practice of law and serving as a corporate director.
Ian Berzins Bissett, MB Chief Operating Officer	05/2008	49,500 (.016%) ⁽¹⁾⁽¹⁶⁾	Chief Operating Officer of the Company since May, 2008. Previously General Manager of Minto Explorations Ltd. from January 2007 to March 2008. General Manager, Mining of Albian Sands Energy Inc. from 2005 to November 2006.
Gestur Kristjansson Winnipeg, MB Chief Financial Officer	1/2007	39,224 (0.012%) ⁽¹⁾⁽¹⁷⁾	Chief Financial Officer of the Company since May 2007, previously Vice-President Finance of the Company. Previously a self-employed Chartered Accountant.

Notes:

- (1) Before giving effect to the exercise of issued and outstanding stock options, warrants or other convertible securities.
- (2) Member of the Audit Committee.
- (3) Member of the Governance Committee.
- (4) Member of the Compensation Committee
- (5) Member of the Nominating Committee.

- (6) 222,223 of these Common Shares are held by Wynne Mining Services Inc., a company controlled by Hugh Wynne and 150,000 of these Common Shares are held by Wynne Drilling Ltd., a company controlled by Hugh Wynne.
- (7) 50,000 of these Common Shares are held by Shelley Ginn, Mr. Ginn's wife.
- (8) 344,437 of these Common Shares are held by Larkspur Associates Inc., a company controlled by Courtney Shearer.
- (9) Mr. Wynne holds an additional 800,000 options to purchase Common Shares, which results in his owning 9,960,002 Common Shares on a fully diluted basis.
- (10) Mr. Ginn holds an additional 800,000 options to purchase Common Shares, which results in his owning 2,381,140 Common Shares on a fully diluted basis.
- (11) Mr. Boulay holds an additional 1,200,000 options to purchase Common Shares, which results in his owning 2,080,763 Common Shares on a fully diluted basis.
- (12) Mr. Shearer holds an additional 900,000 options to purchase Common Shares, which results in his owning 1,272,350 Common Shares on a fully diluted basis.
- (13) Mr. Hubert holds an additional 800,000 options to purchase Common Shares, which results in his owning 2,331,200 Common Shares on a fully diluted basis.
- (14) Mr. Power holds an additional 716,667 options to purchase Common Shares, which results in his owning 735,667 Common Shares on a fully diluted basis.
- (15) Mr. McCutcheon holds an additional 416,667 options to purchase Common Shares, which results in his owning 426,300 Common Shares on a fully diluted basis.
- (16) Mr. Berzins holds an additional 600,000 options to purchase Common Shares, which results in his owning 649,500 Common Shares on a fully diluted basis.
- (17) Mr. Kristjansson holds an additional 700,000 options to purchase Common Shares, which results in his owning 739,224 Common Shares of a fully diluted basis.
- (18) Mr. Pirie holds an additional 1,000,000 options to purchase Common Shares, which results in his owning 1,000,000 Common Shares on a fully diluted basis.

The directors and executive officers of the Company own an aggregate of 12,342,812 Common Shares, representing 4% of the issued and outstanding Common Shares of the Company, before giving effect to the exercise of issued and outstanding stock options.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

For the purposes of this section "Order" means:

- (a) a cease trade order;
- (b) an order similar to a cease trade order; or
- (c) an order that denied the relevant company access to any exemption under securities legislation;

that was in effect for more than 30 days.

Other than as set forth below, none of the directors or executive officers of the Company or any shareholder holding a sufficient number of securities of the Company to materially affect control of the Company:

- (a) is, as of the date of this AIF, or has been, within 10 years before the date of this AIF, a director or executive officer of any company that:
 - (i) was the subject of an Order that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer;
 - (ii) was subject to an Order 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; or
 - (iii) 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; or

- (b) has, within the 10 years before the date of this AIF, 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 proposed director.

San Gold Resources Corporation, a predecessor corporation to the Company, was the subject of a cease trade order from The Manitoba Securities Commission from January 19, 2005 until February 23, 2005 for failure to file its annual financial statements and management discussion and analysis for the fiscal year ended August 31, 2004 and its interim financial statements and management discussion and analysis for the interim period ended November 30, 2004, within the required time periods. Similar cease trade orders were also issued by the British Columbia Securities Commission and the Alberta Securities Commission. The cease trade orders were lifted after San Gold Resources Corporation filed the required financial statements and management discussion and analysis for the fiscal year ended August 31, 2004 and the interim period ended November 30, 2004. At the time that the cease trade orders were in effect against San Gold Resources Corporation, Hugh Wynne, Dale Ginn and Richard Boulay were officers and directors of San Gold Resources Corporation.

Intergold Ltd., a company of which Ben Hubert was a director, was the subject of a cease trade order from the Alberta Securities Commission from January 4, 2008 to February 6, 2008 for failure to file its annual financial statements and management discussion and analysis for the fiscal year ended August 31, 2007 within the required time period. Similar cease trade orders were also issued by the British Columbia Securities Commission and the Ontario Securities Commission. The cease trade orders were lifted after Intergold Ltd. filed the required financial statements and management discussion and analysis for the fiscal year ended August 31, 2007.

None of the directors or executive officers of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company has, within the last 10 years, has been subject to: (i) any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered a settlement agreement with a Canadian securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered to be important to a reasonable investor making an investment decision.

Conflicts of Interest

The Company currently purchases a significant amount of goods and services from companies controlled by Hugh Wynne, a director and officer of the Company, including Wynne Mining Ltd., Wynne's Place Ltd., Hotel San Antonio and Wynne Drilling Ltd. The transactions between the Company and entities controlled by Hugh Wynne are undertaken at prevailing market prices. The costs associated with the drilling services purchased from Wynne Drilling Ltd. are monitored by the Company's Qualified Persons as defined in National Instrument 43-101 to ensure that the payments for services rendered to the Company are fair and competitive with industry costs for comparable services supplied by comparable contractors, both locally and nationally. The Company has received a written statement from its Qualified Person that the fees paid to Wynne Drilling Ltd. are fair and reasonable for drilling services. For more information please see the management discussion and analysis of the Company for the year ended December 31, 2010, which is available on SEDAR.

The Company has entered an option agreement with Strikepoint Gold Inc. to jointly develop certain Resource properties. Richard Boulay, a director of the Company, is also the Chief Executive Officer and a director of Strikepoint Gold Inc. Courtney Shearer, a director of the Company, is also the President and a director of Strikepoint Gold Inc. For more information please see the management discussion and analysis of the Company for the year ended December 31, 2010, which is available on SEDAR.

The Company is a party to a number of agreements with SGX. Hugh Wynne, Ben Hubert, Michael Power and James W. McCutcheon, all directors and/or officers of the Company are directors and/or officers of SGX. See “Description of the Business – General - Gold Exploration and Development”.

Pursuant to *The Corporations Act* (Manitoba), directors who have an interest in a proposed transaction upon which the Board of Directors is to vote, including those referenced above, are required to disclose their interest in the proposed transaction and refrain from voting on the transaction. See also “Description of the Business – Risk Factors – Conflicts of Interest”.

Audit Committee

Composition of the Audit Committee

The following are the members of the Audit Committee:

Ben Hubert	Independent ⁽¹⁾	Financially Literate ⁽¹⁾
James W. McCutcheon	Independent ⁽¹⁾	Financially Literate ⁽¹⁾
Michael Power	Independent ⁽¹⁾	Financially Literate ⁽¹⁾

Note:

(1) As defined in National Instrument 52-110.

The text of the charter of the Audit Committee is attached hereto as Schedule “A”.

Relevant Education and Experience

Ben Hubert holds a Master of Science from the University of Manitoba and a Master of Business Administration from the University of Calgary. Mr. Hubert is a consultant on environmental and community issues to resource companies operating in northern Canada. Mr. Hubert has served as a director of a number of reporting issuers, including Intergold Ltd. (until April 2010) and Grizzly Discoveries Inc.

James W. McCutcheon holds a law degree from Osgood Hall. Mr. McCutcheon is the President of Gormley Investments Limited, a private investment firm. Mr. McCutcheon was previously counsel to the law firm of McCarthy Tétrault LLP until December 31, 2005 and he continues his practice of law privately. Mr. McCutcheon currently serves on the boards of a number of public issuers including Canadian Satellite Radio Holdings Inc. and SGX Resources Inc. and has previously served as a director of many other public issuers including Noranda Inc. and Falconbridge Limited.

Michael Power holds a Bachelor of Science from the University of Toronto and is a professional engineer and also a Chartered Financial Analyst. Mr. Power has been the Vice-President, Secretary and a director of Moydow Mines International Inc. from 1998 to January 2010. Previously, Mr. Power was the Vice-President, Corporate Development with River Gold Mines Ltd. and Hemlo Gold Mines Inc. Mr. Power has served as a director of a number of reporting issuers, including Moydow Mines International Inc. (until January 2010), Zaruma Resources Inc. and Seafeld Resources Ltd.

Reliance on Certain Exemptions

At no time since the commencement of the Company's financial year ended December 31, 2010 has the Company relied on any of the exemptions set forth in Section 2.4, Section 3.2, Section 3.3(2), Section 3.4, Section 3.5, Section 3.6 or Section 3.8 of National Instrument 52-110. The Company has also not relied on any exemptions from National Instrument 52-110 granted under Part 8 of National Instrument 52-110.

Audit Committee Oversight

At no time since the commencement of the Company's financial year ended December 31, 2010 was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board of Directors.

Pre-Approval Policies and Procedures

The Audit Committee may adopt specific policies and procedures for the engagement of non-audit services as set forth in the charter of the Audit Committee attached hereto as Schedule "A".

Audit Fees (By Category)

The aggregate fees billed by the Company's external auditors in each of the last two fiscal years for audit fees are as follows:

Financial Year Ending	Audit Fees	Audit Related Fees	Tax Fees	All Other Fees
December 31, 2010	\$71,600	\$33,500	Nil	\$26,900
December 31, 2009	\$69,500	\$34,850	Nil	Nil

The audit related fees for the financial years ended December 31, 2009 and December 31, 2010 relate to assistance given to the Audit Committee by the external auditors throughout the year. The other fees for the financial year ended December 31, 2010 relate to assistance given by the auditors in connection with prospectus offerings by the Company in 2010.

PROMOTERS

No person or company has been, within the two most recently completed financial years or during the current financial year, a promoter of the Company.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

The Company is not aware of any material legal or regulatory proceedings, actual or contemplated, to which the Company is a party or of which any of its property is the subject. The Company was not subject to any material legal or regulatory proceedings in its most recently completed financial year.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

The interest of any director, executive officer and person that beneficially owns or controls more than 10% of the Common Shares of the Company, or any of their respective associates or affiliates in material transactions with the Company is described under the heading "Transactions

with Related Parties” in the Company’s Management Discussion and Analysis for the year ended December 31, 2010.

TRANSFER AGENT AND REGISTRAR

The registrar and transfer agent for the Common Shares of the Company is CIBC Mellon Trust Company at its offices in Calgary, Alberta and Toronto, Ontario.

MATERIAL CONTRACTS

Set forth below is a list of the material contracts of the Company.

1. The Rights Plan.
2. Agreements with respect to the sale of production royalties by the Company to certain “Red Mile” limited partnerships as disclosed in the annual financial statements of the Company which are incorporated by reference herein.

INTERESTS OF EXPERTS

Names of Experts

Peter T. George, P. Geo., an independent consulting geologist and a “Qualified Person” for the purposes of National Instrument 43-101, is the author responsible for the preparation of the Technical Report.

Scarrow & Donald LLP are the auditors for the Company. Scarrow & Donald LLP provided the auditors’ report on the Company’s financial statements for the year ended December 31, 2010.

Interests of Experts

To the knowledge of the Company, the experts referred to under “Names of Experts” above do not hold, nor have they received, nor will they receive, any securities or other property in the Company.

ADDITIONAL INFORMATION

Additional information relating to the Company may be found through a database search at SEDAR at www.sedar.com. Additional information on the Company, including directors’ and officers’ remuneration and indebtedness, principal holders of the Company’s securities and securities authorized for issuance under equity compensation plans, is contained in the Company’s information circular for its most recent annual meeting of shareholders that involved the election of directors, which may be found on SEDAR.

Additional financial information regarding the Company is provided in the Company’s annual financial statements and Management’s Discussion and Analysis for the year ended December 31, 2010, which may be found on SEDAR.

SCHEDULE "A"

SAN GOLD CORPORATION AUDIT COMMITTEE CHARTER

Role and Objective

The Audit Committee (the "Committee") is a committee of the board of directors (the "Board") of San Gold Corporation ("San Gold") to which the Board has delegated its responsibility for oversight of the nature and scope of the annual audit, management's reporting on internal accounting standards and practices, financial information and accounting systems and procedures, financial reporting and statements and recommending, for Board approval, the audited financial statements and other mandatory disclosure releases containing financial information. The objectives of the Committee are as follows:

1. To assist directors in meeting their responsibilities (especially for accountability) in respect of the preparation and disclosure of the financial statements of San Gold and related matters;
2. To provide better communication between directors and external auditors appointed by San Gold;
3. To enhance the external auditors' independence; and
4. To increase the credibility and objectivity of financial reports.

Membership of Committee

1. The Committee shall be comprised of at least three (3) directors of San Gold.
2. The Board shall have the power to appoint the Committee Chairman.
3. All of the members of the Committee shall be "financially literate". The Board of San Gold has adopted the definition for "financial literacy" used in National Instrument 52-110 – Audit Committees.

Meetings

1. At all meetings of the Committee every question shall be decided by a majority of the votes cast. In case of an equality of votes, the Chairman of the meeting shall not be entitled to a second or casting vote.
2. A quorum for meetings of the Committee shall be a majority of its members and the rules for calling, holding, conducting and adjourning meetings of the Committee shall be the same as those governing the Board.
3. Meetings of the Committee should be scheduled to take place at least four times per year. Minutes of all meetings of the Committee shall be taken.
4. The Committee shall forthwith report the results of meetings and reviews undertaken and any associated recommendations to the Board.
5. The Committee shall meet with the external auditors at least once per year (in connection with the preparation of the year end financial statements) and at such other times as the external auditors and the Committee consider appropriate.

Mandate and Responsibilities of Committee

1. It is the responsibility of the Committee to oversee the work of the external auditors, including resolution of disagreements between management and the external auditors regarding financial reporting.
2. It is the responsibility of the Committee to satisfy itself on behalf of the Board with respect to San Gold's internal control system:
 - identifying, monitoring and mitigating business risks; and
 - ensuring compliance with legal, ethical and regulatory requirements.
3. It is a responsibility of the Committee to review the annual financial statements of San Gold prior to their submission to the Board for approval. The process should include but not be limited to:
 - reviewing changes in accounting principles, or in their application, which may have a material impact on the current or future years' financial statements;
 - reviewing significant accruals or other estimates such as the ceiling test calculation;
 - reviewing accounting treatment of unusual or non-recurring transactions;
 - ascertaining compliance with covenants under loan agreements;
 - reviewing disclosure requirements for commitments and contingencies;
 - reviewing adjustments raised by the external auditors, whether or not included in the financial statements;
 - reviewing unresolved differences between management and the external auditors; and
 - obtaining explanations of significant variances within comparative reporting periods.
4. The Committee is to review the financial statements (and make a recommendation to the Board with respect to their approval), prospectuses, management discussion and analysis and all public disclosure containing audited or unaudited financial information before release and prior to Board approval. The Committee must be satisfied that adequate procedures are in place for the review of San Gold's disclosure of all other financial information and shall periodically assess the adequacy of those procedures.
5. With respect to the appointment of external auditors by the Board, the Committee shall:
 - recommend to the Board the appointment of the external auditors;
 - recommend to the Board the terms of engagement of the external auditors, including the compensation of the external auditors and a confirmation that the external auditors shall report directly to the Committee; and

- when there is to be a change in auditors, review the issues related to the change and the information to be included in the required notice to securities regulators of such change.
6. The Committee shall review with external auditors (and the internal auditor if one is appointed by San Gold) their assessment of the internal controls of San Gold, their written reports containing recommendations for improvement, and management's response and follow-up to any identified weaknesses. The Committee shall also review annually with the external auditors their plan for their audit and upon completion of the audit, their reports on the financial statements of San Gold and its subsidiaries.
 7. The Committee must pre-approve all non-audit services to be provided to San Gold or its subsidiaries by the external auditors. The Committee may delegate to one or more members the authority to pre-approve non-audit services, provided that the member report to the Committee at the next scheduled meeting such pre-approval and the member comply with such other procedures as may be established by the Committee from time to time.
 8. The Committee shall review risk management policies and procedures of San Gold (i.e. hedging, litigation and insurance).
 9. The Committee shall establish a procedure for:
 - the receipt, retention and treatment of complaints received by San Gold regarding accounting, internal accounting controls or auditing matters; and
 - the confidential, anonymous submission by employees of San Gold of concerns regarding questionable accounting or auditing matters.
 10. The Committee shall review and approve San Gold's hiring policies regarding employees and former employees of the present and former external auditors of San Gold.
 11. The Committee shall have the authority to investigate any financial activity of San Gold. All employees of San Gold are to cooperate as requested by the Committee.
 12. The Committee may retain persons having special expertise and/or obtain independent professional advice to assist in filling their responsibilities at the expense of San Gold without any further approval of the Board.