



BLUE NOTE MINING INC.

INFORMATION CIRCULAR as at May 31, 2011

SOLICITATION OF PROXIES

This information circular (the “**Circular**”) is furnished in connection with the solicitation of proxies by the management of Blue Note Mining Inc. (the “**Corporation**”) for use at the Corporation’s annual general and special meeting of shareholders (the “**Meeting**”) to be held at the time and place and for the purposes set forth in the accompanying notice of Meeting and at any adjournment thereof. The solicitation will be by mail and possibly supplemented by telephone or other personal contact to be made without special compensation by regular officers and employees of the Corporation. No solicitation will be made by specifically engaged employees or soliciting agents. The cost of solicitation will be borne by the Corporation. The Corporation does not reimburse shareholders, nominees or agents for the costs incurred in obtaining from their principals authorization to sign forms of proxy.

APPOINTMENT OF PROXIES

The persons named in the accompanying instrument of proxy are directors and/or officers of the Corporation, and are proxyholders nominated by management. **A shareholder has the right to appoint a person to attend and act on its behalf at the Meeting other than the nominees of management named in the enclosed instrument of proxy. To exercise this right, a shareholder must strike out the names of the nominees of management named in the instrument of proxy and insert the name of its nominee in the blank space provided on the proxy. A person appointed as proxyholder need not be a shareholder of the Corporation.**

A form of proxy will only be valid if it is duly completed and signed as set out below and then deposited with either the Corporation’s registrar and transfer agent, CIBC Mellon Trust Company, 2001 University Street, Suite 1600, Montreal, Quebec, H3A 2A6 (Fax no. (514) 285-3640), or with the office of the Corporation at 1 Place Ville-Marie, Suite 1511, Montreal, Quebec, H3B 2B5 (Fax no. (514) 486-1317), at least 48 hours, excluding Saturdays, Sundays and holidays, before the commencement of the Meeting or any adjournment thereof.

An instrument of proxy must be signed by the shareholder or its attorney in writing, or, if the shareholder is a corporation, it must either be under its common seal or signed by a duly authorized officer.

ADVICE TO BENEFICIAL SHAREHOLDERS

The information set forth in this section is of significant importance to many shareholders, as many shareholders do not hold their shares in the Corporation in their own name. Shareholders holding their shares through their brokers, intermediaries, trustees or other persons (collectively, an “**Intermediary**”) or otherwise not in their own name (such shareholders, “**Beneficial**

Shareholders”) should note that only proxies deposited by shareholders appearing on the records maintained by the Corporation’s transfer agent as registered shareholders will be recognized and allowed to vote at the Meeting. If a shareholder’s shares are listed in an account statement provided to the shareholder by a broker, in all likelihood those shares are **not** registered in the shareholder’s name and that shareholder is a Beneficial Shareholder. Such shares are most likely registered in the name of the shareholder’s broker or an agent of that broker. In Canada the vast majority of such shares are registered under the name of CDS & Co., the registration name for The Canadian Depository for Securities, which acts as nominee for many Canadian brokerage firms. Shares held by brokers (or their agents or nominees) on behalf of a broker’s client can only be voted at the Meeting at the direction of the Beneficial Shareholder. Without specific instructions, brokers and their agents and nominees are prohibited from voting shares for the broker’s clients. **Therefore, each Beneficial Shareholder should ensure that voting instructions are communicated to the appropriate party well in advance of the Meeting.**

Regulatory polices require Intermediaries to seek voting instructions from Beneficial Shareholders in advance of shareholder meetings. Beneficial Shareholders have the option of not objecting to their Intermediary disclosing certain ownership information about themselves to the Corporation (such Beneficial Shareholders are designated as non-objecting beneficial owners, or “**NOBOs**”) or objecting to their Intermediary disclosing ownership information about themselves to the Corporation (such Beneficial Shareholders are designated as objecting beneficial owners, or “**OBOs**”).

In accordance with the requirements of National Instrument 54-101 of the Canadian Securities Administrators, the Corporation has elected to send the notice of Meeting, this information circular and the instrument of proxy (collectively, the “**Meeting Materials**”) directly to the NOBOs and indirectly through Intermediaries to the OBOs. The Intermediaries (or their service companies) are responsible for forwarding the Meeting Materials to OBOs.

Meeting Materials sent to Beneficial Shareholders are accompanied by a request for voting instructions (a “**VIF**”), instead of a proxy. By returning the VIF in accordance with the instructions noted on it, a Beneficial Shareholder is able to instruct the Intermediary (or other registered shareholder) how to vote the Beneficial Shareholder’s shares on the Beneficial Shareholder’s behalf. For this to occur, it is important that the VIF be completed and returned in accordance with the specific instructions noted on the VIF.

The vast majority of Intermediaries now delegate responsibility for obtaining instructions from Beneficial Shareholders to Broadridge Investor Communications (“**Broadridge**”) in Canada. Broadridge (formerly ADP Investor Communications) typically prepares a machine-readable VIF, mails these VIFs to Beneficial Shareholders and asks Beneficial Shareholders to return the VIFs to Broadridge, usually by way of mail, the Internet or telephone. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of shares to be represented at the Meeting by proxies for which Broadridge has solicited voting instructions. A Beneficial Shareholder who receives a Broadridge VIF cannot use that form to vote shares directly at the Meeting. The VIF must be returned to Broadridge (or instructions respecting the voting of shares must otherwise be communicated to Broadridge) well in advance of the Meeting in order to have the shares voted. If you have any questions respecting the voting of shares held through an Intermediary, please contact that Intermediary for assistance.

In either case, the purpose of this procedure is to permit Beneficial Shareholders to direct the voting of the shares that they beneficially own. **A Beneficial Shareholder receiving a VIF cannot use that**

form to vote shares directly at the Meeting – Beneficial Shareholders should carefully follow the instructions set out in the VIF including those regarding when and where the VIF is to be delivered. Should a Beneficial Shareholder who receives a VIF wish to attend the Meeting or have someone else attend on their behalf, the Beneficial Shareholder may request a legal proxy as set forth in the VIF, which will grant the Beneficial Shareholder or their nominee the right to attend and vote at the Meeting.

All references to shareholders in this information circular and the accompanying instrument of proxy and notice of Meeting are to registered shareholders unless specifically stated otherwise.

The Meeting Materials are being sent to both registered and non-registered owners of the Corporation's shares. If you are a Beneficial Shareholder and the Corporation or its agent has sent the Meeting Materials directly to you, your name and address and information about your holdings of the Corporation's securities have been obtained in accordance with applicable securities regulatory requirements from the Intermediary holding on your behalf. By choosing to send the Meeting Materials to you directly, the Corporation (and not the Intermediary holding on your behalf) has assumed responsibility for (i) delivering the Meeting Materials to you and (ii) executing your proper voting instructions. Please return your voting instructions as specified in the VIF.

REVOCATION OF PROXIES

A proxy may be revoked by:

- (a) signing a proxy bearing a later date and depositing it at the place and within the time mentioned above;
- (b) signing and dating a written notice of revocation (in the same manner as the proxy is required to be signed, as set out in the notes to the proxy) and either delivering it to the office of the Corporation, located at 1 Place Ville-Marie, Suite 1511, Montreal, Quebec, H3B 2B5 (Fax number (514) 486-1317), at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof at which the proxy is to be used, or to the chairman of the Meeting on the day of the Meeting or any adjournment thereof;
- (c) attending the Meeting or any adjournment thereof and registering with the scrutineer as a shareholder present in person, whereupon the proxy will be deemed to have been revoked; or
- (d) in any other manner provided by law.

Only registered shareholders have the right to revoke a proxy. A Beneficial Shareholder who wishes to change its vote must, at least seven days before the Meeting, arrange for its Intermediary to revoke its proxy on its behalf.

VOTING OF SHARES AND EXERCISE OF DISCRETION OF PROXIES

If a shareholder specifies a choice with respect to any matter to be acted upon, the shares represented by proxy will be voted or withheld from voting by the proxy holder in accordance with those instructions on any ballot that may be called for. In the enclosed form of proxy, in the absence of any instructions in the proxy, it is intended that the shares will be voted by the proxyholder, if a nominee of management, in favour of the motions proposed to be made at the Meeting as stated under the headings in the notice of Meeting. If any amendments or variations to those matters, or any other matters, are

properly brought before the Meeting, the proxyholder, if a nominee of management, will exercise its discretion and vote on those matters in accordance with its best judgment.

The instrument of proxy enclosed, in the absence of any instructions in the proxy, also confers discretionary authority on any proxyholder other than the nominees of management named in the instrument of proxy with respect to the matters identified in this information circular, amendments or variations to those matters, or any other matters that may properly be brought before the Meeting. To enable a proxyholder to exercise its discretionary authority, a shareholder must strike out the names of the nominees of management in the enclosed instrument of proxy, insert the name of its nominee in the space provided and not specify a choice with respect to the matters to be acted upon. This will enable the proxyholder to exercise its discretion and vote on such matters in accordance with its best judgment.

At the time of printing this information circular, the Corporation's management is not aware that any amendments or variations to existing matters or new matters are to be presented for action at the Meeting.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

Only those common shareholders of record on May 30, 2011 will be entitled to vote at the Meeting or any adjournment thereof, in person or by proxy. As of the date of this information circular, 130,276,048 common shares ("**Common Shares**") were issued and outstanding, each share carrying the right to one vote.

To the best knowledge of the Corporation's directors and senior officers, as of the Record Date, no shareholder beneficially owns, directly or indirectly, or controls or directs, Common Shares carrying 10% or more of the voting rights attached to the Common Shares.

APPOINTMENT OF AUDITORS

The persons named in the enclosed instrument of proxy will vote for the appointment of Deloitte & Touche LLP, Chartered Accountants (the "**Successor Auditors**"), as auditors for the Corporation to hold office until the Corporation's next annual general meeting of shareholders, at a remuneration to be fixed by the Board. The Corporation's previous auditors were Ernst & Young LLP, Chartered Accountants (the "**Former Auditors**"). The Successor Auditors were first appointed auditors of the Corporation on November 19, 2010.

The reporting package required under section 4.11 of *Regulation 51-102 respecting Continuous Disclosure Obligations* is provided at Schedule C. Both the Successor Auditors and the Former Auditors agree that there has been no reportable event as defined in that regulation with respect to the Corporation.

ELECTION OF DIRECTORS

The Corporation's board of directors (the "**Board**") presently consists of four directors and it is anticipated that four directors will be elected for the coming year. The term of office for persons elected at the Meeting will expire at the Corporation's next annual general meeting of shareholders, unless a director resigns or is otherwise removed in accordance with the Corporation's by-laws or the *Canada Business Corporations Act* (the "**CBCA**").

The persons named below will be presented at the Meeting for election as directors as nominees of management, and the persons named in the enclosed instrument of proxy intend to vote **for** the election of these nominees.

The following table sets out the names of the persons to be presented for election as director as nominees of management, all other positions and offices with the Corporation now held by them, their principal occupation or employment, the year in which they became a director of the Corporation and the number of shares of the Corporation beneficially owned, directly or indirectly, or over which control or direction is exercised, by each of them, if any, as at the date of this information circular:

Name of Nominee, Municipality of Residence and Present Position with the Corporation	Principal Occupation	Year First Became a Director	Current No. of Common Shares Beneficially Owned
David Crevier ⁽¹⁾⁽²⁾ Montreal, Quebec, Canada Director	Partner in the law firm Colby, Monet, Demers, Delage & Crevier since 1984. Chairman of Yorbeau Resources Inc., a gold exploration company, since 1991. Chairman of Cancor Mines Inc., a gold and base metal exploration company, since 2003. Director of Dia Bras Exploration Inc. since June 2008.	2009	Nil
John Anderson ⁽¹⁾⁽²⁾ Vancouver, British Columbia, Canada Director	Chairman of Cadan Resources Corp. and President of Purplefish Capital Limited.	2009	Nil
Jean Mayer ⁽²⁾ Montreal, Quebec, Canada Executive Vice President, Corporate Secretary and Director	Executive Vice President and Corporate Secretary of the Corporation since June 17, 2010. Previously, Vice President, Legal & Corporate Affairs and Corporate Secretary of the Corporation since October 2007. Director and Vice President, Legal and Corporate Affairs of Forest Gate Energy Inc. until May 21, 2010. Before then, President, General Counsel and Director of Mindready Solutions Inc.	2008	289,318
Léon Méthot ⁽¹⁾ Trois-Rivières, Quebec, Canada Director	Chairman and Chief Executive Officer of the Corporation since June 17, 2010. President and Chief Executive Officer of X-Ore Resources Inc. between 2004 and 2010.	2010	333,612

Notes:

(1) Members of the Audit Committee.

(2) Members of the Corporate Governance Committee.

Unless otherwise stated, each of the above-named nominees has held the principal occupation or employment indicated for the past five years.

The above information has been furnished by the respective directors individually.

Except as otherwise disclosed below, no proposed director (either directly or through a holding company)

- (a) is, as at the date of this circular, or has been, within 10 years before the date of this circular, a director, chief executive officer or chief financial officer of any company (including the Corporation) that

- (i) while that person was acting in that capacity, was subject to a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days (an “**Order**”); or
 - (ii) after the person ceased to act in that capacity, was subject to an Order that resulted from an event that occurred while that person was acting in that capacity;
- (b) is, as at the date of this circular, or has been, within 10 years, before the date of this Circular, a director or executive officer of any company (including the Corporation) that 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, either while the director or executive officer was serving in such a capacity or within one year of that director or executive officer ceasing to act in such a capacity;
 - (c) has, within the 10 years before the date of this circular, 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;
 - (d) has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
 - (e) has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

As a result of the bankruptcy of the Corporation’s wholly-owned subsidiary, Blue Note Caribou Mines Inc. on July 1, 2009 and the Corporation’s inability, at such time, to obtain financing, the Corporation decided to seek protection under the Companies’ Creditors Arrangement Act (“**CCAA**”) on June 12, 2009. At such time, Messrs. Mayer, Crevier and Anderson were directors of the Corporation.

On July 17, 2009, the Corporation’s creditors approved the proposed plan of arrangement and reorganization (the “**Plan of Arrangement**”) submitted to them by the Corporation under the CCAA. At a meeting held on July 17, 2009, 95% of the votes registered by the Corporation’s creditors were in favour of the Plan of Arrangement.

On August 4, 2009, the Quebec Superior Court ratified the Plan of Arrangement, which took effect on August 25, 2009.

In an effort to salvage Mindready Solutions Inc. (“**Mindready**”), Jean Mayer became its president and one of its directors on August 6, 2007. Mr. Mayer left Mindready to join the Corporation in October 2007. On January 25, 2008, Mindready filed a notice of intention to make a proposal to its creditors under the Bankruptcy and Insolvency Act (Canada).

David Crevier was a director and the secretary of Diagem Inc. (“**Diagem**”), which is subject to a cease-trade order resulting from Diagem’s failure to meet certain regulatory requirements as a result of its insolvency.

APPROVAL OF THE STOCK OPTION PLAN

At the annual general and special meeting of the Corporation's shareholders held on June 30, 2010, certain amendments to the Corporation's stock option plan (the "**Stock Option Plan**") were approved. Those amendments created a "rolling plan" under which the Corporation may issue a number of stock options equal to up to 10% of the number of outstanding Common Shares at the time of the grant. Such a plan requires the yearly approval of the Corporation's shareholders in accordance with the policies of the TSX Venture Exchange.

As of the date of this Circular, the maximum number of stock options that may be granted under the Stock Option Plan is 13,027,604, of which 13,000,000 options were outstanding. Therefore, a maximum of an additional 27,604 options may be currently issued. Given that the Stock Option Plan is of a "rolling" nature, the maximum number of options available for issuance will increase or decrease as the Corporation issues or cancels Common Shares.

For more details on the Stock Option Plan, please refer to the section titled "Stock Option Plan."

The Board and management of the Corporation believe that approving the Stock Option Plan is in the best interests of the Corporation and its shareholders and, accordingly, recommend that shareholders vote IN FAVOUR of the resolution that appears below. To take effect, this resolution must be approved by a majority of the votes cast by holders of Common Shares present in person or represented by proxy at the Meeting.

IN THE ABSENCE OF SHAREHOLDER INSTRUCTIONS, THE VOTING RIGHTS CARRIED BY THE COMMON SHARES CONTEMPLATED IN THE FORM OF PROXY SHALL BE EXERCISED IN FAVOUR OF THE RESOLUTION APPROVING THE STOCK OPTION PLAN.

Shareholders are therefore asked to consider, and, if thought appropriate, to approve the following ordinary resolution:

IT IS RESOLVED TO:

- 1. APPROVE the stock option plan adopted at the Corporation's annual general and special meeting held on June 30, 2010 and attached as Schedule C to the information circular dated June 4, 2010 and prepared in respect of that meeting.*
- 2. AUTHORIZE any director or officer of the Corporation to sign and deliver any document or to take any action that is useful to give effect to this resolution.*

The persons named in the enclosed instrument of proxy intend to vote to approve the resolution appearing above.

RE-CONFIRMATION OF THE SHAREHOLDER RIGHTS PLAN

At the Meeting, shareholders will be asked to consider and vote to re-confirm the Corporation's Shareholder Rights Plan (the "**Rights Plan**"), which was adopted by the Board on January 19, 2006 and originally confirmed at the Corporation's annual general and special meeting held on April 26, 2006. Under the Rights Plan, on January 19, 2006, share purchase rights (the "**Rights**") were issued to holders of Common Shares at the rate of one Right for each Common Share outstanding at 4:00 p.m.

(Montreal time) on January 19, 2006 (the “**Record Time**”), at which time the Rights Plan also became effective.

The Rights Plan provides that its continued effect is subject to confirmation by the Corporation’s shareholders at the Corporation’s shareholder meeting held for that purpose in 2011. Accordingly, the Rights Plan will continue in effect only if it is re-confirmed by shareholders at the Meeting.

The Board and management of the Corporation believe that re-confirming the Rights Plan is in the best interests of the Corporation and its shareholders and, accordingly, recommend that shareholders vote IN FAVOUR of the resolution that appears below. To take effect, this resolution must be approved by a majority of the votes cast by Independent Shareholders (as defined in the Rights Plan) present in person or represented by proxy at the Meeting. If the Rights Plan is not re-confirmed, it will be of no further force and effect. The Board has not determined what further action, if any, it would take if the Rights Plan is not re-confirmed at the Meeting.

IN THE ABSENCE OF SHAREHOLDER INSTRUCTIONS, THE VOTING RIGHTS CARRIED BY THE COMMON SHARES CONTEMPLATED IN THE FORM OF PROXY SHALL BE EXERCISED IN FAVOUR OF THE RESOLUTION THAT APPEARS BELOW.

Shareholders are therefore asked to consider, and, if thought appropriate, to approve the following ordinary resolution:

IT IS RESOLVED TO:

1. *RE-CONFIRM the shareholder rights plan containing the terms and conditions substantially as set forth in the Shareholder Protection Rights Plan Agreement dated as of January 19, 2006, between the Corporation and Pacific Corporate Trust Company and available at www.sedar.com.*
2. *AUTHORIZE any director or officer of the Corporation to sign and deliver any document or to take any action that is useful to give effect to this resolution.*

The persons named in the enclosed instrument of proxy intend to vote to approve the resolution appearing above.

The Board is not aware of, nor is the Board seeking confirmation of the Rights Plan in anticipation of, any pending or threatened take-over bid or offer for the Common Shares. The Board does not have any current intention of implementing any other proposal having an anti take-over effect.

Background to the Rights Plan

The Rights Plan was adopted to provide the Board with sufficient time, in the event of a public take-over bid or tender offer for the Common Shares, to pursue alternatives that could enhance shareholder value. These alternatives could involve the review of other take-over bids or offers from other interested parties to provide shareholders desiring to sell their Common Shares with a view towards providing shareholders with the best opportunity to realize the maximum sale price for their Common Shares. In addition, with sufficient time, the Board would be able to explore and, if feasible, advance alternatives to maximize Common Share value through possible corporate reorganizations or

restructuring. The need for time would be paramount if there was to be any real ability on the part of the Board to consider alternatives.

The Rights Plan has been designed to protect shareholders of the Corporation from unfair, abusive or coercive take-over strategies, including the acquisition of control of the Corporation by a bidder in a transaction or series of transactions that may not treat all shareholders equally or fairly nor afford all shareholders an equal opportunity to share in the premium paid upon an acquisition of control. The Rights Plan is not intended to prevent a take-over or deter fair offers for securities of the Corporation but rather to facilitate the maximization of shareholder value should anyone seek to acquire control. Furthermore, it is designed to encourage anyone seeking to acquire control of the Corporation to make an offer that represents fair value to all holders of Common Shares and to provide a framework within which shareholders can make a fully informed decision regarding any such offer, within a reasonable time frame, having regard for the possibility that alternatives could be forthcoming, which may enhance shareholder value.

Potential Advantages of the Rights Plan

The Board believes that under the current rules relating to take-over bids and tender offers in Canada there is not sufficient time for the directors to explore and develop alternatives for shareholders such as possible higher offers or corporate reorganizations or restructurings that could maximize shareholder value. Under current rules a take-over bid must remain open in Canada for a minimum of 35 days only. One of the primary objectives of the Rights Plan is to extend this period to a minimum of 70 days, which the Board believes is a more realistic time frame to enable it to discharge its responsibility to assist shareholders in responding to a take-over bid or tender offer.

In addition, the Board believes that the Rights Plan will encourage persons seeking to acquire control of the Corporation to do so by means of a public take-over bid or offer available to all shareholders. The Rights Plan will deter acquisitions by means that deny some shareholders the opportunity to share in the premium that an acquirer is likely to pay upon an acquisition of control. By motivating would-be acquirors to make a public take-over bid or offer to negotiate with the Board, shareholders will have the best opportunity of being assured that they will participate on an equal basis, regardless of the size of their holdings, in any acquisition of control of the Corporation.

The Board believes that the Rights Plan does not adversely limit the opportunity for shareholders to dispose of their Common Shares through a take-over bid or tender offer that provides fair value to all shareholders. The directors continue to be bound to consider fully and fairly any bona fide take-over bid or offer for Common Shares and to discharge that responsibility with a view to the best interests of the Corporation.

Potential Disadvantages of the Rights Plan

Because the Rights Plan may increase the price to be paid by an acquirer to obtain control of the Corporation and may discourage certain transactions, confirmation of the Rights Plan may reduce the likelihood of a take-over bid being made for the outstanding Common Shares. Accordingly, the Rights Plan may deter some take-over bids that shareholders might wish to receive and may make the replacement of management less likely.

Summary of the Rights Plan Characteristics

The following summary of the characteristics and terms of the Rights Plan is qualified in its entirety by reference to the text of the Rights Plan. All capitalized terms used but not defined in this summary are defined in the Rights Plan.

A copy of the Rights Plan will be available for inspection at the Meeting and at the Corporation's office, located at 1 Place Ville Marie, Suite 1511, Montreal, Quebec, H3B 2B5, during regular business hours up to the day before the Meeting, and at www.sedar.com.

Upon a person or related group making a take-over bid, or acquiring beneficial ownership of 20% or more of the outstanding Common Shares, other than through certain "Permitted Acquisitions" (as discussed below) including a Permitted Bid or Competing Permitted Bid (as defined in the Rights Plan), or on terms otherwise approved by the Board, the Rights entitle holders (other than the acquiror) to acquire Common Shares at a 50% discount from the then prevailing market price, with the result that the acquiror may suffer substantial dilution of its interest in the Corporation.

The dilutive effects of the Rights are not triggered by a Permitted Bid or Competing Permitted Bid. The "permitted bid" concept, which is found in most of the shareholder rights plans adopted in Canada, is intended to permit shareholders to review and decide upon a take-over bid for themselves, while establishing a minimum standard of fairness and giving shareholders and the Board sufficient time to evaluate the Permitted Bid or Competing Permitting Bid.

The Rights Plan does not require that a special meeting of shareholders be called to approve a Permitted Bid or Competing Permitted Bid. Instead, shareholders who favour the bid indicate their approval simply by tendering their Common Shares to it. If more than 50% of the Common Shares held by Independent Shareholders are tendered by the end of the minimum initial tender period (i.e. 60 days), the bid must be extended for a further period of 10 days to allow initially non-tendering shareholders to tender their Common Shares to the bid if they so choose. Common Shares deposited under a bid for less than all of the Common Shares held by Independent Shareholders must be taken up and paid for on a pro rata basis. The initial tender acts as a surrogate for the costly and rather cumbersome process of requiring a shareholder vote at a special shareholders' meeting. As with a shareholder vote, there is no coercion to tender during the initial 60-day period as the bid, by definition, must be open for acceptance for at least 10 days after expiry of the initial tender period. Notwithstanding the foregoing, the Board may call a shareholders' meeting at any time should it believe that a meeting would be beneficial to the shareholders.

The adoption of the Rights Plan does not in any way detract from or lessen the duty of the Board to act honestly and in good faith in the best interests of the Corporation and to consider an offer in accordance with that duty. It is not the intention of the Board to secure the continuance of existing directors or officers in office to avoid an acquisition of control of the Corporation in a transaction that is fair and in the best interests of the Corporation, or to avoid the fiduciary duties of the Board or of any director. The proxy mechanism of the CBCA and applicable securities laws is not affected by the Rights Plan, and a shareholder may use its statutory rights to promote a change in the management or direction of the Corporation, including the right of shareholders holding not less than 5% of the outstanding Common Shares to requisition the Board to call a meeting of shareholders.

In accordance with the Board's role to negotiate in the best interests of the Corporation and to ensure the opportunity for any prospective acquiror to negotiate in good faith with the Board, the Board may

determine to waive the application of the provisions of the Rights Plan following the announcement of a take-over bid that is not a Permitted Bid or Competing Permitted Bid or the occurrence of any transaction in which 20% or more of the outstanding Common Shares have been accumulated by an acquiror or group other than through a Permitted Acquisition (i.e., a “**Flip-in Event**”).

If a bidder does not wish to make a Permitted Bid or Competing Permitted Bid, it can negotiate with and seek prior approval of the Board to make an offer on terms that the Board considers fair to all shareholders. In such circumstances, the Board may elect to waive the application of the Rights Plan, thereby allowing the offer to proceed without dilution to the bidder.

Distribution of Rights

In order to implement the Rights Plan, the Board authorized the Corporation to issue one Right in respect of each outstanding Common Share to holders of record as at the Record Time and authorized the Corporation to issue one Right for each Common Share issued after the Record Time and before the “Separation Time” (as defined below). The initial Exercise Price of a Right is \$75, but the Exercise Price is subject to certain adjustments as provided for in the Rights Plan. The Rights Plan is conditional upon its reconfirmation by the Independent Shareholders at the Meeting, and upon reconfirmation again at the Corporation’s annual general meeting to be held in 2014.

Dilution

In the event that a person announces the acquisition of 20% or more of the Common Shares of the Corporation, other than through certain Permitted Acquisitions including a Permitted Bid or Competing Permitted Bid or on terms otherwise approved by the Board, each Right (other than any held by the acquiror) will “flip-in” to entitle the registered holder to acquire Common Shares at a 50% discount from the then prevailing market price. For example, if at the time of such announcement the Exercise Price is \$75 and the Common Shares have a market value of \$1 each, the holder of each Right would be entitled to purchase 150 Common Shares for a price of \$75 (the number of Common Shares at 50% of market value that can be obtained for the Exercise Price).

Separation Time

The “**Separation Time**” is 4:00 p.m. (Montreal time) on the tenth business day following the earlier of:

1. The date of the first public announcement or disclosure made by the Corporation or an Acquiring Person (discussed below) that a person has become an Acquiring Person; and
2. The date of the commencement of or first public announcement of the intent of a person to commence a take-over bid (other than a Permitted Bid or Competing Bid),

or such earlier date or later date as may be determined by the Board, provided that if any such take-over bid expires or is cancelled, terminated or otherwise withdrawn before the Separation Time, that offer will be deemed, for the purposes of determining the Separation Time, never to have been made.

Trading and Exercise of Rights

The Rights will separate and trade apart from the Common Shares and become exercisable after the Separation Time upon the issuance of Rights Certificates (as defined below). Until the Separation Time, the Rights may be transferred only with the associated Common Shares and will be represented

by the outstanding Common Share certificates. New Common Share certificates issued on the transfer of existing Common Shares or on the issue of additional Common Shares will contain a notation incorporating the Rights Plan by reference. Promptly following the Separation Time, separate certificates evidencing the Rights (the “**Rights Certificates**”) will be mailed to holders of record of Common Shares as of the Separation Time. Thereafter, the Rights Certificates will evidence the Rights.

Acquiring Person and Permitted Acquisitions

Subject to certain exceptions set forth in the Rights Plan, the dilutive effects of the Rights are triggered by a person becoming an Acquiring Person upon the acquisition of beneficial ownership of 20% or more of the outstanding Common Shares. A person will not trigger the separation and exercisability of the Rights if it becomes the beneficial owner of 20% or more of the Common Shares as a result of Permitted Bid Acquisitions, Voting Share Reductions, Exempt Acquisitions, Pro-rata Acquisitions (all as defined in the Rights Plan Agreement) or otherwise on terms approved by the Board (collectively, the “**Permitted Acquisitions**”), provided that if it becomes the beneficial owner of 20% or more of the Common Shares by such means and it is or subsequently becomes the beneficial owner of any additional Common Shares (other than by a Permitted Acquisition) then, as of the date of such additional acquisition, it will become an Acquiring Person.

Beneficial Ownership

Beneficial ownership is broadly defined in the Rights Plan, but certain exceptions from its scope are provided, among them an exception designed to avoid inadvertent triggering of the dilutive effects of the Rights by portfolio managers acting for pension funds and others who do not intend to make a take-over bid for the Common Shares.

Permitted Bid

As discussed above, a Permitted Bid or Competing Permitted Bid will not trigger the dilutive effects of the Rights. A Permitted Bid or Competing Permitted Bid is a Take-Over Bid made by way of take-over bid circular and which also complies with the following additional provisions:

- (a) the bid must be made for all of the Common Shares and to all holders of Common Shares, wherever resident or registered on the books of the Corporation, on identical terms; and
- (b) the bid contains irrevocable and unqualified provisions that:
 - (i) no Common Shares will be taken up or paid for under the bid before the close of business on a date that is not less than 60 days following the date of the bid and unless more than 50% of the Common Shares held by Independent Shareholders have been deposited or tendered under the bid and not withdrawn;
 - (ii) all Common Shares may be deposited under the bid at any time before the close of business on the date referred to in (i) above and all Common Shares deposited under the bid may be withdrawn at any time until taken up and paid for; and
 - (iii) if the deposit condition referred to in (i) above is satisfied, the bidder will make a public announcement of that fact and the bid will remain open for the deposit and tender of Common Shares for a period of time of not less than 10 business days from the date of such public announcement.

A Competing Permitted Bid may proceed contemporaneously with a Permitted Bid provided it expires on the later of the same date as the initial Permitted Bid and 21 days after the date of the Competing Permitted Bid.

The Corporation is of the view that the requirement that the bid be made to all registered holders of Common Shares, wherever resident, is necessary in order to ensure equal treatment for all shareholders.

Waiver

The Rights Plan gives the Board the right, at its option, to waive the application of the Rights Plan to a particular Flip-In Event, and if it does so it will be deemed to have waived the application of the Rights Plan to any other Flip-In Event occurring by reason of a take-over bid made by way of a take-over bid circular for all of the Common Shares before the expiry of the Flip-In Event for which the waiver was originally made.

AMENDMENT OF THE ARTICLES

Under the CBCA, a corporation's directors may, if that corporation's articles so provide, appoint one or more additional directors, who shall hold office for a term expiring not later than the close of the next annual meeting of shareholders. The total number of directors so appointed (the "**Additional Directors**") may not exceed one third of the number of directors elected at the previous annual meeting of shareholders.

On May 17, 2011, the Board adopted a resolution to amend the Corporation's articles to provide for the appointment of Additional Directors. Under the CBCA, the shareholders must approve that amendment (the "**Amendment**") for it to be adopted.

Currently, between shareholder meetings of the Corporation an individual may join the Board only by filling a vacancy created by the resignation of another Board member. The Amendment will provide the Board with additional flexibility, allowing the Corporation to add new directors between meetings without having to lose a current director. If all four candidates for the Board are elected at the Meeting and the Amendment is approved, the Corporation's directors will be authorized to appoint one additional Board member before the Corporation's next general meeting of shareholders.

The Board and management of the Corporation believe that the Amendment is in the best interests of the Corporation and its shareholders and, accordingly, recommend that shareholders vote IN FAVOUR of the special resolution that appears below. To take effect, this special resolution must be approved by not less than two-thirds of the votes cast by holders of Common Shares present in person or represented by proxy at the Meeting.

IN THE ABSENCE OF SHAREHOLDER INSTRUCTIONS, THE VOTING RIGHTS CARRIED BY THE COMMON SHARES CONTEMPLATED IN THE FORM OF PROXY SHALL BE EXERCISED IN FAVOUR OF THE RESOLUTION APPROVING THE AMENDMENT.

Shareholders are therefore asked to consider, and, if thought appropriate, to approve the following special resolution:

IT IS RESOLVED TO:

1. *APPROVE the amendment of the Corporation's articles to authorize the Corporation's directors to appoint one or more additional directors, who shall hold office for a term expiring not later than the close of the next annual meeting of shareholders. The total number of directors so appointed may not exceed one third of the number of directors elected at the previous annual meeting of shareholders.*
2. *AUTHORIZE any director or officer of the Corporation to sign and deliver articles of amendment under the Canada Business Corporations Act or any other document or to take any action that is useful to give effect to this special resolution.*
3. *AUTHORIZE the Corporation's directors to revoke this resolution before it is acted on without further approval of the shareholders.*

The persons named in the enclosed instrument of proxy intend to vote to approve the special resolution appearing above.

STATEMENT OF EXECUTIVE COMPENSATION

Compensation Discussion & Analysis

In accordance with its written mandate, the Corporation's corporate governance committee is responsible for recommending to the Board the compensation of each member of the Corporation's senior management. The corporate governance committee, in making its recommendations, and the Board, in determining how to act on them, weigh a range of factors. The Corporation wishes to attract and retain talented and experienced management and, as such, must consider the compensation packages offered by its industry peers. The Corporation also wishes to align management's interests with those of its shareholders, and so has adopted the Stock Option Plan allowing management to benefit from an increase in the Corporation's share price. The Corporation seeks to maintain a reasonable balance between offering a competitive salary and an attractive stock option package but does not apply a precise formula in determining the appropriate mix. Other considerations affecting the amount and makeup of management compensation include the Corporation's financial resources, its stage of development and plans for future growth and the time commitment of each individual officer to the Corporation's affairs (full time versus part time).

Ultimately, it is the Board's responsibility to fix and evaluate the appropriateness of each officer's compensation. The Corporation's process for determining executive compensation relies largely on the Board without any formal objectives, criteria and analysis. The final compensation paid is reached by negotiation with each individual officer. The Board believes this approach is appropriate given the Corporation's size and means.

Summary Compensation Table

The following table sets forth all annual and long term compensation for services in all capacities to the Corporation and its subsidiaries in respect of the chief executive officer, chief financial officer, chief operating officer and executive vice president (the "NEOs") for the financial years ended December 31, 2010, December 31, 2009 and December 31, 2008. During the financial year ended December 31, 2010, the Corporation had no other executive officer whose individual total compensation for the year exceeded \$150,000.

Name and principal position	Year	Salary (\$)	Share-based awards (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)		Pension value (\$)	All other compensation (\$)	Total compensation (\$)
					Annual incentive plans	Long-term incentive plans			
Michael Judson ⁽¹⁾ President & Chief Executive Officer	2010	\$93,203	Nil	Nil	Nil	Nil	Nil	Nil	\$93,203
	2009	\$200,000	Nil	Nil	Nil	Nil	Nil	\$14,400	\$214,400
	2008	\$350,000	Nil	Nil	Nil	Nil	Nil	\$120,459	\$470,459
Léon Méthot ⁽²⁾ Chairman & Chief Executive Officer	2010	\$60,000	Nil	Nil	Nil	Nil	Nil	Nil	\$60,000
	2009	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2008	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
John Martin ⁽³⁾ President & Chief Operating Officer	2010	\$135,000	Nil	Nil	Nil	Nil	Nil	Nil	\$135,000
	2009	\$150,000	Nil	Nil	Nil	Nil	Nil	Nil	\$150,000
	2008	\$325,000	Nil	Nil	Nil	Nil	Nil	\$94,821	\$419,821
Jean Mayer ⁽⁴⁾ Executive Vice President & Corporate Secretary	2010	\$135,000	Nil	Nil	Nil	Nil	Nil	Nil	\$135,000
	2009	\$150,000	Nil	Nil	Nil	Nil	Nil	\$15,600	\$165,600
	2008	\$150,000	Nil	Nil	Nil	Nil	Nil	\$102,400	\$252,400
Robert Therriault ⁽⁵⁾ Chief Financial Officer	2010	\$135,000	Nil	Nil	Nil	Nil	Nil	Nil	\$135,000
	2009	\$150,000	Nil	Nil	Nil	Nil	Nil	Nil	\$150,000
	2008	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Notes:

- (1) Mr. Judson left the Corporation on June 17, 2010.
- (2) Mr. Méthot was appointed Chairman and Chief Executive Officer of the Corporation on June 17, 2010 and appointed President on May 17, 2011.
- (3) Mr. Martin was appointed President and Chief Operating Officer of the Corporation on June 17, 2010 and left the Corporation on May 17, 2011.
- (4) Mr. Mayer was appointed Executive Vice President and Corporate Secretary of the Corporation on June 17, 2010.
- (5) Mr. Therriault left the Corporation on February 18, 2011.

Incentive Plan Awards – share-based and option-based

The following table summarizes the awards to NEOs under the Stock Option Plan outstanding at the end of the most recently completed financial year.

Name	Option-based awards				Share-based awards	
	Number of securities underlying unexercised options	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$)	Number of shares or units that have not vested (#)	Market or payout value of share-based awards that have not vested
Léon Méthot Chairman & Chief Executive Officer	100,000	\$0.46	December 8, 2011	Nil	N/A	N/A
	50,000	\$0.20	January 16, 2013	Nil		
	600,000	\$0.185	January 25, 2015	Nil		
	200,000	\$0.11	April 1, 2015	Nil		
	1,000,000	\$0.12	October 1, 2015	Nil		
John Martin President & Chief Operating Officer	100,000	\$11.70	June 23, 2011	Nil	N/A	N/A
	100,000	\$1.50	December 23, 2013	Nil		
	300,000	\$0.155	October 15, 2014	Nil		
	300,000	\$0.185	January 25, 2015	Nil		
	200,000	\$0.11	April 1, 2015	Nil		
	200,000	\$0.12	October 1, 2015	Nil		
Jean Mayer Executive Vice President & Corporate Secretary	25,000	\$16.80	November 13, 2012	Nil	N/A	N/A
	66,667	\$1.50	December 23, 2013	Nil		
	400,000	\$0.155	October 15, 2014	Nil		
	400,000	\$0.185	January 25, 2015	Nil		
	300,000	\$0.11	April 1, 2015	Nil		
	200,000	\$0.12	October 1, 2015	Nil		

Name	Option-based awards				Share-based awards	
	Number of securities underlying unexercised options	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$)	Number of shares or units that have not vested (#)	Market or payout value of share-based awards that have not vested
Robert Therriault	33,333	\$1.50	December 23, 2013	Nil	N/A	N/A
Chief Financial Officer	300,000	\$0.155	October 15, 2014	Nil		
	300,000	\$0.185	January 25, 2015	Nil		
	200,000	\$0.11	April 1, 2015	Nil		
	200,000	\$0.12	October 1, 2015	Nil		

All of the option awards described above were made under the Stock Option Plan, which authorizes the Board to grant options to Directors, officers, employees and consultants to acquire Common Shares at a price no less than the closing market price of the Common Shares the business day before the Corporation notifies the stock exchanges of the grant of the option. The number of shares that may be granted to any one person shall not exceed 5% (2% for consultants) over a twelve-month period. The options will vest from the date of the grant to 18 months and expire within five years, as determined by the Board.

Incentive Plan Awards – value vested or earned

The following table summarizes the awards to NEOs that vested during the most recently completed financial year.

Name	Option-based awards – Value vested during the year (\$)	Share-based awards – Value vested during the year (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
Léon Méthot Chairman & Chief Executive Officer	\$0	N/A	N/A
John Martin President & Chief Operating Officer	\$0	N/A	N/A
Jean Mayer Executive Vice President & Corporate Secretary	\$0	N/A	N/A
Robert Therriault Chief Financial Officer	\$0	N/A	N/A

No NEO exercised any options during the most recently completed financial year.

Pension Plan Benefits

The Corporation has no pension plan or deferred compensation plan.

Termination and Change of Control Benefits

The Corporation has entered into employment agreements with its NEOs in their capacity as officers. Each NEO's contract provides that:

- (a) in the event of dismissal without cause, the employee will be paid a lump sum payment equal to 24 months' salary; and
- (b) in the event of either (i) the resignation of the employee or (ii) the dismissal of the employee without cause by the Corporation within six months following a change of control (defined as either 20% of the Corporation's outstanding shares being owned by one person or one person and his joint actors or a change within the same year of a majority of members of the board of directors), the employee will be paid a lump sum payment equal to 24 months' salary, and all outstanding share purchase options then having been granted to the employee will immediately vest and all those options will be deemed to have been exercised upon the receipt of a notice from the employee.

Director Compensation Table

The following table sets forth all annual and long term compensation for services in all capacities to the Corporation and its subsidiaries in respect of the directors (other than Léon Méthot and Jean Mayer, whose compensation is disclosed above) for the most recently completed financial year.

Name	Fees earned (\$)	Share-based awards (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total (\$)
John Anderson	\$8,400	Nil	Nil	Nil	Nil	Nil	\$8,400
David Crevier	\$7,200	Nil	Nil	Nil	Nil	Nil	\$7,200

Currently, the Corporation's directors are remunerated solely in stock options to the exception of the independent directors who receive \$1,200 for each Board and committee meeting attended.

Director Compensation: Incentive Plan Awards

The following table summarizes the awards to the directors (other than Léon Méthot and Jean Mayer, whose compensation is described above) under the Stock Option Plan outstanding at the end of the most recently completed financial year.

Name	Option-based awards				Share-based awards	
	Number of securities underlying unexercised options	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$)	Number of shares or units that have not vested (#)	Market or payout value of share-based awards that have not vested
John Anderson	33,333	\$1.50	March 11, 2014	Nil	N/A	N/A
	300,000	\$0.155	October 15, 2014	Nil		
	300,000	\$0.185	January 25, 2015	Nil		
	200,000	\$0.11	April 1, 2015	Nil		
	200,000	\$0.12	October 1, 2015	Nil		
David Crevier	33,333	\$1.50	March 11, 2014	Nil	N/A	N/A
	300,000	\$0.155	October 15, 2014	Nil		
	300,000	\$0.185	January 25, 2015	Nil		
	200,000	\$0.11	April 1, 2015	Nil		
	200,000	\$0.12	October 1, 2015	Nil		

Director Compensation: Incentive Plan Awards – value vested or earned

The following table summarizes the awards to directors (other than Léon Méthot and Jean Mayer whose compensation is described above) that vested during the most recently completed financial year.

Name	Option-based awards – Value vested during the year (\$)	Share-based awards – Value vested during the year (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
John Anderson	\$0	N/A	N/A
David Crevier	\$0	N/A	N/A

No director exercised any options during the most recently completed financial year.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table sets out, as of the end of the Corporation’s fiscal year ended December 31, 2010, all required information with respect to compensation plans under which equity securities of the Corporation are authorized for issuance:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by securityholders	10,950,000	\$0.40	2,077,604
Equity compensation plans not approved by securityholders	N/A	N/A	N/A
Total	10,950,000	\$0.40	2,077,604

STOCK OPTION PLAN

The Corporation adopted the Stock Option Plan to attract, retain and motivate directors, officers, employees and other persons who provide ongoing services to the Corporation and its affiliates (“**Participants**”), and to closely align their personal interests with those of the Corporation’s shareholders by providing them with the opportunity to acquire Common Shares, and thereby a proprietary interest in the Corporation, through the exercise of rights to acquire Common Shares under the Existing Plan (“**Options**”).

Number of Shares Under the Existing Plan

The aggregate number of Common Shares in respect of which Options may be granted (“**Option Shares**”) may not exceed 13,027,604, representing 10% of the currently outstanding Common Shares. If an Option expires or is terminated, the Option Shares allocated to the unexercised portion of that Option may again be subject to an Option. As of the date of this circular, 13,000,000 Common Shares are issuable under actual grants under the Stock Option Plan, representing 9.98% of the outstanding Common Shares.

Exercise Price

The Board determines the exercise price for each Option Share, which price may not be lower than the closing price of the Common Shares on the business day immediately preceding the date on which the Corporation notifies the stock exchanges of the grant of the Option, less the maximum discount permitted under the rules of the stock exchange on the Common Shares are principally traded.

Vesting

The Board determines the vesting conditions attached to an Option. If a formal bid, as defined in the applicable securities laws, is made for any of the Common Shares, a Participant may purchase any of the Common Shares then subject to his or her Options for the purpose of tendering those Common Shares under the formal bid.

Limitation on Number of Options

If a Participant is a person other than a director, officer or employee of the Corporation, he or she may not be granted Options in excess of 2% of the outstanding Common Shares in a 12-month period. The aggregate number of Options that may be granted to Participants who conduct investor relations activities for the Corporation may not exceed 2% of the outstanding Common Shares in a 12-month period.

Length of Grant

All Options expire on a date determined by the Board, which date may not be later than a date that is 10 years from the date of grant.

Non Transferability of Options

All Options are non-transferable and non-assignable and may only be exercisable during the lifetime of the Participant.

Termination

If a Participant becomes disqualified to act as a director of the Corporation or one of its affiliates, is dismissed as an officer or employee by the Corporation or one of its affiliates for cause or ceases to provide ongoing services to the Corporation or one of its affiliates, all his or her unexercised Options will immediately terminate.

Termination Other Than for Cause

If a Participant ceases to be a director, officer or employee of the Corporation or one of its affiliates or ceases to provide ongoing services to the Corporation or one of its affiliates for any reason other than:

- (a) as a result of becoming disqualified to act as a director of the Corporation or one of its subsidiaries;
- (b) having been dismissed for cause;
- (c) ceasing to provide ongoing services to the Corporation or one of its affiliates; or

(d) as a result of his or her death;

he or she may exercise his or her Options for a period of time determined by the Board (the “**Grace Period**”), which period may not exceed 90 days (or until the normal expiry date of the Option, if earlier) from the date of ceasing to be a director, officer, employee or provider of services, to the extent his or her Options were exercisable on the date of ceasing to be a director, officer, employee or provider of services. Upon the expiration of the Grace Period, all of his or her unexercised Options will immediately terminate.

If the Participant was engaged in investor relations activities on behalf of the Corporation, the Grace Period may not exceed 30 days.

REPORT ON EXECUTIVE COMPENSATION

The Corporation has not retained the services of a compensation consultant to assist its corporate governance committee in adopting policies and a process for determining compensation of executive officers and directors. No such policies were in place during the most recently completed financial year. See “Corporate Governance Disclosure”. For the most recently completed financial year, the compensation of the Corporation’s chief executive officer was based on his role as a promoter.

The members of the corporate governance committee are David Crevier, John Anderson and Jean Mayer.

CORPORATE GOVERNANCE DISCLOSURE

The Board believes that the principal objective of the Corporation is to generate economic returns with the goal of maximizing shareholder value, and that this is to be accomplished by the Board through its stewardship of the Corporation. In fulfilling its stewardship function, the Board’s responsibilities will include strategic planning, appointing and overseeing management, succession planning, risk identification and management, environmental oversight, communications with other parties and overseeing financial and corporate issues. The Board believes that good corporate governance practices provide an important framework for timely response by the Board to situations that may directly affect shareholder value. The Board is committed to practicing good corporate governance, and has adopted a corporate governance manual that contains numerous guidelines to help it practice good corporate governance. The Board will continue to review, update and improve on this corporate governance manual. The Board’s mandate is attached as Schedule A.

Board Independence

The Board must have the capacity, independently of management, to fulfill its responsibilities. Independence is based upon the absence of relationships and interests that could compromise the ability of a director to exercise judgement with a view to the best interests of the Corporation. To facilitate the exercise by the Board of independent judgement in carrying out its responsibilities and open and candid discussions among its independent members, the Corporation is committed to the following practices:

- (a) the recruitment of strong, independent directors;
- (b) a majority of the directors being independent;

- (c) delegation of the lead role in the director selection/evaluation process to the corporate governance committee and the lead role in the chief executive officer evaluation process to the corporate governance committee;
- (d) all committees of the Board being constituted of a majority of independent directors, and solely independent directors if possible.

Of the four existing directors of the Corporation, David Crevier and John Anderson are independent. Of the two remaining directors, Léon Méthot and Jean Mayer are not independent because they are deemed to have a material relationship with the Corporation by virtue of their being officers of the Corporation. As a result, 50% of the Corporation's directors are non-independent.

Other Directorships

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

Director	Other Reporting Issuer
David Crevier	Dia Bras Exploration Inc. Yorbeau Resources Inc. Cancor Mines Inc.
John Anderson	Huaken International Mining Corp. Dawson Gold Corp. Simba Gold Corp. Cadan Resources Corporation Sona Resources Corp. Soho Resources Corp. Passport Energy Ltd. Eternal Energy Corp

Orientation and Continuing Education

New directors of the Corporation are provided with an orientation and education program, which includes written information about the duties and obligations of directors, the business and operations of the Corporation, documents from recent Board meetings and opportunities for meetings and discussion with senior management and other directors. Specific details of the orientation of each new director are tailored to that director's individual needs and areas of interest.

The Corporation also provides continuing education opportunities to directors so that they may maintain or enhance their skills and abilities as directors and ensure that their knowledge and understanding of the Corporation's business remains current.

Ethical Business Conduct

The Corporation has adopted a Code of Business Conduct and Ethics (the "Code"), which is intended to document the principles of conduct and ethics to be followed by the Corporation's directors, officers and employees. The purpose of the Code is to:

- (a) Promote integrity and deter wrongdoing.
- (b) Promote honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest.

- (c) Promote avoidance of absence of conflicts of interest.
- (d) Promote full, fair, accurate, timely and understandable disclosure in public communications made by the Corporation.
- (e) Promote compliance with applicable governmental laws, rules and regulations.
- (f) Promote and provide a mechanism for the prompt, internal reporting of departures from the Code.
- (g) Promote accountability for adherence to the Code.
- (h) Provide guidance to the Corporation's directors, officers and employees to help them recognize and deal with ethical issues.
- (i) Help foster a culture of integrity, honesty and accountability throughout the Corporation.

The Code is available on SEDAR at www.sedar.com and on the Corporation's website at www.bluenotemining.ca. The Board monitors compliance with the Code, by relying on the vigilance and advice of the Corporation's general counsel.

Corporate Governance

The Board has established a corporate governance committee, the primary function of which is to assist the Board in fulfilling its responsibilities with respect to corporate governance and identifying and evaluating qualified candidates and recommending such candidates for nomination to the Board and its various committees. The corporate governance committee is composed of two independent directors, David Crevier and John Anderson, and one non-independent director, Jean Mayer.

In making its recommendations to the Board, the corporate governance committee considers the competencies and skills that the Board considers to be necessary for the Board, as a whole, to possess, the competencies and skills that the Board considers each existing director to possess, the competencies and skills each new nominee will bring to the Board and the ability of each new nominee to devote sufficient time and resources to his or her duties as a director.

The corporate governance committee is also responsible for reviewing the adequacy and form of compensation paid to the Corporation's executives and key employees, and ensuring that such compensation realistically reflects the responsibilities and risks of such positions. In fulfilling its responsibilities, the corporate governance committee will evaluate the performance of the Corporation's chief executive officer and other senior management in light of corporate goals and objectives, and makes recommendations with respect to compensation levels based on such evaluations. See "Statement of Executive Compensation".

Other Board Committees

The Board has not established any committees other than the audit and corporate governance committees.

Assessments

The Board has delegated to the corporate governance committee the responsibility for carrying out a review and assessment of the overall performance and effectiveness of the Board, its committees and contributions of individual directors on an annual basis. The objective of this review is to facilitate a continuous improvement in the Board's execution of its responsibilities.

AUDIT COMMITTEE

Terms of Reference for the Audit Committee

The audit committee of the Board (the "**Audit Committee**") and the Board adopted a mandate of the Audit Committee (the "**Audit Committee Mandate**") on August 15, 2007. The Audit Committee Mandate is set out in full in Schedule B to this information circular. The text of the Audit Committee Mandate is also available on SEDAR at www.sedar.com and on the Corporation's website at www.bluenotemining.ca.

Composition

As at the date hereof, the members of the Audit Committee of the Corporation are David Crevier, John Anderson and Léon Méthot, all of whom are financially literate within the meaning of Multilateral Instrument 52-110 – Audit Committees ("**MI 52-110**"). Messrs. Crevier and Anderson are "independent" within the meaning of MI 52-110.

Relevant Education and Experience

In addition to each member's general business experience, the education and experience of each Audit Committee member that is relevant to the performance of his responsibilities as an Audit Committee member is as follows:

David Crevier

Mr. Crevier holds degrees in Civil Law and Common Law from McGill University and has been a partner in the law firm Colby, Monet, Demers, Delage & Crevier since 1984. His career in commercial law, with an emphasis on transactions and financing in the natural resources sector, spans more than three decades. He has acted as a director of numerous public and private companies during his career, and in such capacity has often served on audit committees.

John Anderson

Mr. Anderson holds a Bachelor of Arts from the University of Western Ontario. He is former President of Key Gold Corporation. He is also former Chief Executive Officer of Wescorp Energy. He has also served as director with various reporting issuers.

Léon Méthot

Mr. Méthot holds a Civil Law degree and from the University of Montreal and has 25 years experience with various public and private companies. He is also former Chairman, President and Chief Executive Officer of X-Ore Resources Inc. (2004 – 2010); Founder, President and Chief Executive Officer of a limited partnership formed to promote the Trois-Rivières Grand-Prix from 1991-2003; Member of the

Quebec Bar since 1987; Former Senior Partner at Dessureault, Vigeant & Méthot practice at law (1987-1994); Expert advisor for the Federal Minister of Energy, Mines and Resources (1986 – 1987)

Audit Committee Oversight

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

Reliance on Certain Exemptions

Since the commencement of the Corporation's most recently completed financial year, the Corporation has not relied on the exemption in section 2.4 (De Minimis Non-audit Services) of MI 52-110 or an exemption from MI 52-110, in whole or in part, granted under Part 8 (Exemptions) of MI 52-110.

Pre-Approval Policies and Procedures

The Audit Committee has not adopted specific policies and procedures for the engagement of non-audit services, however, as provided for in MI 52-110, the Audit Committee must pre-approve all non-audit services to be provided to the Corporation or its subsidiaries, unless otherwise permitted by MI 52-110.

External Auditor Service Fees (By Category)

Financial Year Ending	Audit Fees⁽¹⁾	Audit Related Fees⁽²⁾	Tax Fees⁽³⁾	All Other Fees⁽⁴⁾
December 31, 2010	\$37,500	\$10,400	\$7,500	Nil
December 31, 2009	\$100,000	\$75,000	\$112,250	Nil

Notes:

- (1) The aggregate fees billed by the Corporation's auditor for audit fees.
- (2) The aggregate fees billed for assurance and related services by the Corporation's auditor that are reasonably related to the performance of the audit or review of the Corporation's financial statements and are not disclosed in the "Audit Fees" column.
- (3) The aggregate fees billed for professional services rendered by the Corporation's auditor for tax compliance, tax advice, tax planning and SRED tax credit application and defence.
- (4) The aggregate fees billed for products and services provided by the Corporation's auditor other than those listed in the other three columns.

Venture Issuer Exemption

Under section 6.1 of MI 52-110, the Corporation is exempt from the requirements of Part 3 (Composition of the Audit Committee) and Part 5 (Reporting Obligations) of MI 52-110 because it is a venture issuer.

INDEBTEDNESS OF DIRECTORS AND SENIOR OFFICERS

None of the directors or executive officers of the Corporation or any subsidiary thereof, or any associate or affiliate of the above, is or has been indebted to the Corporation at any time since the beginning of the last completed financial year of the Corporation.

INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON

The Corporation is not aware of any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, of each of the following persons in any matter to be acted upon at the Meeting other than the election of directors or the appointment of auditors:

- (a) each person who has been a director or executive officer of the Corporation at any time since the beginning of the Corporation's last financial year;
- (b) each proposed nominee for election as a director of the Corporation; and
- (c) each associate or affiliate of any of the foregoing.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Unless otherwise disclosed in this information circular, no informed person or proposed nominee for election as a director, or any associate or affiliate of any of the foregoing, has or has had any material interest, direct or indirect, in any transaction or proposed transaction since the commencement of the Corporation's most recently completed financial year that has materially affected or will materially affect the Corporation or any of its subsidiaries, other than as disclosed by the Corporation during the course of the year.

RECEIPT OF MOTIONS FROM SHAREHOLDERS FOR THE NEXT ANNUAL GENERAL MEETING

Shareholders with voting rights at the Corporation's next annual general meeting who wish to submit a motion regarding any issue to be debated during that meeting must submit their motions to the Corporation's secretary no later than April 1, 2012.

ADDITIONAL INFORMATION

Additional information relating to the Corporation is available on SEDAR at www.sedar.com. Financial information is provided in the Corporation's comparative financial statements and MD&A for its most recently completed financial year. Shareholders may also contact the Corporation at 1 Place Ville-Marie, Suite 1511, Montreal, Quebec, H3B 2B5, or by telephone at (514) 486-3095, to request copies of the Corporation's comparative financial statements and MD&A for its most recently completed financial year.

Management of the Corporation knows of no other matters to come before the Meeting other than as set forth above and in the notice of Meeting accompanying this information circular.

DATED at Montreal, Quebec on May 31, 2011.

BY ORDER OF THE BOARD

(s) Léon Méthot

Léon Méthot
Chairman, President and Chief Executive Officer

Schedule A

Board of Directors Mandate

A. CORPORATE GOVERNANCE PRACTICES

The Board is responsible for the stewardship of the Corporation.

In executing this role, the Board shall oversee the conduct, direction and results of the business. As part of that process the Board ensures that:

1. The Corporation has established long term goals, and a strategic and business planning process;
2. The principal risks of the Corporation's business are identified and appropriate systems are implemented to manage those risks;
3. There is an adequate process for training, monitoring and succession planning of senior management;
4. The Corporation has a communications policy that reflects the principles of timely, accurate and efficient disclosure of information to all shareholders; and
5. The Corporation's internal controls and management information systems have sufficient integrity.

B. INDEPENDENCE AND COMPOSITION OF THE BOARD

The Board shall be composed of both inside (management) and unrelated outside (independent) directors.

The Board shall be relatively small in size, but large enough to enable its members to effectively and responsibly discharge their responsibilities. These responsibilities and accordingly the size of the Board will evolve over time.

C. SEPARATION OF BOARD AND MANAGEMENT

The positions of chairman and president and chief executive officer are separated and the Role and Responsibility Statements are established for each.

The chairman of the Board is specifically charged with the responsibility of leading and managing the Board in discharging its responsibilities including setting Board agenda and acting as the Board's spokesman to Management.

D. COMMITTEE OF THE BOARD

The Board discharges its stewardship responsibilities in part through two committees of the Board (further details of the committee roles are included in the committee mandates):

1. Corporate Governance Committee

The Governance committee has a written mandate to:

- Ensure that effective corporate governance is in place for the Board's stewardship of the Corporation.
- Review Senior Management performance compensation and succession planning.
- Propose nominees to the Board and its committees.
- Assess the performance of the Board, its Committees and individual members.
- Ensure that there is an effective Director Orientation and Education Program.

2. Audit Committee

The Audit Committee has a written mandate to:

- Monitor the Corporation's compliance with accounting, stock exchange and securities commission regulations and the integrity of its financial reporting process(es) and system(s) of internal and disclosure controls.
- Ensure the independence and performance of the external auditors and oversee the development of internal auditing and control policies and capabilities.
- Review the key risks to the integrity of the Corporation's financial reporting and management of cash and indebtedness and evaluate the effectiveness of measures taken to manage such risks.

Committees do not have decision-making authority but the responsibility to make recommendations to the full Board, which retains all decision-making authority.

The chairman of the Board shall be an ex-officio member of all committees.

E. DECISIONS REQUIRING THE PRIOR APPROVAL OF THE BOARD

The Board discharges its stewardship responsibilities through its committees and by delegation to management. Without limiting the Board's ultimate overall authority in all matters, the Board will grant final approval with respect to:

- Strategic and annual business operating and capital plans;
- Any material contracts, acquisitions or dispositions of the Corporation's assets;
- The hiring, performance evaluation and succession plans for the chief executive officer and approval of recommendations by the chief executive officer in regards to these issues for the senior executives;
- The Corporation's debt, major financing and dividend policies; and

- Certain expenditures exceeding specified limits.

F. BOARD EXPECTATIONS OF MANAGEMENT

The Board delegates to Management through the president and chief executive officer responsibility for developing, recommending to the Board and implementing Board approved strategic and annual business operating and capital plans. Management is held accountable via specific corporate and individual objectives established annually.

G. FREQUENCY AND CONDUCT OF MEETINGS

The Board will normally meet quarterly to review the interim financial statements and management discussion and analysis and once per year for an annual planning session and for the AGM. The Board may be called to meet to discuss specific items at the call of the chairman, the chief executive officer or a quorum of the Board.

All Board meetings will include an in-camera session as a routine agenda item.

All Board agendas will be approved by the chairman of the Board.

Meetings may be conducted with members present, or by video or conference call.

Schedule B

Audit Committee Mandate

A. OVERVIEW AND PURPOSE

The Audit Committee is appointed by the Board to assist the Board in fulfilling its financial oversight responsibilities. The Committee's primary responsibilities are to:

1. Monitor the Corporation's compliance with accounting, stock exchange and securities commission regulations and the integrity of its financial reporting process(es) and system(s) of internal and disclosure controls.
2. Ensure the independence and performance of the external auditors and oversee the development of internal auditing and control policies and capabilities.
3. Review the key risks to the integrity of the Corporation's financial reporting and management of cash and indebtedness and evaluate the effectiveness of measures taken to manage such risk.

B. MEMBERSHIP AND ATTENDANCE AT MEETINGS

1. The Committee shall be comprised of two independent directors, taking into account the applicable rules and regulations of securities regulatory authorities and/or stock exchanges.
2. All Committee Members shall be financially literate and at least one of whom shall have accounting or related experience.
3. A majority of committee members will constitute a quorum and decisions will be determined by a (simple) majority of votes cast without the Committee chair having a casting vote in the event of a tied vote.
4. Attendance at all or a portion of Committee meetings is determined by the Committee and would normally include the chief financial officer and the external auditors and on occasion the chief executive officer.
5. The Committee shall meet at least four times annually, or more frequently as circumstances dictate.
6. The Committee chair will ensure that an agenda is prepared in consultation with management and the external auditors in advance of each meeting and that minutes of each meeting are taken and copied to the Committee members, the Board and the chief financial officer.
7. The Committee shall meet privately with the external auditors and management (separately) at least annually.

C. DUTIES AND RESPONSIBILITIES

Financial Reporting

1. Review the interim and annual financial statements and related reports including the management discussion and analysis, news releases, earnings guidance or other disclosures based on the Corporation's financial statements and make recommendations to the Board regarding their approval prior to public disclosure. Such reviews will include:
 - Consideration of the appropriateness of the Corporation's significant accounting policies and principles and any proposed changes to them and make recommendations to the Board regarding their approval. Review annually with management and the external auditors any emerging financial reporting issues and the possible future impact of them on the financial statements.
 - The existence and substance of significant provisions, accruals, management estimates and accounting judgements.
 - Any unusual or extraordinary events that may have a material effect on the financial statements, transactions with related parties and the adequacy of disclosures.
 - Review any ongoing or anticipated litigation, claim or other contingency, including income tax status and related reserves and any qualifications contained in letters of representation.
 - Assurances of compliance with covenants in trust deeds or loan agreements.
 - The evaluation and quantification of the principal business risks, uncertainties, commitments and contingent liabilities, including the Corporation's related policies, control procedures and financing options.
 - The Corporation's financial risk management policies and practices relating to cash and indebtedness, including any off-balance sheet transactions.
 - Explanations for significant financial variances between years.
2. Review the annual information form (AIF), prospectuses, other offering memoranda and any other published document, focusing on any financial information contained in them, and make recommendations to the Board regarding their approval.
3. Satisfy itself of the adequacy of procedures for review of any public disclosure of financial information contained in, extracted or derived from the financial statements, and periodically assess those procedures.
4. Review and discuss with management and the external auditors any correspondence with regulators or government agencies and any published reports that raise material issues regarding the Corporation's financial statements or accounting policies, principles or practices.

External Auditors

The external auditors are accountable to the Audit Committee, acting on behalf of the Board, as representatives of the shareholders. The Audit Committee is responsible for overseeing the external audit process:

1. Review and approve the external audit plan, including its scope, staffing, locations, reliance on management and internal audit work and auditing methods.
2. Monitor the performance of and recommend annually to the Board, including if necessary, the selection of the external auditors to be nominated for appointment at the Annual Meeting of Shareholders.
3. Review and recommend to the Board the basis and amount of external audit fees required to conduct the external audit and provide related services.
4. Review and pre-approve the Corporation's arrangements for and any changes to specific categories of permitted audit-related and non-audit-related services from the external auditors after considering the possible impact of such services on external auditor independence.
5. Review and approve the Corporation's policies regarding the hiring of current and former partners and employees of the Corporation's present and former external auditors.
6. Resolve disagreements between management and the external auditors regarding financial reporting.

Policy, Legal and Security

The Audit committee is also responsible for the following related matters:

1. At least annually and before any significant new financing, assessment of the Corporation's capital structure in terms of its level of indebtedness, debt structure, including covenants, credit availability, duration and key expiry dates
2. Review of the Corporation's insurance policies, including directors' and officers' liability coverage, together with any resulting recommendations to the Board.
3. Review incidents of internal fraud and other illegal acts and monitor the progress of any related investigations.
4. The Audit Committee is responsible for ensuring the establishment and management of a "Whistleblower" Policy for:
 - The receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters.
 - The confidential, anonymous submission by employees of concerns about questionable accounting or auditing matters.

5. Review the Corporation's Code of Business Conduct and Conflict of Interest Policies and the programme management has established to ensure compliance. Obtain annually from management a report of declared potential conflicts of interest and review management's actions to ensure that conflicts are satisfactorily resolved on a timely basis.
6. Annually review the directors', officers' and senior executives' expenses, including the use of Corporation assets and any loans made by the Corporation to its directors, officers, employees and consultants, and their compliance with Corporation policies.
7. Review the Corporation's programmes for safeguarding physical assets, intellectual property and management information systems.
8. Following each meeting, the Committee chair will report to the Board on the major discussions and decisions made by the Committee.
9. At least annually, the Committee will review, and amend if required, the Audit Committee Mandate and recommend such changes to the Board for approval.

D. COMMITTEE CHAIR

The fundamental responsibility of the Committee chair is to be responsible for the management and effective performance of the Committee and provide leadership to the Committee in fulfilling its mandate and any other matters delegated to it by the Board.

To that end, the Committee chair's responsibilities shall include:

1. working with the chairman of the Board, the chief executive officer and the secretary to establish the frequency of Committee meetings and the agendas for meetings;
2. providing leadership to the Committee and presiding over Committee meetings;
3. facilitating the flow of information to and from the Committee and fostering an environment in which Committee members may ask questions and express their viewpoints;
4. reporting to the Board with respect to the significant activities of the Committee and any recommendations of the Committee;
5. leading the Committee in annually reviewing and assessing the adequacy of its mandate and evaluating its effectiveness in fulfilling its mandate; and
6. taking such other steps as are reasonably required to ensure that the Committee carries out its mandate.

E. POWERS

1. Audit Committee members and the chair of the Committee shall be appointed by and serve at the pleasure of the Board.
2. The Committee has direct access to any records of the Corporation and its subsidiaries, to any employee of the organisation and the external auditors.

3. The Committee has the authority to initiate and conduct any investigation appropriate to fulfilling its responsibilities and retain independent counsel and other advisors for that purpose.

F. MEETINGS

1. The time and place of the meetings of the Committee, the calling of the meetings and the procedure in all things at such meetings shall be determined by the Committee unless otherwise determined by the by-laws of the Corporation or by resolution of the Board.

Schedule C

Reporting Package

See attached documents.

BLUE NOTE MINING INC.
(the "Corporation")

CHANGE OF AUDITORS NOTICE

Pursuant to National Instrument 51-102, Section 4.11

To: Ernst & Young LLP

And To: Deloitte & Touche LLP

TAKE NOTICE THAT, the Corporation has resolved that Ernst & Young LLP resign as auditors of the Corporation and has resolved to appoint Deloitte & Touche LLP as successor auditors of the Corporation in their place, effective November 19, 2010.

TAKE FURTHER NOTICE THAT:

1. The Audit Committee and the Board of Directors of the Corporation each considered and approved both the Corporation's request for the resignation by Ernst & Young LLP and the appointment of Deloitte & Touche LLP as successor auditors, each effective November 19, 2010;
2. There have been no reservations contained in the auditor's reports of Ernst & Young LLP on the annual financial statements of the Corporation for the two recently completed fiscal years immediately preceding the date of this notice nor for any period subsequent to the most recently completed period for which an audit report was issued; and
3. In the opinion of the Corporation, there have been no "reportable events", as that term is defined in Section 4.11 of National Instrument 51-102, in connection with the audits conducted by Ernst & Young LLP for the two recently completed fiscal years of the Corporation and any period subsequent to the most recently completed period for which an audit report was issued.

DATED November 19, 2010.

BLUE NOTE MINING INC.

Per: 

Robert Therriault

Vice President, Finance and Chief Financial Officer

Autorité des marchés financiers
British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Financial Services Commission
Manitoba Securities Commission
Ontario Securities Commission
New Brunswick Securities Commission
Prince Edward Island Securities Office
Nova Scotia Securities Commission
Government Services of Newfoundland and Labrador

December 15, 2010

**Blue Note Mining Inc.
Change of Auditor Notice dated November 19, 2010**

Dear Sirs/Mesdames:

Pursuant to National Instrument 51-102 (Part 4.11), we have read the above-noted Change of Auditor Notice and confirm our agreement with the information contained in the Notice pertaining to our firm.

Yours sincerely,

A handwritten signature in cursive script that reads 'Ernst & Young LLP'.

Ernst & Young LLP

cc: The Board of Directors, Blue Note Mining Inc.

