



**NOTICE OF MEETING  
INFORMATION CIRCULAR  
FOR THE  
ANNUAL GENERAL & EXTRAORDINARY MEETING  
OF  
AMERIGO RESOURCES LTD.**

**to be held on  
June 17, 2004**

**NOTICE OF ANNUAL GENERAL AND EXTRAORDINARY MEETING OF SHAREHOLDERS**

TAKE NOTICE that the 2004 Annual General and Extraordinary Meeting of the shareholders of **AMERIGO RESOURCES LTD.** (the "Company") will be held at the Kensington Room, 4<sup>th</sup> Floor, Hyatt Regency Hotel, at 655 Burrard Street, Vancouver, British Columbia, on THURSDAY, JUNE 17, 2004 at 2:30 in the afternoon (Vancouver time) for the following purposes:

1. to receive the Report of the Directors;
2. to receive the financial statements of the Company for the fiscal year ended December 31, 2003 and the report of the auditor thereon;
3. to appoint an auditor for the ensuing year and to authorize the directors to fix the remuneration of the auditor;
4. to elect a Class I director;
5. pursuant to the enactment of the new Business Corporations Act and the repeal of the Company Act, to consider and, if thought fit, to approve by special resolution, the amendment to the threshold by passing a special resolution from 75% to 66 <sup>2</sup>/<sub>3</sub>%, the adoption of new articles for the Company and the alteration of the Company's share capital, all as more particularly set out in the accompanying Information Circular;
6. to authorize additional equity private placements in accordance with The Toronto Stock Exchange guidelines; and
7. to transact any other business that may properly come before the Meeting and any adjournment thereof.

Accompanying this notice is the Company's Annual Report for 2003 which contains the Company's audited consolidated financial statements for the fiscal year ended December 31, 2003 and the Management's Discussion and Analysis, an Information Circular, a form of Proxy, and an Annual Return Card Form. The accompanying Information Circular provides information relating to the matters to be addressed at the meeting and is incorporated into this Notice.

A shareholder entitled to attend and vote at the Meeting is entitled to appoint a proxyholder to attend and vote in his stead. If you are unable to attend the Meeting or any adjournment thereof in person, please read the Notes accompanying the form of Proxy enclosed herewith and then complete and return the Proxy within the time set out in the Notes. The enclosed form of Proxy is solicited by Management but, as set out in the Notes, you may amend it if you so desire by striking out the names listed therein and inserting in the space provided the name of the person you wish to represent you at the Meeting.

Please advise the Company of any change in your address.

DATED at Vancouver, British Columbia, this 7th day of May, 2004.

**BY ORDER OF THE BOARD OF DIRECTORS**



Steven G. Dean  
Chairman

**AMERIGO RESOURCES LTD.**  
**Suite 2684, 1055 Dunsmuir Street, Box 49298, Vancouver, B.C., V7X 1L3**  
**Telephone: (604) 681-2802, Facsimile: (604) 682-2802**

**INFORMATION CIRCULAR**  
(Containing information as at and dated May 7, 2004)

### **PERSONS MAKING THE SOLICITATION**

This Information Circular is furnished in connection with the solicitation of proxies being made by the management of Amerigo Resources Ltd. (the "Company") for use at the Annual General & Extraordinary Meeting of the Company's shareholders (the "Meeting") to be held on Thursday, June 17, 2004 at the time and place and for the purposes set forth in the accompanying Notice of Meeting. While it is expected that the solicitation will be made primarily by mail, proxies may be solicited personally or by telephone by directors, officers and employees of the Company.

All costs of this solicitation will be borne by the Company.

### **APPOINTMENT AND REVOCATION OF PROXIES**

The individuals named in the accompanying form of proxy are directors or officers of the Company. **A SHAREHOLDER WISHING TO APPOINT SOME OTHER PERSON (WHO NEED NOT BE A SHAREHOLDER) TO ATTEND AND ACT FOR THE SHAREHOLDER AND ON THE SHAREHOLDER'S BEHALF AT THE MEETING HAS THE RIGHT TO DO SO, EITHER BY INSERTING SUCH PERSON'S NAME IN THE BLANK SPACE PROVIDED IN THE FORM OF PROXY AND STRIKING OUT THE TWO PRINTED NAMES, OR BY COMPLETING ANOTHER FORM OF PROXY.** A Proxy will not be valid unless the completed, dated and signed form of proxy is deposited with the Company's registrar and transfer agent, Pacific Corporate Trust Company, 10th Floor, 625 Howe Street, Vancouver, British Columbia, Canada V6B 3B8 not less than 48 hours (excluding Saturdays, Sundays and holidays) before the time for holding the Meeting.

A shareholder who has given a Proxy may revoke it by an instrument in writing executed by the shareholder or by the shareholder's attorney authorized in writing or, if the shareholder is a corporation, by a duly authorized officer or attorney of the corporation, and delivered either to the registered office of the Company, Suite 2300, 1055 Dunsmuir Street, P.O. Box 49122, Vancouver, British Columbia, Canada, V7X 1J1 at any time up to and including the last business day preceding the day of the Meeting or any adjournment of it or to the Chair of the Meeting on the day of the Meeting or any adjournment of it. **Only registered shareholders have the right to revoke a proxy. Non-Registered Holders (as defined below) who wish to change their vote must, at least 7 days before the Meeting, arrange for their respective Intermediaries to revoke the proxy on their behalf.**

### **NON-REGISTERED HOLDERS**

**Only registered shareholders or duly appointed proxyholders are permitted to vote at the Meeting. Most shareholders of the Company are "non-registered shareholders" because the Shares they own are not registered in their names but are instead registered in the name of the brokerage firm, bank or trust company through which they purchased the Shares.** More particularly, a person is not a registered shareholder in respect of Shares which are held on behalf of that person (the "Non-Registered Holder") but which are registered either: (a) in the name of an intermediary (an "Intermediary") that the Non-Registered Holder deals with in respect of the Shares (Intermediaries include, among others, banks, trust companies,

securities dealers or brokers and trustees or administrators of self-administered RRSP's, RRIFs, RESPs and similar plans); or (b) in the name of a clearing agency (such as The Canadian Depository for Securities Limited ("CDS")) of which the Intermediary is a participant. In accordance with the requirements of National Instrument 54-101 of the Canadian Securities Administrators, the Company has distributed copies of the Notice of Meeting, this Information Circular and the Proxy (collectively, the "Meeting Materials") to the clearing agencies and Intermediaries for onward distribution to Non-Registered Holders.

Intermediaries are required to forward the Meeting Materials to Non-Registered Holders unless a Non-Registered Holder has waived the right to receive them. Very often, Intermediaries will use service companies to forward the Meeting Materials to Non-Registered Holders. Generally, Non-Registered Holders who have not waived the right to receive Meeting Materials will either:

- (a) be given a form of proxy **which has already been signed by the Intermediary** (typically by a facsimile, stamped signature), which is restricted as to the number of shares beneficially owned by the Non-Registered Holder but which is otherwise not completed. Because the Intermediary has already signed the form of proxy, this form of proxy is not required to be signed by the Non-Registered Holder when submitting the proxy. In this case, the Non-Registered Holder who wishes to submit a proxy should otherwise properly complete the form of proxy and deliver it to **Pacific Corporate Trust Company** as provided above; or
- (b) more typically, be given a voting instruction form **which is not signed by the Intermediary**, and which, when properly completed and signed by the Non-Registered Holder and **returned to the Intermediary or its service company**, will constitute voting instructions (often called a "proxy authorization form") which the Intermediary must follow. Typically, the proxy authorization form will consist of a one page pre-printed form. Sometimes, instead of the one page pre-printed form, the proxy authorization form will consist of a regular printed proxy form accompanied by a page of instructions, which contains a removable label containing a bar code and other information. In order for the form of proxy to validly constitute a proxy authorization form, the Non-Registered Holder must remove the label from the instructions and affix it to the form of proxy, properly complete and sign the form of proxy and return it to the Intermediary or its service company in accordance with the instructions of the Intermediary or its service company.

In either case, the purpose of this procedure is to permit Non-Registered Holders to direct the voting of the Shares, which they beneficially own. Should a Non-Registered Holder who receives one of the above forms wish to vote at the meeting in person, the Non-Registered Holder should strike out the names of the Management Proxyholders and insert the Non-Registered Holder's name in the blank space provided. **In either case, Non-Registered Holders should carefully follow the instructions of their Intermediary, including those regarding when and where the proxy or proxy authorization form is to be delivered.**

A revocation of a Proxy does not affect any matter on which a vote has been taken prior to the revocation.

### **EXERCISE OF DISCRETION**

If the instructions in a Proxy are certain, the shares represented thereby will be voted on any poll by the persons named in the Proxy and, where a choice with respect to any matter to be

acted upon has been specified in the Proxy, the shares represented thereby will, on a poll, be voted or withheld from voting in accordance with the specifications so made.

**Where no choice has been specified by the shareholder or where both choices have been specified by the shareholder, such shares will, on a poll, be voted in accordance with the notes in the form of Proxy.**

The enclosed form of proxy, when properly completed and delivered and not revoked, confers discretionary authority upon the persons appointed proxyholders thereunder to vote with respect to any amendments or variations of matters identified in the Notice of Meeting and with respect to other matters which may properly come before the Meeting. At the time of the printing of this Information Circular, the management of the Company knows of no such amendment, variation or other matter, which may be presented to the Meeting.

### **VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES**

As at the date hereof, the Company has issued and outstanding 63,473,677 fully paid and non-assessable Common shares without par value, each share carrying the right to one vote. **The Company has no other class of voting securities.**

The Company has prepared, as of the close of business on May 7, 2004, a list of shareholders entitled to receive the Notice of Meeting and indicating the number of common shares of the Company held by each such shareholder. A holder of common shares named in the list is entitled to vote the common shares shown opposite his name at the meeting except to the extent that such holder has transferred the ownership of his common shares after May 7, 2004. Any shareholder may examine the list of shareholders during usual business hours at the offices of the Pacific Corporate Trust Company or at the meeting.

To the best of the knowledge of the directors and senior officers of the Company, there are no persons who, or corporations which, beneficially own, directly or indirectly, or exercise control or direction over, shares carrying more than 10% of the voting rights attached to all outstanding shares of the Company.

### **EXECUTIVE COMPENSATION**

Set out below are particulars of compensation paid to: (a) the Company's chief executive officer; (b) each of the Company's four most highly compensated executive officers who were serving as executive officers at the end of the most recently completed financial year and whose total salary and bonus exceeds \$100,000 per year; and (c) any additional individuals for whom disclosure would have been provided under (b) but for the fact that the individual was not serving as an executive officer of the Company at the end of the most recently completed financial year (collectively the "Named Executive Officers").

As at December 31, 2003, the end of the most recently completed fiscal year, the Company had two Named Executive Officers, Steven G. Dean, Chairman and Klaus M. Zeitler, President of the Company.

## Summary of Compensation

The following table is a summary of compensation paid to the Named Executive Officers for each of the Company's three most recently completed fiscal years, and for the Named Executive Officers as of the date of this information circular.

| Name & Position of Principal                               | Fiscal Year Ending <sup>(1)</sup> | ANNUAL COMPENSATION        |            |                                | LONG TERM COMPENSATION           |   |                   |                             |
|--|-----------------------------------|----------------------------|------------|--------------------------------|----------------------------------|---|-------------------|-----------------------------|
|  |                                   | Salary (\$) <sup>(3)</sup> | Bonus (\$) | Other Annual Compensation (\$) | AWARDS                           |   | PAYOUTS           | All Other Compensation (\$) |
|  |                                   |                            |            |                                | Securities Under Options Granted | Restricted Shares or Restricted Share Units | LTIP Payouts (\$) |                             |
| Steven G. Dean <sup>(2)</sup><br>Chairman & Director       | 2003                              | 50,000 <sup>(3)</sup>      | Nil        | Nil                            | 430,000                          | Nil   | N/A               | Nil                         |
| Klaus M. Zeitler <sup>(4)</sup><br>President & Director    | 2003                              | 50,000 <sup>(3)</sup>      | Nil        | Nil                            | 430,000                          | Nil   | N/A               | Nil                         |
| Roger Moss <sup>(5)</sup><br>Former President/<br>Director | 2003                              | Nil                        | Nil        | 64,200 <sup>(6)</sup>          | Nil                              | Nil   | N/A               | Nil                         |
|  | 2002                              | Nil                        | Nil        | 30,000                         | 100,000                          | Nil   | N/A               | Nil                         |
|  | 2001                              | Nil                        | Nil        | Nil                            | Nil                              | Nil   | N/A               | Nil                         |
| Brian Hall <sup>(7)</sup><br>Former President/<br>Director | 2003                              | Nil                        | Nil        | Nil                            | Nil                              | Nil   | N/A               | Nil                         |
|  | 2002                              | 20,000                     | Nil        | Nil                            | Nil                              | Nil   | N/A               | Nil                         |
|  | 2001                              | 30,500                     | Nil        | Nil                            | 28,437 <sup>(8)</sup>            | Nil   | N/A               | Nil                         |

(1) Fiscal years ending December 31, 2003, February 28, 2003 and February 28, 2002.

(2) Chairman from April 1, 2003 to present.

(3) Pursuant to an arrangement effective July 15, 2003

(4) President from April 1, 2003 to present.

(5) President from August 31, 2001 to April 1, 2003.

(6) Paid to Moss Exploration Services, a private company controlled by Roger Moss, for geological and management consulting.

(7) President from January 15, 1999 to August 31, 2001.

(8) These options were cancelled October 31, 2001.

## Long-Term Incentive Plans - Awards in Most Recently Completed Fiscal Year

The Corporation has no long-term incentive plans in place and therefore did not make any awards to the Named Executive Officers under any long-term incentive plan during the most recently completed fiscal year.

### **Options/SAR's Granted During the Most Recently Completed Fiscal Year**

The following table sets forth information concerning grants of stock options pursuant to the rules and policies of The Toronto Stock Exchange (the "TSX") and, in accordance with the provisions of the Company's Stock Option Plan during the financial year ended December 31, 2003 to the Named Executive Officers and to the directors who were not Named Executive Officers:

| <b>Name</b>                                    | <b>Securities Under Options Granted (#)</b> | <b>% of Total Options Granted to Employees in Fiscal Year</b> | <b>Exercise Price<sup>(1)</sup> (\$/Security)</b> | <b>Market Value of Securities Underlying Options on Date of Grant (\$/Security)</b> | <b>Expiration Date</b> |
|--|---|---|---|---|------------------------|
| Steven G. Dean                                 | 130,000                                     | 8.52%   | \$0.36  | \$0.36  | April 2, 2008          |
| Steven G. Dean                                 | 300,000                                     | 19.67%  | \$1.23  | \$1.23  | Oct. 15, 2008          |
| Klaus M. Zeitler                               | 130,000                                     | 8.52%   | \$0.36  | \$0.36  | April 2, 2008          |
| Klaus M. Zeitler                               | 300,000                                     | 19.67%  | \$1.23  | \$1.23  | Oct. 15, 2008          |
| Directors who are not Named Executive Officers | 150,000                                     | 9.83%   | \$1.23  | \$1.23  | Oct. 15, 2008          |

- (1) The exercise price of stock options is set at not less than 100% of the market value of a Common Share of the Company on the day immediately preceding the date of grant. The exercise price of a stock option may only be adjusted in the event that specified events cause dilution of the Company's share capital.

### **Aggregate Option/SAR Exercises During the Most Recently Completed Fiscal Year and Fiscal Year End Option/SAR Values**

The following table sets forth details of all exercises of stock options during the fiscal year ended December 31, 2003 by the Named Executive Officers and directors who were not Named Executive Officers and the fiscal year-end value of unexercised options on an aggregated basis:

| <b>Name Of Executive Officer</b>               | <b>Securities Acquired On Exercise (#)</b> | <b>Aggregate Value Realized (\$)<sup>(1)</sup></b> | <b>Unexercised Options/SARs At Financial Year End (#) Exercisable/Unexercisable</b> | <b>Value Of Unexercised In-The-Money Options/SARs At Financial Year End (\$) Exercisable/Unexercisable<sup>(2)</sup></b> |
|--|--|--|---|--|
| Steven G. Dean                                 | Nil  | Nil  | 430,000/Nil   | \$444,200/Nil  |
| Klaus M. Zeitler                               | Nil  | Nil  | 430,000/Nil   | \$444,200/Nil  |
| Directors who are not Named Executive Officers | 45,000                                     | \$53,150   | 205,000/Nil   | \$214,500/Nil  |

- (1) Calculated using the difference between the exercise price and the closing price of common shares of the Company on the TSX on the date of exercise.
- (2) Value using the closing price of common shares of the Company on the TSX on December 31, 2003 of \$2.00 per share, less the exercise price per share.

No options were exercised by any Named Executive Officer during the most recently completed financial year.

### **Pension Plans**

The Company does not provide retirement benefits for directors or executive officers.

### **Termination of Employment, Change in Responsibilities and Employment Contracts**

In the event of a change of control of the Company, the consulting arrangements between the Company and Steven G. Dean and Klaus M. Zeitler provide for a severance payment in an amount equal to of 100% of compensation paid the 12 months prior to the change of control. A change of control would occur in the event of the election or appointment of a majority of new directors of the Company or the acquisition by any person or by any person and such person's affiliates or associates, as such terms are defined in the Securities Act (British Columbia), and whether directly or indirectly, of common shares of the Company which, when added to all other common shares of the Company at the time held by such person and such person's affiliates and associates, totals for the first time, twenty (20%) percent or more of the outstanding common shares of the Company.

### **Compensation of Directors**

Effective July 1, 2003, the Company pays directors who are not Named Executive Officers \$10,000 per year as compensation by the Company for their services in their capacity as directors. In addition, Directors are granted from time to time incentive stock options in accordance with the policies of the TSX. The following table sets forth stock options granted by the Company during the fiscal year ended December 31, 2003 to directors who are not Named Executive Officers of the Company:

| <b>Name</b>     | <b>Securities Under Options/SAR's Granted (#)<sup>(1)</sup></b> | <b>% of Total Options Granted to Employees in Fiscal Year<sup>(2)</sup></b> | <b>Exercise or Base Price (\$/Security)<sup>(3)</sup></b> | <b>Market Value of Securities Underlying Options/SAR's on Date of Grant (\$/Security)</b> | <b>Expiration Date</b> |
|-----------------|---|---|---|---|------------------------|
| Ian E. Gallie   | 75,000  | 4.91%   | \$1.23  | \$1.23  | Oct. 15, 2008          |
| Sidney Robinson | 75,000  | 4.91%   | \$1.23  | \$1.23  | Oct. 15, 2008          |

- (1) All options have a term of five years. The market value of the common shares of the Company on the date of grant is the price at which the Company's common shares closed for trading on the TSX on that day. Freestanding SAR's have not been granted.
- (2) Percentage of all options granted during the fiscal year.
- (3) The exercise price of stock options was set according to the rules of the TSX. The exercise price of stock options may only be adjusted in the event that specified events cause dilution of the Company's share capital.

The following table sets forth details of all exercises of stock options/SAR's during the fiscal year ended December 31, 2003 by directors who are not Named Executive Officers of the Company, as a group, and the fiscal year-end value of unexercised options/SAR's on an aggregated basis:



| Name          | Securities Acquired on Exercise (#) <sup>(1)</sup> | Aggregate Value Realized (\$) <sup>(2)</sup> | Unexercised Options at Fiscal Year-End (#) <sup>(3)</sup> | Value of Unexercised In-the-Money Options (\$) <sup>(3)(4)</sup> |
|---------------|--|--|---|--|
| Ian E. Gallie | 45,000   | \$53,150                                     | 130,000   | \$156,750  |

- (1) Number of common shares of the Company acquired on the exercise of stock options.
- (2) Calculated using the difference between the exercise price and the closing price of common shares of the Company on the TSX on the date of exercise.
- (3) As freestanding SAR's have not been granted under the Stock Option Plan, the numbers relate solely to stock options.
- (4) Value of unexercised in-the-money options calculated using the closing price of common shares of the Company on the TSX on December 31, 2003 year-end, (\$2.00) less the exercise price of in-the-money stock options.

### **Composition of the Compensation Committee**

The Company does not have a compensation committee. The Board reviews compensation issues periodically and considers matters relating to compensation of directors, senior officers, employees and contractors through consulting contracts and stock option grants.

### **Report on Executive Compensation**

The Board collectively has the responsibility to administer the compensation policies related to the executive management of the Company, including those named in the Summary Compensation Table above. Executive compensation is based upon the need to provide a compensation package that will allow the Company to attract and retain qualified and experienced executives, balanced with a pay-for-performance philosophy. The Company does not have a compensation committee.

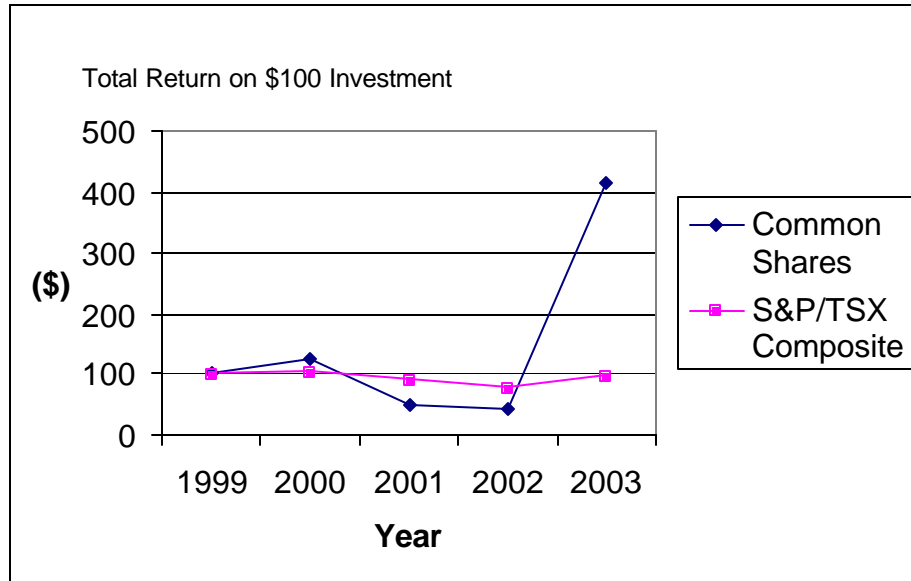
Compensation for the 2003 and prior fiscal years has historically been based upon negotiated consulting contracts or arrangements, with stock options being issued as an incentive for performance. The shareholders have approved a stock option plan pursuant to which the Board has granted stock options to executive officers. The stock option plan allows compensation of participants while providing additional incentive to work toward long term Company performance. The stock option plan has been and will be used to provide share purchase options which are granted in consideration of the level of responsibility of the executive as well as their impact and/or contribution to the longer-term operating performance of the Company. In determining the number of options to be granted to the executive officers, the Board takes into account the number of options, if any, previously granted to each executive officer, and the exercise price of any outstanding options to ensure that such grants are in accordance with the policies of the TSX, and closely align the interests of the executive officers with the interests of shareholders.

### **Named Executive Officers**

The amounts of the compensation paid to the Named Executive Officers are determined by the Board on the basis of the value of the benefit derived from the Company from the input and presence of the Named Executive Officers.

### **PERFORMANCE GRAPH**

The following graph compares the yearly percentage change in the cumulative total shareholder return on the common shares of the Company, for the last five years, with the cumulative total return of the TSX composite index. The common share trading data is as reported by the TSX. The value for each year represents the closing price as of December 31 on that year.



### **MANAGEMENT CONTRACTS**

Management functions of the Company are substantially performed by directors or senior officers of the Company and not, to any substantial degree, by any other person with whom the Company has contracted.

From March to July 2003, the Company paid Abroath Energy Ltd., a company controlled by Ian E. Gallie, director of the Company, \$3,000 per month for consulting services.

The Company has entered into consulting arrangements with Steven G. Dean, Chairman and Director, and Klaus M. Zeitler, President and Director, for \$10,000 per month each in compensation for their ongoing supervision of the operations on Minera Valle Central S.A. and the administration of the Company. Formal agreements have not yet been prepared.

### **INTEREST OF INSIDERS IN MATERIAL TRANSACTIONS**

Except as disclosed herein, since the commencement of the last completed fiscal year, no insider of the Company, nominee for director, or any associate or affiliate of an insider or nominee, had any material interest, direct or indirect, in any transaction or any proposed transaction which has materially affected or would materially affect the Company.

Steven G. Dean, Klaus M. Zeitler and Sidney Robinson each purchased securities in private placements undertaken by the Company. With respect to a private placement of 1,562,500

units issued on April 16, 2003 at \$0.16, Mr. Dean purchased 152,500 units, Dr. Zeitler purchased 152,500 units, and Mr. Robinson purchased 150,000 units. With respect to a private placement of 43,298,501 deposit receipts issued on June 17, 2003 at \$0.60, Mr. Dean purchased 2,012,667 deposit receipts, Dr. Zeitler (together with his spouse) purchased 2,036,667 deposit receipts, and Mr. Robinson purchased 250,000 deposit receipts.

Steven G. Dean and Klaus M. Zeitler, through their holding companies, receive a royalty on production from Minera Valle Central S.A., which was acquired by the Company on July 3, 2003. Particulars of the transaction may be found in the Company's Annual Information Form.

### **INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON**

Except as disclosed herein, no Person has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in matters to be acted upon at the Meeting. For the purpose of this paragraph, "Person" shall include each person: (a) who has been a director, senior officer or insider of the Company at any time since the commencement of the Company's last fiscal year; (b) who is a proposed nominee for election as a director of the Company; or (c) who is an associate or affiliate of a person included in subparagraphs (a) or (b).

### **NUMBER AND TERM OF DIRECTORS**

The Board of Directors has determined the number of directors of the Company at four (4) for the ensuing year. As permitted by the Articles of the Company, is the intention of the board to appoint an additional director, for a total of five, during the ensuing year, although no individual has been proposed or consent to an appointment. Such appointment would be made in accordance with the Articles of the Company and the *Business Corporations Act*, and the appointment would be subject to approval by the TSX.

Pursuant to the Articles of the Company, Directors are elected for three year terms, and are divided into Class I, Class II, and Class III with terms expiring at the Annual General Meeting in 2004, 2005 and 2006 respectively.

### **ELECTION OF CLASS I DIRECTOR**

The term of office the Class I director expires at the Meeting. The person named below will be presented for election at the Meeting as management's nominee. Management does not contemplate that the nominee will be unable to serve as a director. Each director elected will hold office for a term of three years, or until his or her successor is elected or appointed, unless his or her office is earlier vacated in accordance with the Articles of the Company or with the provisions of the *Business Corporations Act* (British Columbia). Each of the directors has been classified by the Board of Directors as a Class I, Class II or Class III director.

The following table sets out the name of the nominee for election as Class I director, his municipality of residence, his principal occupations during the past five years, the date he first became a director of the Company, and the number of common shares of the Company beneficially owned by him, directly or indirectly, or over which control or direction is exercised, as at the date hereof.

| <b>Name, Residence and Position</b>                                | <b>Director Since</b> | <b>Principal Occupation</b>  | <b>Number of Common Shares Beneficially Owned or, Directly or Indirectly Controlled <sup>(1)</sup></b> |
|--|-----------------------|--|--|
| Ian E. Gallie <sup>(2)</sup><br>Victoria, B.C.<br>Class I Director | Aug. 31, 2001         | Petroleum Geologist & Business Consultant; President & Director, Catalina Energy Corp. (July 2002 – present); Director, Bonanza Resources Corporation (March 2003 - present); Director, President, Arbroath Energy Ltd. (April 1991 - present) | Nil  |

- (1) The information as to municipality of residence, principal occupation and number of shares beneficially owned or over which control or direction is exercised, not being within the knowledge of the Company, has been furnished by the respective directors individually.
- (2) Member of the Audit Committee.

The following directors are Class II and Class III directors, the terms for which expire after the 2005 and 2006 Annual General Meeting respectively.

| <b>Name, Residence and Position</b>   | <b>Director Since</b> | <b>Principal Occupation</b>   | <b>Number of Common Shares Beneficially Owned or, Directly or Indirectly Controlled <sup>(1)</sup></b> |
|---|-----------------------|---|--|
| Steven G. Dean <sup>(2)</sup><br>West Vancouver, BC<br>Chairman &<br>Class III Director | April 1, 2003         | Chairman of the Company, formerly President and a Director of Teck Cominco Limited (1999-July 2002), Founder and Chief Executive Officer of PacMin Mining Corporation Limited (1995-1999) | 2,690,167 common shares  |
| Klaus M. Zeitler<br>Vancouver, BC<br>President &<br>Class II Director                   | April 1, 2003         | President of the Company and formerly Senior Vice President of Teck Cominco Limited (1997–2002), Director of Teck Corp. (1981–1997) and Cominco Limited (1986-1996)                       | 2,189,167 common shares  |
| Sidney Robinson <sup>(2)</sup><br>Toronto, Ontario<br>Class III Director                | May 8, 2003           | Corporate director and consultant; Senior Partner of Torys LLP, Toronto (until Jan, 2004)   | 400,000 common shares  |

- (1) The information as to municipality of residence, principal occupation and number of shares beneficially owned or over which control or direction is exercised, not being within the knowledge of the Company, has been furnished by the respective directors individually.
- (2) Member of the Audit Committee.

### **APPOINTMENT OF AUDITORS**

Unless such authority is withheld, the persons named in the accompanying proxy intend to vote for the reappointment of PricewaterhouseCoopers LLP, Chartered Accountants as auditors of the Company and authorize the directors to fix their remuneration. PricewaterhouseCoopers LLP were first appointed auditors of the Company on July 15, 2003.

## **INDEBTEDNESS OF DIRECTORS, EXECUTIVE AND SENIOR OFFICERS**

During the last completed fiscal year, no director, executive officer, senior officer or nominee for director of the Company or any of their associates has been indebted to the Company or any of its subsidiaries, nor has any of these individuals been indebted to another entity which indebtedness is the subject of a guarantee, support in agreement, letter of credit or other similar arrangement or understanding provided by the Company or any of its subsidiaries.

## **PARTICULAR OF OTHER MATTERS TO BE ACTED ON AT THE MEETING**

### **Removal of Pre-Existing Company Provisions Under the Company Act (British Columbia) and Amendment to the Articles and Share Capital of the Company pursuant to the Business Corporations Act (British Columbia)**

On March 29, 2004, the British Columbia legislature enacted the *Business Corporations Act* (the "New Act") and repealed the *Company Act* (the "Former Act"), which previously governed the Company. Under the New Act, all companies which were incorporated, amalgamated or continued under the Former Act must be transitioned under the New Act within two years and the Company's board of directors has taken the necessary steps in regard to this requirement. The Company is seeking shareholders approval to certain amendments to its Notice of Articles (which will replace the Company's Memorandum) and to the adoption of new Articles in connection with the enactment of the New Act.

The regulations under the New Act effectively added certain provisions, called "pre-existing company provisions" (the "Provisions") to every Company's Notice of Articles until the shareholders remove the Provisions by special resolution. Shareholders of the Company are being asked to approve a special resolution to remove the Provisions from the Company's Notice of Articles. A table of the Provisions is attached as Schedule "A" and, for the most part, the Company is exempt from the Provisions due to either: (a) having articles, which, prior to the enactment of the Former Act, exempt the Company from such requirements (in the case of P5 and P20); or (b) being a public company (in the case of P7 to P15). A material Provision which the Company is subject to and which the Company is proposing to amend as part of its new articles (as noted below), is the majority of votes required for the Company to pass a special resolution at the meeting of shareholders, which is currently 3/4 of the votes cast on the resolution and which the Company is proposing to change to 2/3 of the votes cast on the resolution.

As now permitted by the New Act, the Company proposes an amendment to its Notice of Articles to eliminate the maximum number of common shares that the Company is authorized to issue such that the Company is authorized to issue an unlimited number of common shares without par value. Management believes that being able to issue an unlimited number of common shares provides the Company with greater flexibility for future corporate activities.

In light of the enactment of the New Act, management of the Company has established a new set of articles (the "New Articles") which are available upon request from the Secretary of the Company and which conform to the requirements of the New Act. A discussion regarding the main differences between the Company's current articles (the "Existing Articles") and the New Articles is attached to this information circular as Schedule "B".

Pursuant to the enactment of the *Business Corporations Act* (British Columbia), in order to change the majority of votes required for the Company to pass a special resolution at the meeting of shareholders, from 3/4 of the votes cast to 2/3 of the votes cast, to alter the Company's Notice of Articles to authorize the Company to issue an unlimited number of common shares without par value, and to adopt new Articles to bring the Company's corporate documents into conformity with the New Act, the shareholders of the Company are being asked to approve the following special resolutions:

"RESOLVED, as special resolutions that:

- (a) the Company's Notice of Articles be altered to remove the application of the pre-existing company provisions as set out in Schedule "A" to the Company's information circular dated May 7, 2004;
- (b) the maximum number of common shares that the Company is authorized to issue be eliminated such that the Company is authorized to issue an unlimited number of common shares without par value and the Company's Notice of Articles be altered accordingly;
- (c) the Articles of the Company be and are hereby altered by deleting and cancelling such existing Articles and creating and adopting the Articles as presented to the Meeting; and
- (d) any one director or officer of the Company be and is hereby authorized to execute and deliver all such documents and instruments, including the Notice of Alteration to a Notice of Articles, and to do such further acts as may be necessary to give full effect to these special resolutions."

The passing of these special resolutions requires shareholder approval by a ¾ majority of the votes cast at the Meeting. The amendment to the Notice of Articles shall take effect immediately on the date and time the Notice of Alteration to the Notice of Articles is filed with the Registrar of Companies.

### **Approval of Private Placements**

In order for the Company to raise funds to expand its activities, the Company may require further equity funding, which would be raised under one or more private placements. At the meeting, members will be asked to approve a resolution authorizing the directors of the Company to enter into one or more private placements in the 12 month period following the meeting to issue additional common shares of the Company, or securities exchangeable into common shares of the Company (collectively referred to as "shares") to subscribers who are substantially at arm's length to the Company. Pursuant to the rules and policies of the TSX, shareholder approval is required for issuances of shares by private placement of more than 25% of the number of shares, which are currently outstanding (on a non-diluted basis) in any six month period. Accordingly, it is prudent to have authority for such private placements at the present time to save the time and expense of seeking shareholder approval at future special meetings of shareholders.

It is not the present intention of management to issue the entire number of shares authorized pursuant to the proposed resolution. The private placements will be negotiated only if management believes the subscription price is reasonable in the circumstances and if the funds are required by the Company to conduct and/or expand its activities. The issuance of shares pursuant to these private placements will not materially affect the control of the Company. Each such private placement will be made in accordance with applicable by-laws and rules of the TSX, which require the approval of the TSX prior to completion of each individual private placement. These rules provide that private placements be priced at the closing price on the day prior to the notice of the private placement, subject to prescribed discounts as set forth below:

| <b>Market Price</b> | <b>Maximum Discount</b> |
|---------------------|-------------------------|
| \$0.50 or less      | 25%                     |
| \$0.51 to \$2.00    | 20%                     |
| Above \$2.00        | 15%                     |

As well, warrants may accompany shares issued under the private placement where such warrants are priced at or above market and do not exceed the number of shares issued under the private placement.

Paragraph 620 of the TSX Company Manual (the "Manual") provides that, without shareholder approval, the total number of shares of a listed company which are issued or subject to issuance pursuant to private placement transactions during any six month period must not exceed 25% of the number of shares of the Company which are outstanding prior to giving effect to such transactions. Members are being asked, therefore, to pass a resolution authorizing additional private placements, which would take place within one year of the date of the meeting. Such future private placements will be subject to the following terms:

1. All of the private placement financings will be carried out in accordance with the guidelines of the TSX and specifically in accordance with paragraphs 619 and 622 of the Manual.
2. The private placements will not result in additional shares of the Company being issued in any amount exceeding the current number of issued and outstanding common shares (in the aggregate) of the Company, will be substantially with subscribers who are at arm's length to the Company and will not materially affect the control of the Company.

The resolution with respect to private placement financings requires confirmation by a majority of the votes cast hereon at the meeting. In the event the resolution is not passed, the Company will not proceed with any private placement that requires shareholder approval under the rules of the TSX unless and until such shareholder approval is received.

The text of the resolution to be submitted to the shareholders at the meeting is set forth below:

**"BE IT RESOLVED THAT:**

1. the directors of the Company be and are hereby authorized and directed to arrange from time to time, additional private placements in the capital of the Company, subject to the following terms:

- (a) all private placement financings will be carried out by the Company in accordance with the guidelines of the Toronto Stock Exchange and specifically paragraphs 619 and 622 of The Toronto Stock Exchange Company Manual; and
- (b) the future private placements will not result in additional common shares of the Company being issued in an amount exceeding the current number of issued and outstanding common shares in the aggregate of the Company, will be substantially with subscribers who are at arm's length to the Company and will not materially affect control of the Company."

It is not known whether any other matter will come before the Meeting other than those set forth above and in the Notice of Meeting, but if such should occur the persons named in the accompanying form of Proxy intend to vote on them in accordance with their best judgment.

### **OTHER BUSINESS**

Management is not aware of any matters to come before the Meeting other than those set forth in the Notice of Meeting. If any other matter properly comes before the Meeting, it is the intention of the persons named in the Proxy to vote the shares represented thereby in accordance with their best judgment on such matter.

### **BOARD APPROVAL**

The Notice of Annual General & Extraordinary Meeting dated May 7, 2004 and this Information Circular and accompanying Form of Proxy have been approved by the Board of Directors of the Company for mailing to members.

### **CERTIFICATE**

The foregoing contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in the light of the circumstances in which it was made.

Dated at Vancouver, British Columbia, this 7<sup>th</sup> day of May, 2004.

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

*"Steven G. Dean"*

Steven G. Dean, Chairman

*"Klaus M. Zeitler"*

Klaus M. Zeitler, President



## SCHEDULE "A"

### PRE-EXISTING COMPANY PROVISIONS

#### PART 1 - VOTING THRESHOLDS

##### Special majority

**P1** The majority of votes required for the company to pass a special resolution at a general meeting is 3/4 of the votes cast on the resolution.

##### Special separate resolution

**P2** The majority of votes required for shareholders holding shares of a class or series of shares to pass a special separate resolution is 3/4 of the votes cast on the resolution.

##### Exception

**P3** Section P2 does not apply in respect of any class or series of shares for which the memorandum or articles of the company, immediately before the coming into force of the *Business Corporations Act*, set out the majority of votes required for shareholders holding shares of that class or series of shares to pass a separate resolution.

#### PART 2 - ISSUE PRICE FOR SHARES

##### Application

**P4** Section P5 does not apply if the memorandum or articles of the company, immediately before the coming into force of the *Business Corporations Act*, authorize the directors of the company to determine the price or consideration for shares without par value issued by the company.

##### Issue price for shares without par value

**P5** The issue price for a share without par value must be set by a special resolution.

#### PART 3 - RESTRICTIONS ON POWER TO ALLOT AND ISSUE SHARES

##### Application

**P6** Sections P7 to P15 do not apply if

- (a) the company was, immediately before the coming into force of the *Business Corporations Act*, a reporting company within the meaning of the *Company Act*, 1996, or
- (b) the company is a public company.

##### Directors must offer shares to other shareholders

**P7** The directors must, before allotting shares,

- (a) if the company has only one class of issued shares, offer to each shareholder the proportion of the shares to be allotted that the number of shares held by that shareholder bears to the total number of issued shares of the company, or
- (b) if the company has more than one class of issued shares,
  - (i) offer to each shareholder who holds shares of the class of shares to be allotted the proportion of the shares to be allotted that the number of shares of that class of shares held by that shareholder bears to the total number of issued shares of that class of shares, and
  - (ii) subject to section P8, if any shares remain after the expiry of the offer referred to in subparagraph (i) of this paragraph, offer to each shareholder who holds shares of any class of shares other than the class of shares referred to in subparagraph (i), the proportion of the remaining shares to be allotted that the number of shares held by that shareholder that are not of the class of shares referred to in subparagraph (i) bears to the total number of issued shares of the company that are not of the class of shares referred to in subparagraph (i).

**Terms of offer**

**P8** An offer under section P7(b)(ii) must be at a price per share that is not less than the price per share contained in the offer made under section P7(b)(i), and the other terms of the offer under section P7(b)(ii) must be substantially the same as the terms contained in the offer made under section P7(b)(i).

**Allotments and Issues to which section P7 does not apply**

**P9** Section P7 does not apply to

- (a) an allotment of shares to be issued for a consideration all or substantially all of which is other than money, or
- (b) an allotment of shares under
  - (i) rights of conversion or exchange attached to securities of the company,
  - (ii) an amalgamation under Division 3 of Part 9 of the *Business Corporations Act*,
  - (iii) an arrangement under Division 5 of Part 9 of the *Business Corporations Act*,
  - (iv) a dividend payable in shares,
  - (v) an employee share ownership plan registered under Part 1 of the *Employee Investment Act*, or
  - (vi) an employee venture capital plan registered under Part 2 of the *Employee Investment Act*.

**Offer must be made by notice**

**P10** An offer under section P7 must be made by notice that includes the time period within which the offer may be accepted, which time period must extend for at least 7 days after the offer is received.

**If offer expires or is declined**

**P11** Subject to section P12, if an offer for shares under section P7(a) or (b)(ii) has expired without having been accepted by, or has been declined in writing by, the shareholder to whom the offer was made, the directors may, for a period starting on the earlier of the expiry date for the offer and the date on which the offer is declined in writing and ending on the date that is 3 months after the expiry date for the offer, offer those shares to the persons and in the manner the directors may decide.

**Further offers**

**P12** The directors may make an offer under section P11 if

- (a) there are no other shareholders who should first receive an offer for those shares, and
- (b) the price per share in the offer made under section P11 is not less than the price per share contained in the offer made to the shareholder under section P7, and the other terms of the offer made under section P11 are substantially the same as the terms contained in the offer made to the shareholder under section P7.

**No right to waive generally**

**P13** A shareholder may not waive generally the right to be offered shares referred to in section P7.

**Specified waivers permitted**

**P14** Nothing in section P13 prevents a shareholder from waiving, in writing, the right to be offered a specified allotment of shares.

**When waiver effective**

**P15** A waiver referred to in section P14 is effective whether given before or after the allotment of the shares.

#### **PART 4 - SHARES OF PRE-EXISTING COMPANY TO BE PURCHASED RATEABLY**

##### **Offer to purchase shares must be made to shareholders**

**P16** Subject to sections P17 and P18, before the company purchases any of its shares, it must make an offer, to every shareholder who holds shares of the class or series of shares to be purchased, to purchase rateably from those shareholders the number of shares of that class or series of shares that the company wishes to purchase.

##### **Exceptions**

**P17** Section P16 does not apply

- (a) if the purchase is made through a securities exchange or a quotation and trade reporting system,
- (b) if the shares are being purchased
  - (i) from an employee or former employee of the company or of an affiliate of the company, or
  - (ii) in the case of shares beneficially owned by an employee or former employee of the company or of an affiliate of the company, from the registered owner of the shares,
- (c) if, in respect of a specific share purchase, the company is, for that purchase, relieved of its obligation to comply with this section by a special separate resolution of the shareholders holding shares of the class or series of shares from which the shares are to be purchased,
- (d) if there are reasonable grounds for believing that the purchase price for the shares being purchased is not more than the fair market value of those shares,
- (e) if the purchase is one made under section 227(3)(g), Division 2 of Part 8 or Division 5 of Part 9 of the *Business Corporations Act*, or
- (f) to a purchase of fractional shares.

##### **Shareholder may waive**

**P18** A shareholder may, in writing, waive the right to receive an offer to purchase the shareholder's shares under section P16 and that waiver is effective whether given before or after the purchase by the company of any of its shares.

#### **PART 5 - SHARES OF PRE-EXISTING COMPANY TO BE REDEEMED RATEABLY**

##### **Application**

**P19** Section P20 does not apply if the memorandum or articles of the company, immediately before the coming into force of the *Business Corporations Act*, provide that if the company redeems some but not all of the shares of a class or series of shares, that redemption need not be made rateably among every shareholder who holds shares of the class or series to be redeemed.

##### **Shares to be redeemed rateably**

**P20** If the company proposes to redeem some but not all of the shares of a particular class or series of shares, it must ensure that the redemption is made rateably among every shareholder who holds shares of the class or series of shares to be redeemed.

## **SCHEDULE “B”**

Set out below is a discussion of the changes proposed under the New Articles. These proposed changes to the New Articles include a discussion of substantive changes included in the New Articles and changes included that are as a result of changes under the New Act. The New Articles incorporate a number of non-substantive changes, including the use of the new terminology adopted under the New Act. For example, “members” are now “shareholders” and “register of members” is now “central securities register” under the New Act. Many of these terminology and wording changes are not discussed in detail here, as they reflect statutory requirements that the Company cannot alter or amend.

The following is a discussion of the substantive changes proposed in the New Articles.

### **Borrowing Powers**

Under the Existing Articles, the Company may borrow money, issue debt and mortgage, or give security on the undertaking, or on the whole or any part of the property, of the Company (both present and future). However, under the New Act, companies are now also permitted, without restriction, to guarantee repayment of money by any other person or the performance of any obligation of any other person. This change reflects the modernization of corporate legislation to effectively respond to increasingly complex financial transactions that companies may enter into in the course of their business. As a result, the New Articles propose that the Company also be able to guarantee the repayment of money by any other person or the performance of any obligation of any other person. Management believes that it is in the best interests of the Company to allow for such a guarantee to permit the Company the maximum flexibility in possible future financial transactions, recognizing the duties directors have to ensure that the guarantee must always be in the best interest of the Company and its shareholders.

### **Directors’ Authority to Set Auditor’s Remuneration**

Under the New Act, the Company is, subject to shareholder approval, permitted to include in the New Articles authorization for the directors to set the remuneration paid to the auditors of the Company. The Former Act required the shareholders to set the remuneration or the shareholders to authorize, on an annual basis, the directors to set the remuneration. Historically, shareholders of the Company have always authorized the directors to appoint the auditors and to set the auditor’s remuneration. As a result, the inclusion of the authority for directors to set the auditor’s remuneration in the New Articles merely codifies existing practice. More importantly, however, this change also codifies new corporate governance rules and regulations relating to audit committees and the appointment and remuneration of auditors.

### **Special Majority for Resolutions**

Under the Former Act, the majority of votes required to pass a special resolution at a general meeting was three-quarters of the votes cast on a resolution. Under the New Act, the Company is authorized to determine whether a special resolution requires two-thirds or three-quarters of the votes cast on a resolution. The Existing Articles did not state what the majority was for a special resolution, as this matter was dealt with under the Former Act. The New Articles propose that a special resolution require a majority of two-thirds of the votes cast on a resolution.

### **Resolutions Required**

Under the New Act, the Company is permitted in its New Articles to set out the type of approval required for certain corporate changes. This change in the New Act reflects an increasing need for companies to react and adapt to changing business conditions, and to have a system in place that allows for quick responses. Under the New Act, a Company may choose different thresholds of support for specific resolutions, including changes such as the subdivision and consolidation of its shares and Company name changes. Changes such as subdivision, consolidation and name changes were previously required to be approved by shareholders under the Former Act. Traditionally, where these changes are proposed between annual general meetings of shareholders, it would require that the Company hold a special general meeting to have the change approved. This is very expensive for the Company, and results in unnecessary time delays and costs.

As a result, management and the board of directors are proposing that the New Articles provide for the following matters to require a directors’ resolution only, and not require a shareholders’ resolution:

- ?? a subdivision of all or any of the unissued, or fully paid issued, shares;
- ?? a consolidation of all or any of the unissued, or fully paid issued, shares; and
- ?? a change of name of the Company.

Other capital and share structure changes will continue to require shareholder approval. Management believes that it is in the best interests of the Company to allow directors to pass resolutions to authorize the above changes so that the Company can react and adapt to changing business conditions in a more timely and less costly manner.

### Share Issuances

Under the Former Act, the maximum discount or commission payable on the issuance of a share of the Company was 25%. Under the New Act the Company is, subject to shareholder approval, now permitted to avoid setting a numerical maximum for a discount or commission payable on the issuance of a share but rather limit any discount or commission by a test of reasonableness. The New Articles provide that the Company be permitted to pay or offer the commission or discount as permitted in the New Act. Management of the Company believes that the 25% maximum limit should not be set out in the New Articles as such a limit does not consider factual circumstances nor apply a test of reasonableness. By limiting the discount or commission amounts payable by the test of reasonableness, exercised by directors with a duty to act in the best interest of the Company, the Company is provided greater flexibility in possible future transactions. In addition, since the Company is a public company, it is subject to the requirements of the TSX on share issuances and discounts and commissions, which requirements are generally far more stringent than the Former Act provisions.

### Other changes

The following are changes to the provisions contained in the New Act that have an effect on provisions contained in the Existing Articles:

#### Officers

Under the Existing Articles, the Company was required to have a least a President and Secretary as officers, and there had to be separate individuals holding those positions. In addition, the President was required to be director of the Company. These were requirements under the Former Act. However, under the New Act, those requirements no longer exist, and as a result, it is proposed that the New Articles remove these requirements. Management and the board of directors believe that by removing these restrictions the Company is better able to meet its corporate governance obligations as to membership of the board of directors.

#### Disclosure of Interest of Directors

Under the New Act, the provisions relating to the disclosure of interests by directors have been revised and updated. As directors of the Company are bound by these provisions, the New Articles have deleted reference to the old disclosure of interest provisions and refer to the provisions contained in the New Act.

#### Indemnity Provision

Under the Former Act, the Company could only indemnify directors where it obtained prior court approval, except in certain limited circumstances. The Existing Articles provided for the Company to indemnify directors, subject to the requirements of the Former Act. Under the New Act, the Company is now permitted to indemnify a past or present director or officer of the Company without obtaining prior court approval in respect of an "eligible proceeding". An "eligible proceeding" includes any legal proceeding relating to the activities of the individual as a director or officer of the Company. However, under the New Act, the Company will be prohibited from paying an indemnity if:

- (i) the party did not act honestly and in good faith with a view to the best interests of the Company;
- (ii) the proceeding was not a civil proceeding and the party did not have reasonable grounds for believing that his or her conduct was lawful; and
- (iii) the proceeding is brought against the party by the Company or an associated corporation.

As a result, the New Articles propose to allow the Company to indemnify directors, officers, employees and agents, subject to the limits imposed under the New Act. Management believes that it is in the best interests of the Company to allow the indemnification of directors, officers, employees and agents, subject to the limits and conditions of the New Act. The Former Act's requirement for court approval of indemnities was unusual in Canadian corporate legislation.

### Authorized Share Capital

Under the Former Act, the Company was required to set a maximum number for its authorized share capital and such number was required to be contained in the Company's memorandum. Under the New Act there are no maximum number restrictions and, due to the elimination of the memorandum under the New Act, such authorized share capital must be contained in a company's articles. In order to provide the Company with greater flexibility to proceed with equity financings, management has determined that it will alter its authorized share capital from 200,000,000 common shares to an unlimited number of common shares and that such altered authorized share capital will be reflected in its New Articles. The Former Act's requirement of a maximum authorized share capital was unusual in Canadian corporate legislation.

### Holding of Annual General Meetings

Under the Former Act, annual general meetings were required to be held within 13 months of the last annual general meeting. The New Act allows for annual general meetings to be held once in each calendar year and not more than 15 months after the last annual general meeting and accordingly, the Company's New Articles reflect this provision.

## AMERIGO RESOURCES LTD.

### STATEMENT OF CORPORATE GOVERNANCE PRACTICES

The following table describes the Company's approach to corporate governance with reference to the specifically enumerated Guidelines.

| <b>TSX Corporate<br/>Governance Guidelines</b>  | <b>Amerigo Resources Ltd. Approach</b>   |
|---|--|
| 1. The Board should explicitly assume responsibility for stewardship of the Company and, as part of the overall stewardship, assume responsibility for: | The mandate of the Board is to supervise the management of the business and affairs of the Company. The Board's principal responsibilities are to supervise and evaluate management, to oversee the conduct of the Company's business, to set policies appropriate for the business of the Company and to approve corporate strategies and goals. The Board is to carry out its mandate in a manner consistent with the fundamental objective of enhancing shareholder value. Every director is required to act honestly and in good faith in the best interests of the Company and to exercise the care, diligence and skill of a reasonably prudent person. Responsibilities not delegated to senior management or to a committee of the Board remain those of the full Board. |
| (a) Adoption of a strategic planning process  | The Board reviews strategic plans as presented by management at regularly scheduled Board meetings.  |
| (b) The identification of the principal risks of the corporation's business and ensuring the implementation of appropriate systems to manage these risk | The Audit Committee and the Board as a whole have identified the Company's principal risks and review those risks and the management thereof on an ongoing basis.  |
| (c) succession planning, including appointing, training and monitoring management   | The Board is responsible for choosing the president and chairman, appointing senior management and for monitoring their performance. The Board approves the president and chairman's corporate objectives and compensation. The Board also ensures that processes are in place to recruit senior managers with the highest standards of integrity and competence, and to train, develop and retain them.   |
| (d) a communications policy   | The Board as a whole is responsible for ensuring disclosure is made pursuant to an appropriate communications policy governing the timeliness and content of the Company's disclosure, as required by securities laws and stock exchange policy.   |

| <b>TSX Corporate Governance Guidelines</b>  | <b>Amerigo Resources Ltd. Approach</b>   |
|---|--|
| (e) the integrity of internal control and management information systems  | The Board, through its Audit Committee, examines the effectiveness of the Company's internal control processes and management information systems. The Board consults with the Company's auditor and management of the Company to ensure the integrity of these systems.   |
| 2. The Board should be constituted with a majority of individuals who qualify as unrelated directors. An unrelated director is a director who is independent of management and is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act with a view to the best interests of the Company. | The Board of the Company is currently composed of four directors, two of whom are unrelated. The Board has determined that an additional unrelated director will be added prior to the Company's year-end, so that the Board of directors would be comprised of three unrelated directors and two related directors.   |
| 3. The Board is required to disclose on an annual basis whether the Board has a majority of unrelated directors and the analysis of the application of the principles supporting this conclusion.   | The Board of the Company is currently composed of four directors, two outside directors, being directors who are not officers or employees of the Company, and two inside directors. The Board has further determined that both of its outside directors are unrelated directors: Sidney Robinson and Ian Gallie. The two inside directors, Steven G. Dean and Klaus M. Zeitler, being officers, are by definition also related directors. The Board has determined that an additional unrelated director will be added prior to the Company's year-end, so that the Board of directors would be comprised of three unrelated directors and two related directors. |
| 4. The Board should appoint a committee, the majority of whom are unrelated directors, with responsibility for proposing new nominees to the Board and assessing directors.   | The Board has a Nominating Committee consisting of a majority of unrelated directors. All members of the Board are encouraged to address issues of Board size and new nominees. New nominees must have a track record in general business management, special expertise in an area of strategic interest to the Company, the ability to devote the time required, shown support for the Company's strategic objectives, and a willingness to serve.  |
| 5. Every Board should implement a process for assessing the effectiveness of the Board as a whole, the Board's committees and individual directors.   | It is the responsibility of the Chairman of the Board and the Nominating Committee to ensure the effective operation of the Board. The Chairman meets with directors to discuss the effectiveness of the processes the Board follows and the quality of information provided to the directors by management.   |



| <b>TSX Corporate Governance Guidelines</b>  | <b>Amerigo Resources Ltd. Approach</b>  |
|---|---|
| 6. Every Company should provide an orientation and education program for new recruits to the Board.   | While no formal documented orientation and education programs are in place, past appointments of new directors have occurred relatively infrequently, allowing the Company to provide orientation and education to new directors as needed. Prior to official appointment, new directors are provided with considerable information regarding the industry and the Company.   |
| 7. Every Board should examine its size and, where appropriate, undertake a program to reduce the number of directors.   | The Board considers this guideline on an annual basis and has determined that an additional unrelated director will be added prior to the Company's year-end, so that the Board of directors would be comprised of three unrelated directors and two related directors. Given the relatively small size of the Company, the Board considers that the current structure provides a reasonable number of directors at this time, although for corporate governance reasons, the additional unrelated director will be sought. The members of the Board of Directors have been chosen on the basis of their skill, expertise and experience in the mining industry and other businesses as well as their ability to actively contribute on a broad range of issues.                |
| 8. The Board should review the compensation of directors to ensure it adequately reflects the responsibilities and risks involved in being an effective director.             | The Board of Directors reviews directors' compensation on an ongoing basis. The Board takes into account the types of compensation and the amounts paid to directors of comparable publicly traded Canadian companies.  |
| 9. Committees of the Board should generally be composed of outside directors, a majority of whom are unrelated directors.   | The Board has established two committees: the Audit Committee and the Nomination Committee. The Audit Committee is comprised of Steven G. Dean, Ian Gallie and Sidney Robinson, the majority of whom are outside and unrelated directors. The Nomination Committee also consists of Steven G. Dean, Ian Gallie and Sidney Robinson, the majority of whom are outside and unrelated directors. The Board has determined that an additional unrelated director will be added prior to the Company's year-end, so that the Board of directors would be comprised of three unrelated directors and two related directors. At such time as an additional unrelated director is added to the Board, the composition of the Audit Committee and Nomination Committee will be reviewed. |
| 10. Every Board should expressly assume responsibility for, or assign to a committee, the general responsibility for, developing the Company's approach to governance issues. | The Board of Directors has given due consideration to the Company's approach to corporate governance, and as a whole is involved in developing and implementing the Company's approach with consideration to the Company's relatively small size and complexity. The Board continues to monitor changes in the law and practice in this area, and is committed to ensuring that the Company continues to carry out high standards of corporate governance.  |

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**TSX Corporate  
Governance Guidelines**
**Amerigo Resources Ltd. Approach**


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11. The Board, together with the CEO, should develop position descriptions for the Board and for the CEO, involving the definition of the limits to management's responsibilities. In addition, the Board should approve or develop the corporate objective which the CEO is responsible for meeting.

The Board of Directors is responsible for the overall governance of the Company. This includes communicating position parameters to senior management. Given the relatively early stage of development of the Company and the relatively small size of the company, the Board has not formalized position descriptions for management. However, there is a clear understanding between senior management and the Board that all strategic decisions will be presented by management to the Board for approval. The Board expects management to:

- ?? review the Company's strategies and their implementation in all key areas of the Company's activities
- ?? carry out a comprehensive budgeting process and monitor the Company's financial performance against the budget
- ?? identify opportunities and risks affecting the Company's business and find ways of dealing with them.

12. Every Board should have in place appropriate structures and procedures to ensure that the Board can function independently of management.

The Board currently consists of 2 unrelated, independent directors, and the Board has determined that an additional unrelated director will be added prior to the Company's year-end, so that the Board of directors would be comprised of three unrelated directors and two related directors. The Nominating Committee and Audit Committee both consist of a majority of directors who are unrelated to the Company's management.

13. The audit committee of every Board of directors should be composed of only outside directors. The roles and responsibilities of the audit committee should be specifically defined.

The Audit Committee is comprised of three directors, Steven G. Dean, Sidney Robinson and Ian Gallie, of whom Messrs. Robinson and Gallie are unrelated directors. The Audit Committee reviews the annual and quarterly financial statements of the Company, oversees the annual audit process, the Company's internal accounting controls and the resolution of issues identified by the Company's auditors and recommends to the Board the firm of independent auditors to be nominated for appointment by the shareholders at the next Annual General Meeting. The Board has determined that an additional unrelated director will be added to the Board prior to the Company's year-end, with a view to having the Audit Committee consist of three unrelated directors.

All members of the Audit Committee are financially literate (are able to read and understand a balance sheet, an income statement, a cash flow statement and the notes attached thereto). Steven G. Dean is a chartered accountant. The Company's external auditors have a direct line of communication with the committee at all times and meet regularly without management and without the related member of the audit committee present. The Audit Committee approves all non-audit work performed by the external auditors.

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14. The Board of directors should implement a system which enables an individual director to engage an outside advisor at the expense of the Company.

The Board as a whole is responsible for reviewing and responding to requests by individual directors of the Company to engage outside advisors at the expense of the Company.