

GRAN COLOMBIA GOLD CORP.

and

MEDORO RESOURCES LTD.

ARRANGEMENT AGREEMENT

Dated as of April 13, 2011

as amended and restated

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ARRANGEMENT AGREEMENT

THIS ARRANGEMENT AGREEMENT (the "**Agreement**") made as of the 13th day of April, 2011 and amended and restated as of May 4, 2011.

BETWEEN:

GRAN COLOMBIA GOLD CORP., a corporation existing under the *Business Corporations Act* (British Columbia), (hereinafter referred to as "**Acquiror**")

OF THE FIRST PART

- and -

MEDORO RESOURCES LTD., a corporation existing under the *Business Corporations Act* (Yukon), (hereinafter referred to as "**Target**" and together with the Acquiror, the "**Parties**" and each a "**Party**")

OF THE SECOND PART

WITNESSES THAT:

WHEREAS Acquiror and Target propose to effect a business combination by way of a plan of arrangement under the provisions of the *Business Corporations Act* (Yukon);

AND WHEREAS Acquiror and Target negotiated in good faith the terms of a definitive arrangement agreement and elements of the plan of arrangement which terms and elements are set forth in this Agreement and the Plan of Arrangement (as defined herein);

AND WHEREAS the Arrangement (as defined herein) is intended to qualify for U.S. federal income tax purposes as a reorganization under the provisions of Section 368(a) of the Code (as defined herein), the treasury regulations promulgated thereunder and other applicable U.S. federal income tax law and as a qualifying amalgamation pursuant to section 87 of the Tax Act (as defined herein);

AND WHEREAS the Parties intend that the issuance of the Acquiror Shares (as defined herein), Acquiror Consideration Warrants (as defined herein), Newco Class A Shares (as defined herein), Newco Warrants (as defined herein), Exchanged Acquiror Warrants (as defined herein), Exchanged Acquiror Options (as defined herein), Exchanged Special Acquiror Warrants (as defined herein) and Underlying Acquiror Warrants (as defined herein) will qualify for an exemption from registration under the 1933 Act (as defined herein) pursuant to Section 3(a)(10) thereof;

AND WHEREAS the Parties entered into an arrangement agreement April 13, 2011 and wish to amend and restate the agreement as provided herein;

NOW THEREFORE in consideration of the mutual covenants and agreements herein contained and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by each of the Parties, the Parties hereto hereby covenant and agree as follows:

ARTICLE 1 DEFINITIONS, INTERPRETATION AND SCHEDULES

1.1 Definitions

In this Agreement, unless the context otherwise requires, the following words and terms with the initial letter or letters thereof capitalized shall have the meanings ascribed to them below:

- (a) "**Acquiror**" means Gran Colombia Gold Corp., a corporation existing under the BCBCA;
- (b) "**Acquiror Acquisition Proposal**" means any *bona fide* written proposal, other than from Target or a Target Subsidiary, directly or indirectly, to acquire all or substantially all of the assets of Acquiror (on a consolidated basis) or more than 50% of the Acquiror Shares whether by way of merger, amalgamation, statutory arrangement, recapitalization, take-over bid, sale of material assets (or any lease, long-term supply agreement or other arrangement having the same economic effect as a sale of material assets), liquidation, winding-up, sale or redemption of a material number of shares or rights or interests therein or thereto or similar transactions involving Acquiror and/or the Acquiror Subsidiaries, or a written proposal to do so, excluding the Arrangement;
- (c) "**Acquiror Benefit Plan**" means any pension or retirement income loans or other employee compensation, other than equity-based or security-based compensation arrangements, or benefit plans, agreements, policies, programs, arrangements or practices, whether written or oral, which are maintained by or binding upon Acquiror or any of the Acquiror Subsidiaries or for which Acquiror or any of the Acquiror Subsidiaries could have any Liability;
- (d) "**Acquiror Board**" means the board of directors of Acquiror (other than Serafino Iacono, Miguel de la Campa and Jorge Neher);
- (e) "**Acquiror Consideration Warrants**" means warrants of Acquiror issued under the Acquiror Warrant Indenture, having an exercise price of \$2.60 per Acquiror Share and an expiration date of August 24, 2015, in exchange for Newco Warrants exchanged under the Arrangement;
- (f) "**Acquiror Disclosure Letter**" means the letter dated as of the date of the Agreement, delivered by Acquiror to Target pursuant to section 3.4 in the form accepted by and initialled on behalf of Target with respect to certain matters in this Agreement;
- (g) "**Acquiror Documents**" shall have the meaning ascribed thereto in subsection 3.2(cc);
- (h) "**Acquiror Financial Statements**" shall have the meaning ascribed thereto in subsection 3.2(k);
- (i) "**Acquiror Management Parties**" means the Persons who are directors or officers of the Acquiror;
- (j) "**Acquiror Meeting**" means the annual and special meeting, including any adjournments or postponements thereof, of the Acquiror Shareholders to be held to consider, among other things, and, if deemed advisable, to approve the Acquiror Resolution;

- (k) **"Acquiror Mineral Rights"** shall have the meaning ascribed thereto in subsection 3.2(n)(i);
- (l) **"Acquiror Options"** means the outstanding options, as at April 12, 2011 to purchase an aggregate of 22,225,000 Acquiror Shares including those issued pursuant to the Acquiror Stock Option Plan;
- (m) **"Acquiror Property"** shall have the meaning ascribed thereto in subsection 3.2(n)(i);
- (n) **"Acquiror Resolution"** means the ordinary resolution of Acquiror Shareholders approving the issuance of Acquiror Shares pursuant to the Arrangement;
- (o) **"Acquiror Shareholders"** means, at any time, the holders of Acquiror Shares;
- (p) **"Acquiror Shares"** means the common shares in the capital of Acquiror;
- (q) **"Acquiror Stock Option Plan"** means the Stock Option Plan of Acquiror dated July 6, 2010, as amended;
- (r) **"Acquiror Subsidiaries"** means collectively, the Subsidiary corporations of Acquiror, as listed in Schedule "C" attached hereto;
- (s) **"Acquiror Superior Proposal"** means any *bona fide* written proposal, other than the Arrangement, by a third party, directly or indirectly, to acquire all or substantially all of the assets of Acquiror (on a consolidated basis) or more than 50% of the Acquiror Shares, whether by way of merger, amalgamation, arrangement, share exchange, take-over bid, recapitalization, sale of assets or otherwise, and that the Acquiror Board determines in its good faith (based upon the written advice from its financial advisors and outside legal counsel): (i) is reasonably capable of being completed without undue delay, taking into account all legal, financial, regulatory and other aspects of such proposal and the party making such proposal; (ii) is fully financed or is reasonably capable of being fully financed; and (iii) would, if consummated in accordance with its terms, result in a transaction more favourable to Acquiror Shareholders from a financial point of view than the terms of the Arrangement (including any adjustment to such terms proposed by Target as contemplated by section 6.4(b));
- (t) **"Acquiror Support Agreement"** means the Voting Support and Standstill Agreement in the form provided to Acquiror concurrently with the date hereof;
- (u) **"Acquiror Termination Payment"** shall have the meaning ascribed thereto in section 6.6;
- (v) **"Acquiror Warrant Indenture"** means the warrant indenture dated August 20, 2010 between Acquiror and the Warrant Agent providing for the issuance of common share purchase warrants of Acquiror, and any supplemental indenture thereto;
- (w) **"Acquiror Warrants"** means the outstanding warrants of Acquiror as at April 13, 2011 being, collectively, the outstanding warrants to purchase an aggregate of 85,937,493 Acquiror Shares at \$2.60 per Acquiror Share expiring August 24, 2015 issued pursuant to the Acquiror Warrant Indenture and the warrants issuable pursuant to broker options issued August 24, 2010 expiring August 24, 2012, to purchase an aggregate of 5,156,250 Acquiror Shares at \$2.60 per Acquiror Share expiring August 24, 2012;

- (x) "**affiliate**" has the meaning ascribed thereto in the Canadian Securities Administrators' National Instrument 45-106, *Prospectus and Registration Exemptions*;
- (y) "**Agreement**" means this arrangement agreement, together with the schedules attached hereto, as amended, amended and restated or supplemented from time to time;
- (z) "**Amalco**" means the corporation resulting from the amalgamation of Target and Newco pursuant to the Arrangement;
- (aa) "**Amalco Shares**" means the common shares in the capital of Amalco;
- (bb) "**Arrangement**" means an arrangement pursuant to Section 195 of the YBCA on the terms and conditions set forth in the Plan of Arrangement, subject to any amendment or supplement thereto made in accordance therewith, herewith or made at the direction of the Court either in the Interim Order or Final Order;
- (cc) "**Authorization**" means any authorization, order, permit, approval, grant, licence, registration, consent, right, notification, condition, franchise, privilege, certificate, judgment, writ, injunction, award, determination, direction, decision, decree, bylaw, rule or regulation, whether or not have the force of Laws, and includes any Environmental Approval;
- (dd) "**Back-In Right**" shall have the meaning ascribed thereto in the Exploration, Development and Mine Operating Agreement and Shareholders Venture Agreement made among Target, Gran Colombia Gold, S.A. and Zandor Capital, S.A. dated August 19, 2010;
- (ee) "**BCBCA**" means the *Business Corporations Act* (British Columbia);
- (ff) "**Budget**" means the operating and capital budget for 2011 calendar year as approved by the Target Board a copy of which has been attached to the Target Disclosure Letter;
- (gg) "**Business Day**" means any day, other than a Saturday, a Sunday or a statutory holiday in Toronto, Ontario, Vancouver, British Columbia or Whitehorse, Yukon;
- (hh) "**Canadian GAAP**" means accounting principles generally accepted in Canada;
- (ii) "**CGL Arrangement Agreement**" means the arrangement agreement dated June 5, 2009, as amended on July 2, 2009 and as further amended on August 10, 2009 between Target and Colombia Goldfields Ltd. pursuant to which Target acquired all of the issued and outstanding securities of Colombia Goldfields Ltd. pursuant to a statutory plan of arrangement under the YBCA;
- (jj) "**CGL Warrant Indenture**" means the warrant indenture dated October 30, 2009 as amended by a supplemental warrant indenture dated December 22, 2010 between Target and the Warrant Agent providing for the issuance of common share purchase warrants of Target;
- (kk) "**Change in Acquiror Recommendation**" shall have the meaning ascribed thereto in subsection 4.2(b)(ii);

- (ll) "**Change in Target Recommendation**" shall have the meaning ascribed thereto in subsection 4.1(b)(iii);
- (mm) "**Claims**" means claims of any nature or kind whatsoever against the Target Shares, Target Options or Target Warrants, as the case may be, including without limitation encumbrances, charges, liens, security interests, trust claims or any other claims in equity, at law or otherwise.
- (nn) "**Code**" means the *United States Internal Revenue Code of 1986*, as amended;
- (oo) "**Completion Deadline**" means the latest date by which the transactions contemplated by this Agreement are to be completed, which date shall be July 31, 2011;
- (pp) "**Confidentiality Agreements**" means the confidentiality agreements dated April 5, 2011 between Acquiror and Target;
- (qq) "**Court**" means the Supreme Court of Yukon;
- (rr) "**disclosed by Acquiror**" means disclosed by Acquiror in its Public Record since January 1, 2008 to the date hereof or disclosed in the Acquiror Disclosure Letter;
- (ss) "**disclosed by Target**" means disclosed by Target in its Public Record since January 1, 2008 to the date hereof or disclosed in the Target Disclosure Letter;
- (tt) "**Dissent Rights**" means the rights of dissent in respect of the Arrangement described in Article 4 of the Plan of Arrangement;
- (uu) "**Effective Date**" means the Effective Date as defined in the Plan of Arrangement;
- (vv) "**Effective Time**" means the Effective Time as defined in the Plan of Arrangement;
- (ww) "**Encumbrance**" means any mortgage, pledge, assignment, charge, lien, claim, security interest, adverse interest, other third Person interest or encumbrance of any kind, whether contingent or absolute, and any agreement, option, right or privilege (whether by law, contract or otherwise) capable of becoming any of the foregoing;
- (xx) "**Environmental Approvals**" means all permits, certificates, licences, authorizations, consents, instructions, registrations, directions or approvals issued or required by any Governmental Entity pursuant to any Environmental Laws;
- (yy) "**Environmental Laws**" means all applicable Laws, including applicable common law, relating to the protection of the environment and employee and public health and safety, and includes Environmental Approvals;
- (zz) "**Exchange Share Ratio**" shall have the meaning ascribed thereto in subsection 3.1(a) of the Plan of Arrangement;
- (aaa) "**Exchange Warrant Ratio**" shall have the meaning ascribed thereto in subsection 3.1(a) of the Plan of Arrangement;
- (bbb) "**Exchanged Acquiror Option**" shall have the meaning ascribed thereto in subsection 3.1(c)(vi) of the Plan of Arrangement;

- (ccc) **"Exchanged Acquiror Warrant"** shall have the meaning ascribed thereto in subsection 3.1(c)(vii) of the Plan of Arrangement;
- (ddd) **"Exchanged Special Acquiror Warrant"** shall have the meaning ascribed thereto in subsection 3.1(c)(viii) of the Plan of Arrangement;
- (eee) **"Final Order"** means the order of the Court pursuant to Section 195 of the YBCA approving the Arrangement, as such order may be amended at any time prior to the Effective Date or, if appealed, then unless such appeal is withdrawn or denied, as affirmed or as amended on appeal;
- (fff) **"Foreign Antitrust Clearance"** means the Authorization to complete any of the transactions in this Agreement that is contemplated in subsections 4.3(a) and (b);
- (ggg) **"Governmental Entity"** means any applicable: (i) multinational, federal, provincial, territorial, state, regional, municipal, local or other government, governmental or public department, central bank, court, tribunal, arbitral body, commission, board, bureau or agency, whether domestic or foreign; (ii) any subdivision, agency, commission, board or authority of any of the foregoing; or (iii) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing;
- (hhh) **"IFRS"** means International Financial Reporting Standards;
- (iii) **"In the Money Amount"** means, in respect of a stock option or share purchase warrant, at any time, the amount, if any, by which the aggregate market value at that time of the securities subject to the option or warrant exceeds the aggregate exercise price under the option or warrant;
- (jjj) **"including"** means including, without limitation;
- (kkk) **"Intellectual Property"** means, with respect to a Person, all registered patents, copyrights, trade-marks, trade-names, service marks, logos, commercial symbols and industrial designs, (including applications for all of the foregoing, and renewals, divisions, extensions and reissues, where applicable, relating thereto) owned by or licensed to the Person or its Subsidiaries;
- (lll) **"Interim Order"** means the interim order of the Court to be obtained by Target, as such order may be amended, pursuant to Section 195 of the YBCA, in connection with the Target Meeting and the Arrangement;
- (mmm) **"Internal Revenue Service"** means the United States Internal Revenue Service;
- (nnn) **"Joint Information Circular"** means the joint management information circular to be prepared by Acquiror and Target in respect of the Acquiror Meeting and the Target Meeting;
- (ooo) **"Laws"** means all laws, by-laws, rules, regulations, orders, ordinances, protocols, codes, guidelines, instruments, policies, notices, directions and judgments or other requirements of any Governmental Entity;

- (ppp) "**Liability**" of any Person shall mean and include: (i) any right against such Person to payment, whether or not such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured; (ii) any right against such Person to an equitable remedy for breach of performance if such breach gives rise to a right to payment, whether or not such right to any equitable remedy is reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured or unsecured; and (iii) any obligation of such Person for the performance of any covenant or agreement (whether for the payment of money or otherwise);
- (qqq) "**Material Adverse Change**" means, in respect of Acquiror or Target, any one or more changes, events or occurrences, and "**Material Adverse Effect**" means, in respect of Acquiror or Target, any state of facts, which, in either case, either individually or in the aggregate, are, or would reasonably be expected to be, material and adverse to the business, operations, results of operations, assets, Liabilities, financial condition or continued ownership, development and operation its properties, of Acquiror and the Acquiror Subsidiaries, or Target and the Target Subsidiaries, respectively, on a consolidated basis, other than any change, effect, event or occurrence: (i) relating to the global economy or securities or commodities markets in general; (ii) affecting the worldwide gold mining industry in general and which does not have a materially disproportionate effect on Acquiror and the Acquiror Subsidiaries on a consolidated basis, or Target and the Target Subsidiaries on a consolidated basis, respectively; (iii) resulting from changes in the price of gold; (iv) relating to the rate at which Canadian dollars can be exchanged for United States dollars or any relevant foreign currency or *vice versa*; or (v) resulting from the announcement of this Agreement, the pendency of the transactions contemplated herein or compliance with the covenants herein or the satisfaction of the conditions herein; and references in this Agreement to dollar amounts are not intended to be, and shall not be deemed to be, interpretive of the amount used for the purpose of determining whether a "Material Adverse Change" has occurred or whether a state of facts exists that has or could have a "Material Adverse Effect" and such defined terms and all other references to materiality in this Agreement shall be interpreted without reference to any such amounts;
- (rrr) "**Newco**" shall have the meaning ascribed thereto in section 2.6;
- (sss) "**Newco Class A Shares**" means Class A Common Shares in the capital of Newco;
- (ttt) "**Newco Class B Shares**" means Class B Common Shares in the capital of Newco;
- (uuu) "**Newco Warrant**" means a warrant of Newco entitling the holder to purchase one (1) Newco Class A Share for \$2.60 and expiring on August 24, 2015;
- (vvv) "**NI 43-101**" means Canadian Securities Administrators National Instrument 43-101, *Standards of Disclosure for Mineral Projects*;
- (www) "**Pending Target Acquisition Proposal**" shall have the meaning ascribed thereto in subsection 6.5(d);
- (xxx) "**Person**" means an individual, partnership, association, body corporate, trustee, executor, administrator, legal representative, government (including any Governmental Entity) or any other entity, whether or not having legal status;

- (yyy) "**PFIC**" shall have the meaning ascribed thereto in subsection 3.2(x)(xii);
- (zzz) "**Plan of Arrangement**" means a Plan of Arrangement substantially in the form and content of Schedule "A" attached hereto and any amendment or variation thereto made in accordance with section 6.1 of the Plan of Arrangement or section 7.1;
- (aaaa) "**Public Record**" means all documents and other information filed and available to the public on SEDAR;
- (bbbb) "**Registrar**" means the Registrar of Corporations as provided under the YBCA;
- (cccc) "**Securities Authorities**" means collectively, the Yukon Superintendent of Securities, the British Columbia Securities Commission and the other securities regulatory authorities in the provinces and territories of Canada;
- (dddd) "**SEDAR**" means the System for Electronic Document Analysis and Retrieval;
- (eeee) "**Subsidiary**" has that meaning as set out in Section 2(4) of the YBCA or the *Securities Act* (British Columbia), as the context requires and "**Subsidiaries**" means more than one Subsidiary;
- (ffff) "**Target**" means Medoro Resources Ltd., a corporation existing under the YBCA;
- (gggg) "**Target Acquisition Proposal**" means any *bona fide* written proposal, other than from Acquiror or an Acquiror Subsidiary, directly or indirectly, to acquire all or substantially all of the assets of Target (on a consolidated basis) or more than 50% of the Target Shares whether by way of merger, amalgamation, statutory arrangement, recapitalization, take-over bid, sale of material assets (or any lease, long-term supply agreement or other arrangement having the same economic effect as a sale of material assets), liquidation, winding-up, sale or redemption of a material number of shares or rights or interests therein or thereto or similar transactions involving Target and/or the Target Subsidiaries, or a written proposal to do so, excluding the Arrangement;
- (hhhh) "**Target Benefit Plan**" means any pension or retirement income loans or other employee compensation, other than equity-based or security-based compensation arrangements, or benefit plans, agreements, policies, programs, arrangements or practices, whether written or oral, which are maintained by or binding upon Target or any of the Target Subsidiaries or for which Target or any of the Target Subsidiaries could have any Liability;
- (iiii) "**Target Board**" means the board of directors of Target other than Serafino Iacono and Miguel de la Campa;
- (jjjj) "**Target Disclosure Letter**" means the letter dated as of the date of this Agreement, delivered by Target to Acquiror pursuant to section 3.3 of this Agreement in the form accepted by and initialled on behalf of Acquiror with respect to certain matters in this Agreement;
- (kkkk) "**Target Documents**" shall have the meaning ascribed thereto in subsection 3.1(cc);
- (llll) "**Target Financial Statements**" shall have the meaning ascribed thereto in subsection 3.1(k);

- (mmmm) **"Target Management Parties"** means the directors and officers of Target;
- (nnnn) **"Target Meeting"** means the annual and special meeting, including any adjournments or postponements thereof, of the Target Shareholders and Target Securityholders to be held to consider, among other things, and, if deemed advisable, to approve the Target Resolution;
- (oooo) **"Target Mineral Rights"** means Target's mineral interests and rights (including any mineral claims, mining claims, concessions, exploration licences, exploitation licences, prospecting permits, mining leases and mining rights, in each case, either existing under contract, by operation of Laws or otherwise) in the Target Property;
- (pppp) **"Target November 2009 Warrant Indenture"** means the common share purchase warrant indenture dated November 3, 2009 (as amended and restated by a supplemental warrant indenture dated December 22, 2010) between Target and the Warrant Agent providing for the issuance of the Target November 2009 Warrants;
- (qqqq) **"Target November 2009 Warrants"** means the outstanding listed warrants to purchase an aggregate of 21,449,998 Target Shares at a price of \$3.75 per Target Share expiring on November 3, 2011 issued pursuant to the Target November 2009 Warrant Indenture;
- (rrrr) **"Target Options"** means those options set out in Schedule "D" attached hereto;
- (ssss) **"Target Property"** means the mining properties and rights of Target located in the Republic of Colombia, mainly comprising of the Marmato Gold Project located approximately 80 km South of the regional capital city of Medellin, in the Department of Antioquia, Colombia;
- (tttt) **"Target Public Documents"** means documents concerning Target filed on or before the date hereof (and which continue to be available) on SEDAR;
- (uuuu) **"Target Resolution"** means the special resolution of Target Securityholders approving the Arrangement, the Plan of Arrangement and this Agreement;
- (vvvv) **"Target Securityholder Approval"** shall have the meaning ascribed to such term in subsection 2.5(a)(iii);
- (www) **"Target Securityholders"** means the holders of Target Shares, Target Options and Target Warrants;
- (xxxx) **"Target Share Warrants"** means the outstanding common share purchase warrants of Target as at April 12, 2011 being: (i) the outstanding warrants to purchase an aggregate of 5,873,334 Target Shares at a price of \$1.50 per Target Share expiring on July 22, 2011 issued pursuant to a brokered private placement of 34,500,000 units of Target consisting of Target Shares and common share purchase warrants of Target, which closed on July 22, 2009; (ii) the outstanding warrants to purchase an aggregate of 352,298 Target Shares at a price of \$1.50 per Target Share expiring on October 30, 2011 issued pursuant to the CGL Warrant Indenture; and (iii) Target November 2009 Warrants;
- (yyyy) **"Target Shareholders"** means at any time, the holders of Target Shares;
- (zzzz) **"Target Shares"** means the common shares in the capital of Target;

- (aaaaa) "**Target Special Warrants**" means warrants of Target exercisable into units outstanding as at April 12, 2011 being: (i) the 1,527,537 outstanding warrants exercisable at \$6.00 per warrant expiring on December 28, 2012 to purchase an aggregate of 513,253 Target Shares and an aggregate of 16,498 Underlying Target Warrants; and (ii) the 3,722,333 outstanding warrants exercisable at U.S.\$4.50 per warrant expiring on June 18, 2013 to purchase an aggregate of 1,250,704 Target Shares and an aggregate of 40,202 Underlying Target Warrants;
- (bbbbb) "**Target Stock Option Plan**" means the Stock Option Plan of Target dated February 24, 2004, as amended;
- (ccccc) "**Target Subsidiaries**" means, collectively, the Subsidiary corporations of Target, as listed in Schedule "B" attached hereto;
- (ddddd) "**Target Superior Proposal**" means any *bona fide* written proposal, other than the Arrangement, by a third party, directly or indirectly, to acquire all or substantially all of the assets of Target (on a consolidated basis) or more than 50% of the Target Shares, whether by way of merger, amalgamation, arrangement, share exchange, take-over bid, recapitalization, sale of assets or otherwise, and that the Target Board determines in its good faith (based upon the written advice from its financial advisors and outside legal counsel): (i) is reasonably capable of being completed without undue delay, taking into account all legal, financial, regulatory and other aspects of such proposal and the party making such proposal; (ii) is fully financed or is reasonably capable of being fully financed; and (iii) would, if consummated in accordance with its terms, result in a transaction more favourable to Target Shareholders from a financial point of view than the terms of the Arrangement (including any adjustment to such terms proposed by Acquiror as contemplated by section 6.2 hereof);
- (eeeeee) "**Target Support Agreement**" means the Voting Support and Standstill Agreement in the form provided to Target concurrently with the date hereof;
- (fffff) "**Target Termination Payment**" shall have the meaning ascribed thereto in section 6.5;
- (ggggg) "**Target Warrants**" means the outstanding Target Share Warrants, Target Special Warrants and the Underlying Target Warrants;
- (hhhhh) "**Tax**" and "**Taxes**" means all taxes, assessments, charges, dues, duties, rates, fees, imposts, levies and similar charges of any kind lawfully levied, assessed or imposed by any Governmental Entity, including all income taxes (including any tax on or based upon net income, gross income, income as specially defined, earnings, profits or selected items of income, earnings or profits) and all capital taxes, gross receipts taxes, environmental taxes, sales taxes, use taxes, ad valorem taxes, value added taxes, transfer taxes (including, without limitation, taxes relating to the transfer of interests in real property or entities holding interests therein), franchise taxes, license taxes, withholding taxes, payroll taxes, employment taxes, Canada or Quebec Pension Plan premiums, excise, severance, social security, workers' compensation, employment insurance or compensation taxes or premium, stamp taxes, occupation taxes, premium taxes, property taxes, windfall profits taxes, alternative or add-on minimum taxes, goods and services tax, customs duties or other taxes, fees, imports, assessments or charges of any kind whatsoever, together with any interest and any penalties or additional amounts imposed

by any Governmental Entity on such entity, and any interest, penalties, additional taxes and additions to tax imposed with respect to the foregoing;

- (iiii) "**Tax Act**" means the *Income Tax Act* (Canada), as amended and the regulations thereunder, as amended;
- (jjjj) "**Tax Returns**" means all returns, schedules, elections, declarations, reports, information returns, notices, forms, statements and other documents made, prepared or filed with any taxing authority or required to be made, prepared or filed with any taxing authority relating to Taxes;
- (kkkk) "**TSX**" means the Toronto Stock Exchange;
- (llll) "**Underlying Acquiror Warrants**" means warrants of Acquiror exercisable into Acquiror Shares as provided in subsection 3.1(c)(viii)(B) of the Plan of Arrangement;
- (mmmm) "**Underlying Target Warrants**" means the common share purchase warrants assumed by Target pursuant to the CGL Arrangement Agreement;
- (nnnn) "**Warrant Agent**" means Equity Financial Trust Company, formerly named Equity Transfer & Trust Company;
- (oooo) "**YBCA**" means the *Business Corporations Act* (Yukon);
- (pppp) "**1933 Act**" means the *Securities Act of 1933*, as amended, of the United States of America, and the rules and regulations promulgated from time to time thereunder;
- (qqqq) "**1934 Act**" means the *Securities Exchange Act of 1934*, as amended, of the United States of America, and the rules and regulations promulgated from time to time thereunder; and
- (rrrr) "**1940 Act**" means the *Investment Company Act of 1940*, as amended, of the United States of America, and the rules and regulations promulgated from time to time thereunder.

In addition, words and phrases used herein and defined in the YBCA shall have the same meaning herein as in the YBCA unless the context otherwise requires.

1.2 Interpretation Not Affected by Headings

The division of this Agreement into articles, sections, subsections, paragraphs and subparagraphs and the insertion of headings herein are for convenience of reference only and shall not affect in any way the meaning or interpretation of this Agreement. The terms "this Agreement", "hereof", "herein", "hereto", "hereunder" and similar expressions refer to this Agreement and the schedules attached hereto and not to any particular article, section or other portion hereof and include any agreement, schedule or instrument supplementary or ancillary hereto or thereto.

1.3 Number and Gender

In this Agreement, unless the context otherwise requires, words importing the singular only shall include the plural and *vice versa*, words importing the use of either gender shall include both genders and neuter.

1.4 Date for any Action

If the date on which any action is required to be taken hereunder by any party hereto is not a Business Day, such action shall be required to be taken on the next succeeding day that is a Business Day.

1.5 Statutory References

Any reference in this Agreement to a statute includes all regulations and rules made thereunder, all amendments to such statute or regulation in force from time to time and any statute or regulation that supplements or supersedes such statute or regulation.

1.6 Currency

Unless otherwise stated, all references in this Agreement to amounts of money are expressed in lawful money of Canada.

1.7 Invalidity of Provisions

Each of the provisions contained in this Agreement is distinct and severable and a declaration of invalidity or unenforceability of any such provision or part thereof by a court of competent jurisdiction shall not affect the validity or enforceability of any other provision hereof. To the extent permitted by applicable Laws, the Parties hereto waive any provision of Law that renders any provision of this Agreement or any part thereof invalid or unenforceable in any respect. The Parties hereto will engage in good faith negotiations to replace any provision hereof or any part thereof that is declared invalid or unenforceable with a valid and enforceable provision or part thereof, the economic effect of which approximates as much as possible the invalid or unenforceable provision or part thereof that it replaces.

1.8 Accounting Matters

Unless otherwise stated, all accounting terms used in this Agreement shall have the meanings attributable thereto under Canadian GAAP and all determinations of an accounting nature required to be made hereunder shall be made in a manner consistent with Canadian GAAP.

1.9 Knowledge

Where the phrases "to the knowledge of Acquiror" or "to Acquiror's knowledge" or "to the knowledge of Target" or "to Target's knowledge" are used in respect of Acquiror, the Acquiror Subsidiaries, Target or the Target Subsidiaries, such phrase shall mean, in respect of each representation and warranty or other statement which is qualified by such phrase, that such representation and warranty or other statement is being made based upon: (a) in the case of Acquiror and the Acquiror Subsidiaries, the collective actual knowledge of those officers of Acquiror and the Acquiror Subsidiaries set forth in the Acquiror Disclosure Letter; and (b) in the case of Target and the Target Subsidiaries, the collective actual knowledge of those officers of Target and the Target Subsidiaries set forth in the Target Disclosure Letter.

1.10 Meaning of Certain Phrase

In this Agreement the phrase "in the ordinary and regular course of business" shall mean and refer to those activities that are normally conducted by corporations engaged in the exploration for gold deposits and in the development and production of such deposits.

1.11 Schedules

The following schedules are attached to, and are deemed to be incorporated into and form part of, this Agreement:

<u>Schedule</u>	<u>Matter</u>
A	Plan of Arrangement
B	Description of Target Subsidiaries
C	Description of Acquiror Subsidiaries
D	Description of Target Options
E	Form of Target Resolution
F	Form of Acquiror Resolution

ARTICLE 2 THE ARRANGEMENT

2.1 Arrangement

Subject to the satisfaction of the terms and conditions of this Agreement and the Plan of Arrangement, and in accordance with the applicable provisions of the constating documents of Target, Acquiror and Newco and the provisions of the YBCA, applicable securities legislation, the Interim Order, and the Final Order at the Effective Time the Parties agree to implement the Plan of Arrangement.

Each outstanding Target Share held by a holder who has validly exercised its Dissent Rights and who is ultimately entitled to be paid fair value for the holder's Target Shares shall be cancelled and the certificate representing the former Target Shares shall represent only the right to receive the payment to which the holder is entitled therefor under the Dissent Rights.

2.2 Effective Time

The Arrangement shall become effective at the Effective Time.

2.3 Board of Directors

- (a) The Acquiror Board shall, as of the Effective Time, reconstitute itself such that it shall be comprised of Jose Francisco Arata, Maria Consuelo Araujo, Miguel de la Campa, Robert Hines, Serafino Iacono, Ricardo Lozano, Jorge Neher, Ronald Pantin, Stephen Wilkinson, Robert Doyle, Augusto Lopez, Randy Martin, Hernan Martinez, Robert Metcalfe, Courtney Neeb Brewer and Jaime Perez Branger; and
- (b) as of the Effective Time, the Acquiror Board shall be co-chaired by Serafino Iacono and Miguel de la Campa.

2.4 Consultation

- (a) Acquiror and Target shall each publicly announce the transactions contemplated hereby promptly following the execution of this Agreement by Acquiror and Target by joint press release, the text and timing of such announcement to be approved by each Party in advance, acting reasonably. Acquiror and Target agree to co-operate in the preparation of presentations, if any, to Target Shareholders or the Acquiror Shareholders regarding the transactions contemplated by this Agreement.

- (b) Acquiror and Target will consult with the other in respect to issuing any press release or otherwise making any public statement with respect to this Agreement or the Arrangement its business or operations and in making any filing with any Governmental Entity, Securities Authority or stock exchange with respect thereto. Each of Acquiror and Target shall use its commercially reasonable best efforts to enable the other of them to review and comment on all such press releases, public statements and filings prior to the release or filing, respectively, thereof, provided, however, that the obligations herein will not prevent a Party from making, after consultation with the other Party, such disclosure as is required by applicable Laws or the rules and policies of any applicable stock exchange. Reasonable consideration shall be given to any comments made by the other Party and its counsel.

2.5 Court Proceedings

Target shall apply to the Court pursuant to Section 195 of the YBCA for the Interim Order and Final Order as follows:

- (a) As soon as is reasonably practicable after the date hereof, Target shall file, proceed with and diligently prosecute an application to the Court for an Interim Order which shall request that the Interim Order shall provide:
 - (i) for the calling and holding of the Target Meeting for the purpose of considering and, if deemed advisable, approving the Arrangement;
 - (ii) for the class of Persons to whom notice is to be provided in respect of the Arrangement and the Target Meeting and for the manner in which such notice is to be provided;
 - (iii) that the requisite approval for the Target Resolution shall be 66 2/3% of the votes cast on the Target Resolution by the Target Securityholders present in person or by proxy at the Target Meeting voting together as a single class (the "**Target Securityholder Approval**") as modified by the Interim Order;
 - (iv) that, except as modified by the Interim Order, in all other respects, the terms, conditions and restrictions of the Target's constating documents, including quorum requirements and other matters, shall apply in respect of the Target Meeting;
 - (v) for the grant of the Dissent Rights;
 - (vi) for notice requirements with respect to the presentation of the application to the Court for the Final Order;
 - (vii) that the Target Meeting may be adjourned from time to time by management of Target without the need for additional approval of the Court;
 - (viii) that the record date for Target Securityholders entitled to notice of and to vote at the Target Meeting will not change in respect of any adjournment(s) of the Target Meeting or any other change; and

- (b) subject to obtaining the approvals as contemplated by the Interim Order and as may be directed by the Court in the Interim Order, take all steps necessary or desirable to submit the Arrangement to the Court and to apply for the Final Order.

In such notice of motion, Target will inform the Court that upon the approval of the Arrangement by the Target Securityholders at the Target Meeting, and subsequently by the Court, such court approval would be relied upon by Target and Acquiror as an approval of the Arrangement for the purpose of qualifying the issuance of the Acquiror Shares, Acquiror Consideration Warrants, Newco Class A Shares (which shall be exchanged for Acquiror Shares upon the Amalgamation), Newco Warrants (which shall be exchanged for Acquiror Consideration Warrants upon the Amalgamation), Exchanged Acquiror Warrants, Exchanged Special Acquiror Warrants, Underlying Acquiror Warrants and Exchanged Acquiror Options pursuant to the Arrangement for an exemption from registration under the 1933 Act pursuant to Section 3(a)(10) thereunder.

The notices of motion and related materials for the applications referred to in this section shall be in a form satisfactory to Target and Acquiror, each acting reasonably.

2.6 Newco

Prior to making the application to the Court for the Interim Order, Acquiror shall cause a new corporation to be incorporated under the YBCA as a wholly-owned Subsidiary of Acquiror ("**Newco**"). Newco shall have the following provisions included in its Articles:

- (a) an unlimited number of class A common shares and an unlimited number of class B common shares;
- (b) no restrictions on business; and
- (c) no restrictions on transfer of securities.

2.7 Effecting the Arrangement

Subject to the rights of termination contained in Article 7 hereof, upon the Target Securityholder Approval being obtained in accordance with the Interim Order, Target obtaining the Final Order and the other conditions contained in Article 5 hereof being complied with or waived, Target and Newco shall, if necessary, file with the Registrar the Final Order and such other documents as may be required in order to effect the Arrangement.

2.8 Closing

The closing of the Arrangement will take place at the offices of Macleod Dixon LLP, Toronto, Ontario at 10:00 a.m. (Toronto time) on the Effective Date.

2.9 U.S. Tax Matters

The Arrangement is intended to qualify as a reorganization within the meaning of Section 368(a) of the Code and the treasury regulations promulgated thereunder, and this Agreement is intended to be a "plan of reorganization" within the meaning of the treasury regulations promulgated under Section 368 of the Code. Each Party hereto agrees to treat the Arrangement as a reorganization within the meaning of Section 368(a) of the Code for all U.S. federal income tax purposes, and agrees to treat this Agreement as a "plan of reorganization" within the meaning of the treasury regulations promulgated under Section 368 of the Code, and to not take any position on any Tax Return or otherwise take any Tax reporting position

inconsistent with such treatment, unless otherwise required by a "determination" within the meaning of Section 1313 of the Code that such treatment is not correct. Excluding the transactions contemplated by this Agreement and the Plan of Arrangement, no Party shall take any action, fail to take any action, cause any action to be taken or cause any action not to be taken that could reasonably be expected to prevent the Arrangement from qualifying as a "reorganization" within the meaning of Section 368(a)(1) of the Code with respect to Target and the Target Shareholders.

2.10 U.S. Securities Matters

The Parties intend that the issuance of Acquiror Shares, Acquiror Consideration Warrants, Newco Class A Shares, Newco Warrants, Exchanged Acquiror Warrants, Exchanged Special Acquiror Warrants, Underlying Acquiror Warrants and Exchanged Acquiror Options under the Arrangement qualifies in the United States for the exemption from registration provided by Section 3(a)(10) of the 1933 Act. Each Party agrees to act in good faith, consistent with the intent of the Parties and the intended treatment of the Arrangement set forth in this section 2.10.

ARTICLE 3 REPRESENTATIONS AND WARRANTIES

3.1 Representations and Warranties of Target

Target hereby represents and warrants to Acquiror and hereby acknowledges that Acquiror is relying upon such representations and warranties in connection with entering into this Agreement and agreeing to complete the Arrangement, as follows:

- (a) **Organization.** Target and each of the Target Subsidiaries has been incorporated, is validly subsisting and has full corporate and legal power and authority to own its property and assets and to conduct its business as currently owned and conducted. Target and each of the Target Subsidiaries is registered, licensed or otherwise qualified as an extra-provincial corporation or a foreign corporation in each jurisdiction where the nature of the business or the location or character of the property and assets owned or leased by it requires it to be so registered, licensed or otherwise qualified, other than those jurisdictions where the failure to be so registered, licensed or otherwise qualified would not have a Material Adverse Effect on Target.
- (b) **Capitalization and Listing.** Target is authorized to issue an unlimited number of Target Shares and an unlimited number of preference shares. As at April 12, 2011 there were: (i) 142,981,714 Target Shares outstanding; (ii) Target Options to acquire an aggregate of 10,612,994 Target Shares; (iii) Target Warrants to acquire an aggregate of 29,496,284 Target Shares; and (iv) no preference shares were issued and outstanding. Except for the Target Options and Target Warrants, and except pursuant to this Agreement and the transactions contemplated hereby, as of the date hereof, there are no options, warrants, conversion privileges or other rights, agreements, arrangements or commitments (pre-emptive, contingent or otherwise) obligating Target or any of the Target Subsidiaries to issue or sell any securities of or interest in Target or any of the Target Subsidiaries, from Target or any of the Target Subsidiaries. All issued and outstanding Target Shares have been authorized and are validly issued and outstanding as fully paid and non-assessable shares, free of pre-emptive rights. As of the date hereof, there are no outstanding bonds, debentures or other evidences of indebtedness of Target or any of the Target Subsidiaries having the right to vote with the Target Shareholders on any matter. There are no outstanding contractual obligations of Target or of any of the Target Subsidiaries to

repurchase, redeem or otherwise acquire any outstanding Target Shares or with respect to the voting or disposition of any outstanding Target Shares. None of Target and the Target Subsidiaries is party to any shareholder, pooling, voting trust or similar agreement relating to the issued and outstanding securities of Target or any of the Target Subsidiaries.

- (c) Authority. Target has all necessary power, authority and capacity to enter into this Agreement and all other agreements and instruments to be executed by Target as contemplated by this Agreement, and to perform its obligations hereunder and under such other agreements and instruments. The execution and delivery of this Agreement by Target and the completion by Target of the transactions contemplated by this Agreement have been authorized by the Target Board and, subject to obtaining the Target Securityholder Approval, the Interim Order and the Final Order in the manner contemplated herein, no other corporate proceedings on the part of Target are necessary to authorize this Agreement or to complete the transactions contemplated hereby other than in connection with the approval by the Target Board of the Joint Information Circular. This Agreement has been executed and delivered by Target and constitutes a legal, valid and binding obligation of Target, enforceable against Target in accordance with its terms, subject to bankruptcy, insolvency, reorganization, fraudulent transfer, moratorium and other applicable Laws relating to or affecting creditors' rights generally, and to general principles of equity. Except as disclosed by Target the execution and delivery by Target of this Agreement and the performance by Target of its obligations hereunder and the completion of the transactions contemplated hereby, do not and will not:
- (i) result in a violation, contravention or breach of or constitute a default under, or entitle any Person to terminate, accelerate, modify or call any obligations or rights under, require any consent to be obtained under or give rise to any termination rights under any provision of:
 - (A) the Articles or by-laws (or their equivalent) of Target or any of the Target Subsidiaries,
 - (B) any Laws or the rules or policies of the TSX, or
 - (C) any credit agreement, note, bond, mortgage, indenture, deed of trust, lease, franchise, concession, easement, contract, agreement, Authorization, the Target Mineral Rights or other instrument to which Target or any of the Target Subsidiaries is bound or is subject to or of which Target or any of the Target Subsidiaries is the beneficiary;in each case, which would, individually or in the aggregate, have a Material Adverse Effect on Target,
 - (ii) give rise to any right of termination or acceleration of indebtedness, or cause any indebtedness owing by Target or any of the Target Subsidiaries to come due before its stated maturity or cause any available credit to cease to be available which would, individually or in the aggregate, have a Material Adverse Effect on Target;

- (iii) result in the imposition of any Encumbrance upon any of the property or assets of Target or any of the Target Subsidiaries or give any Person the right to acquire any of Target's or any of the Target Subsidiaries' assets, or restrict, hinder, impair or limit the ability of Target or any of the Target Subsidiaries to conduct the business of Target or any of the Target Subsidiaries as and where it is now being conducted which would, individually or in the aggregate, have a Material Adverse Effect on Target; or
- (iv) result in or accelerate the time for payment or vesting of, or increase the amount of any severance, unemployment compensation, "golden parachute", bonus, termination payments or otherwise, becoming due to any director or officer of Target or any of the Target Subsidiaries or increase any benefits otherwise payable under any pension or benefits plan of Target or any of the Target Subsidiaries or result in the acceleration of the time of payment or vesting of any such benefits.

No consent, approval, order or Authorization of, or declaration or filing with, any Governmental Entity or other Person is required to be obtained by Target or any of the Target Subsidiaries in connection with the execution and delivery of this Agreement or the consummation by Target of the transactions contemplated hereby other than:

- (v) any approvals required by the Interim Order;
 - (vi) any approvals required by the Final Order;
 - (vii) filings required under the YBCA and referred to in the Target Disclosure Letter;
 - (viii) filings with and approvals required by the Securities Authorities and stock exchanges referred to in the Target Disclosure Letter;
 - (ix) compliance with and approvals required by the anti-trust authorities in the Republic of Colombia;
 - (x) any other consents, waivers, permits, orders or approvals referred to in the Target Disclosure Letter; and
 - (xi) any other consents, approvals, orders, authorizations, declarations or filings which, if not obtained, would not, individually or in the aggregate, have a Material Adverse Effect on Target.
- (d) Directors' Approvals. The Target Board has received an opinion from Fraser Mackenzie Limited, that the consideration to be received by Target Shareholders is fair, from a financial point of view and all of the directors of Target, except for Serafino Iacono and Miguel de la Campa who abstained from the applicable voting, have:
- (i) determined that the consideration to be received by Target Shareholders is fair and the Arrangement and entry into the Agreement is in the best interests of Target;
 - (ii) determined to recommend that the Target Securityholders vote in favour of the Target Resolution; and

- (iii) authorized the entering into of this Agreement, and the performance of Target's obligations hereunder.
- (e) Target Subsidiaries. The only Subsidiaries of Target are the Target Subsidiaries and Target does not own a direct or indirect voting or equity interest in any Person that is not one of the Target Subsidiaries other than Zandor Capital, S.A. and La Camara Mining Inc. and has no agreement or other commitment to acquire such interest. The authorized and issued securities of each Target Subsidiary are set out in the Target Disclosure Letter. All of the outstanding shares of the Target Subsidiaries are validly issued, fully paid and non-assessable and free of pre-emptive rights to the extent such concepts exists under applicable Laws. All of the outstanding shares of the Target Subsidiaries are owned, directly or indirectly, by Target. Except pursuant to restrictions on transfer contained in the Articles or by-laws (or their equivalent) of the applicable Subsidiary of Target, the outstanding shares of the Target Subsidiaries are owned free and clear of all Encumbrances and Target is not liable to any creditor in respect thereof.
- (f) No Defaults. None of Target and the Target Subsidiaries is in default under, and there exists no event, condition or occurrence which, after notice or lapse of time or both, would constitute a default by Target or any of the Target Subsidiaries under:
 - (i) its Articles or by-laws or equivalent organizational documents; or
 - (ii) any contract, agreement or licence that is material to the conduct of the business of Target or any of the Target Subsidiaries to which any of them is a party or by which any of them is bound that would, individually or in the aggregate, have a Material Adverse Effect on Target.
- (g) Company Authorizations. Target and the Target Subsidiaries have obtained all Authorizations necessary for the ownership, operation, development, maintenance, or use of the material assets of Target or the Target Subsidiaries or otherwise in connection with the material business or operations of Target or the Target Subsidiaries and such Authorizations are in full force and effect. Target and the Target Subsidiaries have fully complied with and are in compliance with all Authorizations, except, in each case, for such non-compliance which, individually or in the aggregate, would not have a Material Adverse Effect on Target. There is no action, investigation or proceeding pending or, to the knowledge of Target, threatened regarding any of the Authorizations. None of Target and the Target Subsidiaries has received any notice, whether written or oral, of revocation or non-renewal of any such Authorizations, or of any intention of any Person to revoke or refuse to renew any of such Authorizations, except in each case, for revocations or non-renewals which, individually or in the aggregate, would not have a Material Adverse Effect on Target and all such Authorizations continue to be effective in order for Target and the Target Subsidiaries to continue to conduct their respective businesses as they are currently being conducted. No Person other than Target or any of the Target Subsidiaries owns or has any proprietary, financial or other interest (direct or indirect) in any of the Authorizations.
- (h) Absence of Changes. Since December 31, 2010:
 - (i) Target and each of the Target Subsidiaries has conducted its business only in the ordinary and regular course of business consistent with past practice;

- (ii) none of Target and the Target Subsidiaries has incurred or suffered a Material Adverse Change or any event, circumstance or occurrence which has had or is reasonably likely to have a Material Adverse Effect;
 - (iii) there has not been any acquisition or sale by Target or any of the Target Subsidiaries of any material property or assets thereof;
 - (iv) other than in the ordinary and regular course of business consistent with past practice, there has not been, individually or in the aggregate, any incurrence, assumption or guarantee by Target or any of the Target Subsidiaries of: (A) any payment, Liability or obligation of any nature which has had or is reasonably likely to have a Material Adverse Effect on Target; (B) any debt for borrowed money; (C) any creation or assumption by Target or any of the Target Subsidiaries of any Encumbrance; (D) any making by Target or any of the Target Subsidiaries of any loan, advance or capital contribution to or investment in any other Person (other than (1) loans and advances in an aggregate amount that does not exceed \$100,000 outstanding at any time, and (2) loans made to other Target Subsidiaries); or (E) any entering into, amendment of, relinquishment, termination or non-renewal by Target or any of the Target Subsidiaries of any contract, agreement, licence, lease transaction, commitment or other right or obligation which has had or is reasonably likely to have a Material Adverse Effect on Target;
 - (v) Target has not declared or paid any dividends or made any other distribution on any of the Target Shares or made any redemption or other acquisition of Target Shares;
 - (vi) Target has not effected or passed any resolution to approve a split, consolidation or reclassification of any of the outstanding Target Shares;
 - (vii) other than in the ordinary and regular course of business consistent with past practice, there has not been any material increase in or modification of the compensation payable to or to become payable by Target or any of the Target Subsidiaries to any of their respective directors, officers, employees or consultants or any grant to any such director, officer, employee or consultant of any increase in severance or termination pay or any increase or modification of any bonus, pension, insurance or benefit arrangement (including, the granting of Target Options pursuant to the Target Stock Option Plan) made to, for or with any of such directors or officers;
 - (viii) Target has not effected any material change in its accounting methods, principles or practices; and
 - (ix) Target has not adopted any, or materially amended any, collective bargaining agreement, bonus, pension, profit sharing, stock purchase, stock option or other benefit plan or shareholder rights plan.
- (i) Material Contracts. Target and the Target Subsidiaries have performed in all material respects all their respective obligations required to be performed by them to date under the material contracts. Neither Target nor any of the Target Subsidiaries is in breach or default under any material contract to which it is a party or bound, nor does Target have

knowledge of any condition that with the passage of time or the giving of notice or both would result in such a breach or default, except in each case where any such breaches or defaults would not, individually or in the aggregate, reasonably be expected to result in, or result in, a Material Adverse Effect on Target. None of Target and the Target Subsidiaries knows of, or has received written notice of, any breach or default under (nor, to the knowledge of Target, does there exist any condition which with the passage of time or the giving of notice or both would result in such a breach or default under) any such material contract by any other party thereto except where any such violation or default would not, individually or in the aggregate, reasonably be expected to result in, or result in, a Material Adverse Effect on Target. Prior to the date hereof, Target has made available to Acquiror true and complete copies of all of the material contracts of Target. All contracts that are material to Target and the Target Subsidiaries, taken as a whole, are with Target or one of the Target Subsidiaries. All material contracts are legal, valid, binding and in full force and effect and are enforceable by Target (or one of the Target Subsidiaries, as the case may be) in accordance with their respective terms (subject to bankruptcy, insolvency and other applicable Laws affecting creditors' rights generally, and to general principles of equity) and are the product of fair and arms' length negotiations between the parties thereto.

(j) Employment Agreements.

- (i) None of Target and the Target Subsidiaries is a party to any written or oral policy, agreement, obligation or understanding providing for severance or termination payments to, or any employment or consulting agreement with, any director or officer of Target or any of the Target Subsidiaries that would be triggered by Target's entering into this Agreement or the completion of the Arrangement.
- (ii) None of Target and the Target Subsidiaries has any employee or consultant whose employment or contract with Target or one of the Target Subsidiaries cannot be terminated by Target or one of the Target Subsidiaries, as applicable.
- (iii) None of Target and the Target Subsidiaries: (A) is a party to any collective bargaining agreement; (B) is, to the knowledge of Target, subject to any application for certification or threatened or apparent union-organizing campaigns for employees not covered under a collective bargaining agreement; or (C) is subject to any current, or to the knowledge of Target, pending or threatened strike, lockout, slowdown or work stoppage.

(k) Financial Matters. The audited consolidated balance sheets, audited consolidated statements of earnings, audited consolidated statements of shareholders equity and audited consolidated statements of cash flows of Target for the financial years ended December 31, 2008, 2009 and 2010 (the "**Target Financial Statements**") were prepared in accordance with Canadian GAAP consistently applied, and fairly present in all material respects the consolidated financial condition of Target at the respective dates indicated and the results of operations of Target for the periods covered on a consolidated basis. As of the date hereof, neither Target nor any of the Target Subsidiaries has any Liability or obligation (including, without limitation, Liabilities or obligations to fund any operations or work or exploration program, to give any guarantees or for Taxes other than Taxes not yet due), whether accrued, absolute, contingent or otherwise, or any related party transactions or off-balance sheet transactions not reflected in the Target

Financial Statements of Target, except liabilities and obligations incurred in the ordinary and regular course of business (including the business of operating, developing, constructing and exploring Target's projects) since December 31, 2010, which liabilities or obligations would not reasonably be expected to have a Material Adverse Effect on Target.

The management of Target has established and maintained a system of disclosure controls and procedures designed to provide reasonable assurance that information required to be disclosed by Target in its annual filings, interim filings or other reports filed or submitted by it under the applicable Laws is recorded, processed, summarized and reported within the time periods specified in such Laws. Such disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed by Target in its annual filings, interim filings or other reports filed or submitted under the applicable Laws is accumulated and communicated to Target's management, including its chief executive officers and chief financial officers (or Persons performing similar functions), as appropriate to allow timely decisions regarding required disclosure.

Target maintains internal control over financial reporting. Such internal control over financial reporting is effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP and includes policies and procedures that: (A) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of Target and Target Subsidiaries; (B) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with Canadian GAAP, and that receipts and expenditures of Target and Target Subsidiaries are being made only with Authorizations of management and Target Board and Target Subsidiaries; and (C) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the assets of Target or any of the Target Subsidiaries that could have a material effect on Target's financial statements. To the knowledge of Target; (D) there are no material weaknesses in the design and implementation or maintenance of internal controls over financial reporting of Target that are reasonably likely to adversely affect the ability of Target to record, process, summarize and report financial information; and (E) there is no fraud, whether or not material, that involves management or other employees who have a significant role in the internal control over financial reporting of Target.

Since December 31, 2010, neither Target nor any of the Target Subsidiaries nor, to Target's knowledge, any director, officer, employee, auditor, accountant or representative of Target or any of the Target Subsidiaries has received or otherwise had or obtained knowledge of any complaint, allegation, assertion, or claim, whether written or oral, regarding the accounting or auditing practices, procedures, methodologies or methods of Target or any of the Target Subsidiaries or their respective internal accounting controls, including any complaint, allegation, assertion, or claim that Target or any of the Target Subsidiaries has engaged in questionable accounting or auditing practices, which has not been resolved to the satisfaction of the audit committee of the Target Board.

Target will be converting to IFRS for financial reporting purposes, and, to the knowledge of Target, the transition to IFRS will not result in any delay in the release of Target's financial results for any relevant period.

- (l) Books and Records. The corporate records and minute books of Target and the Target Subsidiaries have been maintained in accordance with all applicable Laws and are complete and accurate in all material respects. Financial books and records and accounts of Target and the Target Subsidiaries in all material respects: (i) have been maintained in accordance with good business practices on a basis consistent with prior years and past practice in accordance with Canadian GAAP and the accounting principles generally accepted in the country of domicile of such entity; (ii) are stated in reasonable detail and accurately and fairly reflect the transactions and acquisitions and dispositions of assets of Target and the Target Subsidiaries; and (iii) accurately and fairly reflect the basis for the Target Financial Statements.
- (m) Litigation. Except with respect to matters relating to the environment or Environmental Laws (which are addressed in subsection 3.1(w)), there is no claim, action, proceeding or investigation pending or in progress or, to the knowledge of Target, threatened against or relating to Target or any of the Target Subsidiaries or affecting any of their respective properties or assets before any Governmental Entity which individually or in the aggregate has, had, or could reasonably be expected to have, a Material Adverse Effect on Target or that would materially impede the consummation of the transactions contemplated by this Agreement. There is no bankruptcy, liquidation, winding-up or other similar proceeding pending or in progress, or, to the knowledge of Target, threatened against or relating to Target or any of the Target Subsidiaries before any Governmental Entity. None of Target and the Target Subsidiaries nor any of their respective properties or assets is subject to any outstanding judgment, order, writ, injunction or decree that involves or may involve, or restricts or may restrict the right or ability of Target or one of the Target Subsidiaries, as the case may be, to conduct its business in all material respects as it has been carried on prior to the date hereof, or that would materially impede the consummation of the transactions contemplated by this Agreement or have a Material Adverse Effect on Target.
- (n) Interest in Properties and Target Mineral Rights.
 - (i) The Target Property and the Target Mineral Rights are set out in the Target Disclosure Letter. Other than the Target Property and the Target Mineral Rights set out in Schedule 3.1(n)(i) of the Target Disclosure Letter, none of Target and the Target Subsidiaries, owns or has any interest in any material real property or any material mineral interests and rights.
 - (ii) Except as disclosed in the Target Public Documents, Target or one of the Target Subsidiaries is the sole legal and beneficial owner of all right, title and interest in and to the Target Property and the Target Mineral Rights, free and clear of any Encumbrances.
 - (iii) All of the Target Mineral Rights have been properly located and recorded and otherwise granted in compliance with applicable Laws and are comprised of valid and subsisting Target Mineral Rights.
 - (iv) To the knowledge of Target, the Target Property and the Target Mineral Rights are in good standing under applicable Laws and, to the knowledge of Target, all work required to be performed and filed in respect thereof has been performed and filed, all Taxes, rentals, fees, expenditures and other payments required to be

made in respect thereof have been paid or incurred and all filings in respect thereof have been made.

- (v) There are no material adverse claims against or challenge to the title to or ownership of the Target Property or any of the Target Mineral Rights which would reasonably be expected to have a Material Adverse Effect on Target.
- (vi) Target or a Subsidiary of Target has the exclusive right to deal with the Target Property and the Target Mineral Rights.
- (vii) Except as disclosed in the Target Public Documents, no Person other than Target and the Target Subsidiaries has any interest in the Target Property or any of the Target Mineral Rights or the production or profits therefrom or any royalty in respect thereof or any right to acquire any such interest.
- (viii) Except as disclosed in the Target Public Documents, there are no back-in rights, earn-in rights, purchase options, rights of first refusal or similar provisions or rights which would affect Target's or any of the Target Subsidiaries' interest in the Target Property or any of the Target Mineral Rights.
- (ix) There are no material restrictions on the ability of Target or any of the Target Subsidiaries to use, transfer or exploit the Target Property or any of the Target Mineral Rights, except pursuant to the applicable Laws.
- (x) None of Target and the Target Subsidiaries has received any notice, whether written or oral, from any Governmental Entity of any revocation or intention to revoke any interest of Target or any of the Target Subsidiaries in any of the Target Property or any of the Target Mineral Rights.
- (xi) Target and the Target Subsidiaries have all surface rights, including fee simple estates, leases, easements, rights of way and permits or licences operations from landowners or Governmental Entities permitting the use of land by Target and the Target Subsidiaries, and other interests that are required to exploit the development potential of the Target Property and the Target Mineral Rights as contemplated in Target Public Documents and no third party or group holds any such rights that would be required by Target to develop the Target Property or any of the Target Mineral Rights as contemplated in Target Public Documents.
- (xii) All mines located in or on the lands of Target or any of the Target Subsidiaries, or lands pooled or unitized or otherwise used in connection therewith, which have been abandoned by Target or any of the Target Subsidiaries, have been abandoned in accordance with good mining practices and in compliance with all applicable Laws, and all future abandonment, remediation and reclamation obligations known to Target as of the date hereof have been accurately set forth in Target Public Documents without omission of information necessary to make the disclosure not misleading.
- (o) Mineral Reserves and Resources. The proven and probable mineral reserves and mineral resources for Target Property and the Target Mineral Rights in which Target or any of the Target Subsidiaries holds an interest, as set forth in the Target Public Documents, were prepared in all material respects in accordance with sound mining, engineering,

geoscience and other applicable industry standards and practices, and in all material respects in accordance with all applicable Laws, including the requirements of NI 43-101. There has been no material reduction in the aggregate amount of estimated mineral reserves, estimated mineral resources or mineralized material of Target, any of the Target Subsidiaries, or any of their material joint ventures, taken as a whole, from the amounts set forth in the Target Public Documents. All information regarding the Target Property and the Target Mineral Rights, including all drill results, technical reports and studies, that are required to be disclosed by Laws, have been disclosed in the Target Public Documents.

- (p) Operational Matters. Except as would not, individually or in the aggregate, be reasonably expected to result in a Material Adverse Effect on Target:
- (i) all rentals, royalties, overriding royalty interests, production payments, net profits, interest burdens, payments and obligations due and payable, or performable, as the case may be, on or prior to the date hereof under, with respect to, or on account of, any direct or indirect assets of Target, any of the Target Subsidiaries and any of their material joint ventures, have been: (A) duly paid; (B) duly performed; or (C) provided for prior for the date hereof; and
 - (ii) all costs, expenses, and liabilities payable on or prior to the date hereof under the terms of any contracts and agreements to which Target or any of the Target Subsidiaries or any of their material joint ventures is directly or indirectly bound, have been properly and timely paid, except for such expenses that are being currently paid prior to delinquency in the ordinary course of business.
- (q) Other Operational Matters. Except as would not, individually or in the aggregate, be reasonably expected to have a Material Adverse Effect on Target and to the knowledge of Target:
- (i) any and all operations of Target and each of the Target Subsidiaries and, any and all operations by third parties, on or in respect of the assets and properties of Target and the Target Subsidiaries, have been conducted in accordance with reasonable and prudent international mining industry practices and in material compliance with applicable Laws; and
 - (ii) in respect of the assets and properties of each of Target and the Target Subsidiaries that are operated by it, if any, Target and the Target Subsidiaries hold all valid licences, permits and similar rights and privileges that are required and necessary under applicable Laws to operate the assets and properties of the Target and any of the Target Subsidiaries, as the case may be, as presently operated.
- (r) Marketing of Production.
- (i) Since (and including) December 31, 2010, all sales of gold, silver and other mineral products by Target or any of the Target Subsidiaries have been made on (and only on) the following basis:
 - (A) all such sales were spot sales to arm's length third party purchasers;

- (B) all such sales require or required payment by the purchasers in United States dollars no later than thirty (30) days from the date of delivery;
- (C) all such sales otherwise were on terms based on, and consistent with, good international industry practice; and
- (D) Target and the Target Subsidiaries have received or are entitled to receive the full sale price from the third party purchasers of such mineral products without any payment to or deduction in favour of any Person, and no purchaser has defaulted in any payment due in respect of any such sales;

and since (and including) December 31, 2010 none of the Target or any of the Target Subsidiaries is or was a party to or bound by, or incurred an obligation or Liability under or in respect of, any agreement or arrangement that is in substance an interest rate swaps, currency swaps or any other rate fixing agreement for a financial transaction or any call arrangement of any sort or any forward sale agreement for commodities or any other commodities hedging or speculation arrangements.

- (ii) None of Target or any of the Target Subsidiaries is obligated under any prepayment contract or other prepayment arrangement to deliver mineral products at some future time without then receiving full payment therefor.
- (s) Off Balance Sheet Transactions. None of Target or any of the Target Subsidiaries is party to or bound by any operating leases or any "off-balance-sheet" transactions or arrangements.
- (t) Title and Rights re: Other Assets. Target and the Target Subsidiaries, as applicable have good and valid title to all material properties and assets other than Target Properties and Target Mineral Rights (which are addressed elsewhere) reflected in the audited consolidated financial statements for the year ended December 31, 2010 (or acquired after that date) or as described in the annual information form dated March 29, 2011 of Target or valid leasehold or license interests in all material properties and assets not reflected in such financial statements but used by Target or any of the Target Subsidiaries, free and clear of all Encumbrances, and, except as disclosed in the Target Public Documents, there are no back-in rights, earn-in rights, purchase options, rights of first refusal or similar provisions or rights which would affect Target's or any of the Target Subsidiaries' interest in any of the foregoing-described material properties and assets.
- (u) Intellectual Property. Each of Target and the Target Subsidiaries owns or has the right to use all Intellectual Property required to carry on its business as currently conducted and proposed to be conducted. To the knowledge of Target, there has been no claim of infringement by any of Target or any of the Target Subsidiaries or breach by Target or any the Target Subsidiaries of any Intellectual Property rights or industrial rights of any other Person, and none of Target and the Target Subsidiaries has received any notice that the conduct of its business infringes on any Intellectual Property rights or industrial rights of any other Person.

- (v) Insurance. To the knowledge of Target, Target maintains policies of insurance in amounts and in respect of such risks as are normal and usual for companies of a similar size operating in the gold mining industry and such policies are in full force and effect as of the date hereof.
- (w) Environmental. Except to the extent that any violation or other matter referred to in this subsection does not, individually or in the aggregate, have a Material Adverse Effect on Target:
 - (i) Target and the Target Subsidiaries have been conducted in compliance with, and are not in violation of any, Environmental Laws;
 - (ii) Target and the Target Subsidiaries have operated their respective businesses at all times and have received, handled, used, stored, treated, shipped and disposed of all contaminants without violation of Environmental Laws;
 - (iii) there have been no spills, releases, deposits or discharges of hazardous or toxic substances, contaminants or wastes into the earth, air or into any body of water or any municipal or other sewer or drain water systems by Target or any of the Target Subsidiaries that have not been remedied in compliance with Environmental Laws;
 - (iv) no orders, directions or notices have been issued and remain outstanding pursuant to any Environmental Laws relating to the business or assets of Target or any of the Target Subsidiaries;
 - (v) neither Target nor any of the Target Subsidiaries has failed to report to the proper Governmental Entity, the occurrence of any event which is required to be so reported by any Environmental Laws;
 - (vi) to the knowledge of Target, Target and the Target Subsidiaries hold all licences, permits and approvals required under any Environmental Laws in connection with the operation of their respective businesses and the ownership and use of their respective assets, all such licences, permits and approvals are in full force and effect, and neither Target nor any of the Target Subsidiaries has received any notification pursuant to any Environmental Laws that any work, repairs, constructions or capital expenditures are required to be made by it as a condition of continued compliance with any Environmental Laws, or any licence, permit or approval issued pursuant thereto, or that any licence, permit or approval referred to above is about to be reviewed, made subject to limitation or conditions, revoked, withdrawn or terminated;
 - (vii) to the knowledge of Target, there are no changes in the status, terms or conditions of any Environmental Approvals held by Target or any of the Target Subsidiaries or any renewal, modification, revocation, reassurance, alteration, transfer or amendment of any such Environmental Approvals, or any review by, or approval of, any Governmental Entity of such Environmental Approvals that are required in connection with the execution or delivery of this Agreement, the consummation of the transactions contemplated herein or the continuation of the business of Target or any of the Target Subsidiaries following the Effective Date;

- (viii) to the knowledge of Target, Target and the Target Subsidiaries have made available to Acquiror all material audits, assessments, investigation reports, studies, plans, regulatory correspondence and similar information with respect to environmental matters; and
- (ix) to the knowledge of Target, none of Target and the Target Subsidiaries are subject to any past or present fact, condition or circumstance that could reasonably be expected to result in Liability under any Environmental Laws.
- (x) Tax Matters. Except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on Target:
 - (i) each of Target and the Target Subsidiaries has duly and timely made or prepared all Tax Returns required to be made or prepared by it, has duly and timely filed all Tax Returns required to be filed by it with the appropriate Governmental Entity and has completely and correctly reported all income and all other amounts or information required to be reported thereon;
 - (ii) each of Target and the Target Subsidiaries has: (A) duly and timely paid all Taxes due and payable by it; (B) duly and timely withheld all Taxes and other amounts required by Laws to be withheld by it and has duly and timely remitted to the appropriate Governmental Entity such Taxes and other amounts required by Laws to be remitted by it; and (C) duly and timely collected all amounts on account of sales or transfer taxes, including goods and services, harmonized, sales, value added and federal, provincial, state or territorial sales taxes, required by Laws to be collected by it and has duly and timely remitted to the appropriate Governmental Entity any such amounts required by Laws to be remitted by it;
 - (iii) the charges, accruals and reserves for Taxes reflected on the Target Financial Statements (whether or not due and whether or not shown on any of the Tax Returns but excluding any provision for deferred income taxes) are, in the opinion of Target, adequate under Canadian GAAP to cover Taxes with respect to Target and the Target Subsidiaries accruing through the date hereof;
 - (iv) except as disclosed in the Target Public Documents, there are no proceedings, investigations, audits, assessments, reassessments or claims now pending or to the knowledge of Target, threatened against any of Target or the Target Subsidiaries that propose to assess Taxes in addition to those reported in the Tax Returns;
 - (v) no waiver of any statutory limitation period with respect to Taxes has been given or requested with respect to Target or any of the Target Subsidiaries;
 - (vi) none of Target and the Target Subsidiaries has made, prepared and/or filed any elections, designations or similar filings relating to Taxes or entered into any agreement or other arrangement in respect of Taxes or Tax Returns that has effect for any period ending after the Effective Date.
 - (vii) except as disclosed in the Target Public Documents there are no proceedings, investigations, audits or claims now pending or threatened against Target or any

of the Target Subsidiaries in respect of any Taxes and there are no matters under discussion, audit or appeal with any Governmental Entity relating to Taxes.

- (viii) none of Target the Target Subsidiaries has acquired property from a non-arm's length Person, within the meaning of the Tax Act: (A) for consideration the value of which is less than the fair market value of the property; or (B) as a contribution of capital for which no shares were issued by the acquirer of the property.
- (ix) Target has made available to Acquiror copies of all Tax Returns for the years 2009 and 2008 and all written communication to or from any Governmental Entity and relating to the Taxes of any of Target and the Target Subsidiaries,
- (x) for the purposes of the Tax Act and any other relevant Tax purposes:
 - (A) Target is not a non-resident of Canada; and
 - (B) each of the Target Subsidiaries is resident in the jurisdiction in which it was formed, and is not resident in any other country;
- (xi) there are no Encumbrances for Taxes upon any properties or assets of Target or any of the Target Subsidiaries (other than Encumbrances relating to Taxes not yet due and payable and for which adequate reserves have been recorded on the most recent balance sheet included in Target's audited financial statements);
- (xii) Target has not declared or paid any dividends or made any other distribution on any of the Target Shares or made any redemption or other acquisition of Target Shares (A) in contemplation of this Agreement, the Plan of Arrangement, or any transactions contemplated by this Agreement or the Plan or Arrangement, or (B) since December 31, 2009;
- (xiii) other than in the ordinary and regular course of business consistent with past practice, neither Target nor any of the Target Subsidiaries has sold any property or assets thereof (A) in contemplation of this Agreement, the Plan of Arrangement, or any transactions contemplated by this Agreement or the Plan or Arrangement or (B) since December 31, 2009; and
- (xiv) Target does not own, and will not own on the Effective Date, any "United States real property interest" as defined under Section 897(c)(1)(A) of the Code and regulations promulgated thereunder.
- (y) Non-Arm's Length Transactions. Except for employment or employment compensation agreements entered into in the ordinary course of business there are no current contracts, commitments, agreements, arrangements or other transactions (including relating to indebtedness by Target or any of the Target Subsidiaries) between Target or any of the Target Subsidiaries on the one hand, and any: (i) officer or director of Target or any of the Target Subsidiaries; (ii) any holder of record or, to the knowledge of Target, beneficial owner of five percent or more of the voting securities of Target; or (iii) any affiliate or associate of any officer, director or beneficial owner, on the other hand.

(z) Pension and Employee Benefits.

- (i) Target and the Target Subsidiaries have complied, in all material respects, with all of the terms of the pension and other employee compensation and benefit obligations of Target and the Target Subsidiaries, as the case may be, including the provisions of any collective agreements, funding and investment contracts or obligations applicable thereto, arising under or relating to each of the pension or retirement income plans or other employee compensation or benefit plans, agreements, policies, programs, arrangements or practices, whether written or oral, which are maintained by or binding upon Target or the Target Subsidiaries, as the case may be, other than such non-compliance that would not reasonably be expected to have a Material Adverse Effect on Target. The Target Benefit Plans and all such plans, agreements, policies, programs, arrangements and practices have been disclosed in the Target Disclosure Letter.
- (ii) Target and Target Subsidiaries have no material Liability for life, health, medical or other welfare benefits to former employees or beneficiaries or dependents thereof, and there has been no communication to employees by Target or any of the Target Subsidiaries which could reasonably be interpreted to promise or guarantee such employees retiree health or life insurance or other retiree death benefits on a permanent basis.
- (iii) No Target Benefit Plan is a "registered pension plan" as such term is defined in the Tax Act or is a defined benefits plan.
- (iv) Each Target Benefit Plan has been operated in accordance with its terms and any contributions required to be made under each Target Benefit Plan, as of the date hereof, have been timely made and all obligations in respect of each Target Benefit Plan have been properly accrued and reflected in the audited consolidated financial statements for Target as at and for the fiscal year ended on December 31, 2010, including the notes thereto and the report by Target's auditors thereon.

(aa) Reporting Status and Listing. Target is a reporting issuer or its equivalent in the provinces of Ontario, British Columbia, Alberta and Nova Scotia, and not in default of its obligations as such. The Target Shares are listed on the TSX and are not listed or quoted on any other market and Target is in compliance with the applicable listing and corporate governance rules and regulations of the TSX.

(bb) No Cease Trade. Target is not subject to any cease trade or other order of any applicable stock exchange or Securities Authority and, to the knowledge of Target, no investigation or other proceedings involving Target that may operate to prevent or restrict trading of any securities of Target are currently in progress or pending before any applicable stock exchange or Securities Authority.

(cc) Reports. Since December 31, 2010, Target has filed with the Securities Authorities, stock exchanges and all applicable self-regulatory authorities a true and complete copy of all forms, reports, schedules, statements, certifications, material change reports and other documents required to be filed by it (such forms, reports, schedules, statements, certifications and other documents, including any financial statements or other documents, including any schedules included therein, are referred to herein as the

"Target Documents"). The Target Documents, at the time filed or, if amended, as of the date of such amendment: (i) did not contain any misrepresentation (as defined by Securities Authorities) and did not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and (ii) complied in all material respects with the requirements of applicable securities legislation and the rules, policies and instruments of all Securities Authorities having jurisdiction over Target except where such non-compliance has not had or would not reasonably be expected to have a Material Adverse Effect on Target. Target has not filed any confidential material change or other report or other document with any Securities Authorities or stock exchange or other self-regulatory authority which at the date hereof remains confidential. None of the Target Subsidiaries are required to file any reports or other documents with any of the Securities Authorities or the TSX.

- (dd) Compliance with Laws. Except with respect to matters relating to the environment or Environmental Laws (which are addressed in subsection 3.1(w)), to the knowledge of Target, Target and the Target Subsidiaries have complied with and are not in violation of any applicable Laws other than such non-compliance or violations that would not, individually or in the aggregate, have a Material Adverse Effect on Target.
- (ee) No Option on Assets. No Person has any agreement or option or any right or privilege capable of becoming an agreement or option for the purchase from Target or the Target Subsidiaries any of the material assets of Target or any of the Target Subsidiaries.
- (ff) Certain Contracts. None of Target and the Target Subsidiaries is a party to or bound by any non-competition agreement, area of mutual interest agreement, or any other agreement, obligation, judgment, injunction, order or decree that purports to: (i) limit the manner or the localities in which all or any material portion of the business of Target or the Target Subsidiaries are conducted; (ii) limit any business practice of Target or any of the Target Subsidiaries in any material respect; or (iii) restrict any acquisition or disposition of any property by Target or any of the Target Subsidiaries in any material respect.
- (gg) No Broker's Commission. None of Target and the Target Subsidiaries has entered into any agreement that would entitle any Person to any valid claim against Target or any of the Target Subsidiaries for a broker's commission, finder's fee or any like payment in respect of the Arrangement or any other matter contemplated by this Agreement, except for the fees and expenses disclosed by Target.
- (hh) No Expropriation. No property or asset of Target or any of the Target Subsidiaries (including any Target Property or Target Mineral Rights) has been taken or expropriated by any Governmental Entity nor has any notice or proceeding in respect thereof been given or commenced nor, to the knowledge of Target, is there any intent or proposal to give any such notice or to commence any such proceeding.
- (ii) Corrupt Practices Legislation. To the knowledge of Target, neither Target, any of the Target Subsidiaries and affiliates, nor any of their respective officers, directors or employees acting on behalf of Target or any of the Target Subsidiaries or affiliates has taken, committed to take or been alleged to have taken any action which would cause Target or any of the Target Subsidiaries or affiliates to be in violation of the United States' *Foreign Corrupt Practices Act* (and the regulations promulgated thereunder), the

Corruption of Foreign Public Officials Act (Canada) (and the regulations promulgated thereunder) or any applicable Laws of similar effect of Colombia or any other jurisdiction, and to the knowledge of Target no such action has been taken by any of its agents, representatives or other Persons acting on behalf of Target or any of the Target Subsidiaries or affiliates.

- (jj) Vote Required. The only votes of the holders of any class or series of the Target Shares, Target Options, Target Warrants or other securities of Target necessary to approve this Agreement and the Arrangement and the transactions contemplated hereof or thereby is, subject to the Interim Order and the Target Securityholder Approval.
- (kk) U.S. Securities Law Matters. Target: (i) is a "foreign private issuer" as defined in Rule 405 under the 1933 Act; (ii) has no class of securities outstanding that is or is required to be registered under Section 12 of the 1934 Act or that is subject to the reporting requirements of Section 13 or 15(d) of the 1934 Act; and (iii) is not registered or required to register as an investment company under the 1940 Act; and (iv) the Target Shares have not been traded on any national securities exchange in the United States during the past 12 calendar months. The Acquiror Shares, Acquiror Consideration Warrants, Newco Class A Shares (which shall be exchanged for Acquiror Shares upon the Amalgamation), Newco Warrants (which shall be exchanged for Acquiror Consideration Warrants upon the Amalgamation), Exchanged Acquiror Warrants, Exchanged Special Acquiror Warrants, Underlying Acquiror Warrants and Exchanged Acquiror Options to be issued in connection with the Arrangement will be securities exempt from registration under the 1933 Act by reason of Section 3(a)(10) thereof. The resale of the Acquiror Shares, Acquiror Consideration Warrants, Exchanged Acquiror Warrants, Exchanged Special Acquiror Warrants, Underlying Acquiror Warrants and Exchanged Acquiror Options so issued under the Arrangement will be exempt from registration under the 1933 Act, except that Acquiror Shares, Acquiror Consideration Warrants, Exchanged Acquiror Warrants, Exchanged Special Acquiror Warrants, Underlying Acquiror Warrants and Exchanged Acquiror Options held by Persons who are affiliates of Acquiror after the Arrangement or who were affiliates of Acquiror within 90 days prior to the Arrangement may be resold by them only in compliance with the resale provisions of Rule 144 under the 1933 Act or as otherwise permitted under the 1933 Act.
- (ll) Information. The information contained or incorporated by reference in the Joint Information Circular relating to Target will contain no untrue statement of a material fact and will not omit to state a material fact that is required to be stated or that is necessary to make the statements not misleading in light of the circumstances in which they were made.

3.2 Representations and Warranties of Acquiror

Acquiror hereby represents and warrants to Target, and hereby acknowledges that Target is relying upon such representations and warranties in connection with entering into this Agreement and agreeing to complete the Arrangement, as follows:

- (a) Organization. Acquiror and each of the Acquiror Subsidiaries has been incorporated, is validly subsisting and has full corporate and legal power and authority to own its property and assets and to conduct its business as currently owned and conducted. Acquiror and each of the Acquiror Subsidiaries is registered, licensed or otherwise qualified as an

extra-provincial corporation or a foreign corporation in each jurisdiction where the nature of the business or the location or character of the property and assets owned or leased by it requires it to be so registered, licensed or otherwise qualified, other than those jurisdictions where the failure to be so registered, licensed or otherwise qualified would not have a Material Adverse Effect on Acquiror. All of the issued and outstanding shares in the capital of the Acquiror Subsidiaries are validly issued, fully paid and non-assessable to the extent such a concept exists under applicable Law. All of the outstanding shares of the Acquiror Subsidiaries are owned directly or indirectly by Acquiror. Except pursuant to restrictions on transfer contained in the Articles or by-laws (or their equivalent) of the applicable Subsidiary of Acquiror and except as disclosed by Acquiror, the outstanding shares of each of the Acquiror Subsidiaries are owned free and clear of all Encumbrances and Acquiror is not liable to any creditor in respect thereof. Except pursuant to this Agreement and the transactions contemplated hereby, there are no outstanding options, rights, entitlements, understandings or commitments (contingent or otherwise) regarding the right to acquire any issued or unissued securities of, or interest in, any of the Acquiror Subsidiaries from either Acquiror or any of the Acquiror Subsidiaries.

- (b) Capitalization. Acquiror is authorized to issue an unlimited number of Acquiror Shares and an unlimited number of preferred shares. As at April 12, 2011 there were: (i) 214,251,884 Acquiror Shares outstanding; (ii) Acquiror Options to acquire an aggregate of 22,225,000 Acquiror Shares; and (iii) Acquiror Warrants to acquire an aggregate of 85,937,493 Acquiror Shares; and (iv) no preference shares were issued and outstanding. Except for the Acquiror Options and the Acquiror Warrants and except pursuant to this Agreement and the transactions contemplated hereby, as of the date hereof, there are no options, warrants, conversion privileges or other rights, agreements, arrangements or commitments (pre-emptive, contingent or otherwise) obligating Acquiror or any of the Acquiror Subsidiaries to issue or sell any securities of or interest in Acquiror or any of the Acquiror Subsidiaries from Acquiror or any of the Acquiror Subsidiaries. All issued and outstanding Acquiror Shares have been authorized and are validly issued and outstanding as fully paid and non-assessable shares, free of pre-emptive rights. As of the date hereof, there are no outstanding bonds, debentures or other evidences of indebtedness of Acquiror, except as disclosed by Acquiror, or any of the Acquiror Subsidiaries having the right to vote with the Acquiror Shareholders on any matter. There are no outstanding contractual obligations of Acquiror or of any of the Acquiror Subsidiaries to repurchase, redeem or otherwise acquire any outstanding Acquiror Shares or with respect to the voting or disposition of any outstanding Acquiror Shares. None of Acquiror and the Acquiror Subsidiaries is party to any shareholder, pooling, voting trust or similar agreement relating to the issued and outstanding securities of Acquiror or any of the Acquiror Subsidiaries.
- (c) Authority. Acquiror has all necessary power, authority and capacity to enter into this Agreement and all other agreements and instruments to be executed by Acquiror as contemplated by this Agreement, and to perform its obligations hereunder and under such other agreements and instruments. The execution and delivery of this Agreement by Acquiror and the completion by Acquiror of the transactions contemplated by this Agreement have been authorized by the Acquiror Board and, subject to obtaining the approval of Acquiror Shareholders with respect to the Acquiror Resolution, the Interim Order and the Final Order in the manner contemplated herein, no other corporate proceedings on the part of Acquiror are necessary to authorize this Agreement or to complete the transactions contemplated hereby other than in connection with the approval

by the Acquiror Board of the Joint Information Circular. This Agreement has been executed and delivered by Acquiror and constitutes a legal, valid and binding obligation of Acquiror, enforceable against Acquiror in accordance with its terms, subject to bankruptcy, insolvency, reorganization, fraudulent transfer, moratorium and other applicable Laws relating to or affecting creditors' rights generally, and to general principles of equity. The execution and delivery by Acquiror of this Agreement and the performance by it of its obligations hereunder and the completion of the transactions contemplated hereby, do not and will not:

- (i) result in a violation, contravention or breach of or constitute a default under, or entitle any Person to terminate, accelerate, modify or call any obligations or rights under, require any consent to be obtained under or give rise to any termination rights under any provision of,
 - (A) the Articles, Notice of Articles or by-laws (or their equivalent) of Acquiror or any of the Acquiror Subsidiaries,
 - (B) any Law or rules or policies of the TSX, or
 - (C) any credit agreement, note, bond, mortgage, indenture, deed of trust, lease, franchise, concession, easement, contract, agreement, Authorization, the Acquiror Mineral Rights, or other instrument to which Acquiror or any of the Acquiror Subsidiaries is bound or is subject to or of which Acquiror or any of the Acquiror Subsidiaries is the beneficiary;in each case, which would, individually or in the aggregate, have a Material Adverse Effect on Acquiror;
- (ii) give rise to any right of termination or acceleration of indebtedness, or cause any indebtedness owing by Acquiror or any of the Acquiror Subsidiaries to come due before its stated maturity or cause any available credit to cease to be available which would, individually or in the aggregate, have a Material Adverse Effect on Acquiror;
- (iii) result in the imposition of any Encumbrance upon any of the property or assets of Acquiror or any of the Acquiror Subsidiaries or give any Person the right to acquire any of Acquiror's or any of the Acquiror Subsidiaries' assets, or restrict, hinder, impair or limit the ability of Acquiror or any of the Acquiror Subsidiaries to conduct the business of Acquiror or any of the Acquiror Subsidiaries as and where it is now being conducted which would, individually or in the aggregate, have a Material Adverse Effect on Acquiror; or
- (iv) result in or accelerate the time for payment (or vesting of, or increase the amount of any severance, unemployment compensation, "golden parachute", bonus, termination payments or otherwise) becoming due to any director or officer of Acquiror or any of the Acquiror Subsidiaries or increase any benefits otherwise payable under any pension or benefits plan of Acquiror or any of the Acquiror Subsidiaries or result in the acceleration of the time of payment or vesting of any such benefits.

No consent, approval, order or Authorization of, or declaration or filing with, any Governmental Entity or other Person is required to be obtained by Acquiror or any of the Acquiror Subsidiaries in connection with the execution and delivery of this Agreement or the consummation by Acquiror of the transactions contemplated hereby other than: (i) any approvals required by the Interim Order; (ii) any approvals required by the Final Order; (iii) filings required under the YBCA and referred to in the Acquiror Disclosure Letter; (iv) filings with and approvals required by the Securities Authorities and stock exchanges and referred to in the Acquiror Disclosure Letter; (v) compliance with and approvals required by the anti-trust authorities in the Republic of Colombia; (vi) any other consents, waivers, permits, orders or approvals referred to in the Acquiror Disclosure Letter; and (vii) any other consents, approvals, orders, authorizations, declarations or filings which, if not obtained, would not, individually or in the aggregate, have a Material Adverse Effect on Acquiror.

- (d) Directors' Approvals. The Acquiror Board has received an opinion from GMP Securities L.P., the financial advisors to the Acquiror Board, that the Exchange Share Ratio and the Exchange Warrant Ratio is fair, from a financial point of view, to the Acquiror Shareholders and all of the directors of Acquiror, except for Serafino Iacono, Miguel de la Campa and Jorge Neher who abstained from the applicable voting, have:
 - (i) determined that the Exchange Share Ratio and the Exchange Warrant Ratio is fair to the Acquiror Shareholders and the Arrangement is in the best interests of Acquiror;
 - (ii) determined to recommend the Acquiror Shareholders vote in favour of the Acquiror Resolution; and
 - (iii) authorized the entering into of this Agreement, and the performance of Acquiror's obligations hereunder.
- (e) Acquiror Subsidiaries. Except as disclosed by Acquiror, the only Subsidiaries of Acquiror are the Acquiror Subsidiaries and Acquiror does not own a direct or indirect voting or equity interest in any Person that is not one of the Acquiror Subsidiaries and has no agreement or other commitment to acquire such interest.
- (f) No Defaults. None of Acquiror and the Acquiror Subsidiaries is in default under, and, there exists no event, condition or occurrence which, after notice or lapse of time or both, would constitute a default by Acquiror or any of the Acquiror Subsidiaries under:
 - (i) its Articles or by-laws or equivalent organizational documents; or
 - (ii) any contract, agreement or licence that is material to the conduct of the business of Acquiror or any of the Acquiror Subsidiaries to which any of them is a party or by which any of them is bound that would, individually or in the aggregate, have a Material Adverse Effect on Acquiror.
- (g) Company Authorizations. Acquiror and the Acquiror Subsidiaries have obtained all Authorizations necessary for the ownership, operation, development, maintenance, or use of the material assets of Acquiror or the Acquiror Subsidiaries or otherwise in connection with the material business or operations of Acquiror or the Acquiror Subsidiaries and such Authorizations are in full force and effect. Acquiror and the Acquiror Subsidiaries

have fully complied with and are in compliance with all Authorizations, except, in each case, for such non-compliance which, individually or in the aggregate, would not have a Material Adverse Effect on Acquiror. There is no action, investigation or proceeding pending or, to the knowledge of Acquiror, threatened regarding any of the Authorizations. None of Acquiror and the Acquiror Subsidiaries has received any notice, whether written or oral, of revocation or non-renewal of any such Authorizations, or of any intention of any Person to revoke or refuse to renew any of such Authorizations, except in each case, for revocations or non-renewals which, individually or in the aggregate, would not have a Material Adverse Effect on Acquiror and all such Authorizations continue to be effective in order for Acquiror and the Acquiror Subsidiaries to continue to conduct their respective businesses as they are currently being conducted. No Person other than Acquiror or any of the Acquiror Subsidiaries owns or has any proprietary, financial or other interest (direct or indirect) in any of the Authorizations.

- (h) Absence of Changes. Since December 31, 2010, except as disclosed by Acquiror:
- (i) Acquiror and each of the Acquiror Subsidiaries has conducted its business only in the ordinary and regular course of business consistent with past practice;
 - (ii) none of Acquiror and the Acquiror Subsidiaries has incurred or suffered a Material Adverse Change or any event, circumstance or occurrence which has had or is reasonably likely to have a Material Adverse Effect;
 - (iii) there has not been any acquisition or sale by Acquiror or any of the Acquiror Subsidiaries of any material property or assets thereof;
 - (iv) other than in the ordinary and regular course of business consistent with past practice, there has not been any incurrence, assumption or guarantee by Acquiror or any of the Acquiror Subsidiaries of any: (A) payment, Liability, Encumbrance or obligation of any nature which has had or is reasonably likely to have a Material Adverse Effect on Acquiror; (B) debt for borrowed money, any creation or assumption by Acquiror or any of the Acquiror Subsidiaries of any making by Acquiror or any of the Acquiror Subsidiaries of any loan, advance or capital contribution to or investment in any other Person (other than (1) loans and advances in an aggregate amount that does not exceed \$100,000 outstanding at any time, and (2) loans made to other Acquiror Subsidiaries); or (C) any entering into, amendment of, relinquishment, termination or non-renewal by Acquiror or any of the Acquiror Subsidiaries, of any contract, agreement, licence, lease transaction, commitment or other right or obligation that would, individually or in the aggregate, which has had or is reasonably likely to have a Material Adverse Effect on Acquiror;
 - (v) Acquiror has not declared or paid any dividends or made any other distribution on any of the Acquiror Shares or made any redemption or other acquisition of Acquiror Shares;
 - (vi) Acquiror has not effected or passed any resolution to approve a split, consolidation or reclassification of any of the outstanding Acquiror Shares;

- (vii) other than in the ordinary and regular course of business consistent with past practice, there has not been any material increase in or modification of the compensation payable to or to become payable by Acquiror or any of the Acquiror Subsidiaries to any of their respective directors, officers, employees or consultants or any grant to any such director, officer, employee or consultant of any increase in severance or termination pay or any increase or modification of any bonus, pension, insurance or benefit arrangement (including, without limitation, the granting of Acquiror Options pursuant to the Acquiror Stock Option Plan) made to, for or with any of such directors or officers;
 - (viii) Acquiror has not effected any material change in its accounting methods, principles or practices; and
 - (ix) Acquiror has not adopted any, or materially amended any, collective bargaining agreement, bonus, pension, profit sharing, stock purchase, stock option or other benefit plan or shareholder rights plan.
- (i) Material Contracts. Acquiror and the Acquiror Subsidiaries have performed in all material respects all their respective obligations required to be performed by them to date under the material contracts. Neither Acquiror nor any of the Acquiror Subsidiaries is in breach or default under any material contract to which it is a party or bound, nor does Acquiror have knowledge of any condition that with the passage of time or the giving of notice or both would result in such a breach or default, except in each case where any such breaches or defaults would not, individually or in the aggregate, reasonably be expected to result in, or result in, a Material Adverse Effect on Acquiror. None of Acquiror and the Acquiror Subsidiaries knows of, or has received written notice of, any breach or default under (nor, to the knowledge of Acquiror, does there exist any condition which with the passage of time or the giving of notice or both would result in such a breach or default under) any such material contract by any other party thereto except where any such violation or default would not, individually or in the aggregate, reasonably be expected to result in, or result in, a Material Adverse Effect on Acquiror. Prior to the date hereof, Acquiror has made available to Target true and complete copies of all of the material contracts of Acquiror. All contracts that are material to Acquiror and the Acquiror Subsidiaries, taken as a whole, are with Acquiror or one of the Acquiror Subsidiaries. All material contracts are legal, valid, binding and in full force and effect and are enforceable by Acquiror (or one of the Acquiror Subsidiaries, as the case may be) in accordance with their respective terms (subject to bankruptcy, insolvency and other applicable Laws affecting creditors' rights generally, and to general principles of equity) and are the product of fair and arms' length negotiations between the parties thereto.
- (j) Employment Agreements. Other than as disclosed by Acquiror:
- (i) neither Acquiror nor any of the Acquiror Subsidiaries is a party to any written or oral policy, agreement, obligation or understanding providing for severance or termination payments to, or any employment or consulting agreement with any director or officer of Acquiror or any of the Acquiror Subsidiaries that would be triggered by Acquiror entering into this Agreement or the completion of the Arrangement;

- (ii) None of Acquiror and the Acquiror Subsidiaries has any employee or consultant whose employment or contract with Acquiror or one of the Acquiror Subsidiaries cannot be terminated by Acquiror or the Acquiror Subsidiaries, as applicable; and
 - (iii) None of Acquiror and the Acquiror Subsidiaries: (a) is a party to any collective bargaining agreement; (b) is, to the knowledge of Acquiror, subject to any application for certification or threatened or apparent union-organizing campaigns for employees not covered under a collective bargaining agreement; or (c) is subject to any current, or to the knowledge of Acquiror, pending or threatened strike, lockout, slowdown or work stoppage.
- (k) Financial Matters. Except as disclosed by Acquiror, the audited consolidated balance sheets, audited consolidated statements of operations and deficit, and audited consolidated statements of cash flows of Acquiror for the period from incorporation on January 4, 2010 through December 31, 2010 (the "**Acquiror Financial Statements**") were prepared in accordance with Canadian GAAP consistently applied, and fairly present in all material respects the consolidated financial condition of Acquiror at the respective dates indicated and the results of operations of Acquiror for the periods covered on a consolidated basis. Except as disclosed by Acquiror, as of the date hereof, neither Acquiror nor any of the Acquiror Subsidiaries has any Liability or obligation (including, without limitation, liabilities or obligations to fund any operations or work or exploration program to give any guarantees or for Taxes), whether accrued, absolute, contingent or otherwise, or any related party transactions or off-balance sheet transactions not reflected in the audited consolidated financial statements of Acquiror for the fiscal period ended December 31, 2010 except liabilities and obligations incurred in the ordinary and regular course of business (including the business of operating, developing, constructing and exploring Acquiror' projects) since December 31, 2010 which liabilities or obligations would not reasonably be expected to have a Material Adverse Effect on Acquiror.

The management of Acquiror has established and maintained a system of disclosure controls and procedures designed to provide reasonable assurance that information required to be disclosed by Acquiror in its annual filings, interim filings or other reports filed or submitted by it under the applicable Laws is recorded, processed, summarized and reported within the time periods specified in such Laws. Such disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed by Acquiror in its annual filings, interim filings or other reports filed or submitted under the applicable Laws is accumulated and communicated to Acquiror's management, including its chief executive officers and chief financial officers (or Persons performing similar functions), as appropriate to allow timely decisions regarding required disclosure.

Acquiror maintains internal control over financial reporting. Such internal control over financial reporting is effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP and includes policies and procedures that: (A) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of Acquiror and Acquiror Subsidiaries; (B) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with Canadian GAAP, and that receipts and expenditures of Acquiror and Acquiror Subsidiaries are being made only with

Authorizations of management and Acquiror Board and Acquiror Subsidiaries; and (C) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the assets of Acquiror or any of the Acquiror Subsidiaries that could have a material effect on the Acquiror Financial Statements. To the knowledge of Acquiror; (D) there are no material weaknesses in the design and implementation or maintenance of internal controls over financial reporting of Acquiror that are reasonably likely to adversely affect the ability of Acquiror to record, process, summarize and report financial information; and (E) there is no fraud, whether or not material, that involves management or other employees who have a significant role in the internal control over financial reporting of Acquiror.

Since December 31, 2010, neither Acquiror nor any of the Acquiror Subsidiaries nor, to Acquiror's knowledge, any director, officer, employee, auditor, accountant or representative of Acquiror or any of the Acquiror Subsidiaries has received or otherwise had or obtained knowledge of any complaint, allegation, assertion, or claim, whether written or oral, regarding the accounting or auditing practices, procedures, methodologies or methods of Acquiror or any of the Acquiror Subsidiaries or their respective internal accounting controls, including any complaint, allegation, assertion, or claim that Acquiror or any of the Acquiror Subsidiaries has engaged in questionable accounting or auditing practices, which has not been resolved to the satisfaction of the audit committee of the Acquiror Board.

Acquiror is converting to IFRS for financial reporting purposes, and, to the knowledge of Acquiror, the transition to IFRS will not result in any delay in the release of Acquiror's financial results for any relevant period.

- (l) Books and Records. The corporate records and minute books of Acquiror and the Acquiror Subsidiaries have been maintained in accordance with all applicable Laws and are complete and accurate in all material respects, except where such incompleteness or inaccuracy would not have a Material Adverse Effect on Acquiror. Financial books and records and accounts of Acquiror and the Acquiror Subsidiaries, in all material respects: (i) have been maintained in accordance with good business practices on a basis consistent with prior years and past practice, in accordance with Canadian GAAP and the accounting principles generally accepted in the country of domicile of such entity; (ii) are stated in reasonable detail and accurately and fairly reflect the transactions and acquisitions and dispositions of assets of Acquiror and the Acquiror Subsidiaries; and (iii) accurately and fairly reflect the basis for the Acquiror Financial Statements.
- (m) Litigation. Except as disclosed by Acquiror and except with respect to matters relating to the environment or Environmental Laws (which are addressed in subsection 3.2(w)), there is no claim, action, proceeding or investigation pending or in progress or, to the knowledge of Acquiror, threatened against or relating to Acquiror or any of the Acquiror Subsidiaries or affecting any of their respective properties or assets before any Governmental Entity which individually or in the aggregate has, had, or could reasonably be expected to have, a Material Adverse Effect on Acquiror or that would materially impede the consummation of the transactions contemplated by this Agreement. There is no bankruptcy, liquidation, winding-up or other similar proceeding pending or in progress, or, to the knowledge of Acquiror, threatened against or relating to Acquiror or any of the Acquiror Subsidiaries before any Governmental Entity. None of Acquiror and the Acquiror Subsidiaries nor any of their respective properties or assets is subject to any outstanding judgment, order, writ, injunction or decree that involves or may involve, or

restricts or may restrict the right or ability of Acquiror or one of the Acquiror Subsidiaries, as the case may be, to conduct its business in all material respects as it has been carried on prior to the date hereof, or that would materially impede the consummation of the transactions contemplated by this Agreement or have a Material Adverse Effect on Acquiror.

(n) Interest in Properties and Mineral Rights.

- (i) All of Acquiror's and Acquiror Subsidiaries': (A) real properties (collectively, and where material, the "**Acquiror Property**") and (B) all of Acquiror's and Acquiror Subsidiaries' mineral interests and rights (including any mineral claims, mining claims, concessions, exploration licences, exploitation licences, prospecting permits, mining leases and mining rights, in each case, either existing under contract, by operation of Laws or otherwise) (collectively, and where material, the "**Acquiror Mineral Rights**"), are set out in the Acquiror Disclosure Letter. Other than the Acquiror Property and the Acquiror Mineral Rights set out in the Acquiror Disclosure Letter, none of Acquiror and the Acquiror Subsidiaries, owns or has any interest in any material real property or any material mineral interests and rights.
- (ii) Except as disclosed in the Acquiror Documents, Acquiror or one of the Acquiror Subsidiaries is the sole legal and beneficial owner of all right, title and interest in and to the Acquiror Property and the Acquiror Mineral Rights, free and clear of any Encumbrances.
- (iii) All of the Acquiror Mineral Rights have been properly located and recorded and otherwise granted in compliance with applicable Laws and are comprised of valid and subsisting Acquiror Mineral Rights.
- (iv) To the knowledge of Acquiror, the Acquiror Property and the Acquiror Mineral Rights are in good standing under applicable Laws and, to the knowledge of Acquiror, all work required to be performed and filed in respect thereof has been performed and filed, all Taxes, rentals, fees, expenditures and other payments required to be made in respect thereof have been paid or incurred and all filings in respect thereof have been made.
- (v) There is no material adverse claim against or challenge to the title to or ownership of the Acquiror Property or any of the Acquiror Mineral Rights.
- (vi) Acquiror or a Subsidiary of Acquiror has the exclusive right to deal with the Acquiror Property and the Acquiror Mineral Rights.
- (vii) Except as disclosed in the Acquiror Documents, no Person other than Acquiror and the Acquiror Subsidiaries has any interest in the Acquiror Property or any of the Acquiror Mineral Rights or the production or profits therefrom or any royalty in respect thereof or any right to acquire any such interest.
- (viii) Except as disclosed in the Acquiror Documents, there are no back-in rights, earn-in rights, purchase options, rights of first refusal or similar provisions or rights which would affect Acquiror's or any of the Acquiror Subsidiaries' interest in the Acquiror Property or any of the Acquiror Mineral Rights.

- (ix) There are no material restrictions on the ability of Acquiror or any of the Acquiror Subsidiaries to use, transfer or exploit the Acquiror Property or any of the Acquiror Mineral Rights, except pursuant to the applicable Laws.
- (x) None of Acquiror and the Acquiror Subsidiaries has received any notice, whether written or oral, from any Governmental Entity of any revocation or intention to revoke any interest of Acquiror or any of the Acquiror Subsidiaries in any of the Acquiror Property or any of the Acquiror Mineral Rights.
- (xi) Acquiror and the Acquiror Subsidiaries have all surface rights, including fee simple estates, leases, easements, rights of way and permits or licences operations from landowners or Governmental Entities permitting the use of land by Acquiror and the Acquiror Subsidiaries, and other interests that are required to exploit the development potential of the Acquiror Property and the Acquiror Mineral Rights as contemplated in Acquiror Documents and no third party or group holds any such rights that would be required by Acquiror to develop the Acquiror Property or any of the Acquiror Mineral Rights as contemplated in Acquiror Documents.
- (xii) All mines located in or on the lands of Acquiror or any of the Acquiror Subsidiaries, or lands pooled or unitized or otherwise used in connection therewith, which have been abandoned by Acquiror or any of the Acquiror Subsidiaries, have been abandoned in accordance with good mining practices and in compliance with all applicable Laws, and all future abandonment, remediation and reclamation obligations known to Acquiror as of the date hereof have been accurately set forth in Acquiror Documents without omission of information necessary to make the disclosure not misleading.
- (o) Mineral Reserves and Resources. The proven and probable mineral reserves and mineral resources for Acquiror Property and the Acquiror Mineral Rights in which Acquiror or any of the Acquiror Subsidiaries holds an interest, as set forth in the Acquiror Documents, were prepared in all material respects in accordance with sound mining, engineering, geoscience and other applicable industry standards and practices, and in all material respects in accordance with all applicable Laws, including the requirements of NI 43-101. There has been no material reduction in the aggregate amount of estimated mineral reserves, estimated mineral resources or mineralized material of Acquiror, any of the Acquiror Subsidiaries, or any of their material joint ventures, taken as a whole, from the amounts set forth in the Acquiror Documents. All information regarding the Acquiror Property and the Acquiror Mineral Rights, including all drill results, technical reports and studies, that are required to be disclosed by Laws, have been disclosed in the Acquiror Documents.
- (p) Marketing of Production.
 - (i) Since (and including) January 1, 2010, all sales of gold, silver and other mineral products by Acquiror or any of the Acquiror Subsidiaries have been made on (and only on) the following basis:
 - (A) all such sales were spot sales to arm's length third party purchasers;

- (B) all such sales require or required payment by the purchasers in United States dollars no later than thirty (30) days from the date of delivery;
- (C) all such sales otherwise were on terms based on, and consistent with, good international industry practice; and
- (D) Acquiror and the Acquiror Subsidiaries have received or are entitled to receive the full sale price from the third party purchasers of such mineral products without any payment to or deduction in favour of any Person, and no purchaser has defaulted in any payment due in respect of any such sales;

and since (and including) January 1, 2010 none of the Acquiror or any of the Acquiror Subsidiaries is or was a party to or bound by, or incurred an obligation or Liability under or in respect of, any agreement or arrangement that is in substance an interest rate swaps, currency swaps or any other rate fixing agreement for a financial transaction or any call arrangement of any sort or any forward sale agreement for commodities or any other commodities hedging or speculation arrangements.

- (ii) None of Acquiror or any of the Acquiror Subsidiaries is obligated under any prepayment contract or other prepayment arrangement to deliver mineral products at some future time without then receiving full payment therefor.
- (q) Off Balance Sheet Transactions. None of Acquiror or any of the Acquiror Subsidiaries is party to or bound by any operating leases or any "off-balance-sheet" transactions or arrangements.
- (r) Title and Rights re: Other Assets. Acquiror and the Acquiror Subsidiaries, as applicable have good and valid title to all material properties and assets other than Acquiror Properties and Acquiror Mineral Rights (which are addressed elsewhere) reflected in the audited consolidated financial statements for the year ended December 31, 2010 (or acquired after that date) or as described in the annual information form dated March 29, 2011 of Acquiror or valid leasehold or license interests in all material properties and assets not reflected in such financial statements but used by Acquiror or any of the Acquiror Subsidiaries, free and clear of all Encumbrances and, except as disclosed by Acquiror, there are no back-in rights, earn in rights, purchase options, rights of first refusal or similar provisions or rights which would affect Acquiror's or any of the Acquiror Subsidiaries' interest in any of the foregoing described material properties and assets.
- (s) Intellectual Property. Each of Acquiror and the Acquiror Subsidiaries owns or has the right to use all Intellectual Property required to carry on its business as currently conducted and proposed to be conducted. To the knowledge of Acquiror, there has been no claim of infringement by any of Acquiror or any of the Acquiror Subsidiaries or breach by Acquiror or any the Acquiror Subsidiaries of any Intellectual Property rights or industrial rights of any other Person, and none of Acquiror and the Acquiror Subsidiaries has received any notice that the conduct of its business infringes on any Intellectual Property rights or industrial rights of any other Person.

- (t) Operational Matters. Except as would not, individually or in the aggregate, be reasonably expected to result in a Material Adverse Effect on Acquiror:
- (i) all rentals, royalties, overriding royalty interests, production payments, net profits, interest burdens, payments and obligations due and payable, or performable, as the case may be, on or prior to the date hereof under, with respect to, or on account of, any direct or indirect assets of Acquiror, any of the Acquiror Subsidiaries and any of their material joint ventures, have been: (A) duly paid; (B) duly performed; or (C) provided for prior for the date hereof; and
 - (ii) all costs, expenses, and liabilities payable on or prior to the date hereof under the terms of any contracts and agreements to which Acquiror or any of the Acquiror Subsidiaries or any of their material joint ventures is directly or indirectly bound, have been properly and timely paid, except for such expenses that are being currently paid prior to delinquency in the ordinary course of business.
- (u) Other Operational Matters. Except as would not reasonably be expected to have a Material Adverse Effect on Acquiror and to the knowledge of Acquiror:
- (i) any and all operations of Acquiror and each of the Acquiror Subsidiaries and, to the knowledge of the Acquiror, any and all operations by third parties, on or in respect of the assets and properties of Acquiror and the Acquiror Subsidiaries, have been conducted in accordance with reasonable and prudent international mining industry practices and in material compliance with applicable Laws; and
 - (ii) in respect of the assets and properties of each of Acquiror and the Acquiror Subsidiaries that are operated by it, if any, Acquiror and the Acquiror Subsidiaries hold all valid licences, permits and similar rights and privileges that are required and necessary under applicable Laws to operate the assets and properties of the Corporation and its Subsidiaries, as the case may be, as presently operated.
- (v) Insurance. To the knowledge of Acquiror, Acquiror maintains policies of insurance in amounts and in respect of such risks as are normal and usual for companies of a similar size operating in the oil and gas industry and such policies are in full force and effect as of the date hereof.
- (w) Environmental. Except as disclosed by Acquiror, or to the extent that any violation or other matter referred to in this subsection does not, individually or in the aggregate, have a Material Adverse Effect on Acquiror:
- (i) Acquiror and the Acquiror Subsidiaries have been conducted in compliance with and are not in violation of any Environmental Laws;
 - (ii) Acquiror and the Acquiror Subsidiaries have operated their respective business at all times and have received, handled, used, stored, treated, shipped and disposed of all contaminants without violation of Environmental Laws;
 - (iii) there have been no spills, releases, deposits or discharges of hazardous or toxic substances, contaminants or wastes into the earth, air or into any body of water or any municipal or other sewer or drain water systems by Acquiror or any of the

Acquiror Subsidiaries that have not been remedied in compliance with Environmental Laws;

- (iv) no orders, directions or notices have been issued and remain outstanding pursuant to any Environmental Laws relating to the business or assets of Acquiror or any of the Acquiror Subsidiaries;
 - (v) neither Acquiror nor any of the Acquiror Subsidiaries has failed to report to the proper Governmental Entity the occurrence of any event which is required to be so reported by any Environmental Laws;
 - (vi) to the knowledge of Acquiror, Acquiror and the Acquiror Subsidiaries hold all licences, permits and approvals required under any Environmental Laws in connection with the operation of their respective businesses and the ownership and use of their respective assets, all such licences, permits and approvals are in full force and effect, and neither Acquiror nor any of the Acquiror Subsidiaries has received any notification pursuant to any Environmental Laws that any work, repairs, constructions or capital expenditures are required to be made by it as a condition of continued compliance with any Environmental Laws, or any licence, permit or approval issued pursuant thereto, or that any licence, permit or approval referred to above is about to be reviewed, made subject to limitation conditions, revoked, withdrawn or terminated;
 - (vii) to the knowledge of Acquiror, there are no changes in the status, terms or conditions of any Environmental Approvals held by Acquiror or any of the Acquiror Subsidiaries or any renewal, modification, revocation, reassurance, alteration, transfer or amendment of any such Environmental Approvals, or any review by, or approval of, any Governmental Entity of such Environmental Approvals that are required in connection with the execution or delivery of this Agreement, the consummation of the transactions contemplated herein or the continuation of the business of Acquiror or any of the Acquiror Subsidiaries following the Effective Date;
 - (viii) to the knowledge of Acquiror, Acquiror and the Acquiror Subsidiaries have made available to Target all material audits, assessments, investigation reports, studies, plans, regulatory correspondence and similar information with respect to environmental matters; and
 - (ix) to the knowledge of Acquiror, none of Acquiror and the Acquiror Subsidiaries are subject to any past or present fact, condition or circumstance that could reasonably be expected to result in Liability under any Environmental Laws.
- (x) Tax Matters. Except as disclosed by Acquiror or as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on Acquiror:
- (i) each of Acquiror and the Acquiror Subsidiaries has duly and timely made or prepared all Tax Returns required to be made or prepared by it, has duly and timely filed all Tax Returns required to be filed by it with the appropriate Governmental Entity and has completely and correctly reported all income and all other amounts or information required to be reported thereon;

- (ii) each of Acquiror and the Acquiror Subsidiaries has: (A) duly and timely paid all Taxes due and payable by it; (B) duly and timely withheld all Taxes and other amounts required by Law to be withheld by it and has duly and timely remitted to the appropriate Governmental Entity such Taxes and other amounts required by Laws to be remitted by it; and (C) duly and timely collected all amounts on account of sales or transfer taxes, including goods and services, harmonized, sales, value added, federal, provincial, state or territorial sales taxes, required by Laws to be collected by it and has duly and timely remitted to the appropriate Governmental Entity any such amounts required by Laws to be remitted by it;
- (iii) the charges, accruals and reserves for Taxes reflected on the Acquiror Financial Statements (whether or not due and whether or not shown on any of the Tax Returns but excluding any provision for deferred income taxes) are, in the opinion of Acquiror, adequate under Canadian GAAP to cover Taxes with respect to Acquiror and the Acquiror Subsidiaries accruing through the date hereof;
- (iv) there are no proceedings, investigations, audits, assessments, reassessments or claims now pending or to the knowledge of Acquiror, threatened against any of Acquiror or the Acquiror Subsidiaries that propose to assess Taxes in addition to those reported in the Tax Returns;
- (v) no waiver of any statutory limitation period with respect to Taxes has been given or requested with respect to Acquiror or any of the Acquiror Subsidiaries;
- (vi) none of Acquiror and the Acquiror Subsidiaries has made, prepared and/or filed any elections, designations or similar filings relating to Taxes or entered into any agreement or other arrangement in respect of Taxes or Tax Returns that has effect for any period ending after the Effective Date;
- (vii) except as disclosed in the Acquiror Documents there are no proceedings, investigations, audits or claims now pending or threatened against Acquiror or any of the Acquiror Subsidiaries in respect of any Taxes and there are no matters under discussion, audit or appeal with any Governmental Entity relating to Taxes;
- (viii) none of Acquiror and the Acquiror Subsidiaries has acquired property from a non-arm's length Person, within the meaning of the Tax Act: (A) for consideration the value of which is less than the fair market value of the property; or (B) as a contribution of capital for which no shares were issued by the acquirer of the property;
- (ix) To date none of Acquiror and all Acquiror Subsidiaries has been required to file any Tax Returns and has provided to Target all written communication to or from any Governmental Entity and relating to the Taxes of any of Acquiror and the Acquiror Subsidiaries;
- (x) for the purposes of the Tax Act and any other relevant Tax purposes:
 - (A) Acquiror is not a non-resident of Canada; and

- (B) each of the Acquiror Subsidiaries is resident in the jurisdiction in which it was formed, and is not resident in any other country;
- (xi) there are no Encumbrances for Taxes upon any properties or assets of Acquiror or any of the Acquiror Subsidiaries (other than Encumbrances relating to Taxes not yet due and payable and for which adequate reserves have been recorded on the most recent balance sheet included in Acquiror's audited financial statements); and
- (xii) Acquiror was to the best of its knowledge, not a "passive foreign investment company" (as defined under Section 1297(a) of the Code) (a "**PFIC**") for its taxable year ended December 31, 2010 and expects that it will not be a PFIC for the taxable years ending December 31, 2011 and 2012.
- (y) Non-Arm's Length Transactions. Except for employment or employment compensation agreements entered into in the ordinary course of business, there are no current contracts, commitments, agreements, arrangements or other transactions (including relating to indebtedness by Acquiror or any of the Acquiror Subsidiaries) between Acquiror or any of the Acquiror Subsidiaries on the one hand, and any: (i) officer or director of Acquiror or any of the Acquiror Subsidiaries; (ii) any holder of record or, to the knowledge of Acquiror, beneficial owner of five percent or more of the voting securities of Acquiror; or (iii) any affiliate or associate of any officer, director or beneficial owner, on the other hand.
- (z) Pension and Employee Benefits.
 - (i) Acquiror and the Acquiror Subsidiaries have complied, in all material respects, with all of the terms of the pension and other employee compensation and benefit obligations of Acquiror and the Acquiror Subsidiaries, as the case may be, including the provisions of any collective agreements, funding and investment contracts or obligations applicable thereto, arising under or relating to each of the pension or retirement income plans or other employee compensation or benefit plans, agreements, policies, programs, arrangements or practices, whether written or oral, which are maintained by or binding upon Acquiror or the Acquiror Subsidiaries, as the case may be other than such non-compliance that would not reasonably be expected to have a Material Adverse Effect on Acquiror. The Acquiror Benefit Plans and all such plans, agreements, policies, programs, arrangements and practices have been disclosed in the Acquiror Disclosure Letter.
 - (ii) Acquiror and Acquiror Subsidiaries have no material Liability for life, health, medical or other welfare benefits to former employees or beneficiaries or dependents thereof, and there has been no communication to employees by Acquiror or any of the Acquiror Subsidiaries which could reasonably be interpreted to promise or guarantee such employees retiree health or life insurance or other retiree death benefits on a permanent basis.
 - (iii) No Acquiror Benefit Plan is a "registered pension plan" as such term is defined in the Tax Act or is a defined benefits plan.

- (iv) Each Acquiror Benefit Plan has been operated in accordance with its terms and any contributions required to be made under each Acquiror Benefit Plan, as of the date hereof, have been timely made and all obligations in respect of each Acquiror Benefit Plan have been properly accrued and reflected in the audited consolidated financial statements for Acquiror as at and for the fiscal year ended on December 31, 2010, including the notes thereto and the report by Acquiror's auditors thereon.
- (aa) Reporting Status. Acquiror is a reporting issuer or its equivalent in British Columbia, Alberta and Ontario and not in default of its obligations as such. The Acquiror Shares are listed on the TSX and are not listed or quoted on any other market and Acquiror is in compliance with the applicable listing and corporate governance rules and regulations of the TSX.
- (bb) No Cease Trade. Acquiror is not subject to any cease trade or other order of any applicable stock exchange or Securities Authority and, to the knowledge of Acquiror, no investigation or other proceedings involving Acquiror that may operate to prevent or restrict trading of any securities of Acquiror are currently in progress or pending before any applicable stock exchange or Securities Authority.
- (cc) Reports. Since December 31, 2010, Acquiror has filed with the Securities Authorities, stock exchanges and all applicable self-regulatory authorities a true and complete copy of all forms, reports, schedules, statements, certifications, material change reports and other documents required to be filed by it (such forms, reports, schedules, statements, certifications and other documents, including any financial statements or other documents, including any schedules included therein, are referred to herein as the "**Acquiror Documents**"). The Acquiror Documents, at the time filed or, if amended, as of the date of such amendment: (i) did not contain any misrepresentation (as defined by Securities Authorities) and did not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and (ii) complied in all material respects with the requirements of applicable securities legislation and the rules, policies and instruments of all Securities Authorities having jurisdiction over Acquiror except where such non-compliance has not had or would not reasonably be expected to have a Material Adverse Effect on Acquiror. Acquiror has not filed any confidential material change or other report or other document with any Securities Authorities or stock exchange or other self-regulatory authority which at the date hereof remains confidential. None of the Acquiror Subsidiaries are required to file any reports or other documents with any of the Securities Authorities or the TSX.
- (dd) Compliance with Laws. Except with respect to matters relating to the environment or Environmental Laws (which are addressed in subsection 3.2(w)), to the knowledge of Acquiror, Acquiror and the Acquiror Subsidiaries have complied with and are not in violation of any applicable Law other than such non-compliance or violations that would not, individually or in the aggregate, have a Material Adverse Effect on Acquiror.
- (ee) No Option on Assets. Except as disclosed by Acquiror, no Person has any agreement or option or any right or privilege capable of becoming an agreement or option for the purchase from Acquiror or the Acquiror Subsidiaries of any of the material assets of Acquiror or any of the Acquiror Subsidiaries other than with Target or as described or contemplated herein.

- (ff) Certain Contracts. Except as disclosed by Acquiror, none of Acquiror and the Acquiror Subsidiaries is a party to or bound by any non-competition agreement, area of mutual interest agreement or any other agreement, obligation, judgment, injunction, order or decree that purports to: (i) limit the manner or the localities in which all or any material portion of the business of Acquiror or the Acquiror Subsidiaries are conducted; (ii) limit any business practice of Acquiror or any of the Acquiror Subsidiaries in any material respect; or (iii) restrict any acquisition or disposition of any property by Acquiror or any of the Acquiror Subsidiaries in any material respect.
- (gg) No Broker's Commission. None of Acquiror and the Acquiror Subsidiaries has entered into any agreement that would entitle any Person to any valid claim against Target or any of the Target Subsidiaries for a broker's commission, finder's fee or any like payment in respect of the Arrangement or any other matter contemplated by this Agreement except for the fees and expenses disclosed by Acquiror.
- (hh) No Expropriation. No property or asset of Acquiror or any of the Acquiror Subsidiaries (including any Acquiror Property or Acquiror Mineral Rights) has been taken or expropriated by any Governmental Entity nor has any notice or proceeding in respect thereof been given or commenced nor, to the knowledge of Acquiror, is there any intent or proposal to give any such notice or to commence any such proceeding.
- (ii) Corrupt Practices Legislation. To the knowledge of Acquiror, neither Acquiror, any of the Acquiror Subsidiaries and affiliates, nor any of their respective officers, directors or employees acting on behalf of Acquiror or any of the Acquiror Subsidiaries or affiliates has taken, committed to take or been alleged to have taken any action which would cause Acquiror or any of the Acquiror Subsidiaries or affiliates to be in violation of the United States' *Foreign Corrupt Practices Act* (and the regulations promulgated thereunder), the *Corruption of Foreign Public Officials Act* (Canada) (and the regulations promulgated thereunder) or any applicable Laws of similar effect of Colombia or any other jurisdiction, and to the knowledge of Acquiror no such action has been taken by any of its agents, representatives or other Persons acting on behalf of Acquiror or any of the Acquiror Subsidiaries or affiliates.
- (jj) Vote Required. The only votes of the holders of any class or series of the Acquiror Shares, Acquiror Options, Acquiror Warrants or other securities of Acquiror necessary to approve this Agreement and the Arrangement and the transactions contemplated hereof or thereby is the approval of the Acquiror Resolution.
- (kk) Shares. The Acquiror Shares to be issued pursuant to the Arrangement and upon exercise of the Acquiror Consideration Warrants, the Exchanged Acquiror Options, the Exchanged Acquiror Warrants and Exchanged Special Acquiror Warrants will, upon issue, be issued as fully paid and non-assessable Acquiror Shares.
- (ll) Information. The information contained or incorporated by reference in the Joint Information Circular relating to Acquiror and Newco will contain no untrue statement of a material fact and will not omit to state a material fact that is required to be stated or that is necessary to make the statements not misleading in light of the circumstances in which they were made.
- (mm) Canadian Status. Acquiror is a Canadian within the meaning of the *Investment Canada Act* (Canada).

- (nn) U.S. Securities Law Matters. Acquiror: (i) is a "foreign private issuer" as defined in Rule 405 under the 1933 Act, (ii) has no class of securities outstanding that is or is required to be registered under Section 12 of the 1934 Act or that is subject to the reporting requirements of Section 13 or 15(d) of the 1934 Act; (iii) is not registered or required to register as an investment company under the 1940 Act; and (iv) the Acquiror Shares have not been traded on any national securities exchange in the United States during the past 12 calendar months. The Acquiror Shares, Acquiror Consideration Warrants, Newco Class A Shares (which shall be exchanged for Acquiror Shares upon the Amalgamation), Newco Warrants (which shall be exchanged for Acquiror Consideration Warrants upon the Amalgamation), Exchanged Acquiror Warrants, Exchanged Special Acquiror Warrants, Underlying Acquiror Warrants and Exchanged Acquiror Options to be issued in connection with the Arrangement will be securities exempt from registration under the 1933 Act by reason of Section 3(a)(10) thereof. The resale of the Acquiror Shares, Acquiror Consideration Warrants, Exchanged Acquiror Warrants, Exchanged Special Acquiror Warrants, Underlying Acquiror Warrants and Exchanged Acquiror Options so issued under the Arrangement will be exempt from registration under the 1933 Act, except that Acquiror Shares, Acquiror Consideration Warrants, Exchanged Acquiror Warrants and Exchanged Acquiror Options held by persons who are affiliates of Acquiror after the Arrangement or who were affiliates of Acquiror within 90 days prior to the Arrangement may be resold by them only in compliance with the resale provisions of Rule 144 under the 1933 Act or as otherwise permitted under the 1933 Act.

3.3 Target Disclosure Letter

The Parties acknowledge and agree that Target has delivered to Acquiror the Target Disclosure Letter, which has been accepted by Acquiror and which sets forth all material modifications to the representations and warranties made by Target in section 3.1 hereof.

3.4 Acquiror Disclosure Letter

The Parties acknowledge and agree that Acquiror has delivered to Target the Acquiror Disclosure Letter, which has been accepted by Target and which sets forth all material modifications to the representations and warranties made by Acquiror in section 3.2 hereof.

3.5 Survival of Representations and Warranties

The representations and warranties contained in this Agreement shall survive the execution and delivery of this Agreement and shall expire and be terminated and extinguished on the Effective Date.

ARTICLE 4 COVENANTS

4.1 Covenants of Target

Subject to sections 6.1 and 6.2, Target hereby covenants and agrees with Acquiror as follows:

- (a) Interim Order. As soon as practicable but in any event no later than May 9, 2011, Target shall file, proceed with and diligently pursue an application to the Court for the Interim Order on terms and conditions acceptable to Acquiror acting reasonably, including all

conditions required for compliance with the exemption from registration under the 1933 Act pursuant to Section 3(a)(10) thereof.

- (b) Target Meeting. In a timely and expeditious manner, Target shall:
- (i) forthwith carry out such terms of the Interim Order as are required under the terms thereof to be carried out by Target;
 - (ii) collaboratively together with Acquiror, prepare and file the Joint Information Circular (which shall be in a form satisfactory to each of the Parties and their respective legal counsel acting reasonably), together with any other documents required by applicable Laws, in all jurisdictions where the Joint Information Circular is required to be filed and mail the Joint Information Circular, as ordered by the Interim Order and in accordance with all applicable Laws, in and to all jurisdictions where the Joint Information Circular is required to be mailed, complying in all material respects with all applicable Laws on the date of the mailing thereof and in the form and containing the information required by all applicable Laws, including all applicable corporate and securities legislation and requirements, and not containing any misrepresentation (as defined under applicable securities legislation and requirements) with respect thereto, other than with respect to any information relating to and provided by Acquiror;
 - (iii) subject to the terms of this Agreement, Target shall: (A) take all commercially reasonable lawful action to solicit proxies in favour of the Target Resolution, including, without limitation, retaining a proxy solicitation agent to solicit in favour of the Target Resolution; (B) recommend to all Target Securityholders that they vote in favour of the Target Resolution; (C) not withdraw, modify or qualify, or publicly propose to or publicly state that it intends to withdraw, modify or qualify in any manner adverse to Acquiror such recommendation or the approval, recommendation or declaration of advisability of the Target Board (a "**Change in Target Recommendation**"), it being understood that failing to affirm the approval or recommendation of the Target Board of the transactions contemplated herein after a Target Acquisition Proposal has been publicly announced shall be considered an adverse modification except as expressly permitted by sections 6.1 and 6.2 hereof; and (D) include in the Joint Information Circular a statement that each director and officer of Target intends to vote all of such Person's Target Shares and securities in favour of the Target Resolution;
 - (iv) convene and conduct the Target Meeting in accordance with Target's articles, by-laws and applicable Laws as soon as reasonably practicable and in any event no later than June 30, 2011. Target shall use its commercially reasonable efforts to schedule the Target Meeting on the same day as the Acquiror Meeting;
 - (v) provide notice to Acquiror of the Target Meeting and allow representatives of Acquiror to attend the Target Meeting;
 - (vi) at the reasonable request of Acquiror from time to time Target shall provide Acquiror with a list (in both written and electronic form) of the registered Target Shareholders, together with their addresses and respective holdings of Target Shares, with a list of the names and addresses and holdings of all Persons having rights issued by Target to acquire Target Shares (including holders of Target

Options and Target Warrants) and a list of non-objecting beneficial owners of Target Shares, together with their addresses and respective holdings of Target Shares. Target shall from time to time require that its registrar and transfer agent furnish Acquiror with such additional information, including updated or additional lists of Target Shareholders and lists of holdings and other assistance as Acquiror may reasonably request;

- (vii) provide Acquiror with information on the proxies received and the Target Securityholder votes on the Target Resolution on a daily basis commencing at least ten (10) Business Days before the date of the Target Meeting to the extent that such information is available to Target;
 - (viii) conduct the Target Meeting in accordance with the Interim Order, the YBCA, the Articles of Target and as otherwise required by applicable Laws; and
 - (ix) take all such actions as may be required under the YBCA in connection with the transactions contemplated by this Agreement and the Plan of Arrangement.
- (c) Adjournment. Target shall not adjourn, postpone or cancel the Target Meeting (or propose to do so), except: (i) if quorum is not present at the Target Meeting; (ii) if required by applicable Laws; (iii) if required by the Target Securityholders at the Target Meeting; (iv) if otherwise agreed with Acquiror; or (v) if required by the Court.
- (d) Information for Joint Information Circular. In a timely and expeditious manner, Target shall provide to Acquiror all information as may be reasonably requested by Acquiror or as required applicable Laws with respect to Target and its businesses and properties for inclusion in the Joint Information Circular or in any amendment or supplement to the Joint Information Circular that complies in all material respects with all applicable Laws on the date of the mailing thereof and containing all material facts relating to Target required to be disclosed in the Joint Information Circular and not containing any misrepresentation (as defined under applicable securities legislation) with respect thereto. Target shall fully cooperate with Acquiror in the preparation of the Joint Information Circular and shall provide such assistance as Acquiror may reasonably request in connection therewith.
- (e) Dissent Rights. Target shall provide Acquiror with a copy of any purported exercise of the Dissent Rights and written communications with such Target Shareholder purportedly exercising such Dissent Rights, and shall not settle or compromise any action brought by any present, former or purported holder of any of its securities in connection with the transactions contemplated by this Agreement, including the Arrangement, without the prior written consent of Acquiror.
- (f) Amendments to Joint Information Circular. In a timely and expeditious manner, Target and Acquiror shall collaboratively prepare and file any mutually agreed (or as otherwise required by applicable Laws) amendments or supplements to the Joint Information Circular (which amendments or supplements shall be in a form satisfactory to Acquiror, acting reasonably) with respect to each of the Acquiror Meeting and the Target Meeting and mail such amendments or supplements, as required by the Interim Order and in accordance with all applicable Laws, in and to all jurisdictions where such amendments or supplements are required to be mailed, complying in all material respects with all applicable Laws on the date of the mailing thereof.

- (g) Final Order. Subject to the approval of the Arrangement at the Target Meeting in accordance with the provisions of the Interim Order, Target shall forthwith file, proceed with and diligently prosecute an application for the Final Order, which application shall include all conditions required for compliance with the exemption from registration under the 1933 Act pursuant to Section 3(a)(10) thereof, and otherwise be in a form and substance satisfactory to the Parties hereto, acting reasonably.
- (h) Compliance with Orders. Target shall forthwith carry out the terms of the Interim Order and the Final Order.
- (i) Copy of Documents. Target shall furnish promptly to Acquiror a copy of any filings made under any applicable Laws and any dealings or communications with any Governmental Entity, Securities Authority or stock exchange in connection with, or in any way affecting, the transactions contemplated by this Agreement.
- (j) Usual Business. Other than in contemplation of or as required to give effect to the transactions contemplated by this Agreement, Target shall, and shall cause the Target Subsidiaries to, conduct business only in, and not take any action except in, the ordinary course of business and consistent with past practice.
- (k) Certain Actions Prohibited. Other than as disclosed by Target, or in contemplation of or as required to give effect to the transactions contemplated by this Agreement, Target shall not, without the prior written consent of Acquiror, which consent shall not be unreasonably withheld or delayed, directly or indirectly do or cause any of the Target Subsidiaries to do, any of the following, except where to do so would be in the ordinary course of business and consistent with past practice:
 - (i) issue, sell, grant, pledge, lease, dispose of, encumber or create any Encumbrance on or agree to do so, or permit any of the Target Subsidiaries to issue, sell, grant, pledge, lease, dispose of, encumber or create any Encumbrance on or agree to do so, any shares or other securities of, or any options, warrants, calls, conversion privileges or rights of any kind to acquire any shares of, Target or any of the Target Subsidiaries, other than the issue of Target Shares pursuant to the valid exercise of the Target Options and Target Warrants issued and outstanding on the date hereof in accordance with their terms as of the date hereof;
 - (ii) other than pursuant to obligations or rights under existing contracts, agreements and commitments (to the extent such rights have been exercised or initiated by other Persons), sell, lease, encumber or otherwise dispose of, or permit any of the Target Subsidiaries to sell, lease, encumber or otherwise dispose of, any property or assets or enter into any agreement or commitment in respect of any of the foregoing except where to do so would not have a Material Adverse Effect;
 - (iii) amend or propose to amend the Articles or by-laws or their equivalent of Target or any of the Target Subsidiaries or any of the terms of the Target Options and Target Warrants as they exist at the date of this Agreement;
 - (iv) reduce its stated capital, or split, combine or reclassify any of the shares or other securities of Target or any of the Target Subsidiaries, or declare, set aside or pay any dividend or other distribution payable in cash, securities, property or

otherwise with respect to the Target Shares or the shares of any of the Target Subsidiaries;

- (v) redeem, purchase or offer to purchase, or permit any of the Target Subsidiaries to redeem, purchase or offer to purchase, any Target Shares and, other than pursuant to the Target Stock Option Plan, any other securities or rights under existing contracts, agreements and commitments;
- (vi) neither Target nor any of the Target Subsidiaries will adopt resolutions or enter into any agreement providing for the amalgamation, merger, consolidation, reorganization, liquidation, dissolution or any other extraordinary transaction in respect of itself, or adopt any plan of liquidation;
- (vii) acquire or agree to acquire any corporation, partnership (or other entity or material interest therein) or division of any corporation or other entity, or make any investment or permit any of the Target Subsidiaries to acquire or agree to acquire any corporation, partnership or other entity (or material interest therein) or division of any corporation or other entity or make any investment;
- (viii) (A) satisfy or settle any claim, dispute, Liability or obligation except such as have been included in the consolidated financial statements of Target delivered to Acquiror and which are, individually or in the aggregate, in an amount in excess of \$100,000 or which constitutes a claim, dispute, Liability or obligation between Target and any of the Target Subsidiaries or between Target Subsidiaries; (B) relinquish any contractual rights that are, individually or in the aggregate, in an amount in excess of \$100,000; or (C) enter into any interest rate, currency or commodity swaps, hedges, caps, collars, forward sales or other similar financial instruments other than in the ordinary and regular course of business and not for speculative purposes; or (D) enter into or renew any lease, license or other binding obligation of Target or any of the Target Subsidiaries (1) containing (a) any limitation or restriction on the ability of Target or any of the Target Subsidiaries or, following completion of the transactions contemplated hereby, the ability of the Acquiror Subsidiaries to engage in any type of activity or business, (b) any limitation or restriction on the manner in which, or the localities in which, all or any portion of the business of Target or any of the Target Subsidiaries or following consummation of the transactions contemplated hereby, all or any portion of the business Acquiror or any of the Acquiror Subsidiaries, is or would be conducted, or (c) any limit or restriction on the ability of Target or any of the Target Subsidiaries or, following completion of the transactions contemplated hereby, the ability of Acquiror or any of the Acquiror Subsidiaries, to solicit customers or employees, or (2) that would reasonably be expected to materially delay or prevent the consummation of the transactions contemplated by this Agreement; or (E) except as provided or in the Budget, not enter into or renew any agreement, contract, lease, license or other binding obligation of Target or any of the Target Subsidiaries that is not terminable within thirty (30) days of the Effective Date without payment by Acquiror or any of the Acquiror Subsidiaries that involves or would reasonably be expected to involve payments in excess of \$100,000 in the aggregate over the term of the contract;
- (ix) (A) acquire any material assets; (B) other than as contemplated by this Agreement, incur any indebtedness for borrowed money or any other material

Liability or obligation or issue any debt securities or assume, guarantee, endorse or otherwise as an accommodation become responsible for, the obligations of any other individual or entity, or make any loans or advances; (C) authorize, recommend or propose any release or relinquishment of any material contractual right; (D) waive, release, grant or transfer any material rights of value or modify or change in any material respect any existing material Authorization, lease, contract, agreement, government land concession or other material legal rights, claims or document; (E) enter into or terminate any hedges, swaps or other similar financial instruments or transactions; (F) enter into any agreements with its directors or officers or their respective affiliates; or (G) authorize, propose, permit or agree to any of the above;

- (x) Target shall not initiate any material discussion, negotiations or filings with any Governmental Entity regarding any matter (including with respect to the Arrangement or the transactions contemplated by this Agreement or regarding the status of the Target Property or the Target Mineral Rights) without the prior consent of Acquiror such consent not to be unreasonably withheld, and further agrees to provide Acquiror with immediate notice of any material communication (whether oral or written) from a Governmental Entity, including a copy of any written communication;
- (xi) enter into, or cause any Target Subsidiaries to enter into, new commitments of a capital expenditure nature or incur any new contingent liabilities other than: (A) ordinary course expenditures; (B) expenditures required by Laws; (C) expenditures made in connection with transactions contemplated in this Agreement; and (D) capital expenditures required to prevent the occurrence of a Material Adverse Effect;
- (xii) create any new obligations or liabilities or modify or in any manner amend any existing obligations and liabilities to pay any amount, including loan amounts, to its or their officers, directors, employees and consultants, other than for salary, bonuses under its or their existing bonus arrangements and directors' fees in the ordinary course, in each case in amounts consistent with historic practices and obligations or liabilities or arising in the ordinary and usual course of business;
- (xiii) adopt or amend or make any contribution to the Target Benefit Plan, the Target Stock Option Plan, Target November 2009 Warrant Indenture or any other bonus, profit sharing, option, deferred compensation, insurance, incentive compensation, other compensation or other similar plan, agreement, trust, fund or arrangements for the benefit of employees, except as is necessary to comply with Laws or with respect to existing provisions of any such plans, programs, arrangements or agreements;
- (xiv) take actions or fail to take any action that could reasonably be expected to be prejudicial to Acquiror's interest in the business, property or assets of Target or any of the Target Subsidiaries following the closing of the Arrangement; or
- (xv) except as required by Canadian GAAP, any other generally accepted accounting principle to which any of the Target Subsidiaries may be subject, or any applicable Laws, make any changes to the existing accounting practices of Target

or any of the Target Subsidiaries or make any material tax election inconsistent with past practice other than as contemplated in this Agreement.

- (l) Employment Arrangements. Target shall not, without the prior written consent of Acquiror, such consent not to be unreasonably withheld, and shall cause the Target Subsidiaries not to, enter into or modify any employment, consulting, severance, collective bargaining or similar agreement, policy or arrangement with, or grant any bonus, salary increase, option to purchase shares, pension or supplemental pension benefit, profit sharing, retirement allowance, deferred compensation, incentive compensation, severance, change of control or termination pay to, or make any loan to, any officer, director, employee or consultant of Target or any of the Target Subsidiaries.

Notwithstanding the foregoing, Target shall make its commercially reasonable best efforts to have any of its employees who have any contractual or other entitlements triggered by a change of control agree to settle those rights at the Effective Time in exchange for similar rights granted to them by the Acquiror in the event of a change of control of the Acquiror.

- (m) Insurance. Target shall use its commercially reasonable best efforts, and shall cause the Target Subsidiaries to use their commercially reasonable best efforts, to cause their respective current insurance (and reinsurance) policies not to be cancelled or terminated or any of the coverage thereunder to lapse, unless simultaneously with such termination, cancellation or lapse, replacement policies underwritten by insurance and re-insurance companies of internationally recognized standing providing coverage equal to or greater than the coverage under the cancelled, terminated or lapsed policies for substantially similar premiums are in full force and effect.
- (n) Mineral Rights and Properties. Target shall use its commercially reasonable best efforts to maintain and preserve all of its rights under each of the Target Mineral Rights and Target Properties and under each of its Authorizations.
- (o) Certain Actions. Target shall:
 - (i) not take any action, or refrain from taking any action (subject to commercially reasonable best efforts), or permit any action to be taken or not taken, inconsistent with the provisions of this Agreement or which would reasonably be expected to materially impede the completion of the transactions contemplated hereby or would render, or that could reasonably be expected to render, any representation or warranty made by Target in this Agreement untrue or inaccurate in any material respect at any time prior to the Effective Time if then made, or which would or could have a Material Adverse Effect on Target; and
 - (ii) promptly notify Acquiror of: (A) any Material Adverse Change or Material Adverse Effect, or any change, event, occurrence or state of facts that could reasonably be expected to become a Material Adverse Change or to have a Material Adverse Effect, in respect of the business or in the conduct of the business of Target; and (B) any material Governmental Entity or third Person complaints, investigations or hearings (or communications indicating that the same may be contemplated).

- (p) No Compromise. Target shall not, and shall cause the Target Subsidiaries not to, settle or compromise any claim brought by any present, former or purported holder of any securities of Target in connection with the transactions contemplated by this Agreement prior to the Effective Time without the prior written consent of Acquiror.
- (q) Contractual Obligations. Without the prior written agreement of Acquiror, Target shall not, and shall cause the Target Subsidiaries not to, enter into, renew or modify in any respect any material contract, agreement, lease, commitment or arrangement to which Target or any of the Target Subsidiaries is a party or by which any of them is bound, except insofar as may be necessary to permit or provide for the completion of the Arrangement or where to do so would not have a Material Adverse Effect on Target.
- (r) Satisfaction of Conditions. Subject to section 6.1, Target shall use all commercially reasonable best efforts to satisfy, or cause to be satisfied, all conditions precedent to its obligations to the extent that the same is within its control and to take, or cause to be taken, all other action and to do, or cause to be done, all other things necessary, proper or advisable under all applicable Laws to complete the transactions contemplated by this Agreement, including using its commercially reasonable best efforts to:
 - (i) obtain the Target Securityholder Approval for the Arrangement in accordance with the provisions of the YBCA, the Interim Order and the requirements of any applicable regulatory authority;
 - (ii) obtain all other consents, approvals and authorizations as are required to be obtained by Target or any of the Target Subsidiaries under any applicable Laws or from any Governmental Entity or under the rules or policies of the TSX that would, if not obtained, materially impede the completion of the transactions contemplated by this Agreement or have a Material Adverse Effect on Target;
 - (iii) effect all necessary registrations, filings and submissions of information requested by Governmental Entities required to be effected by it in connection with the transactions contemplated by this Agreement and participate and appear in any proceedings of any Party hereto before any Governmental Entity;
 - (iv) oppose, lift or rescind any injunction or restraining order or other order or action challenging or affecting this Agreement, the transactions contemplated hereby or seeking to stop, or otherwise adversely affecting the ability of the Parties to consummate, the transactions contemplated hereby;
 - (v) obtain all third party consents and approvals and give any notices required under any of the material contracts;
 - (vi) cause the issuance of the Acquiror Shares, Acquiror Consideration Warrants, Newco Class A Shares (which shall be exchanged for Acquiror Shares upon the Amalgamation), Newco Warrants (which shall be exchanged for Acquiror Consideration Warrants upon the Amalgamation), Exchanged Special Acquiror Warrants, Underlying Acquiror Warrants, Exchanged Acquiror Warrants and Exchanged Acquiror Options pursuant to the Arrangement to be exempt from registration under the 1933 Act pursuant to Section 3(a)(10) thereof;

- (vii) fulfill all conditions and satisfy all provisions of this Agreement and the Plan of Arrangement required to be fulfilled or satisfied by Target; and
- (viii) cooperate with Acquiror in connection with the performance by it of its obligations hereunder, provided however that the foregoing shall not be construed to obligate Target to pay or cause to be paid any monies to cause such performance to occur.
- (s) Keep Fully Informed. Subject to applicable Laws, Target shall use commercially reasonable best efforts to conduct itself so as to keep Acquiror fully informed as to the material decisions or actions required or required to be made with respect to the operation of its business.
- (t) Cooperation. Target shall make, or cooperate as necessary in the making of, all necessary filings and applications under all applicable Laws required in connection with the transactions contemplated hereby and take all reasonable action necessary to be in compliance with such Laws.
- (u) Representations. Target shall use its commercially reasonable best efforts to conduct its affairs and to cause the Target Subsidiaries to conduct their affairs so that all of the representations and warranties of Target contained herein shall be true and correct on and as of the Effective Date as if made on and as of such date.
- (v) Taxes. Target and each of the Target Subsidiaries shall:
 - (i) duly and timely file all material Tax Returns required to be filed by it on or after the date hereof and all such Tax Returns will be true, complete and correct in all material respects;
 - (ii) in a timely manner withhold, collect, remit to the appropriate Governmental Entity and pay all material Taxes which are required by applicable Laws to be withheld, collected, remitted or paid by it to the extent due and payable;
 - (iii) not make or rescind any material express or deemed election relating to Taxes;
 - (iv) not make a request for a Tax ruling or enter into any agreement with any taxing authorities or consent to any extension or waiver of any limitation period with respect to material Taxes;
 - (v) not settle or compromise any claim, action, suit, litigation, proceeding, arbitration, investigation, audit or controversy relating to material Taxes; and
 - (vi) not amend any material Tax Return or change any of its methods of reporting income, deductions or accounting for income Tax purposes from those employed in the preparation of its income Tax Return for the tax year ended December 31, 2009, except as may be required by applicable Laws.

4.2 Covenants of Acquiror

Subject to sections 6.3 and 6.4, Acquiror hereby covenants and agrees with Target as follows:

- (a) Proceedings. In a timely and expeditious manner, Acquiror shall take all such actions and do all such acts and things as are specified in the Interim Order, the Plan of Arrangement (including issuing the Acquiror Shares, Acquiror Consideration Warrants, Newco Class A Shares (which shall be exchanged for Acquiror Shares upon the Amalgamation), Newco Warrants (which shall be exchanged for Acquiror Consideration Warrants upon the Amalgamation), Exchanged Acquiror Warrants, Exchanged Special Acquiror Warrants, Underlying Acquiror Warrants and Exchanged Acquiror Options and any other securities contemplated pursuant to section 3.1 of the Plan of Arrangement) and the Final Order to be taken or done by Acquiror.
- (b) Acquiror Meeting. In a timely and expeditious manner, Acquiror shall:
 - (i) collaboratively together with Target, prepare and file the Joint Information Circular (which shall be in a form satisfactory to each of the Parties and their respective legal counsel acting reasonably), together with any other documents required by applicable Laws, in all jurisdictions where the Joint Information Circular is required to be filed and mail the Joint Information Circular, in accordance with all applicable Laws, in and to all jurisdictions where the Joint Information Circular is required to be mailed, complying in all material respects with all applicable Laws on the date of the mailing thereof and in the form and containing the information required by all applicable Laws, including all applicable corporate and securities legislation and requirements, and not containing any misrepresentation (as defined under applicable securities legislation and requirements) with respect thereto, other than with respect to any information relating to and provided by Target;
 - (ii) subject to the terms of this Agreement, Acquiror shall: (A) take all commercially reasonable lawful action to solicit proxies in favour of the Acquiror Resolution, including, without limitation, retaining a proxy solicitation agent to solicit in favour of the Acquiror Resolution; (B) recommend to all Acquiror Shareholders that they vote in favour of the Acquiror Resolution; (C) not withdraw, modify or qualify, or publicly propose to or publicly state that it intends to withdraw, modify or qualify in any manner adverse to Target such recommendation or the approval, recommendation or declaration of advisability of the Acquiror Board (a "**Change in Acquiror Recommendation**"), it being understood that failing to affirm the approval or recommendation of the Acquiror Board of the transactions contemplated herein after a Acquiror Acquisition Proposal has been publicly announced shall be considered an adverse modification except as expressly permitted by sections 6.3 and 6.4 hereof; and (D) include in the Joint Information Circular a statement that each director and officer of Acquiror intends to vote all of such Person's Acquiror Shares and securities in favour of the Acquiror Resolution;
 - (iii) convene and conduct the Acquiror Meeting in accordance with Acquiror's articles, by-laws and applicable Laws as soon as reasonably possible and in any event no later than June 30, 2011. Acquiror shall use its commercially

reasonable efforts to schedule the Acquiror Meeting on the same day as the Target Meeting;

- (iv) provide notice to Target of the Acquiror Meeting and allow representatives of Target to attend the Acquiror Meeting;
- (v) at the reasonable request of Target from time to time Acquiror shall provide Target with a list (in both written and electronic form) of the registered Acquiror Shareholders, together with their addresses and respective holdings of Acquiror Shares, with a list of the names and addresses and holdings of all Persons having rights issued by Acquiror to acquire Acquiror Shares (including holders of Acquiror Options or Acquiror Warrants) and a list of non-objecting beneficial owners of Acquiror Shares, together with their addresses and respective holdings of Acquiror Shares. Acquiror shall from time to time require that its registrar and transfer agent furnish Target with such additional information, including updated or additional lists of Acquiror Shareholders and lists of holdings and other assistance as Target may reasonably request.
- (vi) provide Target with information on the proxies received and the Acquiror Shareholders votes on the Acquiror Resolution on a daily basis commencing at least ten (10) Business Days before the date of the Acquiror Meeting to the extent that such information is available to Acquiror; and
- (vii) conduct the Acquiror Meeting in accordance with the BCBCA, the Articles and Notice of Articles of Acquiror and as otherwise required by applicable Laws;
- (c) Adjournment. Acquiror shall not adjourn, postpone or cancel the Acquiror Meeting (or propose to do so), except: (i) if quorum is not present at the Acquiror Meeting; (ii) if required by applicable Laws; (iii) if required by the Acquiror Shareholders at the Acquiror Meeting; or (iv) if otherwise agreed with Target.
- (d) Amendments to Joint Information Circular. In a timely and expeditious manner, collaboratively together with Target, prepare and file any mutually agreed (or as otherwise required by applicable Laws) amendments or supplements to the Joint Information Circular (which amendments or supplements shall be in a form satisfactory to the Parties, acting reasonably) with respect to each of the Acquiror Meeting and the Target Meeting in accordance with the Interim Order and mail such amendments or supplements, in accordance with all applicable Laws, in and to all jurisdictions where such amendments or supplements are required to be mailed, complying in all material respects with all applicable Laws on the date of the mailing thereof.
- (e) Information for Joint Information Circular. In a timely and expeditious manner, Acquiror shall provide all information as may be reasonably requested by Target or as required by the Interim Order or applicable Laws with respect to Acquiror and its businesses and properties for inclusion in the Joint Information Circular or in any amendment or supplement to the Joint Information Circular that complies in all material respects with all applicable Laws on the date of the mailing thereof and containing all material facts relating to Acquiror required to be disclosed in the Joint Information Circular and not containing any misrepresentation (as defined under applicable Laws) with respect thereto. Acquiror shall fully cooperate with Target in the preparation of the Joint Information

Circular and shall provide such assistance as Target may reasonably request in connection therewith.

- (f) Copy of Documents. Acquiror shall furnish promptly to Target a copy of any filing under any applicable Laws and any dealings or communications with any Governmental Entity, Securities Authority or stock exchange in connection with, or in any way affecting, the transactions contemplated by this Agreement.
- (g) Usual Business. Other than in contemplation of or as required to give effect to the transactions contemplated by this Agreement, Acquiror shall, and shall cause the Acquiror Subsidiaries to, conduct business only in, and not take any action except in, the ordinary course of business and consistent with past practice.
- (h) Certain Actions Prohibited. Other than in contemplation of or as required to give effect to the transactions contemplated by this Agreement, Acquiror shall not, without the prior written consent of Target, which consent shall not be unreasonably withheld or delayed, directly or indirectly do or permit to occur, or cause any of the Acquiror Subsidiaries to do any of the following:
 - (i) issue, sell, grant, pledge, lease, dispose of, encumber or create any Encumbrance on or agree to do so, or permit any of the Acquiror Subsidiaries to issue, sell, grant, pledge, lease, dispose of, encumber or create any Encumbrance on or agree to do so, any shares or other securities of, or any options, warrants, calls, conversion privileges or rights of any kind to acquire any shares of, Acquiror or any of the Acquiror Subsidiaries, other than the issue of Acquiror Shares pursuant to the valid exercise of the Acquiror Options and Acquiror Warrants issued and outstanding on the date hereof in accordance with their terms as of the date hereof;
 - (ii) other than pursuant to obligations or rights under existing contracts, agreements and commitments (to the extent such rights have been exercised or initiated by other Persons), sell, lease, encumber or otherwise dispose of, or permit any of the Acquiror Subsidiaries to sell, lease, encumber or otherwise dispose of, any property or assets or enter into any agreement or commitment in respect of any of the foregoing except where to do so would not have a Material Adverse Effect;
 - (iii) amend or propose to amend the Articles, Notice of Articles or by-laws or their equivalent of Acquiror or any of the Acquiror Subsidiaries as they exist at the date of this Agreement;
 - (iv) reduce its stated capital, or split, combine or reclassify any of the shares or other securities of Acquiror or any of the Acquiror Subsidiaries, or declare, set aside or pay any dividend or other distribution payable in cash, securities, property or otherwise with respect to the Acquiror Shares or the shares of any of the Acquiror Subsidiaries;
 - (v) redeem, purchase or offer to purchase, or permit any of the Acquiror Subsidiaries to redeem, purchase or offer to purchase, any Acquiror Shares and, other than pursuant to the Acquiror Stock Option Plan, any other securities or rights under existing contracts, agreements and commitments;

- (vi) other than as provided in this Agreement, adopt resolutions or enter into any agreement providing for the amalgamation, merger, consolidation, reorganization, liquidation, dissolution or any other extraordinary transaction in respect of itself, or adopt any plan of liquidation;
- (vii) acquire or agree to acquire any corporation, partnership (or other entity or material interest therein) or division of any corporation or other entity, or make any investment or permit any of the Acquiror Subsidiaries to acquire or agree to acquire any corporation, partnership or other entity (or material interest therein) or division of any corporation or other entity or make any investment;
- (viii) (A) satisfy or settle any claim, dispute, Liability or obligation except such as have been included in the consolidated financial statements of Acquiror delivered to Target and which are, individually or in the aggregate, in an amount in excess of \$100,000 or which constitutes a claim, dispute, Liability or obligation between Acquiror and any of the Acquiror Subsidiaries or between Acquiror Subsidiaries; (B) relinquish any contractual rights that are, individually or in the aggregate, in an amount in excess of \$100,000; or (C) enter into any interest rate, currency or commodity swaps, hedges, caps, collars, forward sales or other similar financial instruments other than in the ordinary and regular course of business and not for speculative purposes; or (D) enter into or renew any lease, license or other binding obligation of Acquiror or any of the Acquiror Subsidiaries (1) containing (a) any limitation or restriction on the ability of Acquiror or any of the Acquiror Subsidiaries or, following completion of the transactions contemplated hereby, the ability of the Target Subsidiaries to engage in any type of activity or business, (b) any limitation or restriction on the manner in which, or the localities in which, all or any portion of the business of Acquiror or any of the Acquiror Subsidiaries or following consummation of the transactions contemplated hereby, all or any portion of the business Target or any of the Target Subsidiaries, is or would be conducted, or (c) any limit or restriction on the ability of Acquiror or any of the Acquiror Subsidiaries or, following completion of the transactions contemplated hereby, the ability of Target or any of the Target Subsidiaries, to solicit customers or employees, or (2) that would reasonably be expected to materially delay or prevent the consummation of the transactions contemplated by this Agreement; or (E) except as provided or in the Budget, not enter into or renew any agreement, contract, lease, license or other binding obligation of Acquiror or any of the Acquiror Subsidiaries that is not terminable within thirty (30) days of the Effective Date without payment by Target or any of the Target Subsidiaries that involves or would reasonably be expected to involve payments in excess of \$100,000 in the aggregate over the term of the contract;
- (ix) (A) acquire any material assets; (B) incur any indebtedness for borrowed money or any other material Liability or obligation or issue any debt securities or assume, guarantee, endorse or otherwise as an accommodation become responsible for, the obligations of any other individual or entity, or make any loans or advances; (C) authorize, recommend or propose any release or relinquishment of any material contractual right; (D) waive, release, grant or transfer any material rights of value or modify or change in any material respect any existing material Authorization, lease, contract, production sharing agreement, government land concession or other material rights, claims or document; (E) enter into or terminate any hedges, swaps or other similar

financial instruments or transactions; (F) enter into any agreements with its directors or officers or their respective affiliates; or (G) authorize, propose, permit or agree to any of the above;

- (x) Acquiror shall not initiate any material discussion, negotiations or filings with any Governmental Entity regarding any matter (including with respect to the Arrangement or the transactions contemplated by this Agreement or regarding the status of the Acquiror Property or the Acquiror Mineral Rights) without the prior consent of Target such consent not to be unreasonably withheld, and further agrees to provide Target with immediate notice of any material communication (whether oral or written) from a Governmental Entity, including a copy of any written communication;
 - (xi) enter into new commitments of a capital expenditure nature or incur any new contingent liabilities other than: (A) ordinary course expenditures, including expenditures required to proceed with the development of and construction of the proposed pipeline; (B) expenditures required by law; (C) expenditures made in connection with transactions contemplated in this Agreement; and (D) capital expenditures required to prevent the occurrence of a Material Adverse Effect;
 - (xii) create any new obligations or liabilities or modify or in any manner amend any existing obligations and liabilities to pay any amount, including loan amounts, to its or their officers, directors, employees and consultants, other than for salary, bonuses under its or their existing bonus arrangements and directors' fees in the ordinary course, in each case in amounts consistent with historic practices and obligations or liabilities or arising in the ordinary and usual course of business;
 - (xiii) adopt or amend or make any contribution to the Acquiror Benefit Plan, the Acquiror Stock Option Plan, Acquiror Warrant Indenture or to any other bonus, profit sharing, option, deferred compensation, insurance, incentive compensation, other compensation or other similar plan, agreement, trust, fund or arrangements for the benefit of employees, except as is necessary to comply with the law or with respect to existing provisions of any such plans, programs, arrangements or agreements; or
 - (xiv) take actions or fail to take any action that could reasonably be expected to be prejudicial to Target's interest in the business, property or assets of Acquiror or any of the Acquiror Subsidiaries following the closing of the Arrangement.
- (i) Insurance. Acquiror shall use its commercially reasonable best efforts, and shall cause the Acquiror Subsidiaries to use their commercially reasonable best efforts, to cause their respective current insurance (and reinsurance) policies not to be cancelled or terminated or any of the coverage thereunder to lapse, unless simultaneously with such termination, cancellation or lapse, replacement policies underwritten by insurance and re-insurance companies of internationally recognized standing providing coverage equal to or greater than the coverage under the cancelled, terminated or lapsed policies for substantially similar premiums are in full force and effect.
- (j) Mineral Rights and Properties. Acquiror shall use its commercially reasonable best efforts to maintain and preserve all of its rights under each of the Acquiror Mineral Rights and Acquiror Properties and under each of its Authorizations.

- (k) Certain Actions. Acquiror shall:
- (i) not take any action, or refrain from taking any action (subject to commercially reasonable best efforts), or permit any action to be taken or not taken, inconsistent with the provisions of this Agreement or that would reasonably be expected to materially impede the completion of the transactions contemplated hereby or would render, or that could reasonably be expected to render, any representation or warranty made by Acquiror in this Agreement untrue or inaccurate in any material respect at any time prior to the Effective Time if then made or that would or could have a Material Adverse Effect on Acquiror; and
 - (ii) promptly notify Target of (A) any Material Adverse Change or Material Adverse Effect, or any change, event, occurrence or state of facts that could reasonably be expected to become a Material Adverse Change or to have a Material Adverse Effect, in respect of the business or in the conduct of the business of Acquiror, and (B) any material Governmental Entity or third Person complaints, investigations or hearings (or communications indicating that the same may be contemplated).
- (l) No Compromise. Acquiror shall not, and shall cause the Acquiror Subsidiaries not to, settle or compromise any claim brought by any present, former or purported holder of any securities of Acquiror in connection with the transactions contemplated by this Agreement prior to the Effective Time without the prior written consent of Target.
- (m) Contractual Obligations. Without the prior written agreement of Target, Acquiror shall not, and shall cause the Acquiror Subsidiaries not to, enter into, renew or modify in any respect any material contract, agreement, lease, commitment or arrangement to which Acquiror or any of the Acquiror Subsidiaries is a party or by which any of them is bound, except insofar as may be necessary to permit or provide for the completion of the Arrangement or where to do so would not have a Material Adverse Effect on Acquiror.
- (n) Satisfaction of Conditions. Subject to section 6.3, Acquiror shall use all commercially reasonable best efforts to satisfy, or cause to be satisfied, all of the conditions precedent to its obligations to the extent the same is within its control and to take, or cause to be taken, all other actions and to do, or cause to be done, all other things necessary, proper or advisable under all applicable Laws to complete the transactions contemplated by this Agreement, including using its commercially reasonable best efforts to:
- (i) obtain the approval of the Acquiror Shareholders with respect to the Acquiror Resolution in accordance with the provision of the TSX rules and the requirements of any applicable regulatory authority;
 - (ii) obtain all consents, approvals and authorizations as are required to be obtained by Acquiror or any of the Acquiror Subsidiaries under any applicable Laws or from any Governmental Entity that would, if not obtained, materially impede the completion of the transactions contemplated hereby or have a Material Adverse Effect on Acquiror;
 - (iii) effect all necessary registrations, filings and submissions of information requested by Governmental Entities required to be effected by it in connection

with the transactions contemplated by this Agreement and participate, and appear in any proceedings of, any Party hereto before any Governmental Entity;

- (iv) oppose, lift or rescind any injunction or restraining order or other order or action challenging or affecting this Agreement, the transactions contemplated hereby or seeking to stop, or otherwise adversely affecting the ability of the parties hereto to consummate, the transactions contemplated hereby;
 - (v) cause the issuance of the Acquiror Shares, Acquiror Consideration Warrants, Newco Class A Shares (which shall be exchanged for Acquiror Shares upon the Amalgamation), Newco Warrants (which shall be exchanged for Acquiror Consideration Warrants upon the Amalgamation), Exchanged Acquiror Warrants, Exchanged Special Acquiror Warrants, Underlying Acquiror Warrants and Exchanged Acquiror Options pursuant to the Arrangement to be exempted from registration under the 1933 Act pursuant to Section 3(a)(10) thereof and to take all action required in connection with issuances under state "blue sky" laws in the United States;
 - (vi) fulfill all conditions and satisfy all provisions of this Agreement and the Plan of Arrangement required to be fulfilled or satisfied by it;
 - (vii) cooperate with Target in connection with the performance by Target of its obligations hereunder, provided however that the foregoing shall not be construed to obligate Acquiror to pay or cause to be paid any monies to cause such performance to occur; and
 - (viii) obtain all third party consents and approvals and give notices required under any of its material contracts.
- (o) Keep Fully Informed. Subject to applicable Laws, Acquiror shall use commercially reasonable best efforts to conduct itself so as to keep Target fully informed as to the material decisions or actions required or required to be made with respect to the operation of its business.
- (p) Cooperation. Acquiror shall make, or cooperate as necessary in the making of, all necessary filings and applications under all applicable Laws required in connection with the transactions contemplated hereby and take all reasonable action necessary to be in compliance with such Laws.
- (q) Representations. Acquiror shall use its commercially reasonable best efforts to conduct its affairs and to cause the Acquiror Subsidiaries to conduct their affairs so that all of the representations and warranties of Acquiror contained herein shall be true and correct on and as of the Effective Date as if made on and as of such date.
- (r) Taxes. Acquiror and each of the Acquiror Subsidiaries shall:
- (i) duly and timely file all material Tax Returns required to be filed by it on or after the date hereof and all such Tax Returns will be true, complete and correct in all material respects;

- (ii) in a timely manner withhold, collect, remit to the appropriate Governmental Entity and pay all material Taxes which are required by applicable Laws to be withheld, collected, remitted or paid by it to the extent due and payable;
 - (iii) not make or rescind any material express or deemed election relating to Taxes;
 - (iv) not make a request for a Tax ruling or enter into any agreement with any taxing authorities or consent to any extension or waiver of any limitation period with respect to material Taxes;
 - (v) not settle or compromise any claim, action, suit, litigation, proceeding, arbitration, investigation, audit or controversy relating to material Taxes; and
 - (vi) not amend any material Tax Return or change any of its methods of reporting income, deductions or accounting for income Tax purposes from those employed in the preparation of its income Tax Return for the tax year ended December 31, 2009, except as may be required by applicable Laws.
- (s) Newco. Acquiror shall:
- (i) take all such action as is necessary or desirable to cause Newco to satisfy its obligations hereunder and in the Plan of Arrangement, including without limitation, passing a resolution, on or prior to May 8, 2011 in form and substance satisfactory to each of Acquiror and Target, acting reasonably, duly approving the Arrangement in accordance with the Interim Order; and
 - (ii) prior to the Effective Date, not cause or permit Newco to issue any securities or enter into any agreements to issue or grant options, warrants or rights to purchase any of its securities except for the issuance of a nominal number of Newco Class B Shares that are held by Acquiror, or carry on any business, enter into any transaction or effect any corporate act whatsoever, other than as contemplated herein or as reasonably necessary to carry out the transactions contemplated in the Plan of Arrangement, unless previously consented to in writing by Target.
- (t) Shares and Warrants. Acquiror will issue, at the Effective Time, Acquiror Shares and Acquiror Consideration Warrants, in accordance with the terms of the Plan of Arrangement, to those Target Shareholders who are entitled to receive Acquiror Shares and Acquiror Consideration warrants pursuant to the Arrangement.
- (u) Target Options and Target Warrants. Acquiror will, at the Effective Time, assume, in accordance with the terms of the Plan of Arrangement, the obligations of Target under the Target Options, Target Share Warrants and the Target Special Warrants as exchanged in accordance with the terms of the Plan of Arrangement.

4.3 Regulatory Approvals

As soon as practicable, Acquiror and Target each shall:

- (a) make the necessary filings with anti-trust authorities in the Republic of Colombia; and

- (b) file comparable merger notification forms required by the merger notification or control Laws of any other applicable jurisdiction, which Acquiror and Target reasonably determine to be necessary.

Acquiror and Target each shall promptly:

- (c) supply the other with any information which may be required in order to effectuate such filings; and
- (d) supply any additional information which reasonably may be required by the competition or merger control authorities of any other jurisdiction.

Neither Party shall attend any meetings, whether in Person or by telephone with any Governmental Entity in connection with the transactions contemplated by this Agreement, unless it provides the other Party with a reasonable opportunity to attend such meetings.

4.4 Target Options

- (a) Acquiror covenants that, immediately following the Effective Time it will covenant with each holder of Target Options to issue Acquiror Shares upon the exercise of Exchanged Acquiror Options as contemplated in subsection 3.1(c)(vi) of the Plan of Arrangement.
- (b) Acquiror agrees that the agreements evidencing the grant of the Target Options shall continue in effect, as exchanged under the Plan of Arrangement but otherwise on the same terms and conditions after completion of the Arrangement.
- (c) Acquiror shall take any and all corporate action necessary to reserve for issuance a sufficient number of Acquiror Shares for delivery upon the exercise of the Exchanged Acquiror Options assumed in accordance with subsection 3.1(c)(vi) of the Plan of Arrangement.

4.5 Target Share Warrants

- (a) Acquiror covenants that immediately following the Effective Time it will become a party to the CGL Warrant Indenture and the Target November 2009 Warrant Indenture or otherwise covenant with each holder of Target Share Warrants subject to the CGL Warrant Indenture or the Target November 2009 Warrant Indenture, as applicable, to treat such Target Share Warrants as contemplated in subsection 3.1(c)(vii) of the Plan of Arrangement.
- (b) Acquiror agrees that the agreements evidencing the grant of the Target Share Warrants shall continue in effect, as exchanged under the Plan of Arrangement but otherwise on the same terms and conditions after completion of the Arrangement.
- (c) Acquiror covenants that immediately following the Effective Time it will covenant with each holder of Target Share Warrants not subject to the CGL Warrant Indenture or the Target November 2009 Warrant Indenture, as applicable, to treat such Target Share Warrants as contemplated in subsection 3.1(c)(vii) of the Plan of Arrangement.
- (d) Acquiror shall take any and all corporate action necessary to reserve for issuance a sufficient number of Acquiror Shares for delivery upon the exercise of the Exchanged

Acquiror Warrants assumed in accordance with subsection 3.1(c)(vii) of the Plan of Arrangement.

4.6 Target Special Warrants

- (a) Acquiror covenants that immediately following the Effective Time it will covenant with each holder of Target Special Warrants to treat such Target Special Warrants as contemplated in subsection 3.1(c)(viii) of the Plan of Arrangement.
- (b) Acquiror agrees that the relevant agreements evidencing the grant of the Target Special Warrants or the certificates representing the Target Special Warrants shall continue in effect, as exchanged under the Plan of Arrangement but otherwise on the same terms and conditions after completion of the Arrangement.
- (c) Acquiror shall take any and all corporate action necessary to reserve for issuance a sufficient number of Acquiror Shares for delivery upon the exercise of the Exchanged Special Acquiror Warrants assumed in accordance with subsection 3.1(c)(viii) of the Plan of Arrangement.

4.7 Indemnification and Insurance

- (a) Acquiror hereby covenants and agrees that all rights to indemnification or exculpation in favour of the current and former directors and officers of Target and the Target Subsidiaries provided in the current Articles or by-laws of Target or any of the Target Subsidiaries, or in any agreement, and any directors' and officers' insurance now existing in favour of the directors or officers of Target and any of the Target Subsidiaries shall survive the completion of the Arrangement (or be replaced with substantially equivalent coverage from another provider) and shall continue in full force and effect (either directly or via run-off insurance or insurance provided by an alternative provider) for a period of not less than six years from the Effective Date and Acquiror undertakes to ensure that this covenant shall remain binding upon its successor and assigns.
- (b) Target shall act as agent and trustee of the benefits of the foregoing for its directors and officers and those of the Target Subsidiaries for the purpose of this section 4.7 and this section 4.7 shall survive the execution and delivery of this Agreement and the completion of the Arrangement and shall be enforceable against Acquiror by the Persons described in subsection (a) hereof.

4.8 Financing

If requested by Target prior to the Effective Date, Acquiror shall provide financial support to Target in the form of interest-free advances repayable on demand in the event the Agreement is terminated.

ARTICLE 5 CONDITIONS

5.1 Mutual Conditions

The respective obligations of Target and Acquiror to complete the transactions contemplated herein are subject to the fulfillment of the following conditions at or before the Effective Time or such other time as is specified below:

- (a) the Interim Order shall have been granted in form and substance satisfactory to the parties hereto, acting reasonably, and shall not have been set aside or modified in a manner unacceptable to the Parties hereto, acting reasonably, on appeal or otherwise;
- (b) the Target Securityholder Approval shall have been obtained at the Target Meeting held in accordance with the provisions of YBCA, the Interim Order and the requirements of any applicable regulatory authority;
- (c) the approval of the Acquiror Shareholders with respect to the Acquiror Resolution shall have been obtained in accordance with the provision of the TSX rules and the requirements of any other applicable regulatory authority;
- (d) the Final Order shall have been granted in form and substance satisfactory to the Parties hereto, acting reasonably, and shall not have been set aside or modified in a manner unacceptable to such Parties, acting reasonably, on appeal or otherwise;
- (e) there shall not be in force any Laws, ruling, order or decree, and there shall not have been any action taken under any Laws or by any Governmental Entity or other regulatory authority, that makes it illegal or otherwise directly or indirectly restrains, enjoins or prohibits the consummation of the Arrangement in accordance with the terms hereof or results or could reasonably be expected to result in a judgment, order, decree or assessment of damages, directly or indirectly, relating to the Arrangement that has, or could reasonably be expected to have, a Material Adverse Effect on Target or Acquiror;
- (f) (A) the TSX shall have conditionally approved the listing thereon, subject to official notice of issuance, of the Acquiror Shares, the Acquiror Consideration Warrants and the Exchanged Acquiror Warrants exchanged for the Target November 2009 Warrants to be issued pursuant to the Arrangement (including the Acquiror Shares which are issuable upon the exercise of the Acquiror Consideration Warrants, the Exchanged Acquiror Options, the Exchanged Acquiror Warrants and the Exchanged Special Acquiror Warrants) as of the Effective Date, or as soon as possible thereafter, and (B) the TSX shall have, if required, accepted notice for filing of all transactions of Target and Acquiror contemplated herein or necessary to complete the Arrangement, subject only to compliance with the usual requirements of the TSX;
- (g) (A) all consents, waivers, permits, exemptions, orders and approvals of, and any registrations and filings with, any Governmental Entity, in connection with, or required to permit, the completion of the Arrangement including, without limitation, the Laws of any jurisdiction which Acquiror and Target reasonably determine to be applicable, and (B) all third Person and other consents, waivers, permits, exemptions, orders, approvals, agreements and amendments and modifications to agreements, indentures or arrangements (other than as contemplated in the Target Disclosure Letter or the Acquiror Disclosure Letter), the failure of which to obtain or the non-expiry of which would, or could reasonably be expected to have, a Material Adverse Effect on Target or Acquiror or materially impede the completion of the Arrangement, shall have been obtained or received on terms that are reasonably satisfactory to each Party hereto;
- (h) the Foreign Antitrust Clearance shall have been obtained;
- (i) the Acquiror Shares, Acquiror Consideration Warrants, Newco Class A Shares (which shall be exchanged for Acquiror Shares upon the Amalgamation), Newco Warrants

(which shall be exchanged for Acquiror Consideration Warrants upon the Amalgamation), Exchanged Special Acquiror Warrants, Exchanged Acquiror Warrants, Underlying Acquiror Warrants and Exchanged Acquiror Options to be issued pursuant to the Arrangement shall be exempt from registration requirements under Section 3(a)(10) of the 1933 Act and the resale of the Acquiror Shares, Acquiror Consideration Warrants, Exchanged Acquiror Warrants, Exchanged Special Acquiror Warrants, Underlying Acquiror Warrants and Exchanged Acquiror Options to be received pursuant to the Arrangement shall be exempt from registration under the 1933 Act, except that the Acquiror Shares, Acquiror Consideration Warrants, Exchanged Acquiror Warrants, Exchanged Special Acquiror Warrants, Underlying Acquiror Warrants and Exchanged Acquiror Options held by persons who are affiliates of Acquiror after the Arrangement or who were affiliates of Acquiror within 90 days prior to the Arrangement may be resold by them only in compliance with the resale provisions of Rule 144 under the 1933 Act or as otherwise permitted under the 1933 Act; and

- (j) this Agreement shall not have been terminated pursuant to section 7.3 hereof.

The foregoing conditions are for the mutual benefit of the Parties hereto and may be waived by mutual consent of Acquiror and Target in writing at any time. If any of such conditions shall not be complied with or waived as aforesaid on or before the Completion Deadline or, if earlier, the date required for the performance thereof, then, subject to section 5.4 hereof, either Party hereto may terminate this Agreement by written notice to the other of them in circumstances where the failure to satisfy any such condition is not the result, directly or indirectly, of a breach of this Agreement by such terminating Party hereto.

5.2 Target Conditions

The obligation of Target to complete the transactions contemplated herein is subject to the fulfillment of the following additional conditions at or before the Effective Date or such other time as is specified below:

- (a) the representations and warranties made by Acquiror in this Agreement that are qualified by the expression "Material Adverse Change" or "Material Adverse Effect" shall be true and correct as of the Effective Date as if made on and as of such date, and all other representations and warranties made by Acquiror in this Agreement shall be true and correct in all material respects as of the Effective Date as if made on and as of such date, in either case, except where any failures or breaches of representations and warranties would not either individually or in the aggregate, in the reasonable judgment of Target, have a Material Adverse Effect on Acquiror, and Acquiror shall have provided to Target a certificate of two officers thereof certifying such accuracy or lack of Material Adverse Effect on the Effective Date. No representation or warranty made by Acquiror hereunder shall be deemed not to be true and correct if the facts or circumstances which make such representation or warranty untrue or incorrect are disclosed or referred to in the Acquiror Disclosure Letter, and such Acquiror Disclosure Letter is accepted by Target, or provided for or stated to be exceptions under this Agreement;
- (b) from the date of this Agreement to the Effective Date, there shall not have occurred, and Acquiror or any of the Acquiror Subsidiaries shall not have incurred or suffered, any one or more changes, effects, events, occurrences or states of facts that, either individually or in the aggregate, have, or could reasonably be expected to have, a Material Adverse Effect on Acquiror;

- (c) Acquiror shall have complied in all material respects with its covenants herein, except where the failure to comply in all material respects with its covenants, individually or in the aggregate, would not result or would not reasonably be expected to result in a Material Adverse Change in respect of Acquiror or would not, or would not reasonably be expected to, materially impede completion of the Arrangement, and Acquiror shall have provided to Target a certificate of two officers thereof, certifying compliance with such covenants on the Effective Date;
- (d) each of the Acquiror Management Parties shall have entered into the Acquiror Support Agreement with Target on or prior to the date hereof and none of the Acquiror Management Parties shall have breached, in any material respect, any of the representations, warranties and covenants thereof;
- (e) the Acquiror Board and Newco shall have adopted all necessary resolutions and all other necessary corporate action shall have been taken by Acquiror to permit the consummation of the Arrangement;
- (f) prior to or contemporaneously with the Arrangement, Acquiror shall enter into: (i) a supplemental indenture with the Warrant Agent wherein the due and punctual performance and observance of all the covenants and conditions of the Target November 2009 Warrant Indenture to be performed or observed by Target shall be assumed by Acquiror; and (ii) a supplemental indenture to the Acquiror Warrant Indenture with the Warrant Agent to provide for the issuance of the Acquiror Consideration Warrants; and
- (g) the Acquiror Board shall not have effected a Change in Acquiror Recommendation.

The foregoing conditions are for the benefit of Target and may be waived, in whole or in part, by Target in writing at any time. If any of such conditions shall not be complied with or waived by Target on or before the Completion Deadline or, if earlier, the date required for the performance thereof, then, subject to section 5.4 hereof, Target may terminate this Agreement by written notice to Acquiror in circumstances where the failure to satisfy any such condition is not the result, directly or indirectly, of a breach of this Agreement by Target.

5.3 Acquiror Conditions

The obligation of Acquiror to complete the transactions contemplated herein is subject to the fulfillment of the following additional conditions at or before the Effective Date or such other time as is specified below:

- (a) the representations and warranties made by Target in this Agreement that are qualified by the expression "Material Adverse Change" or "Material Adverse Effect" shall be true and correct as of the Effective Date as if made on and as of such date, and all other representations and warranties made by Target in this Agreement that are not so qualified shall be true and correct in all material respects as of the Effective Date as if made on and as of such date, in either case, except where any failures or breaches of representations and warranties would not either, individually or in the aggregate, in the reasonable judgment of Acquiror, have a Material Adverse Effect on Target, and Target shall have provided to Acquiror a certificate of two officers thereof certifying such accuracy or lack of Material Adverse Effect on the Effective Date. No representation or warranty made by Target hereunder shall be deemed not to be true and correct if the facts or circumstances that make such representation or warranty untrue or incorrect are disclosed or referred to

in the Target Disclosure Letter, and such Target Disclosure Letter is accepted by Acquiror, or provided for or stated to be exceptions under this Agreement;

- (b) from the date of this Agreement to the Effective Date, there shall not have occurred, and Target or any of the Target Subsidiaries shall not have incurred or suffered, any one or more changes, effects, events, occurrences or states of facts that, either individually or in the aggregate, have, or could reasonably be expected to have, a Material Adverse Effect on Target;
- (c) Target shall have complied in all material respects with its covenants herein, except where the failure to comply in all material respects with its covenants, individually or in the aggregate, would not result or would not reasonably be expected to result in a Material Adverse Change in respect of Target or would not, or would not reasonably be expected to, materially impede completion of the Arrangement, and Target shall have provided to Acquiror a certificate of two officers thereof, certifying compliance with such covenants on the Effective Date;
- (d) Target Shareholders holding no more than 5% of the outstanding Target Shares having validly exercised Dissent Rights (and not withdrawn such exercise) and Acquiror shall have received a certificate dated the day immediately preceding the Effective Date of two officers of Target to such effect;
- (e) each of the Target Management Parties shall have entered into the Target Support Agreement with Acquiror on or prior to the date hereof and none of the Target Management Parties shall have breached, in any material respect, any of the representations, warranties and covenants thereof;
- (f) the Target Board and each of the Target Subsidiaries shall have adopted all necessary resolutions and all other necessary corporate action shall have been taken by Target and the Target Subsidiaries to permit the consummation of the Arrangement; and
- (g) the Target Board shall not have effected a Change in Target Recommendation.

The foregoing conditions are for the benefit of Acquiror and may be waived, in whole or in part, by Acquiror in writing at any time. If any of such conditions shall not be complied with or waived by Acquiror on or before the Completion Deadline or, if earlier, the date required for the performance thereof, then, subject to section 5.4 hereof, Acquiror may terminate this Agreement by written notice to Target in circumstances where the failure to satisfy any such condition is not the result, directly or indirectly, of a breach of this Agreement by Acquiror.

5.4 Notice and Cure Provisions

Each Party hereto shall give prompt notice to the others of them of the occurrence, or failure to occur, at any time from the date hereof until the Effective Date, of any event or state of facts which occurrence or failure would, would be likely to or could:

- (a) cause any of the representations or warranties of such Party hereto contained herein to be untrue or inaccurate in any respect on the date hereof or on the Effective Date;
- (b) result in the failure to comply with or satisfy any covenant or agreement to be complied with or satisfied by such Party hereto prior to the Effective Date; or

- (c) result in the failure to satisfy any of the conditions precedent in favour of the other Parties hereto contained in sections 5.1, 5.2 or 5.3 hereof, as the case may be.

Subject as herein provided, a Party hereto may: elect not to complete the transactions contemplated hereby by virtue of the conditions contained in sections 5.1, 5.2 or 5.3 hereof not being satisfied or waived or exercise any termination right arising therefrom; provided, however, that (i) promptly and in any event prior to the Effective Date, the Party hereto intending to rely thereon has delivered a written notice to the other Party hereto specifying in reasonable detail the breaches of covenants or untruthfulness or inaccuracy of representations and warranties or other matters that the Party hereto delivering such notice is asserting as the basis for the exercise of the termination right, as the case may be, and (ii) if any such notice is delivered, and a Party hereto is proceeding diligently, at its own expense, to cure such matter, if such matter is susceptible to being cured, the Party hereto that has delivered such notice may not terminate this Agreement until the earlier of the Completion Deadline and the expiration of a period of fifteen (15) days from date of delivery of such notice. If such notice has been delivered prior to the date of the Target Meeting or the Acquiror Meeting, the Target Meeting or the Acquiror Meeting, as applicable, shall be adjourned or postponed until the expiry of such period.

5.5 Merger of Conditions

If no notice has been sent by either Party pursuant to section 5.4 prior to the Effective Time, the conditions set out in sections 5.1, 5.2 or 5.3 hereof shall be conclusively deemed to have been satisfied, fulfilled or waived as of the Effective Time.

ARTICLE 6 NON-SOLICITATION AND BREAK-UP FEES

6.1 Target Covenant Regarding Non-Solicitation

- (a) Target shall not, directly or indirectly, through any officer, director, employee, representative, advisor or agent of Target or any of the Target Subsidiaries, or otherwise:
 - (i) make, solicit, initiate, facilitate, entertain, encourage or promote (including by way of furnishing information, knowingly permitting any visit to facilities or properties of Target or any of the Target Subsidiaries or entering into any form of agreement, arrangement or understanding) any inquiries, proposals or offers regarding, constituting or that may reasonably be expected to lead to a Target Acquisition Proposal or potential Target Acquisition Proposal;
 - (ii) participate, directly or indirectly, in any discussions or negotiations regarding, or furnish to any Person any information or otherwise co-operate with, respond to, assist or participate in, any effort or attempt to make any Target Acquisition Proposal or potential Target Acquisition Proposal, provided that, for greater certainty, Target may advise any Person making an unsolicited Target Acquisition Proposal that such Target Acquisition Proposal does not constitute a Target Superior Proposal where the Target Board has so determined;
 - (iii) remain neutral with respect to, or agree to, approve or recommend, or propose publicly to agree to, approve or recommend any Target Acquisition Proposal or potential Target Acquisition Proposal (it being understood that publicly taking no position or a neutral position with respect to a Target Acquisition Proposal until

15 calendar days following formal commencement of such Target Acquisition Proposal shall not be considered a violation of this subsection 6.1(a)(iii));

- (iv) make, or propose publicly to make a Change in Target Recommendation;
- (v) accept, enter into, or propose publicly to accept or enter into, any letter of intent, agreement, understanding or arrangement related to any Target Acquisition Proposal or potential Target Acquisition Proposal;
- (vi) make any public announcement or take any other action inconsistent with, or that could reasonably be likely to be regarded as detracting from, the recommendation of the Target Board to approve the transactions contemplated herein,

provided, however, that, notwithstanding the preceding part of this subsection 6.1(a), but subject to the following provisions of Article 6 of this Agreement, the Target Board and on the direction of any of the directors of Target, any officer, employee, representative, agent or advisor of Target may, prior to the approval of the Arrangement by Target Shareholders, consider or negotiate any unsolicited Target Acquisition Proposal that may constitute a Target Superior Proposal, and the Target Board may make a Change in Target Recommendation in respect of a Target Superior Proposal, or approve or recommend to the Target Shareholders or enter into an agreement, understanding or arrangement in respect of a Target Superior Proposal in accordance with the provisions of the following subsections of this Article 6 but in each case only if the Target Superior Proposal did not result from a breach of this Agreement by Target and if the Target Board determine in good faith after consulting with outside counsel (which may include written opinions or advice) that failure to take such action would be inconsistent with the fiduciary duties of such directors under applicable Laws.

- (b) Target shall, and shall cause the officers, directors, employees, consultants, representatives and agents of Target and the Target Subsidiaries to, immediately terminate and cease any discussions or negotiations with any parties (other than Acquiror) with respect to any proposal that constitutes, or may reasonably be expected to constitute, a Target Acquisition Proposal. Target shall: (i) discontinue or not allow access to any of its confidential information to any third party; and (ii) immediately request the return or destruction of all information provided to any third party that, at any time since December 31, 2009, has entered into a confidentiality agreement with Target relating to a potential Target Acquisition Proposal to the extent that such information has not previously been returned or destroyed, and shall use all commercially reasonable efforts to ensure that such requests are honoured. Target agrees not to: (iii) release any third party from any confidentiality agreement relating to a potential Target Acquisition Proposal to which such third party is a party; (iv) release any third party from any non-solicitation or standstill agreement or provision to which such third party is a party. Target also agrees not to amend, modify or waive any such confidentiality, non-solicitation or standstill agreement or provision and undertakes to enforce, or cause the Target Subsidiaries to enforce such agreements and provisions.
- (c) Target shall notify Acquiror thereof, at first orally and then, as soon as possible thereafter, in writing, promptly and, in any event, within twenty four (24) hours of the receipt by any director or officer of Target of any Target Acquisition Proposal, or any amendment thereto, or any request for non-public information relating to Target or any of the Target Subsidiaries in connection with any potential Target Acquisition Proposal or

for access to the properties, books or records of Target or any of the Target Subsidiaries by any Person that informs Target, any of the Target Subsidiaries that it is considering making, or has made, a Target Acquisition Proposal. Such written notice shall include the identity of the Person(s) making such proposal and all material terms and conditions of the Target Acquisition Proposal and provide such other details of the Target Acquisition Proposal, inquiry or contact as Acquiror may reasonably request.

- (d) If Target receives a request for material non-public information from a Person who has made a written Target Acquisition Proposal (the existence and content of which have been disclosed to Acquiror), and the Target Board determines that such proposal constitutes a Target Superior Proposal and Target is permitted, subject to and as contemplated under this section 6.1 and the Target Board has received the advice of outside counsel, as reflected in minutes of the board of directors of Target that the taking of such action is necessary for the Target Board to discharge its fiduciary duties under applicable Laws then, and only in such case, the Target Board may, subject to the execution of a confidentiality agreement on terms that are not more favourable to the Person making or considering making the Target Acquisition Proposal than those set forth in the Confidentiality Agreement and which includes a standstill provision that restricts such Person from acquiring, or publicly announcing an intention to acquire, any securities or assets of Target (other than pursuant to a Target Superior Proposal) for a period not less than one year from the date of such agreement, provide such Person with access to information regarding Target; provided, however, that Target sends a copy of any such confidentiality agreement to Acquiror immediately upon the execution thereof and Acquiror is provided with a list of or a copy of the information, if any, provided to such Person that was not previously provided to Acquiror and Acquiror is immediately provided with access to similar information.
- (e) Target shall ensure that its officers, directors, consultants and employees and any financial advisors or other advisors or representatives retained by Target are aware of the provisions of this section 6.1, and Target shall be responsible for any breach of this section 6.1 by its financial advisors or other advisors or representatives.

6.2 Notice of Target Superior Proposal Determination

- (a) Target and the Target Board shall not accept, approve, recommend or enter into any agreement in respect of a Target Acquisition Proposal (other than a confidentiality agreement and a standstill agreement contemplated by subsection 6.1(d) hereof) on the basis that it would constitute a Target Superior Proposal, unless: (i) the Target Meeting has not occurred; (ii) Target has complied with its obligations under section 6.1 and the other provisions of this Article 6; (iii) such Target Superior Proposal does not provide for the payment of any break, termination or other fees or expenses to the other Party in the event that Target completes the Arrangement or any similar other transaction with Acquiror or any of its affiliates agreed prior to any termination of this Agreement; (iv) it has provided Acquiror with the information about such Target Acquisition Proposal as required under subsection 6.1(c) that the Target Board have determined would be a Target Superior Proposal pursuant to subsection 6.1(a) hereof; (v) seven (7) Business Days shall have elapsed from the later of the date Acquiror received notice of the determination of the Target Board to accept, approve, recommend or enter into an agreement, arrangement or understanding in respect of such Target Superior Proposal and the date Acquiror received the documents pursuant to subsection 6.1(c) hereof; and

(vi) this Agreement is terminated under section 6.5 and Target has paid the Target Termination Payment to Acquiror.

- (b) During the seven (7) Business Days referred to in subsection 6.2(a) hereof, Acquiror shall have the opportunity, but not the obligation, to propose in writing to amend the terms of this Agreement and the Arrangement. The Target Board shall review any proposal by Acquiror to amend the terms of this Agreement and the Arrangement in order to determine in good faith, as of the later of the dates referred to in subsection 6.2(a)(v) hereof, whether the offer of Acquiror upon acceptance by Target would result in the Target Acquisition Proposal not being a Target Superior Proposal. If the Target Board so determine, Target shall enter into an amended agreement with Acquiror reflecting the amended proposal of Acquiror and will promptly reaffirm its recommendation of the Arrangement as amended.
- (c) Target acknowledges and agrees that each successive modification of any Target Acquisition Proposal shall constitute a new Target Acquisition Proposal for purposes of the requirement under subsection 6.2(a)(v) hereof and shall initiate an additional seven (7) Business Day period.
- (d) The Target Board shall promptly reaffirm its recommendation of the Arrangement by press release after: (i) the Target Board determines any Target Acquisition Proposal is not a Target Superior Proposal; or (ii) the Target Board determines that a proposed amendment to the terms of the Arrangement would result in the Target Acquisition Proposal which has been publicly announced or made not being a Target Superior Proposal, and Acquiror has so amended the terms of the Arrangement. Acquiror and its counsel shall be given a reasonable opportunity to review and comment on the form and content of any such press release, recognizing that whether or not such comments are appropriate will be determined by Target, acting reasonably.
- (e) If the Joint Information Circular has been sent to Target Shareholders prior to the expiry of the seven (7) Business Day period set forth in subsection 6.2(a)(v) and, during such period, Acquiror requests in writing that the Target Meeting proceed, unless otherwise ordered by the Court, Target shall continue to take all reasonable steps necessary to hold the Target Meeting and to cause the Arrangement to be voted on at the Target Meeting.
- (f) Where at any time before the Target Meeting, Target has provided Acquiror with a notice under subsection 6.1(c), a Target Acquisition Proposal has been publicly disclosed or announced, and the seven (7) Business Day period under subsection 6.2(a)(v) has not elapsed, then, subject to applicable Laws, at Acquiror' request, Target will postpone or adjourn the Target Meeting at the Target Meeting (but not beforehand without Acquiror' consent) to a date acceptable to Acquiror, acting reasonably, which shall not be less than five (5) days and not more than ten (10) Business Days after the scheduled date of the Target Meeting and shall, in the event that Acquiror and Target amend the terms of this Agreement pursuant to subsection 6.2(b), ensure that the details of such amended Agreement are communicated to the Target Shareholders prior to the resumption of the adjourned Target Meeting.

6.3 Acquiror Covenant Regarding Non-Solicitation

- (a) Acquiror shall not, directly or indirectly, through any officer, director, employee, representative, advisor or agent of Acquiror or any of the Acquiror Subsidiaries, or otherwise:
- (i) make, solicit, initiate, facilitate, entertain, encourage or promote (including by way of furnishing information, knowingly permitting any visit to facilities or properties of, or any of the Acquiror Subsidiaries or entering into any form of agreement, arrangement or understanding) any inquiries, proposals or offers regarding, constituting or that may reasonably be expected to lead to a Acquiror Acquisition Proposal or potential Acquiror Acquisition Proposal;
 - (ii) participate, directly or indirectly, in any discussions or negotiations regarding, or furnish to any Person any information or otherwise co-operate with, respond to, assist or participate in, any effort or attempt to make any Acquiror Acquisition Proposal or potential Acquiror Acquisition Proposal; provided that, for greater certainty, Acquiror may advise any Person making an unsolicited Acquiror Acquisition Proposal that such Acquiror Acquisition Proposal does not constitute an Acquiror Superior Proposal when the Acquiror Board has so determined;
 - (iii) remain neutral with respect to, or agree to, approve or recommend, or propose publicly to remain neutral with respect to, agree to, approve or recommend any Acquiror Acquisition Proposal or potential Acquiror Acquisition Proposal (it being understood that publicly taking no position or a neutral position with respect to a Acquiror Acquisition Proposal until 15 calendar days following formal commencement of such Acquiror Acquisition Proposal shall not be considered a violation of this subsection 6.3(a)(iii));
 - (iv) make, or propose publicly to make a Change in Acquiror Recommendation;
 - (v) accept, enter into, or propose publicly to accept or enter into, any letter of intent, agreement, understanding or arrangement related to any Acquiror Acquisition Proposal or potential Acquiror Acquisition Proposal;
 - (vi) make any public announcement or take any other action inconsistent with, or that could reasonably be likely to be regarded as detracting from, the recommendation of the Acquiror Board to approve the transactions contemplated herein,

provided, however, that, notwithstanding the preceding part of this subsection 6.3(a), but subject to the following provisions of Article 6 of this Agreement, the Acquiror Board and on the direction of any of the directors of Acquiror, any officer, employee, representative, agent or advisor of Acquiror may, prior to the approval of the Acquiror Resolution by Acquiror Shareholders, consider or negotiate any unsolicited Acquiror Acquisition Proposal that may constitute a Acquiror Superior Proposal, and the Acquiror Board may make a Change in Acquiror Recommendation in respect of a Acquiror Superior Proposal, or approve or recommend to the Acquiror Shareholders or enter into an agreement, understanding or arrangement in respect of a Acquiror Superior Proposal in accordance with the provisions of the following subsections of this Article 6 but in each case only if the Acquiror Superior Proposal did not result from a breach of this Agreement by Acquiror and if the Acquiror Board determine in good faith after

consulting with outside counsel (which may include written opinions or advice) that failure to take such action would be inconsistent with the fiduciary duties of such directors under applicable Laws.

- (b) Acquiror shall, and shall cause the officers, directors, employees, consultants, representatives and agents of Acquiror and the Acquiror Subsidiaries to, immediately terminate and cease any discussions or negotiations with any parties (other than Target) with respect to any proposal that constitutes, or may reasonably be expected to constitute, an Acquiror Acquisition Proposal. Acquiror shall: (i) discontinue or not allow access to any of its confidential information to any third party; and (ii) immediately request the return or destruction of all information provided to any third party that, at any time since December 31, 2009, has entered into a confidentiality agreement with Acquiror relating to a potential Acquiror Acquisition Proposal to the extent that such information has not previously been returned or destroyed, and shall use all commercially reasonable efforts to ensure that such requests are honoured. Acquiror agrees not to release any third party from any confidentiality agreement relating to a potential Acquiror Acquisition Proposal to which such third party is a party. Acquiror further agrees not to release any third party from any non-solicitation or standstill agreement or provision to which such third party is a party. Acquiror also agrees not to amend, modify or waive any such confidentiality, non-solicitation or standstill agreement or provision and undertakes to enforce, or cause the Acquiror Subsidiaries to enforce such agreements and provisions.
- (c) Acquiror shall notify Target thereof, at first orally and then, as soon as possible thereafter, in writing promptly and, in any event, within twenty four (24) hours of the receipt by any director or officer of Acquiror of any Acquiror Acquisition Proposal, or any amendment thereto, or any request for non-public information relating to Acquiror or any of the Acquiror Subsidiaries in connection with any potential Acquiror Acquisition Proposal or for access to the properties, books or records of Acquiror or any of the Acquiror Subsidiaries by any Person that informs Acquiror or, any of the Acquiror Subsidiaries that it is considering making, or has made, a Acquiror Acquisition Proposal. Such written notice shall include the identity of the Person(s) making such proposal and all material terms and conditions of the Acquiror Acquisition Proposal and provide such other details of the Acquiror Acquisition Proposal, inquiry or contact as Target may reasonably request.
- (d) If Acquiror receives a request for material non-public information from a Person who has made a written Acquiror Acquisition Proposal (the existence and content of which have been disclosed to Target), and the Acquiror Board determines that such proposal constitutes a Acquiror Superior Proposal and Acquiror is permitted, subject to and as contemplated under this section 6.3 and the Acquiror Board has received the advice of outside counsel, as reflected in minutes of the board of directors of Acquiror that the taking of such action is necessary for the Acquiror Board to discharge its fiduciary duties under applicable Laws then, and only in such case, the Acquiror Board may, subject to the execution of a confidentiality agreement on terms that are not more favourable to the Person making or considering making the Acquiror Acquisition Proposal than those set forth in the Confidentiality Agreement and which includes a standstill provision that restricts such Person from acquiring, or publicly announcing an intention to acquire, any securities or assets of Acquiror (other than pursuant to a Acquiror Superior Proposal) for a period not less than one year from the date of such agreement, provide such Person with access to information regarding Acquiror; provided, however, that Acquiror sends a copy of any such confidentiality agreement to Target immediately upon the execution thereof

and Target is provided with a list of or a copy of the information, if any, provided to such Person that was not previously provided to Target and Target is immediately provided with access to similar information.

- (e) Acquiror shall ensure that its officers, directors, consultants and employees and any financial advisors or other advisors or representatives retained by Acquiror are aware of the provisions of this section 6.3, and Acquiror shall be responsible for any breach of this section 6.3 by its financial advisors or other advisors or representatives.

6.4 Notice of Acquiror Superior Proposal Determination

- (a) Acquiror and the Acquiror Board shall not accept, approve, recommend or enter into any agreement in respect of an Acquiror Acquisition Proposal (other than a confidentiality agreement and a standstill agreement contemplated by subsection 6.3(d) hereof) on the basis that it would constitute a Acquiror Superior Proposal, unless: (i) the Acquiror Meeting has not occurred; (ii) Acquiror has complied with its obligations under section 6.3 and the other provisions of this Article 6; (iii) such Acquiror Superior Proposal does not provide for the payment of any break, termination or other fees or expenses to the other Party in the event that Acquiror completes the Arrangement or any similar other transaction with Target or any of its affiliates agreed prior to any termination of this Agreement; (iv) it has provided Target with the information about such Acquiror Acquisition Proposal as required under subsection 6.3(c) that the Acquiror Board have determined would be a Acquiror Superior Proposal pursuant to subsection 6.3(a) hereof; (v) seven (7) Business Days shall have elapsed from the later of the date Target received notice of the determination of the Acquiror Board to accept, approve, recommend or enter into an agreement, arrangement or understanding in respect of such Acquiror Superior Proposal and the date Target received the documents pursuant to subsection 6.3(c) hereof; and (vi) this Agreement is terminated under section 6.6 and the Acquiror has paid the Acquiror Termination Payment to Target.
- (b) During the seven (7) Business Days referred to in subsection 6.4(a) hereof, Target shall have the opportunity, but not the obligation, to propose in writing to amend the terms of this Agreement and the Arrangement. The Acquiror Board shall review any proposal by Target to amend the terms of this Agreement and the Arrangement in order to determine in good faith, as of the later of the dates referred to in subsection 6.4(a)(v) hereof, whether the offer of Target upon acceptance by Acquiror would result in the Acquiror Acquisition Proposal not being a Acquiror Superior Proposal. If the Acquiror Board so determine, Acquiror shall enter into an amended agreement with Target reflecting the amended proposal of Target and will promptly reaffirm its recommendation of the Arrangement as amended.
- (c) Acquiror acknowledges and agrees that each successive modification of any Acquiror Acquisition Proposal shall constitute a new Acquiror Acquisition Proposal for purposes of the requirement under subsection 6.4(a)(v) hereof and shall initiate an additional seven (7) Business Day period.
- (d) The Acquiror Board shall promptly reaffirm its recommendation of the Arrangement by press release after: (i) the Acquiror Board determines any Acquiror Acquisition Proposal is not a Acquiror Superior Proposal; or (ii) the Acquiror Board determines that a proposed amendment to the terms of the Arrangement would result in the Acquiror Acquisition Proposal which has been publicly announced or made not being a Acquiror

Superior Proposal, and Target has so amended the terms of the Arrangement. Target and its counsel shall be given a reasonable opportunity to review and comment on the form and content of any such press release, recognizing that whether or not such comments are appropriate will be determined by Acquiror, acting reasonably.

- (e) If the Joint Information Circular has been sent to Acquiror Shareholders prior to the expiry of the seven (7) Business Day period set forth in subsection 6.4(a)(v) and, during such period, Target requests in writing that the Acquiror Meeting proceed, unless otherwise ordered by the Court, Acquiror shall continue to take all reasonable steps necessary to hold the Acquiror Meeting and to cause the Arrangement to be voted on at the Acquiror Meeting.
- (f) Where at any time before the Acquiror Meeting, Acquiror has provided Target with a notice under subsection 6.3(c), a Acquiror Acquisition Proposal has been publicly disclosed or announced, and the seven (7) Business Day period under subsection 6.4(a)(v) has not elapsed, then, subject to applicable Laws, at Target's request, Acquiror will postpone or adjourn the Acquiror Meeting at the Acquiror Meeting (but not beforehand without Target's consent) to a date acceptable to Target, acting reasonably, which shall not be less than five (5) days and not more than ten (10) Business Days after the scheduled date of the Acquiror Meeting and shall, in the event that Target and Acquiror amend the terms of this Agreement pursuant to subsection 6.4(b), ensure that the details of such amended Agreement are communicated to the Acquiror Shareholders prior to the resumption of the adjourned Acquiror Meeting.

6.5 Target Break Fee Event

In the event that:

- (a) this Agreement is terminated by Acquiror pursuant to subsection 7.3(c) or (h) hereof;
- (b) this Agreement is terminated by Acquiror pursuant to subsection 7.3(b) hereof due to Target having breached its obligations under sections 6.1 or 6.2;
- (c) this Agreement is terminated by Acquiror pursuant to subsection 7.3(b) hereof through the fault (whether by commission or omission unless such commission or omission is ordered by the Court) of Target failing to submit the Arrangement for approval to the Target Securityholders, in accordance with the terms of this Agreement, on or before June 30, 2011 (unless such failure results from an adjournment of the Target Meeting for not more than seven (7) Business Days due to its obligation to adjourn such meeting in accordance with subsection 6.2(f)), or failing to solicit proxies in accordance with subsection 4.1(b)(iii) hereof;
- (d) this Agreement is terminated by either Acquiror or Target pursuant to subsection 7.3(f) or (g) hereof, a Target Acquisition Proposal shall have been made to Target and made known to Target Shareholders generally or shall have been made directly to Target Shareholders generally or any Person shall have publicly announced an intention to make a Target Acquisition Proposal in respect of Target (a "**Pending Target Acquisition Proposal**") and such Pending Target Acquisition Proposal or announced intention shall not have been publicly withdrawn prior to the Target Meeting and, thereafter, the Target Shareholders and Target Securityholders do not approve the Arrangement at the Target Meeting, and Target completes a Target Acquisition Proposal with the party who made

such Pending Target Acquisition Proposal within twelve (12) months following the termination of this Agreement;

- (e) this Agreement is terminated by Acquiror pursuant to subsection 7.3(f) hereof, and the Target Board shall have made a Change in Target Recommendation, there was a Pending Target Acquisition Proposal and, thereafter, the Target Shareholders and Target Securityholders do not approve the Arrangement at the Target Meeting; or
- (f) this Agreement is terminated by Target pursuant to subsection 7.3(j);

then Target shall pay to Acquiror in the circumstances set forth in subsections 6.5(a), (b), (c), (e) or (f) above, at the time of the termination of this Agreement or within thirty (30) days of such termination, and, in the circumstances set forth in subsection 6.5(d) above, within one day following the completion of such Acquisition Proposal, at the sole option of Target, an amount in cash in immediately available funds equal to U.S. \$12,000,000 or 5,769,230 Target Shares (the "**Target Termination Payment**").

Target shall not be obligated to make more than one payment pursuant to this section 6.5. Target hereby acknowledges that the Target Termination Payment is a payment of liquidated damages which are a genuine pre-estimate of the damages which Acquiror will suffer or incur as a result of the event giving rise to such damages and the resultant non-completion of the Arrangement and are not penalties. Target hereby irrevocably waives any right it may have to raise as a defence that any such liquidated damages are excessive or punitive. Upon receipt of payment of the Target Termination Payment by Acquiror, Acquiror shall have no further claim against Target in respect of the failure to complete the Arrangement, provided that nothing herein shall preclude Acquiror from seeking injunctive relief to restrain any breach or threatened breach by Target of any of its obligations hereunder or otherwise to obtain specific performance without the necessity of posting bond or security in connection therewith.

6.6 Acquiror Break Fee Event

In the event that:

- (a) this Agreement is terminated by Target pursuant to subsection 7.3(d) or (i) hereof;
- (b) this Agreement is terminated by Target pursuant to subsection 7.3(b) hereof due to Acquiror having breached its obligations under sections 6.3 or 6.4;
- (c) this Agreement is terminated by Target pursuant to subsection 7.3(b) hereof through the fault (whether by commission or omission unless such commission or omission is ordered by the Court) of Acquiror failing to submit the Arrangement for approval to the Acquiror Shareholders, in accordance with the terms of this Agreement, on or before June 30, 2011 (unless such failure results from an adjournment of the Acquiror Meeting for not more than seven (7) Business Days due to its obligation to adjourn such meeting in accordance with subsection 6.4(f)), or failing to solicit proxies in accordance with subsection 4.2(b)(ii) hereof;
- (d) this Agreement is terminated by either Acquiror or Target pursuant to subsection 7.3(f) or (g) hereof, an Acquiror Acquisition Proposal shall have been made to Acquiror and made known to Acquiror Shareholders generally or shall have been made directly to Acquiror Shareholders generally or any Person shall have publicly announced an intention to make

a Acquiror Acquisition Proposal in respect of Acquiror (a "**Pending Acquiror Acquisition Proposal**") and such Pending Acquiror Acquisition Proposal or announced intention shall not have been publicly withdrawn prior to the Acquiror Meeting and, thereafter, the Acquiror Shareholders do not approve the Arrangement at the Acquiror Meeting, and Acquiror completes a Acquiror Acquisition Proposal with the party who made such Pending Acquiror Acquisition Proposal within twelve (12) months following the termination of this Agreement;

- (e) this Agreement is terminated by Target pursuant to subsection 7.3(f) hereof, and the Acquiror Board shall have made a Change in Acquiror Recommendation, there was a Pending Acquiror Acquisition Proposal and, thereafter, the Acquiror Shareholders do not approve the Arrangement at the Acquiror Meeting; or
- (f) this Agreement is terminated by Acquiror pursuant to subsection 7.3(k);

then Acquiror shall pay to Target in the circumstances set forth in subsections 6.6(a), (b), (c), (e) or (f) above, at the time of the termination of this Agreement or within thirty (30) days of such termination, and, in the circumstances set forth in subsection 6.6(d) above, within one day following the completion of such Acquisition Proposal, an amount in cash equal to U.S. \$12,000,000 (the "**Acquiror Termination Payment**"), in immediately available funds. Acquiror shall not be obligated to make more than one payment pursuant to this section 6.6. Acquiror hereby acknowledges that the Acquiror Termination Payment is a payment of liquidated damages which are a genuine pre-estimate of the damages which Target will suffer or incur as a result of the event giving rise to such damages and the resultant non-completion of the Arrangement and are not penalties. Acquiror hereby irrevocably waives any right it may have to raise as a defence that any such liquidated damages are excessive or punitive. Upon receipt of payment of the Acquiror Termination Payment by Target, Target shall have no further claim against Acquiror in respect of the failure to complete the Arrangement, provided that nothing herein shall preclude Target from seeking injunctive relief to restrain any breach or threatened breach by Target of any of its obligations hereunder or otherwise to obtain specific performance without the necessity of posting bond or security in connection therewith.

ARTICLE 7

AMENDMENT AND TERMINATION

7.1 Amendment

This Agreement may, at any time and from time to time before or after the holding of the Target Meeting be amended by mutual written agreement of the Parties hereto without, subject to applicable Laws, further notice to or authorization on the part of the Target Shareholders and any such amendment may, without limitation:

- (a) change the time for the performance of any of the obligations or acts of either of the Parties;
- (b) waive any inaccuracies in or modify any representation or warranty contained herein or in any document delivered pursuant hereto;
- (c) waive compliance with or modify any of the covenants herein contained and waive or modify the performance of any of the obligations of any of the Parties; and

- (d) waive compliance with or modify any condition herein contained;

provided, however, that notwithstanding the foregoing, following the Target Meeting, the Exchange Share Ratio, the Exchange Warrant Ratio and the ratio of Newco Class A Shares to Acquiror Shares and Newco Warrants to Acquiror Consideration Warrants shall not be amended without the approval of the Target Securityholders given in the same manner as required for the approval of the Arrangement or as may be ordered by the Court. This Agreement and the Plan of Arrangement may be amended in accordance with the Final Order, but in the event that the terms of the Final Order require any such amendment, the rights of the Parties under sections 5.1, 5.2, 5.3, 6.5, 6.6 and Article 7 hereof shall remain unaffected.

7.2 Mutual Understanding Regarding Amendments

- (a) In addition to the transactions contemplated hereby or at the request of a party hereto, the Parties hereto will continue from and after the date hereof and through and including the Effective Date to use their respective commercially reasonable best efforts to maximize:
 - (i) present and future planning opportunities for Target, the Target Securityholders, the Target Subsidiaries, Acquiror, the Acquiror Shareholders and the Acquiror Subsidiaries;
 - and (ii) present and future financing opportunities for Acquiror, and the Acquiror Subsidiaries;as and to the extent that the same shall not prejudice any Party hereto or the shareholders thereof. The Parties hereto will ensure that such planning activities do not impede the progress of the Arrangement in any material way.
- (b) Without limiting the generality of the foregoing Target acknowledges that Acquiror may enter into transactions (the "**bump transactions**") designed to step up the tax basis in certain capital property of Target for purposes of the Tax Act and agrees to:
 - (i) reasonably co-operate with Acquiror in order to facilitate the bump transactions or other reorganizations or transactions which Acquiror determines would be advisable to enhance the tax efficiency of the combined corporate group; and (ii) to provide such information on a timely basis and to assist in the obtaining of any such information in order to facilitate a successful completion of the bump transactions or any such other reorganizations or transactions as is reasonably requested by Acquiror; provided, however, that the obligations of the Target pursuant to this subsection 7.2(b) shall be conditional on the understanding that (iii) any of such transactions or reorganizations shall not, in the opinion of the Target, acting reasonably, materially impede or materially delay the consummation of the Arrangement, (iv) any of such transactions or reorganizations shall not, in the opinion of the Target, acting reasonably, materially interfere with the ongoing operations of the Target or any Target Subsidiary, (v) any of such transactions or reorganizations shall not require the Target or any Target Subsidiary to contravene any applicable Laws, their respective organizational documents or any material contract, and (vi) the Target and the Target Subsidiaries shall not be obligated to take any action that would reasonably be expected to result in any Taxes being imposed on, or any adverse tax or other consequences to any such corporation or any shareholder of the Target incrementally greater than the Taxes or other consequences to such party in connection with the consummation of the Arrangement in the absence of any such transaction or reorganization, and (vii) the Target, the Target Subsidiaries and their respective officers, directors, employees, agents advisors and representatives shall have received an indemnity, in form and substance satisfactory to the Target, acting reasonably, from the Acquiror from and against any and all liabilities, Taxes, losses, damages, claims, costs, expenses, interest, awards, judgments and penalties suffered or incurred by any of them in connection with or as a result of any such transactions or reorganizations. The Acquiror shall provide written notice to the Target of any such

proposed transactions or reorganizations in reasonable detail at least 10 Business Days prior to the Effective Date. Any step or action taken by the Target or the Target Subsidiaries in furtherance of the transactions or reorganizations contemplated by this subsection 7.2(b) shall not be considered to be a breach of any representation, warranty or covenant of the Target contained in this Agreement. If the Arrangement is not completed, the Acquiror shall forthwith reimburse the Target or, at the Target's direction, one or more of the Target Subsidiaries, for all reasonable fees and expenses (including any professional fees and expenses and Taxes) incurred by the Target or Target Subsidiaries in considering or effecting the transactions or reorganizations contemplated by this subsection 7.2(b) and the Acquiror shall be responsible for any fees, expenses and costs (including professional fees and expenses and Taxes) of the Target and the Target Subsidiaries in reversing or unwinding any such transactions or reorganizations that were effected.

- (c) The Parties hereto mutually agree that if a Party hereto proposes any other amendment or amendments to this Agreement or to the Plan of Arrangement, Target on the one hand, and Acquiror on the other hand, will act reasonably in considering such amendment and if the other of them and the securityholders thereof are not materially prejudiced by reason of any such amendment they will co-operate in a reasonable fashion with the Party hereto proposing the amendment so that such amendment can be effected subject to applicable Laws and the rights of the Target Securityholders.
- (d) At any time not less than fifteen (15) Business Days prior to the Target Meeting:
 - (i) Target and Acquiror shall each be entitled to propose to the other modifications to the Arrangement in order to facilitate the tax or other planning objectives of Target, Acquiror and the Target Shareholders; and (ii) Target shall be entitled to propose to Acquiror modifications to the manner in which the Target Options and Target Warrants are to be dealt with pursuant to this Agreement or under the Arrangement in order to take into account the tax planning or other objectives of the holders of such securities; provided, in each case that: (iii) any such proposal is not likely to materially prejudice the other party or the Target Shareholders; (iv) would not impede or materially delay the completion of the transactions contemplated hereby; (v) the Party making the proposal has provided notice of such proposal to the other Party not less than fifteen (15) Business Days prior to the Meeting Date; and (vi) implementation of the proposal would not result in a transaction that is inconsistent with the fundamental terms of this Agreement, including, without limitation, the Exchange Share Ratio and the Exchange Warrant Ratio.

Each of Target and Acquiror agree that any such modifications and any transactions or steps taken in accordance therewith shall not be considered in determining whether any representation or warranty made by them under this Agreement has been breached if such modifications, transactions and steps are the sole cause of such breach.

Target and Acquiror shall enter into an amending agreement reflecting the proposed amendments to the Arrangement and this Agreement and the Plan of Arrangement shall be modified accordingly and Target and Acquiror shall each use its respective commercially reasonable efforts to communicate any such modifications to the Target Shareholders and to ensure that any such modifications are, to the extent required under applicable Law, presented to the Target Shareholders at the Target Meeting.

7.3 Termination

This Agreement may be terminated at any time prior to the Effective Date:

- (a) by the mutual written consent, duly authorized by the board of directors of each of the Parties hereto;
- (b) by a Party if any of the conditions in sections 5.1, 5.2 or 5.3 hereof for the benefit of that Party is not satisfied or waived in accordance with those sections;
- (c) by Acquiror if a Target Acquisition Proposal has been made or proposed and the Target Board: (i) shall have made a Change in Target Recommendation, or (ii) except as permitted under subsection 6.1(a)(iii), shall have failed, after being requested by Acquiror in writing, to reaffirm its approval or recommendation of the Arrangement and the transactions contemplated herein as promptly as possible (but in any event within five (5) Business Days) after receipt of such written request from Acquiror, or (iii) shall have accepted, approved, recommended or entered into an agreement (other than a confidentiality agreement that complies with subsection 6.1(d) hereof) in respect of any Target Acquisition Proposal;
- (d) by Target if a Acquiror Acquisition Proposal has been made or proposed and the Acquiror Board: (i) shall have made a Change in Acquiror Recommendation, or (ii) except as permitted under subsection 6.3(a)(iii), shall have failed, after being requested by Target in writing, to reaffirm its approval of the Arrangement and the transactions contemplated herein as promptly as possible (but in any event within five (5) Business Days) after receipt of such written request from Target, or (iii) shall have accepted, approved, recommended or entered into an agreement (other than a confidentiality agreement that complies with subsection 6.3(d) hereof) in respect of any Acquiror Acquisition Proposal;
- (e) by:
 - (i) Acquiror if Target shall have failed to hold the Target Meeting on or before June 30, 2011, unless such failure results from an adjournment of such meeting due to its obligation to adjourn the meeting in the circumstances described in section 6.2;
 - (ii) Target if Acquiror shall have failed to hold the Acquiror Meeting on or before June 30, 2011, unless such failure results from an adjournment of such meeting due to its obligation to adjourn the meeting in the circumstances described in section 6.2;
- (f) by:
 - (i) either Acquiror or by Target if the Target Meeting shall have been held and completed and the Target Securityholder Approval shall not have been obtained;
 - (ii) either Acquiror or by Target if the Acquiror Meeting shall have been held and completed and the approval of the Acquiror Resolution shall not have been obtained;

- (g) by either Acquiror or Target if the Arrangement shall not have been completed by the Completion Deadline provided however:
 - (i) if the Arrangement has not been completed by such date because the Target Meeting has not been held due to the fault of Target (the Parties acknowledging that Target is not at fault in the event that the Target Meeting has not been held due to an order of a Governmental Entity), then Target shall not be entitled to terminate this Agreement; and
 - (ii) if the Arrangement has not been completed by such date because the Acquiror Meeting has not been held due to the fault of Acquiror (the Parties acknowledging that Acquiror is not at fault in the event that the Acquiror Meeting has not been held due to an order of a Governmental Entity), then Acquiror shall not be entitled to terminate this Agreement;
- (h) by Acquiror if the Target Board shall have made a Change in Target Recommendation;
- (i) by Target if the Acquiror Board shall have made a Change in Acquiror Recommendation;
- (j) by Target if Target proposes to enter into a definitive agreement with respect to a Target Superior Proposal in compliance with sections 6.1 and 6.2 hereof, provided that Target has paid the Target Termination Payment to Acquiror; or
- (k) by Acquiror if Acquiror proposes to enter into a definitive agreement with respect to a Acquiror Superior Proposal in compliance with sections 6.3 and 6.4 hereof, provided that Acquiror has paid the Acquiror Termination Payment to Target;

provided that any termination by a Party hereto in accordance with paragraphs (b) to (k) above shall be made by such Party delivering written notice thereof to the other Party or Parties hereto prior to the Effective Date and specifying therein in reasonable detail the matter or matters giving rise to such termination right. In the event of any such termination, subject to the obligations of Target and Acquiror contained in Article 6 hereof, including the payment required by section 6.5 or section 6.6 hereof, as applicable, each Party hereto shall be deemed to have released, remised and forever discharged the other Parties hereto in respect of any and all claims arising in respect of this Agreement, except as otherwise provided herein.

ARTICLE 8

GENERAL

8.1 Notices

Any notice, consent, waiver, direction or other communication required or permitted to be given under this Agreement by a Party hereto shall be in writing and shall be delivered by hand to the Party hereto to which the notice is to be given, sent by facsimile or by electronic mail to the following address or numbers or to such other address or number as shall be specified by a party hereto by like notice. Any notice, consent, waiver, direction or other communication aforesaid shall, if delivered, be deemed to have been given and received on the date on which it was delivered to the address provided herein (if a Business Day or, if not, then the next succeeding Business Day) and if sent by facsimile or by electronic mail be deemed to have been given and received at the time of receipt (if a Business Day or, if not, then the next succeeding Business Day) unless actually received after 5:00 p.m. (Toronto time) at the point of delivery in which case it shall be deemed to have been given and received on the next Business Day.

The addresses and numbers for service of each of the parties hereto shall be as follows:

(a) if to Target:

Medoro Resources Ltd.
333 Bay Street, Suite 1100
Toronto, Ontario
M5H 2R2

Attention: Robert Metcalfe
Facsimile: 416-360-7783

with a copy (which shall not constitute notice) to:

Blake, Cassels & Graydon LLP
199 Bay Street, Suite 4000
Commerce Court West
Toronto, Ontario
M5L 1A9

Attention: Ernest McNee
Facsimile: (416) 863-2653

(b) if to Acquiror:

Gran Colombia Gold Corp.
333 Bay Street, Suite 1100
Toronto, Ontario
M5H 2R2

Attention: Maria Consuelo Araujo
Facsimile: 416-360-7783

with a copy (which shall not constitute notice) to:

Macleod Dixon LLP
100 Wellington Street West
Suite 500, P.O. Box 128
Toronto, Ontario
M5K 1H1

Attention: Richard Lachcik
Facsimile: (416) 360-8277

8.2 Remedies

The Parties hereto acknowledge and agree that an award of money damages may be inadequate for any breach of this Agreement by any Party hereto or its representatives and advisors and that such breach may cause the non-breaching Party hereto irreparable harm. Accordingly, the Parties hereto agree that, in the event of any such breach or threatened breach of this Agreement by one of the Parties hereto, Target (if Acquiror is the breaching party) or Acquiror (if Target is the breaching party) will be entitled,

without the requirement of posting a bond or other security, to seek equitable relief, including injunctive relief and specific performance. Subject to any other provision hereof including, without limitation, sections 6.1 and 6.3 hereof, such remedies will not be the exclusive remedies for any breach of this Agreement but will be in addition to all other remedies available hereunder or at law or in equity to each of the Parties hereto.

8.3 Expenses

The Parties hereto agree that all out-of-pocket expenses incurred in connection with this Agreement and the transactions contemplated hereby, the Target Meeting, the Acquiror Meeting and the preparation and mailing of the Joint Information Circular, including legal and accounting fees, printing costs, financial advisor fees and all disbursements by advisors, shall be paid by the Party hereto incurring such expense and that nothing in this Agreement shall be construed so as to prevent the payment of such expenses. The provisions of this section 8.3 shall survive the termination of this Agreement.

8.4 Time of the Essence

Time shall be of the essence in this Agreement.

8.5 Entire Agreement

This Agreement, together with the agreements and other documents herein or therein referred to, constitute the entire agreement between the Parties hereto pertaining to the subject matter hereof and supersede all prior agreements, understandings, negotiations and discussions, whether oral or written, between the Parties with respect to the subject matter hereof. There are no representations, warranties, covenants or conditions with respect to the subject matter hereof except as contained herein.

8.6 Further Assurances

Each Party hereto shall, from time to time, and at all times hereafter, at the request of the other of them, but without further consideration, do, or cause to be done, all such other acts and execute and deliver, or cause to be executed and delivered, all such further agreements, transfers, assurances, instruments or documents as shall be reasonably required in order to fully perform and carry out the terms and intent hereof including, without limitation, the Plan of Arrangement.

8.7 Governing Law

This Agreement shall be governed by, and be construed in accordance with, the laws of the Province of Ontario and the laws of Canada applicable therein but the reference to such laws shall not, by conflict of laws rules or otherwise, require the application of the law of any jurisdiction other than the Province of Ontario.

8.8 Execution in Counterparts

This Agreement may be executed in one or more counterparts, each of which shall conclusively be deemed to be an original and all such counterparts collectively shall be conclusively deemed to be one and the same. Delivery of an executed counterpart of the signature page to this Agreement by electronic mail or facsimile shall be effective as delivery of a manually executed counterpart of this Agreement, and any Party delivering an executed counterpart of the signature page to this Agreement by electronic mail or facsimile to any other Party shall thereafter also promptly deliver a manually executed original counterpart of this Agreement to such other Party, but the failure to deliver such manually executed original counterpart shall not affect the validity, enforceability or binding effect of this Agreement.

8.9 Waiver

No waiver or release by any Party hereto shall be effective unless in writing and executed by the party granting such waiver or release and any waiver or release shall affect only the matter, and the occurrence thereof, specifically identified and shall not extend to any other matter or occurrence. Waivers may only be granted upon compliance with the provisions governing amendments set forth in section 7.1 hereof.

8.10 No Personal Liability

- (a) No director or officer of Target shall have any personal Liability whatsoever (other than in the case of fraud, negligence or wilful misconduct) to Acquiror under this Agreement or any other document delivered in connection with this Agreement or the Arrangement by or on behalf of Target.
- (b) No director or officer of Acquiror shall have any personal Liability whatsoever (other than in the case of fraud, negligence or wilful misconduct) to Target under this Agreement or any other document delivered in connection with this Agreement or the Arrangement by or on behalf of Acquiror.

8.11 Enurement and Assignment

This Agreement shall enure to the benefit of the Parties and their respective successors and permitted assigns and shall be binding upon the Parties and their respective successors. This Agreement may not be assigned by any Party hereto without the prior written consent of each of the other Parties.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF the Parties hereto have executed this Agreement as of the date first above written.

GRAN COLOMBIA GOLD CORP.

Per: (signed) "Michael Davies"
Name: Michael Davies
Title: Chief Financial Officer

MEDORO RESOURCES LTD.

Per: (signed) "Robert Metcalfe"
Name: Robert Metcalfe
Title: Chairman of the Board of Directors

SCHEDULE "A"
PLAN OF ARRANGEMENT
UNDER SECTION 195 OF THE
BUSINESS CORPORATIONS ACT (YUKON)

ARTICLE 1
DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Plan of Arrangement, unless the context otherwise requires, the following words and terms with the initial letter or letters thereof capitalized shall have the meanings ascribed to them below:

- (a) **"Acquiror"** means Gran Colombia Gold Corp., a corporation existing under the BCBCA;
- (b) **"Acquiror Consideration Warrants"** means warrants of Acquiror issued under the Acquiror Warrant Indenture, having an exercise price of \$2.60 per Acquiror Share and an expiration date of August 24, 2015 in exchange for Newco Warrants exchanged under the Arrangement;
- (c) **"Acquiror Shares"** means the common shares in the authorized share capital of Acquiror;
- (d) **"Acquiror Warrant Indenture"** means the warrant indenture dated August 20, 2010 between Acquiror and the Warrant Agent providing for the issuance of common share purchase warrants of Acquiror, and any supplemental indenture thereto;
- (e) **"affiliate"** shall have the meaning ascribed to such term under the YBCA;
- (f) **"Amalco"** means the corporation resulting from the amalgamation of Target and Newco pursuant to the Arrangement;
- (g) **"Amalco Shares"** means the common shares in the capital of Amalco;
- (h) **"Amalgamating Corporations"** means Target and Newco, collectively;
- (i) **"Amalgamation"** means the amalgamation of the Amalgamating Corporations as contemplated by this Plan of Arrangement;
- (j) **"Arrangement"** means the arrangement under Section 195 of the YBCA on the terms and subject to the conditions set forth in this Plan of Arrangement, subject to any amendment or supplement hereto made in accordance with the Arrangement Agreement, the provisions hereof or at the direction of the Court in the Final Order;
- (k) **"Arrangement Agreement"** means the arrangement agreement dated as of April 13, 2011 between Acquiror and Target, as amended, amended and restated, or supplemented prior to the Effective Date, entered into in connection with the Arrangement;

- (l) **"BCBCA"** means the *Business Corporations Act* (British Columbia);
- (m) **"Business Day"** means any day other than a Saturday, a Sunday or a statutory holiday in Toronto, Ontario or Vancouver, British Columbia or Whitehorse, Yukon;
- (n) **"Certificates"** means the certificate of arrangement and the certificate of amalgamation issued pursuant to Section 195 of the YBCA;
- (o) **"CGL Arrangement Agreement"** means the arrangement agreement dated June 5, 2009, as amended on July 2, 2009 and as further amended on August 10, 2009 between Target and Colombia Goldfields Ltd. pursuant to which Target acquired all of the issued and outstanding securities of Colombia Goldfields Ltd. pursuant to a statutory plan of arrangement under the YBCA;
- (p) **"CGL Warrant Indenture"** means the warrant indenture dated October 30, 2009 between Target and the Warrant Agent providing for the issuance of common share purchase warrants of Target;
- (q) **"Claims"** means claims of any nature or kind whatsoever against the Target Common Shares, Target Options or Target Warrants, as the case may be, including without limitation encumbrances, charges, liens, security interests, trust claims or any other claims in equity, at law or otherwise.
- (r) **"Code"** means the United States Internal Revenue Code of 1986, as amended;
- (s) **"Court"** means the Supreme Court of Yukon;
- (t) **"Depository"** means Equity Financial Trust Company or any other trust company, bank or financial institution agreed to in writing between Acquiror and Target for the purpose of, among other things, exchanging certificates representing Target Shares for Acquiror Shares in connection with the Arrangement;
- (u) **"Dissent Procedures"** means the procedures set forth in 193 of the YBCA required to be taken by a registered holder of Target Shares to exercise the right of dissent in respect of such Target Shares in connection with the Arrangement, as modified by Article 4 hereof, the Interim Order and the Final Order;
- (v) **"Dissent Rights"** means the rights of dissent in respect of the Arrangement described in Article 4;
- (w) **"Dissenting Shareholder"** means a registered holder of Target Shares who dissents in respect of the Arrangement in strict compliance with the Dissent Procedures and who is ultimately entitled to be paid fair value for their Target Shares;
- (x) **"Effective Date"** means the date of the Certificates issued pursuant to Section 195 of the YBCA;
- (y) **"Effective Time"** means the first moment in time on the Effective Date;
- (z) **"Exchange Share Ratio"** shall have the meaning ascribed thereto in subsection 3.1(a);

- (aa) **"Exchange Warrant Ratio"** shall have the meaning ascribed thereto in subsection 3.1(a);
- (bb) **"Exchanged Acquiror Option"** shall have the meaning ascribed thereto in subsection 3.1(c)(vi) hereof;
- (cc) **"Exchanged Acquiror Warrant"** shall have the meaning ascribed thereto in subsection 3.1(c)(vii) hereof;
- (dd) **"Exchanged Special Acquiror Warrant"** shall have the meaning ascribed thereto in subsection 3.1(c)(viii);
- (ee) **"Final Order"** means the final order of the Court approving the Arrangement, as such order may be amended by the Court (with the consent of the Acquiror and Target, each acting reasonably) at any time prior to the Effective Date, or, if appealed (unless such appeal is withdrawn or denied), such order as affirmed or amended on appeal;
- (ff) **"In the Money Amount"** means in respect of a stock option or share purchase warrant, at any time, the amount, if any, by which the market value at that time of the securities subject to the option or warrant exceeds the exercise price under the option or warrant;
- (gg) **"Interim Order"** means the interim order of the Court, the same may be amended by the Court (with the consent of the Acquiror and Target, each acting reasonably), made pursuant to Section 195 of the YBCA made in connection with the Arrangement;
- (hh) **"Letter of Transmittal"** means the letter of transmittal to be sent by Target to the Target Shareholders to be used by Target Shareholders to surrender the certificates representing their Target Shares to receive certificates for the Acquiror Shares and the Acquiror Consideration Warrants issued to them pursuant to the Arrangement;
- (ii) **"Meeting Date"** means the date of the Target Meeting;
- (jj) **"Newco"** means the corporation to be formed in accordance with the Arrangement Agreement as a wholly-owned subsidiary of Acquiror for the purposes of completing the Arrangement;
- (kk) **"Newco Class A Shareholder"** means the holder of Newco Class A Shares;
- (ll) **"Newco Class A Shares"** means Class A Common Shares in the capital of Newco;
- (mm) **"Newco Class B Shares"** means Class B Common Shares in the capital of Newco;
- (nn) **"Newco Warrant"** means a warrant of Newco entitling the holder to purchase one Newco Class A Share for \$2.60 and expiring on August 24, 2015;
- (oo) **"Plan of Arrangement"** means this plan of arrangement, as amended, modified or supplemented from time to time in accordance herewith and with any order of the Court;
- (pp) **"Registrar"** means the Registrar of Corporations as provided under the YBCA;
- (qq) **"Target"** means Medoro Resources Ltd., a company existing under the YBCA;

- (rr) **"Target Meeting"** means the special meeting of the Target Securityholders held to consider and approve, among other things, the Arrangement;
- (ss) **"Target November 2009 Warrant Indenture"** means the common share purchase warrant indenture dated November 3, 2009 (as amended and restated by a supplemental warrant indenture dated December 22, 2010) between Target and the Warrant Agent providing for the issuance of Target November 2009 Warrants;
- (tt) **"Target November 2009 Warrants"** means the outstanding listed warrants to purchase an aggregate of 21,449,998 Target Shares at a price of \$3.75 per Target Share expiring on November 3, 2011 issued pursuant to the Target November 2009 Warrant Indenture;
- (uu) **"Target Options"** means as at April 12, 2011, an aggregate of 5,873,334 options to purchase an aggregate of 10,612,994 Target Shares issued pursuant to the Target Stock Option Plan and otherwise;
- (vv) **"Target Resolution"** means the special resolution of Target Securityholders approving the Arrangement, the Plan of Arrangement and the Arrangement Agreement;
- (ww) **"Target Securityholders"** means the holders of Target Shares, Target Options and Target Warrants;
- (a) **"Target Share Warrants"** means the outstanding common share purchase warrants of Target as at April 12, 2011 being: (i) the outstanding warrants to purchase an aggregate of 5,873,334 Target Shares at a price of \$1.50 per Target Share expiring on July 22, 2011 issued pursuant to a brokered private placement of 34,500,000 units of Target consisting of Target Shares and common share purchase warrants of Target, which closed on July 22, 2009; (ii) the outstanding warrants to purchase an aggregate of 352,298 Target Shares at a price of \$1.50 per Target Share expiring on October 30, 2011 issued pursuant to the CGL Warrant Indenture; and (iii) the Target November 2009 Warrants;
- (xx) **"Target Shareholders"** means, the holders of Target Shares immediately prior to the Effective Time;
- (yy) **"Target Shares"** means the issued and outstanding common shares of Target;
- (zz) **"Target Special Warrants"** means warrants of Target exercisable into units outstanding as at April 12, 2011 being: (i) the 1,527,537 outstanding warrants exercisable at \$6.00 per warrant expiring on December 28, 2012 to purchase an aggregate of 513,253 Target Shares and an aggregate of 16,498 Underlying Target Warrants; and (ii) the 3,722,333 outstanding warrants exercisable at U.S.\$6.50 per warrant expiring on June 18, 2013 to purchase an aggregate of 1,250,704 Target Shares and an aggregate of 40,202 Underlying Target Warrants;
- (aaa) **"Target Stock Option Plan"** means the Stock Option Plan of Target dated February 24, 2004, as amended;
- (b) **"Target Warrants"** means the Target Share Warrants the Target Special Warrants and the Underlying Target Warrants;

- (bbb) "**Tax Act**" means the *Income Tax Act* (Canada) and the regulations thereunder, as amended from time to time;
- (ccc) "**Underlying Acquiror Warrants**" means warrants of Acquiror exercisable into Acquiror Shares as provided in subsection 3.1(c)(viii)(B) hereof;
- (ddd) "**Underlying Target Warrants**" means the common share purchase warrants assumed by Target pursuant to the CGL Arrangement Agreement;
- (eee) "**Unit**" means a unit comprised of the number of Acquiror Shares and Acquiror Consideration Warrants exchanged for one Target Share pursuant to subsection 3.1(a);
- (fff) "**Warrant Agent**" means Equity Financial Trust Company, formerly named Equity Transfer & Trust Company; and
- (ggg) "**YBCA**" means the *Business Corporations Act* (Yukon) including the regulations promulgated thereunder, as amended.

Words and phrases used herein that are defined in the Arrangement Agreement and not defined herein shall have the same meaning herein as in the Arrangement Agreement, unless the context otherwise requires. In addition, words and phrases used herein and defined in the YBCA and not otherwise defined herein shall have the same meaning herein as in the YBCA unless the context otherwise requires.

1.2 Interpretation Not Affected by Headings

The division of this Plan of Arrangement into articles, sections, paragraphs and subparagraphs and the insertion of headings herein are for convenience of reference only and shall not affect the construction or interpretation of this Plan of Arrangement. The terms "this Plan of Arrangement", "hereof", "herein", "hereto", "hereunder" and similar expressions refer to this Plan of Arrangement and not to any particular article, section or other portion hereof and include any instrument supplementary or ancillary hereto.

1.3 Number, Gender and Persons

In this Plan of Arrangement, unless the context otherwise requires, words importing the singular shall include the plural and vice versa, words importing the use of either gender shall include both genders and neuter and the word Person and words importing Persons shall include a natural Person, firm, trust, partnership, association, corporation, joint venture or government (including any governmental agency, political subdivision or instrumentality thereof) and any other entity or group of Persons of any kind or nature whatsoever.

1.4 Date for any Action

If the date on which any action is required to be taken hereunder is not a Business Day, such action shall be required to be taken on the next succeeding day which is a Business Day.

1.5 Statutory References

Any reference in this Plan of Arrangement to a statute includes all regulations made thereunder, all amendments to such statute or regulation in force from time to time and any statute or regulation that supplements or supersedes such statute or regulation.

1.6 Currency

Unless otherwise stated, all references herein to amounts of money are expressed in lawful money of Canada.

ARTICLE 2 ARRANGEMENT AGREEMENT

2.1 Arrangement Agreement

This Plan of Arrangement is made pursuant to, and is subject to the provisions of, the Arrangement Agreement and has been authorized by the Target Resolution, which authorizes this Arrangement and certain related transactions.

2.2 Effect of Arrangement

Subject to the terms of the Arrangement Agreement, this Plan of Arrangement will become effective at the Effective Time (except as otherwise provided herein) on and will be binding from and after the Effective Time, on the Target Securityholders, Newco and Amalco.

The issuance of the Certificates by the Registrar confirming that Target and Newco have been amalgamated shall be conclusive evidence that the Arrangement has become effective and that each of the provisions of Article 3 has become effective in the sequence and at the times set out therein.

ARTICLE 3 ARRANGEMENT

3.1 Arrangement

At the Effective Time, each of the following transactions shall occur and shall be deemed to occur in the following sequence without any further act or formality:

- (a) each issued and outstanding Target Share, other than Target Shares held by a holder who has validly exercised its Dissent Rights and who is ultimately entitled to be paid fair value for the holder's Target Shares, shall be exchanged for 1.2 Newco Class A Shares (the "**Exchange Share Ratio**") and one-half (1/2) of one Newco Warrant ("**Exchange Warrant Ratio**"), as follows:
 - (i) such holder shall cease to be a holder of Target Shares and the name of such holder shall be deemed to be removed from the central securities register of holders of Target Shares;
 - (ii) each Target Share shall be acquired by Newco free and clear of any Claims;
 - (iii) Newco shall issue and cause to be delivered to such holder the Newco Class A Shares to which such holder is entitled as aforesaid and the name of such holder shall be added to the central securities register of holders of Newco Class A Shares showing such holder as the registered holder of the Newco Class A Shares so issued;

- (iv) Newco shall issue the Newco Warrants to which such holder is entitled as aforesaid and the name of such holder shall be added to the register of holders of Newco Warrants showing such holder as the registered holder of the Newco Warrants so issued;
- (b) the Amalgamating Corporations shall amalgamate pursuant to the YBCA and continue as one corporation on the following terms and those prescribed in this Plan of Arrangement:
 - (i) the name of Amalco shall be "Medoro Resources (Yukon) Inc.";
 - (ii) the property, rights and interests of each Amalgamating Corporation continue to be the property, rights and interests of Amalco;
 - (iii) Amalco continues to be liable for the obligations of each Amalgamating Corporation;
 - (iv) an existing cause of action, claim or liability to prosecution of an Amalgamating Corporation is unaffected by the amalgamation;
 - (v) a civil, criminal or administrative action or proceeding pending by or against an Amalgamating Corporation may be continued to be prosecuted by or against Amalco;
 - (vi) a conviction against, or ruling, order or judgement in favour of or against, an Amalgamating Corporation may be enforced by or against Amalco;
 - (vii) the Certificate of Amalgamation resulting from the amalgamation of the Amalgamating Corporations is deemed to be the Certificate of Incorporation of Amalco;
 - (viii) Amalco shall have as its Articles, the Articles of Amalgamation as ordered by the Court in the Final Order;
 - (ix) the registered office of Amalco shall be located at 3081 - 3rd Avenue, Whitehorse, Yukon, Y1A 4Z7, Canada;
 - (x) the board of directors of Amalco shall, until otherwise changed in accordance with the YBCA, consist of a minimum of (3) three and a maximum of (10) ten directors. The number of directors of Amalco shall initially be three (3) and the first directors of Amalco shall be the same directors as those of Newco immediately prior to the Effective Time and such directors shall hold office until the next annual meeting of shareholders of Amalco or until their successors are elected or appointed; and
 - (xi) the by-laws of Amalco, until repealed, amended or altered, shall be the by-laws of Newco in effect prior to the Effective Time. A copy of the by-laws of Amalco will be available for inspection at the registered office of Amalco.

- (c) on the Amalgamation:
- (i) all Target Shares, if any, held by Newco shall be cancelled without any repayment of capital in respect thereof;
 - (ii) the Newco Class A Shares, shall be exchanged for Acquiror Shares, as follows:
 - (A) each Newco Class A Share held by a Newco Class A Shareholder shall be exchanged for one fully paid and non-assessable Acquiror Shares subject to Article 5 hereof pursuant to which:
 - 1. such holder shall cease to be a holder of Newco Class A Shares and the name of such holder shall be deemed to be removed from the central securities register of holders of Newco Class A Shares;
 - 2. each Newco Class A Share shall be acquired by Acquiror free and clear of any Claims;
 - 3. Acquiror shall issue and cause to be delivered to such holder the Acquiror Shares to which such holder is entitled as aforesaid and the name of such holder shall be added to the central securities register of holders of Acquiror Shares showing such holder as the registered holder of the Acquiror Shares so issued; and
 - (B) no fractional Acquiror Shares shall be issued by Acquiror to any holder of Target Shares on the exchange contemplated herein and the number of Acquiror Shares issued to any holder of Target Shares shall be rounded down to the next whole number of Acquiror Shares with no compensation for any fractional interest.
 - (iii) each Newco Class A Share shall be deemed to be converted into one fully paid and non-assessable Amalco Share held by Acquiror;
 - (iv) each Newco Class B Share shall be deemed to be converted into one fully paid and non-assessable Amalco Share held by Acquiror;
 - (v) each Newco Warrant outstanding immediately prior to the Effective Time shall be exchanged, free and clear of any Claims, for one Acquiror Consideration Warrant to acquire one Acquiror Share provided that no fractional Acquiror Consideration Warrant shall be issued by Acquiror to any holder of Newco Warrants on the exchange contemplated herein and the number of Acquiror Consideration Warrants issued to any holder of Newco Warrants shall be rounded down to the next whole number of Acquiror Consideration Warrants with no compensation for any fractional interest;
 - (vi) each Target Option outstanding immediately prior to the Effective Time shall be exchanged, free and clear of any Claims, for an option (an "**Exchanged Acquiror Option**") to acquire, on the same terms and conditions as were applicable to such Target Option immediately before the Effective Time under

the stock option plan of Target and relevant agreement evidencing the grant thereof or relevant agreement under which it was issued:

- (A) the number of Acquiror Shares equal to the product of: (1) the number of Target Shares subject to such Target Option immediately before the Effective Time and (2) the Exchange Share Ratio. The exercise price per Acquiror Share subject to any such Exchanged Acquiror Option shall be an amount (rounded up to the nearest cent) equal to the quotient of (3) the exercise price per Target Share subject to such Target Option immediately before the Effective Time divided by (4) the Exchange Share Ratio, provided that the exercise price otherwise determined shall be increased to the extent, if any, required to ensure that the In the Money Amount of the Exchanged Acquiror Option immediately after the exchange is not greater than the In the Money Amount of the exchanged Target Options immediately before the exchange; and
- (B) unless the holder has provided to Acquiror an irrevocable election prior to the Effective Time to not receive them, the number of Acquiror Consideration Warrants equal to the product of: (1) the number of Target Shares subject to such Target Option immediately before the Effective Time and (2) the Exchange Warrant Ratio.

The obligations of Target under the Target Options as so exchanged shall be assumed by Acquiror. No fractional Acquiror Shares will be issued by Acquiror to any holder of Exchanged Acquiror Options on any exercise thereof, and the number of Acquiror Shares issued at any time shall be rounded down to the next whole number of Acquiror Shares with no compensation for any fractional interest and no fractional Acquiror Consideration Warrant shall be issued by Acquiror to any holder of Exchanged Acquiror Options on the exchange contemplated herein and the number of Acquiror Consideration Warrants issued to any holder of Exchanged Acquiror Options shall be rounded down to the next whole number of Acquiror Consideration Warrants with no compensation for any fractional interest;

- (vii) each Target Share Warrant outstanding immediately prior to the Effective Time shall be exchanged, free and clear of any Claims, for a warrant (an "**Exchanged Acquiror Warrant**") to acquire, on the same terms and conditions as were applicable to such Target Share Warrant immediately before the Effective Time under the CGL Warrant Indenture, the Target November 2009 Warrant Indenture, the relevant agreement under which it was issued or the certificate representing it, as applicable:

- (A) the number of Acquiror Shares equal to the product of: (1) the number of Target Shares subject to such Target Share Warrant immediately before the Effective Time and (2) the Exchange Share Ratio. The exercise price per Acquiror Share subject to any such Exchanged Acquiror Warrant shall be an amount (rounded up to the nearest cent) equal to the quotient of (3) the exercise price per Target Share subject to such Target Share Warrant immediately before the Effective Time divided by (4) the Exchange Share Ratio, provided that the exercise price otherwise determined shall be increased to the extent, if any, required to ensure that

the In the Money Amount of the Exchanged Acquiror Warrant immediately after the exchange is not greater than the In the Money Amount of the exchanged Target Share Warrant immediately before the exchange; and

- (B) the number of Acquiror Consideration Warrants equal to the product of: (1) the number of Target Shares subject to such Target Share Warrant immediately before the Effective Time and (2) the Exchange Warrant Ratio.

The obligations of Target under the Target Share Warrants as so exchanged shall be assumed by Acquiror. No fractional Acquiror Shares will be issued by Acquiror to any holder of Exchanged Acquiror Warrants on any exercise thereof, and the number of Acquiror Shares issued at any time shall be rounded down to the next whole number of Acquiror Shares with no compensation for any fractional interest and no fractional Acquiror Consideration Warrant shall be issued by Acquiror to any holder of Exchanged Acquiror Warrants on the exchange contemplated herein and the number of Acquiror Consideration Warrants issued to any holder of Exchanged Acquiror Warrants shall be rounded down to the next whole number of Acquiror Consideration Warrants with no compensation for any fractional interest;

- (viii) each Target Special Warrant outstanding immediately prior to the Effective Time shall be exchanged, free and clear of any Claims, into a warrant (an "**Exchanged Special Acquiror Warrant**") to acquire, on the same terms and conditions as were applicable to such Target Special Warrant immediately before the Effective Time under the relevant agreement under which it was issued or the certificate representing it:

- (A) the number of Acquiror Shares equal to the product of: (1) the number of Target Shares subject to such Target Special Warrant immediately before the Effective Time; and (2) the Exchange Share Ratio. The exercise price per Acquiror Share subject to any such Exchanged Special Acquiror Warrant shall be an amount (rounded up to the nearest cent) equal to the quotient of (3) the exercise price per Target Share subject to such Target Special Warrant immediately before the Effective Time divided by (4) the Exchange Share Ratio, provided that the exercise price otherwise determined shall be increased to the extent, if any, required to ensure that the In the Money Amount of the Exchanged Special Acquiror Warrant immediately after the conversion is not greater than the In the Money Amount of the exchanged Target Special Warrant immediately before the exchange;

- (B) the number of Underlying Acquiror Warrants equal to the number of Underlying Target Warrants issuable on the exercise of one whole Target Special Warrant, where each Underlying Acquiror Warrant is a warrant to acquire, on the same terms and conditions as an Underlying Target Warrant immediately before the Effective Time under the relevant agreement under which it was issued or the certificate representing it, the number of Acquiror Shares equal to the product of: (1) the number of Target Shares subject to such Underlying Target Warrant immediately

before the Effective Time and (2) the Exchange Share Ratio; and the exercise price per Acquiror Share for those Underlying Acquiror Warrants shall be an amount (rounded up to the nearest cent) equal to the quotient of (3) the exercise price per Target Share subject to such Underlying Target Warrant immediately before the Effective Time divided by (4) the Exchange Share Ratio, provided that the exercise price otherwise determined shall be increased to the extent, if any, required to ensure that the In the Money Amount of the Underlying Acquiror Warrant immediately after the exchange is not greater than the In the Money Amount immediately before the exchange of the Underlying Target Warrant;

- (C) 0.168 Acquiror Consideration Warrants; and
- (D) on the exercise of the number of Underlying Acquiror Warrants referred to in subparagraph (B) above, a further 0.0054 of an Acquiror Consideration Warrant.

The obligations of Target under the Target Special Warrants as so exchanged shall be assumed by Acquiror. No fractional Acquiror Shares will be issued by Acquiror to any holder of Exchanged Special Acquiror Warrants on any exercise thereof or the Underlying Acquiror Warrant, and the number of Acquiror Shares issued at any time shall be rounded down to the next whole number of Acquiror Shares with no compensation for any fractional interest and no fractional Acquiror Consideration Warrant shall be issued by Acquiror to any holder of Exchanged Special Acquiror Warrants or Underlying Acquiror Warrants on the exchange contemplated herein and the number of Acquiror Consideration Warrants issued to any holder of Exchanged Special Acquiror Warrants or Underlying Acquiror Warrants shall be rounded down to the next whole number of Acquiror Consideration Warrants with no compensation for any fractional interest; and

- (d) Amalco shall be a wholly-owned subsidiary of Acquiror and shall have issued and outstanding only the Amalco Shares and no options, warrants or other rights or privileges to acquire securities of Amalco.

3.2 Post-Effective Time Procedures

- (a) On or promptly after the Effective Date, Acquiror shall issue and deliver or arrange to be delivered to the Depositary certificates representing the requisite Acquiror Shares and Acquiror Consideration Warrants required to be issued to Target Shareholders in accordance with the provisions of section 3.1 hereof, such certificates shall be held by the Depositary as agent and nominee for such Target Shareholders for distribution to such Target Shareholders in accordance with the provisions of Article 5 hereof.
- (b) Subject to the provisions of Article 5 hereof, Target Shareholders shall be entitled to receive delivery of the certificates representing the Acquiror Shares and Acquiror Consideration Warrants to which they are entitled pursuant to subsection 3.1(c)(ii) hereof. Certificates representing former Target Shares, other than those to which Article 4 applies, shall represent only the right to receive the Acquiror Shares and Acquiror

Consideration Warrants to which the former Target Shareholder is entitled to receive pursuant to the Arrangement.

- (c) Acquiror shall, as soon as practicable following the later of the Effective Date and the date of deposit by a former Target Shareholder of a duly completed Letter of Transmittal and the certificates representing such Target Shares, either:
 - (i) forward or cause to be forwarded by first class mail (postage prepaid) to such former holder of Target Shares at the address specified in the Letter of Transmittal; or
 - (ii) if requested by such former holder of Target Shares in the Letter of Transmittal, make available or cause to be made available at the Depository for pickup by such former holder of Target Shares,

certificates representing the number of Acquiror Shares and Acquiror Consideration Warrants, issued to such former holder of Target Shares under the Arrangement.

- (d) After the Effective Time, the Target Shares to which Article 4 herein applies shall be cancelled and the certificates representing the former Target Shares shall represent only the right to receive the payment which the Dissenting Shareholders are entitled to receive pursuant to Article 4.

3.3 Section 85 Election

- (a) Newco will make a joint election with a holder of Target Shares pursuant to the provisions of subsection 85(1) or 85(2) of the Tax Act (and, in either case, the corresponding provision of any applicable provincial income tax legislation) (a "**Tax Election**") at an elected amount to be determined by the holder (subject to the limitations set forth in the Tax Act and any other applicable tax legislation), provided that the holder is an Eligible Holder and has properly completed and delivered to Newco (or its successor) a Tax Election package (the "**Tax Election Package**") in the manner and within the time set out below. No Tax Election will be made with any holder of Target Shares who is not an Eligible Holder. A holder of Target Shares who completes a Tax Election Package and forwards such package to Newco (or its successor) will be considered to have represented to Newco (or its successor) that the holder is an Eligible Holder.
- (b) A properly completed Tax Election Package together with any required supporting schedules must be signed and provided by a holder of Target Shares to Newco (or its successor) on or before the day that is 60 days after the Effective Date (the "**Tax Election Date**"). Newco (or its successor) will not be obliged to execute any Tax Election received by Newco (or its successor) after the Tax Election Date.
- (c) Newco (or its successor) agrees to execute any properly completed Tax Election contained in a Tax Election Package received by it on or before the Tax Election Date and to send such Tax Election by mail within 60 days after the receipt thereof to the person specified in the Tax Election Package (which may be the Eligible Holder or a tax authority).

- (d) Newco (or its successor) will not be responsible for the proper completion of any election and Eligible Holders will be solely responsible for the payment of any late filing penalty as a consequence of a holder of Target Shares not having properly completed a Tax Election. Newco (or its successor) agrees to execute any properly completed election received by it before the Tax Election Date from an Eligible Holder and to send such election by mail in accordance with the provisions of the Tax Election Package. With the exception of execution and mailing of the election by Newco (or its successor) in accordance with the provisions of the Tax Election Package, compliance with the requirements for a valid election will be the sole responsibility of the Eligible Holder making the election. For greater certainty, Newco (and its successor) shall not be responsible or liable for taxes, interest, penalties, damages or expenses resulting from the failure of Newco (or its successor) to receive any election, or the failure by anyone to deliver any election to Newco (or its successor) or to properly complete or file any election within the time prescribed and in the form prescribed under the Tax Act (or the corresponding provisions of any applicable provincial tax legislation).
- (e) **"Eligible Holder"** means a holder of Target Shares (other than a Dissenting Shareholder) who:
 - (i) is resident in Canada for the purposes of the Tax Act and is not exempt from tax under Part I of the Tax Act; or
 - (ii) is a partnership, any partner of which is a person described in subsection 3.3(e)(i) above.

ARTICLE 4 DISSENT PROCEDURES

4.1 Dissent Procedures

Holders of Target Shares may exercise Dissent Procedures with respect to Target Shares in connection with the Arrangement, provided that, notwithstanding the Dissent Procedures, the written objection to the special resolution to approve the Arrangement contemplated by Section 195 of the YBCA must be sent to Target by holders who wish to dissent at least two days before the Target Meeting or any date to which the Target Meeting may be postponed or adjourned and provided further that holders who exercise such rights of dissent and who:

- (a) are ultimately entitled to be paid fair value for their Target Shares, which fair value shall be the fair value of such shares immediately before the passing by the holders of the Target Shares of the Target Resolution, shall be paid an amount equal to such fair value by Acquiror; and
- (b) are ultimately not entitled, for any reason, to be paid fair value for their Target Shares shall be deemed to have participated in the Arrangement, as of the Effective Time, on the same basis as a non-dissenting holder of Target Shares and shall be entitled to receive only the consideration contemplated in section 3.1 hereof that such holder would have received pursuant to the Arrangement if such holder had not exercised Dissent Procedures,

but further provided that in no case shall Acquiror, Target or any other Person be required to recognize holders of Target Shares who exercise Dissent Procedures as holders of Target Shares after the time that

is immediately prior to the Effective Time, and the names of such holders of Target Shares who exercise Dissent Procedures shall be deleted from the central securities register as holders of Target Shares at the Effective Time.

ARTICLE 5

DELIVERY OF ACQUIROR SHARES AND ACQUIROR CONSIDERATION WARRANTS

5.1 Delivery of Acquiror Shares and Acquiror Consideration Warrants

- (a) Upon surrender to the Depositary, as specified in the Letter of Transmittal, for cancellation of a certificate that immediately before the Effective Time represented one or more outstanding Target Shares that were exchanged indirectly for Acquiror Shares and Acquiror Consideration Warrants in accordance with section 3.1 hereof, together with a completed Letter of Transmittal and such other documents and instruments as would have been required to effect the transfer of the Target Shares formerly represented by such certificate under the YBCA and the Articles of Target and such additional documents and instruments as the Depositary may reasonably require, the holder of such surrendered certificate shall be entitled to receive in exchange therefor, and the Depositary shall deliver to such holder following the Effective Time, a certificate representing the Acquiror Shares and Acquiror Consideration Warrants that such holder is entitled to receive in accordance with section 3.1 hereof.
- (b) After the Effective Time and until surrendered for cancellation as contemplated by subsection 5.1(a) hereof, each certificate that immediately prior to the Effective Time represented one or more Target Shares shall be deemed at all times to represent only the right to receive in exchange therefore certificates representing the Acquiror Shares and the Acquiror Consideration Warrants that the holder of such certificate is entitled to receive in accordance with section 3.1 hereof.

5.2 Lost Certificates

In the event any certificate, that immediately prior to the Effective Time represented one or more outstanding Target Shares that were exchanged indirectly for Acquiror Shares and Acquiror Consideration Warrants in accordance with section 3.1 hereof, shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the holder claiming such certificate to be lost, stolen or destroyed, the Depositary shall deliver in exchange for such lost, stolen or destroyed certificate, certificates representing the Acquiror Shares and Acquiror Consideration Warrants that such holder is entitled to receive in accordance with section 3.1 hereof. When authorizing such delivery of certificates representing the Acquiror Shares and Acquiror Consideration Warrants that such holder is entitled to receive in exchange for such lost, stolen or destroyed certificate, the holder to whom certificates representing such Acquiror Shares and Acquiror Consideration Warrants is to be delivered shall, as a condition precedent to the delivery of such Acquiror Shares and Acquiror Consideration Warrants, give a bond satisfactory to Acquiror and the Depositary in such amount as Acquiror and the Depositary may direct, or otherwise indemnify Acquiror and the Depositary in a manner satisfactory to Acquiror and the Depositary, against any claim that may be made against Acquiror or the Depositary with respect to the certificate alleged to have been lost, stolen or destroyed and shall otherwise take such actions as may be required by the Articles of Target.

5.3 Distributions with Respect to Unsurrendered Certificates

No dividend or other distribution declared or made after the Effective Time with respect to Acquiror Shares with a record date after the Effective Time shall be delivered to the holder of any unsurrendered certificate that, immediately prior to the Effective Time, represented outstanding Target Shares unless and until the holder of such certificate shall have complied with the provisions of section 5.1 or section 5.2 hereof. Subject to applicable law and to section 5.4 hereof, at the time of such compliance, there shall, in addition to the delivery of a certificate representing the Acquiror Shares to which such holder is thereby entitled, be delivered to such holder, without interest, the amount of the dividend or other distribution with a record date after the Effective Time theretofore paid with respect to such Acquiror Shares.

5.4 Withholding Rights

Acquiror and the Depositary shall be entitled to deduct and withhold from all dividends or other distributions otherwise payable to any former Target Shareholder such amounts as Acquiror or the Depositary is required or permitted to deduct and withhold with respect to such payment under the Tax Act, the Code or any provision of any applicable federal, provincial, state, local or foreign tax law or treaty, in each case, as amended. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes hereof as having been paid to the former Target Shareholder in respect of which such deduction and withholding was made, provided that such withheld amounts are actually remitted to the appropriate taxing authority.

5.5 Limitation and Proscription

To the extent that a Target Shareholder shall not have complied with the provisions of section 5.1 or section 5.2 hereof on or before the date that is six years after the Effective Date (the "**final proscription date**"), then the Acquiror Shares and Acquiror Consideration Warrants that such former Target Shareholder was entitled to receive shall be automatically cancelled without any repayment of capital in respect thereof and the certificates representing such Acquiror Shares and Acquiror Consideration Warrants to which such former Target Shareholder was entitled, shall be delivered to Acquiror by the Depositary and the certificates shall be cancelled by Acquiror, and the interest of the former Target Shareholder in such Acquiror Shares and Acquiror Consideration Warrants to which it was entitled shall be terminated as of such final proscription date.

5.6 Transfer free and Clear

Any transfer or conversion of securities pursuant to the Plan of Arrangement shall be free and clear of any liens, claims or encumbrances.

ARTICLE 6 AMENDMENTS

6.1 Amendments to Plan of Arrangement

- (a) Subject to subsection 6.1(b), (d), (e), and (f), Acquiror and Target reserve the right to amend, modify and/or supplement this Plan of Arrangement at any time and from time to time prior to the Effective Date, provided that each such amendment, modification or supplement must be (i) set out in writing, (ii) agreed to in writing by Acquiror and Target, filed with the Court subject to such conditions as the court may impose and, if made following the Target Meeting, approved by the Court, and if so required by the Court,

communicated to holders or former holders of Target Shares if and as required by the Court.

- (b) Any amendment, modification or supplement to this Plan of Arrangement may be proposed by Target at any time prior to the Target Meeting provided that Acquiror shall have consented thereto in writing, with or without any other prior notice or communication, and, if so proposed and accepted by the Persons voting at the Target Meeting (other than as may be required under the Interim Order), shall become part of this Plan of Arrangement for all purposes.
- (c) Any amendment, modification and/or supplement to this Plan of Arrangement that is approved by the Court following the Target Meeting shall be effective only if: (i) it is agreed to in writing by each of Acquiror and Target; (ii) it is filed with the Court (other than amendments contemplated in subsection 6.1(b) or (e), which shall not require such filings; and (iii) if required by the Court, it is consented to by Target Shareholders and Target Securityholders voting in the manner directed by the Court.
- (d) Any amendment, modification and/or supplement to this Plan of Arrangement may be made by Acquiror unilaterally after the Effective Date without the approval of the Target Securityholders, Target or Newco provided that it concerns a matter which, in the reasonable opinion of Acquiror, is of an administrative or ministerial nature required to better give effect to the implementation of this Plan of Arrangement and is not adverse to the financial or economic interests of the former Target Securityholders contemplated by this Plan of Arrangement prior to giving effect to such amendment, modification and/or supplement.
- (e) Notwithstanding anything in this Plan of Arrangement or the Arrangement Agreement, Acquiror shall be entitled, at any time prior to or following the Target Meeting, to modify this Plan of Arrangement to increase the consideration Acquiror is prepared to make available to Target Securityholders pursuant to the Arrangement, whether or not the Target Board has changed its recommendation, provided that Acquiror shall use its commercially reasonable efforts to provide not less than one Business Day's prior written notice of such proposal to Target.
- (f) Notwithstanding anything in this Plan of Arrangement or the Arrangement Agreement, no amendment, revision, update or supplement shall be made to the Plan of Arrangement that (i) would require Target to obtain any regulatory approval or the approval of Target Securityholders in respect of such amendment, revision, update or supplement other than at the Target Meeting, (ii) would prejudice Target Securityholders, (iii) would impede or materially delay the consummation of the transactions contemplated by this Plan of Arrangement, or (iv) would require Target to take any action in contravention of applicable Laws, Target's constating documents or any material provision of any material agreement to which it is a party.

6.2 Paramountary

From and after the Effective Time (i) this Plan of Arrangement shall take precedence and priority over any and all Target Shares, Target Options and Target Warrants issued prior to the Effective Time, (ii) the rights and obligations of Target, Acquiror, Newco, and the Target Securityholders shall be solely as provided for in this Plan of Arrangement, and (iii) all actions, causes of action, claims or proceedings (actual or contingent and whether or not previously asserted) based on or in any way relating to any

Target Shares, Target Options or Target Warrants shall be deemed to have been settled, compromised, released and determined without liability except as set forth herein.

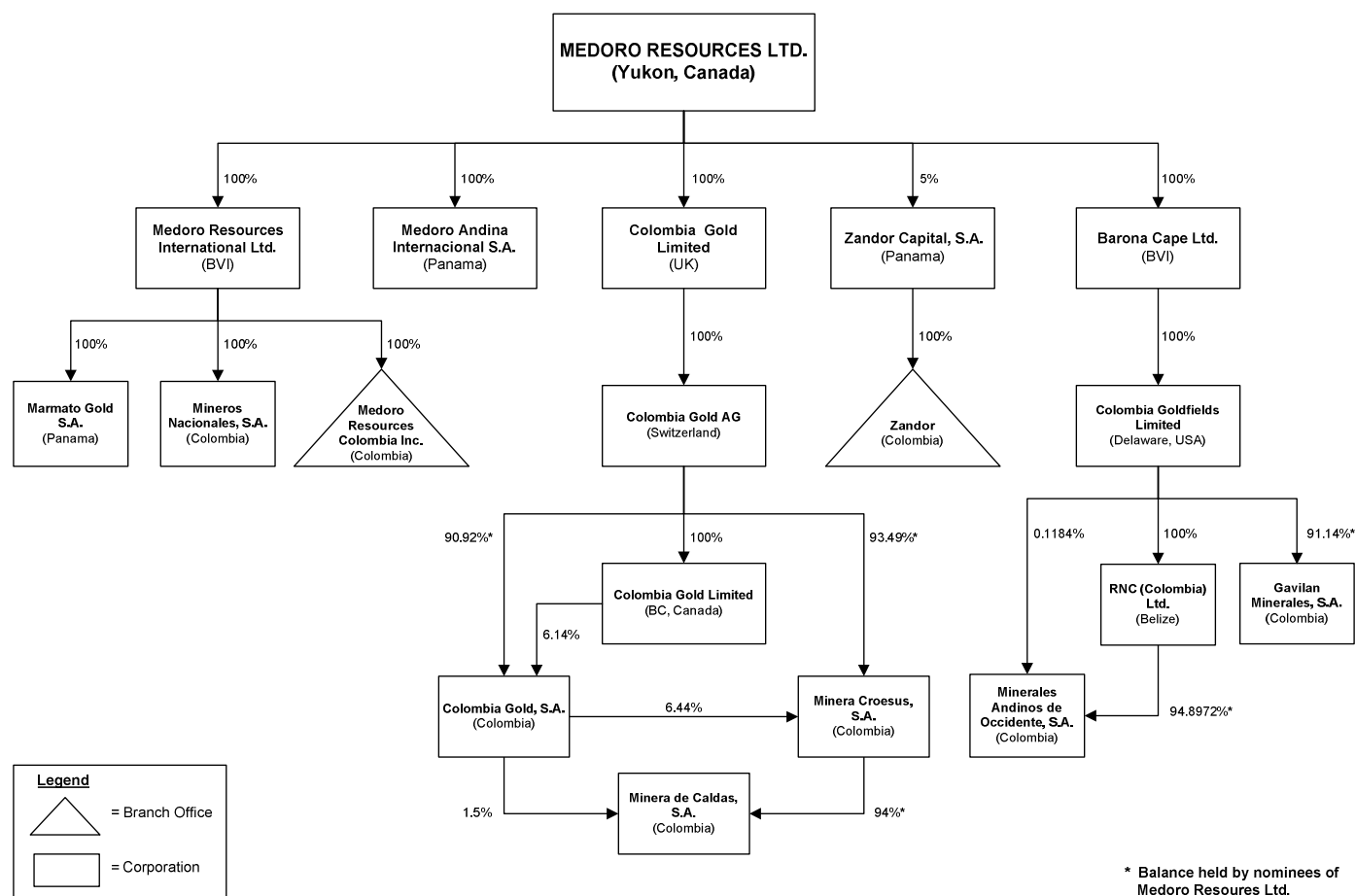
6.3 Further Assurances

Notwithstanding that the transactions and events set out in this Plan of Arrangement shall occur and be deemed to have occurred in the order set out herein, without any further act or formality, each of the parties to the Arrangement Agreement shall make, do and execute, or cause to be made, done and executed, all such further acts, deeds, agreements, transfers, assurances, instruments or documents as may reasonably be required by any of them in order to implement this Plan of Arrangement and to further document or evidence any of the transactions or events set out herein.

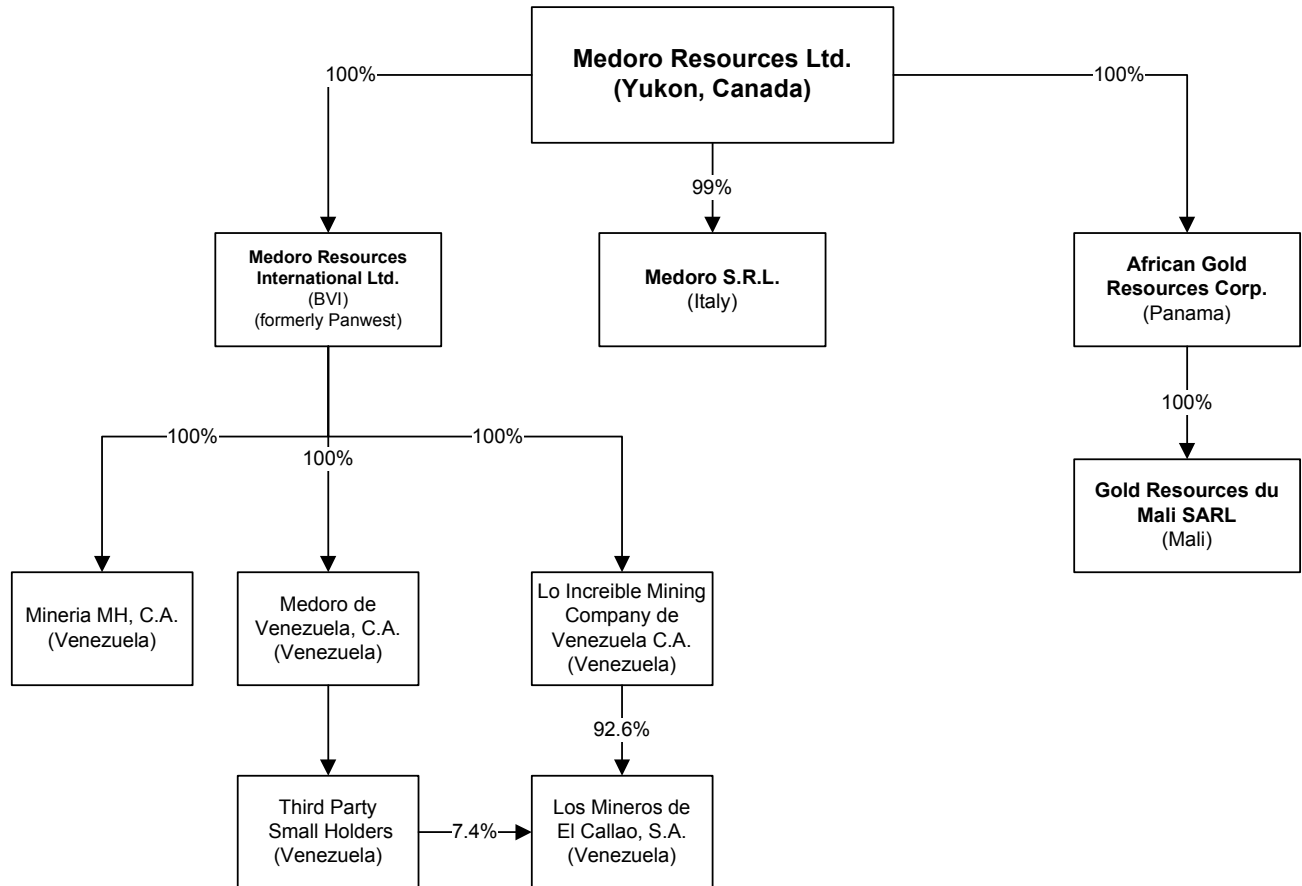
SCHEDULE "B"

DESCRIPTION OF TARGET SUBSIDIARIES

COLOMBIA RELATED SUBSIDIARIES

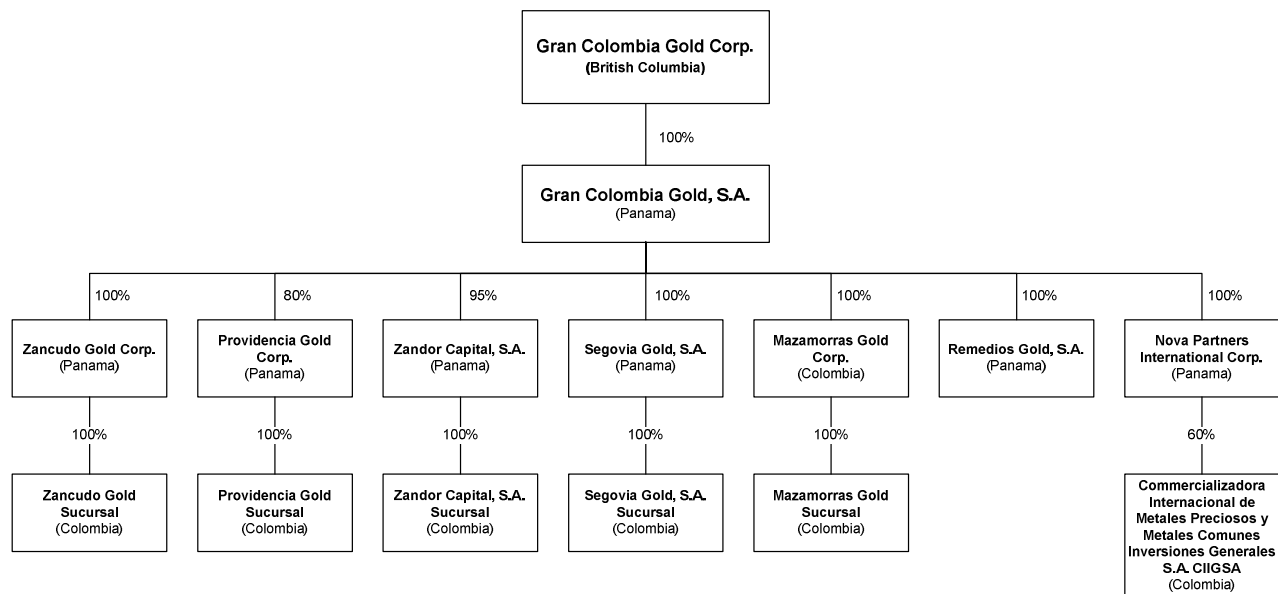


NON-COLOMBIA RELATED SUBSIDIARIES OF MEDORO RESOURCES LTD.



SCHEDULE "C"

DESCRIPTION OF ACQUIROR SUBSIDIARIES



SCHEDULE "D"**DESCRIPTION OF TARGET OPTIONS**

# Options Outstanding	Exercise Price \$	Expiry Date
473,000	1.20	April 2, 2013
15,000	1.35	October 16, 2011
1,113,332	1.53	July 19, 2011
16,667	1.53	January 8, 2015
355,554	1.62	January 19, 2015
133,333	1.62	November 20, 2014
100,000	1.62	January 5, 2010
1,680,001	1.73	October 22, 2015
581,667	1.80	October 15, 2015
191,666	1.85	November 4, 2015
350,001	1.86	April 6, 2015
200,000	1.94	September 9, 2015
3,421,663	1.95	July 29, 2014
1,667	2.10	September 24, 2012
224,998	2.13	May 5, 2015
350,000	2.20	January 27, 2016
400,001	2.25	October 16, 2014
750,000	2.28	November 29, 2015
33,333	2.40	May 25, 2012
10,000	2.46	August 17, 2011
300,000	2.56	December 8, 2015
Total	10,701,883	

SCHEDULE "E"

FORM OF TARGET RESOLUTION

RESOLVED as a special resolution that:

1. the Arrangement under Section 195 of the *Business Corporations Act* (Yukon) set forth in the Plan of Arrangement attached as Appendix B to the Joint Information Circular accompanying the notice of Meeting is authorized and approved;
2. the board of directors of Medoro Resources Ltd. (the "**Corporation**"), without further notice to or approval of the securityholders of the Corporation, may, in accordance with the terms of the Arrangement, elect not to proceed with the Arrangement or otherwise give effect to the special resolution, at any time prior to the Arrangement becoming effective; and
3. any one or more of the director and officers of the Corporation be authorized and directed to perform all such acts, deeds and things and execute, under the seal of the Corporation or otherwise, all such documents and other writings, including as may be required to give effect to the true intent of this resolution.

SCHEDULE "F"

FORM OF ACQUIROR RESOLUTION

RESOLVED as an ordinary resolution that:

1. the issuance of the Acquiror Shares pursuant to Section 3.1 of the Plan of Arrangement attached as Appendix B to the Joint Information Circular accompanying the notice of Meeting is authorized and approved;
2. the issuance of the Acquiror Shares upon the due exercise of the Exchanged Acquiror Options, Acquiror Consideration Warrants, Exchanged Acquiror Warrants and Exchanged Special Acquiror Warrants pursuant to Section 3.1 of the Plan of Arrangement attached as Appendix B to the Joint Information Circular accompanying the notice of Meeting is authorized and approved;
3. Any director or officer of Acquiror is hereby authorized and directed to execute or cause to be executed, whether under corporate seal of Acquiror or otherwise, and to deliver or cause to be delivered all such documents, and to do or cause to be done all such acts and things, as in the opinion of such director or officer may be necessary or desirable in connection with the foregoing; and
4. the board of directors of Acquiror be and it is authorized to abandon all or any part of these resolutions at any time prior to giving effect thereto.