



**ANNUAL INFORMATION FORM**

For the year ended December 31, 2010

Dated September 19, 2011

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## INTRODUCTION

All dollar amounts in this annual information form (the "**Annual Information Form**") are in Canadian dollars, except where otherwise indicated. The reporting currency of Oracle Mining Corp. ("**Oracle Mining**" or the "**Company**") is the United States dollar.

Certain information contained in this Annual Information Form concerning the industry in which we operate has been obtained from publicly available information from third party sources. We have not verified the accuracy or completeness of any information contained in such publicly available information. In addition, we have not determined if there has been any omission by any such third party to disclose any facts, information or events which may have occurred prior to or subsequent to the date as of which any such information became publicly available or which may affect the significance or accuracy of any information contained in any such information and summarized herein.

Certain statements contained in this Annual Information Form constitute forward-looking statements. These statements relate to future events or our future performance, business prospects or opportunities. Forward-looking statements include, but are not limited to, statements with respect to commercial mining operations, anticipated mineral recoveries, projected quantities of future mineral production, interpretation of drill results, anticipated production rates and mine life, operating efficiencies, capital budgets, costs and expenditures and conversion of mineral resources to proven and probable mineral reserves, analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management.

All statements other than statements of historical fact may be forward-looking statements. Statements concerning mineral resource estimates may also be deemed to constitute forward-looking statements to the extent that they involve estimates of the mineralization that will be encountered if a property is developed, and in the case of mineral resources, such statements reflect the conclusion based on certain assumptions that the mineral deposit can be economically exploited. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe", "outlook" and similar expressions) are not statements of historical fact and may be forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. We believe that the expectations reflected in those forward looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this Annual Information Form should not be unduly relied upon. These statements speak only as of the date of this Annual Information Form. We do not intend, and do not assume any obligation, to update these forward-looking statements except as required by law. These forward-looking statements involve risks and uncertainties, including the following, in addition to those risks set forth elsewhere in this Annual Information Form: results of exploration and development activities; our historical experience with development-stage mining operations; identifying acquisitions of additional mining properties of merit; uninsured risks; regulatory changes; defects in title; availability of materials and equipment; timeliness of government approvals; changes in commodity prices, and particularly copper prices; general economic, market and business conditions; actual operating and financial performance of facilities, equipment and processes relative to specifications and expectations; unanticipated environmental impacts on operations; competition for, among other things, properties, capital and skilled personnel; implementation of our business plans; the availability of capital on acceptable terms; fluctuations in currency exchange rates; adequate infrastructure in the jurisdictions in which we operate; foreign operations; enforceability of judgments outside of Canada; dependence on key personnel; and conflicts of interest of our management. Actual results may differ materially from those expressed or implied by such forward-looking statements. For additional information, see the section of this Annual Information Form entitled "Risk Factors".

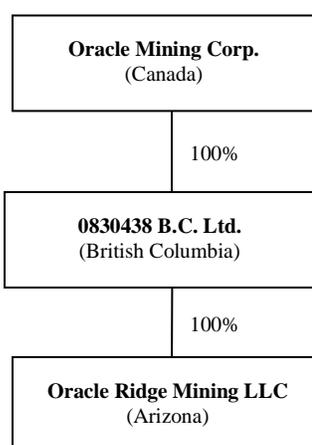
## CORPORATE STRUCTURE

The full corporate name of our company is "Oracle Mining Corp." Our head and registered office is located at #1550-666 Burrard Street, Vancouver, British Columbia V6C 2X8.

We were incorporated under the *Business Corporations Act* (Ontario) on March 10, 1980 under the name "Gold Hawk Resources (Ontario) Ltd.". On September 4, 1985, we became a federal corporation pursuant to the Canada *Business Corporations Act* (the "**CBCA**") and changed our name to "Consolidated Gold Hawk Resources Inc.". On August 9, 1989, we added a French language version to our name, "Les Ressources Consolidées Gold Hawk Inc." On May 14, 1998, we changed our name to "Gold Hawk Resources Inc." / "Les Ressources Gold Hawk Inc.". We adopted our present name "Oracle Mining Corp." on August 15, 2011.

On December 17, 2009, we consolidated our issued and outstanding capital on a 25:1 basis.

Our material subsidiaries and their respective jurisdictions of organization are set out in the diagram below:



For the remainder of this document, the consolidated operations of our Company and its subsidiaries will be referred to collectively as "we", "our", "us", the "Company" or "Oracle Mining", unless otherwise specifically noted or the context requires otherwise.

## GENERAL DEVELOPMENT OF THE BUSINESS

We are a development stage company focused on the acquisition, exploration and development of mineral resource projects. Our primary focus is to advance our principal property, the Oracle Ridge Copper Mine (the "**Oracle Ridge Mine**"), located in the Santa Catalina Mountains, north of Tucson, Arizona, towards production, while at the same time seeking out additional business opportunities in the mining sector that will enhance shareholder value. We also own a 640 hectare mining concession at the Barry-Souart Property northeast of Val-d'Or, Québec, a gold mining area with existing mining operations in close proximity.

### Three Year History

#### *Disposition of the Coricancha Mine*

Until May 2008, we operated the Coricancha Mine in Peru (the "**Coricancha Mine**") through our wholly-owned subsidiary Compañía Minera San Juan (Peru) S.A. ("**Compañía Minera**"). The Coricancha Mine, which we acquired in March 2006, commenced commercial production on October 1, 2007. In May 2008, however, we ceased production at the Coricancha Mine after detecting ground displacement in the area where the processing plant and the tailings handling facilities were located. Our geotechnical consultants determined that the main cause of the movement was a third-party saturation irrigation system installed on a neighboring property uphill from the tailings and processing plant. In July 2008, after assessing the risk created by the saturation irrigation of the hillside,

the Presidential Council of Ministers of Peru issued an emergency decree declaring a state of emergency in the area. Among other cautionary measures, the emergency decree required moving the tailings to new facilities and the stabilization of the hillside.

Due to the suspension of production at the Coricancha Mine, we did not realize any sales from mining operations after May 9, 2008. Additionally, as a result of the global financial crisis in late 2008, coupled with the collapse of commodity prices, it became exceedingly challenging for junior mining companies, such as ours, to raise capital. In May 2009, we signed a loan agreement with an existing lender pursuant to which we received US\$2 million of new funds, repaid our existing bank debt and restructured all of our existing loans under one new US\$13 million loan facility. The loan repayment date was also extended to February 2010, whereas the existing US\$9.7 million loan repayment date was January 2009.

Following our debt restructuring, we were in a better position to re-finance the Company for the long-term and bring the Coricancha Mine back into production. Despite this, our management continued to hold discussions with numerous parties throughout the first half of 2009 in an attempt to find a complete financial solution that would finance the re-start of the Coricancha Mine. To this end, in August 2009, we entered into a non-binding head-of-agreement with Nyrstar Netherlands (Holdings) BV ("**Nyrstar**"), pursuant to which Nyrstar agreed to acquire an 85% interest in Compañía Minera for total cash consideration of US\$15 million. In addition, Nyrstar agreed to assume our guarantee of Compañía Minera's US\$13 million senior debt facility and agreed to loan Compañía Minera up to an additional US\$20 million to fund the re-start of the Coricancha Mine. Nyrstar's all-cash offer and financing package for Compañía Minera presented a compelling opportunity for us that our management believed would help preserve shareholder value. Accordingly, we signed a binding share purchase agreement with Nyrstar on the same terms as the head-of-agreement in September 2009. The sale to Nyrstar was subsequently approved by our shareholders at a special meeting of our shareholders held in November 2009.

In July 2010, we sold our remaining 15% interest in Compañía Minera to Nyrstar for cash consideration of approximately US\$4.4 million. The sale followed a review by our management of the long-term capital expenditure plan for the Coricancha Mine versus our strategy to conduct an accretive transaction in the near-term. Our board of directors determined that our shareholders would be better served by divesting our remaining investment in the Coricancha Mine as it was not expected to generate cash flow in the near-term due to its debt repayment schedule and the anticipated capital expenditures that were likely required. The completion of the sale of our remaining interest in Compañía Minera further strengthened our cash position and our ability to conduct a further transaction that we believed would deliver improved shareholder value.

### ***Acquisition of the Oracle Ridge Mine***

On September 28, 2010, we acquired all of the issued and outstanding common shares of 0830438 B.C. Ltd. ("**Oracle Ridge**") by issuing an aggregate of 11,200,000 common shares in our capital to the shareholders of Oracle Ridge at a deemed price of \$1.50 per common share and the payment of certain debt owing by Oracle Ridge to its creditors in the amount of \$700,000. Upon completion of the transaction, Oracle Ridge became our direct wholly-owned subsidiary, and the former shareholders of Oracle Ridge became our shareholders. Oracle Ridge Mining LLC ("**Oracle LLC**"), which became our indirect wholly-owned subsidiary after the transaction, owns the subsurface mining rights at the Oracle Ridge Mine, an underground copper mine with 11 miles of underground workings, through an option to purchase, and has the necessary surface rights by way of a lease and by the purchase of an adjoining property necessary to explore, rebuild and operate the Oracle Ridge Mine (collectively, the "**Oracle Ridge Property**"). We filed a business acquisition report on Form 51-102F4 in respect of the acquisition of Oracle Ridge on November 24, 2010, which is available on SEDAR at [www.sedar.com](http://www.sedar.com).

Paul Eagland and Greg Liller each owned, directly or indirectly, approximately 39% of Oracle Ridge at the time it was acquired by us. In connection with the acquisition, Mr. Eagland and Mr. Liller were appointed as directors of our Company, and each was subsequently elected to our board of directors at our annual general and special meeting of shareholders held on June 7, 2011. Mr. Eagland was also appointed as our interim Chief Executive Officer on June 30, 2011.

The acquisition of Oracle Ridge fit our strategy to complete an accretive transaction and to acquire a near-term copper producing operation. Furthermore, the acquisition provided us with a platform to develop a growth-oriented

company focused on maximizing the value of the existing high-grade Oracle Ridge Mine. Subsequent to the acquisition, we began work on a program at the Oracle Ridge Property designed to validate the existing technical database and produce a National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* ("NI 43-101") compliant resource study, as well as embark on a significant exploration and development program for the Oracle Ridge Property. A significant portion of the Oracle Ridge Property has not been drill tested. The proposed exploration program includes an underground core drilling program to locate additional potential areas of mineralization. Concurrently, we began collecting data required to obtain the permits necessary to re-start mining operations at the Oracle Ridge Mine and to complete a bankable feasibility study.

In November 2010, we announced the signing of a contract with Tetra Tech Inc. ("**Tetra Tech**") for environmental baseline studies and environmental permitting for the Oracle Ridge Mine, and in January 2011, we contracted for a surface diamond drill program at the Oracle Ridge Mine. The Phase I surface drill program was for an initial 15,000 feet designed to validate the existing drill-hole data. Also in January 2011, we contracted Lyntek Inc. ("**Lyntek**") to produce an engineering, design and capital cost study for a 2,000 tons-per-day flotation plant and related processing facilities in order to facilitate the re-opening of the Oracle Ridge Mine. In August 2011, we announced that the State of Arizona had issued Oracle LLC an aquifer protection permit, a major achievement in the permitting process for the reactivation of the Oracle Ridge Mine. We intend to make an initial air quality permit submission to the Pima County Department of Environmental Quality by the end of September 2011. In addition, we expect to have three drilling rigs in operation at the Oracle Ridge Mine conducting confirmation drilling in or about early October 2011, with a Phase II drill program of an additional 7,500 feet expected to begin in the same month.

## **Financings**

In the last three years, we completed the following equity financings:

In July 2008, we completed a private placement of 55 million common shares at a price of \$0.06 per share for gross proceeds of \$3.3 million.

We completed a non-brokered private placement in March 2009 of 50 million units at a price of \$0.02 per unit for aggregate proceeds of \$1.0 million. Each unit was comprised of one common share and one 12-month common share purchase warrant at \$0.05.

In June 2009, we completed a non-brokered private placement of approximately 25 million units at a price of \$0.05 per unit for aggregate proceeds of approximately \$1.25 million. Each unit was comprised of one common share and one 12-month common share purchase warrant at \$0.07. In May 2010, we announced a proposed amendment to the warrants issued pursuant to this private placement. The amendment, which was approved by the TSX Venture Exchange (the "**TSXV**"), extended the exercise term of the warrants from June 3, 2010 to June 3, 2011, changed the warrant exercise price from \$1.75 to \$1.25 and provided that if the closing price of our common shares was \$1.50 or greater for a period of ten consecutive trading days, then the warrant holders would have 30 days to exercise their warrants, otherwise such warrants would exercise on the 31st day. The warrant amendment was intended to correct the pricing distortion caused by our share consolidation effected in December 2009. In October 2010, we announced that the warrant holders were subject to the 30-day exercise provision as our common share price was \$1.50 or greater for 10 consecutive trading days. In November 2010, a total of 850,200 warrants were exercised at a price of \$1.25 per warrant for total gross proceeds of \$1,062,750.

In October 2009, we completed a non-brokered private placement of 4,454,800 common shares at a price of \$0.05 per share for aggregate proceeds of \$222,740.

In November 2010, we closed a non-brokered private placement with Coalcorp Mining Inc. ("**Coalcorp**") for 6 million common shares at a subscription price of \$1.25 per common share, for aggregate proceeds of \$7.5 million. As a result of this private placement, Coalcorp owned approximately 19.7% of our issued and outstanding common shares as at November 8, 2010. The terms of the private placement provided Coalcorp, in its sole discretion, a right to participate in any private placement of our common shares, or securities convertible into or exchangeable for common shares, initiated on or before October 22, 2011. The number of common shares, or securities convertible into or exchangeable for common shares, that Coalcorp is entitled to purchase pursuant to this right is limited to such number of common shares to allow Coalcorp to maintain its *pro-rata* portion of the total issued and

outstanding common shares held by it immediately prior to the applicable financing. Pursuant to the terms of the financing, Coalcorp is entitled to a representative on our board of directors so long as it holds at least 5% of our issued and outstanding common shares. We paid a finder's fee to an arm's length party in the aggregate amount of \$450,000 in connection with this private placement.

## THE BUSINESS

### Overview

We are a development stage mining company focused on the acquisition, exploration and development of mineral resource projects. Our primary focus is to advance the Oracle Ridge Mine towards production. In addition, we believe that we are well-positioned to implement a growth strategy that will enhance shareholder value. Accordingly, we continue to review potential merger and acquisition opportunities with the goal of growing Oracle Mining into a multi-project company for our shareholders. Our strategy is to identify undervalued or overlooked mining projects that have the potential to generate superior shareholder returns, while keeping our focus on maximizing the value of the Oracle Ridge Mine.

As at the date hereof, we had an aggregate of 10 employees located in Canada and the United States.

### Recent Initiatives

We believe that our acquisition of the Oracle Ridge Mine has created a low-cost, growth oriented metals company with near-term copper production. Returning the Oracle Ridge Mine into production is an important step in our growth strategy to expand our Company. To this end, subsequent to our acquisition of the Oracle Ridge Property in September 2010, we began work on a program designed to validate the existing technical database and produce a NI 43-101 compliant resource study, as well as embark on a significant exploration and development program for the Oracle Ridge Property. A significant portion of the Oracle Ridge Property has not been drill tested. The proposed exploration program includes an underground core drilling program to locate additional potential areas of mineralization. Concurrently, we began collecting data required to obtain the permits necessary to re-start mining operations at the Oracle Ridge Mine and to complete a bankable feasibility study. We also retained a contractor to produce an engineering, design and capital cost study for a 2,000 tons-per-day flotation plant and related processing facilities, as the former processing plant was disassembled and sold prior to our acquisition of the Oracle Ridge Property.

The regulatory process for the Oracle Ridge Property includes federal, state and county jurisdictions. Biological, archaeological, hydrological and storm water characterization, waste rock and tailings characterization and air quality analysis will be systematically studied to support the requisite permit regime. Several of these involve base studies for determining any potential impacts from the reactivation of the Oracle Ridge Mine, a critical first step in bringing the mine back into production. To this end, in November 2010, we announced the signing of a contract with Tetra Tech for environmental baseline studies and environmental permitting for the Oracle Ridge Mine. Tetra Tech is a U.S.-based company specializing in consulting, engineering and technical services worldwide. The results of the waste characterization of the reclaimed tailings and waste rock were favourable and verified that the waste rock and tailings are non-acid generating and the synthetic precipitation leaching procedure results were all below established water quality standards. A summary of our progress on our permitting activities at the Oracle Ridge Property is set out below:

- the State of Arizona issued Aquifer Protection Permit No. P-102110 to Oracle LLC in August 2011, a major achievement in the permitting process for the reactivation of the Oracle Ridge Mine. The aquifer protection permit covers the previous area of historical tailings storage, but will need to be amended in accordance with Best Available Demonstrated Controls and Technology ("**BADCT**") before new tailings deposition can occur. Detailed design work for the aquifer protection permit is part of the overall feasibility level design and engineering program currently being conducted by Lyntek. BADCT design work includes a fully lined tailings impound designed to zero discharge standards, a storm water diversion system and monitoring wells. We intend to employ dry stacked tailings technology to achieve significant water evaporation conservation and allow for a rapid, staged reclamation of the Oracle Ridge Mine;

- flora and fauna inventory studies have begun in the project area and along the site access road;
- archaeological and cultural resource surveys have been completed on a portion of the project site and access road;
- water quality sampling has begun on both surface and underground waters and an automated sampling station installed in affected drainages; and
- two air quality and weather monitoring stations have been constructed.

In January 2011, we contracted Major Drilling Environmental LLC for a surface diamond drill program at the Oracle Ridge Mine. The Phase I surface drill program was for an initial 15,000 feet designed to validate the existing drill-hole data. We intend to use the Phase I drill core assay results to verify historical data and to complete a new NI 43-101 compliant technical report on reserves and resources. The drill program, which began in mid-February 2011, has included the following:

- two surface core drilling rights have been mobilized to site;
- 20 drill holes have been completed to date;
- a three-dimensional laser survey of the accessible underground workings has been completed;
- a surface and underground survey of locatable historical drill collars has been completed;
- geological mapping and sampling of the underground workings has begun;
- in addition to copper, silver and gold assays contained in the historical database, iron and other valuable elements are being analyzed in samples from the ongoing drill program; and
- a methodical program of density determinations is being made from core samples of all mineralized zones intersected in the drill program.

In addition, we plan to undertake an additional Phase II drill program of 7,500 feet in the fourth quarter of 2011 to validate the existing drill-hole data, as well as in-fill data and define mineralization zones.

Also in January 2011, in conjunction with our Phase I surface drill program, we contracted Lyntek to produce an engineering, design and capital cost study for a 2,000-tons-per-day flotation concentrator, tailings design and related surface facilities in order to facilitate the re-opening of the Oracle Ridge Mine. Geotechnical drilling has been completed on the proposed tailings and plant sites, and underground samples have been taken for testing. Metallurgical samples will be obtained from the current drilling program for process design and flowsheet development. The following processing plant and tailings impoundment activities have been completed:

- a preliminary equipment list for a nominal 2,000-tons-per-day processing plant has been compiled;
- trade-off studies for electrical power generation, mobile equipment and other processing components that impact air emissions are underway;
- geotechnical sampling in the tailings impoundment area have been completed; and
- initial design of a 10-million-ton dry stack tailings impoundment and plant area have been completed and are under review.

## Recent Exploration Activities

The Phase I surface drill program began in mid-February 2011 and is advancing on schedule with twenty holes completed as at the date hereof. Continuous around-the-clock drilling shifts and a second surface drill rig introduced in the latter part of the first quarter of 2011 made up for a slower start in February caused by difficulties in accessing drill locations due to abnormally cold weather causing waterline freezing. Skyline Assayer and Laboratories ("Skyline Labs"), an accredited laboratory in Tucson, Arizona, has been contracted to complete all sample preparation and assaying related to the Phase I surface drill program. The table below sets forth the assay results for the first 8 holes we drilled at the Oracle Ridge Property in 2011 for which assay results have been received and reported, as disclosed by us in our May 12 and May 31, 2011 news releases:

Hole	From (feet)	To (feet)	Interval	(%) Cu	(%) Fe	Ag (oz/ton)	Zone
2011-016	180	250	70	2.53	16.17	0.54	4 Extension
includes	220	240	20	4.62	30.30	1.05	
and	347	384.5	37.5	2.24	17.21	0.54	1 & 2
includes	367	372	5	5.36	22.96	1.26	
2011-039	553	603	50	2.44	16.18	0.55	4
includes	558	563	5	7.9	9.12	0.69	
2011-043	248	278	30	1.3	17.3	0.45	3
and	298	308	10	2.15	10.43	0.83	
2011-051	298	305	7	1.94	6.61	0.43	1 & 2
and	346	371	25	4.63	12.96	1.25	
includes	351	361	10	7.75	14.39	2.07	
and	439	471	32	1.69	8.39	0.46	
includes	459	468	9	3.35	16.04	1.00	
and	518	555.5	37.5	1.69	5.42	0.65	
and	582	617	35	1.75	10.63	0.37	
2011-071	573	596.5	23.5	1.8	1.24	0.44	
and	620.5	655.5	35	2	8.4	0.54	
includes	648	655.5	7.5	3.7	11.84	1.08	
and	718	738	20	1.62	9.09	0.38	1 & 2
and	768	803	35	1.86	6.82	0.54	
and	843	863	20	2.83	12.57	0.48	
includes	853	858	5	4.53	14.45	0.51	
2011-74	Low Grade						5
2011-130	791	806	15	2.39	7.62	0.47	12
2011-135	723	728	5	1.31	2.58	0.49	5
and	748	753	5	1.22	2.13	0.69	

Intervals have been calculated using an external 1% copper cut-off. Intervals labeled "includes" are higher-grade portions of the previous listed interval. True thickness is believed to be between 80% and 100% of the reported thicknesses. Analyses for copper, silver and iron were completed by Skyline Labs on ½ core splits using standard industry accepted techniques.

We consider Hole 2011-016, referenced in the table above, to be significant, as the zone from 180 feet to 250 feet is currently interpreted as an up-dip extension of the Block 4 mineralization. Offset drilling to further delineate this Zone 4 extension is underway.

As part of our ongoing historical data verification program, we conducted underground sampling of a sublevel driven on the lower Abrigo skarn bed on the 6,400 foot level in Block 1. Sampling results have returned a continuous 150 feet of mineralization averaging 2.17% copper, 12.59% iron and 0.45 oz/ton silver.

The Block 1 sublevel development was completed prior to the Oracle Ridge Mine's closure in 1996 in preparation for long-hole stoping, but no actual mining of this block occurred. The 150-foot sample interval is along the strike of the skarn bed and the estimated true thickness of the skarn bed in this area is approximately 25 to 30 feet.

Continuous channel sampling at five-foot intervals has been taken on the hanging wall rib of the lower Block 1 Abrigo copper skarn zone. Sampling also has been completed on the eastern half of the sublevel and we plan to complete sampling of the western half of the sublevel and a sublevel driven on the adjacent upper Abrigo skarn zone in the near term.

The silver and iron content returned by sampling continues to indicate that both metals may be present in sufficient quantities to represent potentially economic by-products of future copper production. Metallurgical test work in our ongoing engineering studies is being directed towards determining the viability of recovering these metals.

### **The Oracle Ridge Property**

The Oracle Ridge Mine is located on the Oracle Ridge Property near Tucson, Arizona, U.S.A. The Oracle Ridge Property is the site of the previously operated Oracle Ridge Mine.

The information contained in this section is primarily summarized or extracted from the technical report dated August 20, 2010 prepared by Glenn R. Clark, P.Eng., on behalf of Glenn R. Clark & Associates Limited (the "**Technical Report**"). Portions of the following information are based on assumptions, qualifications and procedures which are not fully described herein. Reference should be made to the full text of the Technical Report, which is available on SEDAR at [www.sedar.com](http://www.sedar.com).

#### ***Project Description and Location***

The Oracle Ridge Property consists of 57 patented mining claims in 13 parcels, covering 903 acres in the Old Hat Mining District at Marble Peak, and an additional 353 acres of private land that we acquired in Pima County, Arizona, U.S.A. on which the historic land tailings facility was located and the future land tailings facility is expected to be located. All of the patented claims are surveyed. The patented claims have no expiry date but are subject to real estate taxes to Pima County.

The Oracle Ridge Property is located approximately 15 miles (24 kilometres) by air northeast of Tucson, Arizona, U.S.A. The Oracle Ridge Property is located in Sections 17, 18, 19 and 20 of Township 11 South, Range 16 East, Gila and Salt River Base and Meridian. The geographical coordinates are approximately Latitude 32°28' North, Longitude 110°41' West.

#### ***Mineral Rights Ownership***

We have a right to earn 100% ownership of the mineral rights at the Oracle Ridge Property. There are no royalty or other agreements or encumbrances on the Oracle Ridge Property. The mineral rights are secured with a purchase and sale agreement, as described below.

Under a purchase and sale agreement between Oracle Ridge and Marble Mountain Ventures LLC ("**Marble Mountain**"), Marble Mountain agreed to sell to Oracle Ridge certain sub-surface mineral rights (described below) located on the Oracle Ridge Property for the purchase price of US\$4,527,300 (the "**Purchase Price**"), plus an initial payment of US\$26,135 and a closing payment of US\$126,583. Oracle Ridge has paid the initial and closing payments to Marble Mountain and has agreed to make staggered payments until October 2013 for the payment of the purchase price, each payment to be secured by a promissory note (each a "**Promissory Note**" and, collectively, the "**Promissory Notes**"). The Promissory Notes will bear interest at the rate of eight percent per annum, calculated on the basis of a 360-day year and the actual number of days elapsed in such year. If an instalment payment is not made when due according to the terms of the Promissory Note, the Promissory Note shall bear interest at the rate of

13% per annum calculated on the basis of a 360-day year and the actual number of days elapsed in such year from the date of non-payment until it is cured. We have the right to prepay all or any portion of the principal balance of each Promissory Note, together with any accrued and unpaid interest, at any time upon one business days' notice.

### ***Surface Rights***

The surface rights for the area necessary for mining access, processing facilities and offices have been secured by an industrial property lease (the "**Lease**"), which Lease includes the Daily 5, Sphinx, Oversight, Golden Peak, Copper Peak, York, Apache Central and Copper Princess mining claims. Under the Lease, Oracle Ridge leased from Marble Mountain the surface rights to the Oracle Ridge Property for the purpose of carrying out its exploration, development and mining of the Oracle Ridge Property. The Lease has an initial term of three years (the "**Initial Term**") and is renewable for nine additional extensions of three years each.

During the Initial Term, the rent payable to Marble Mountain is US\$100 per year. However, if Oracle Ridge commences use of any part of the Oracle Ridge Property during the Initial Term for the purposes of commercial production, as defined in the Lease, the rent payable will increase to US\$150,000 per year.

### ***Environmental***

There is no outstanding environmental liability at the Oracle Ridge Property. The previous operators cleaned the mine site and removed the mill. The openings to the underground were blocked. Neither the tailings nor the rock dumps are acid generating as the rock types are mostly carbonates.

### ***Permits***

As the Oracle Ridge Property is located on private land, permitting is relatively uncomplicated. As long as the surface disturbance is less than five acres, no permit is required for exploration. As drill roads are already constructed in areas feasible for exploration from the surface, permitting is expected to be straight forward. Additional exploration and development will generally be conducted from underground.

To construct a new milling facility, the following permits will be required:

- State of Arizona aquifer protection permit to use the existing tails impoundment area, which permit was obtained by us in August 2011 and will be submitted for modification based on the final design and engineering study;
- State of Arizona easements and special use permits for the existing haul road;
- State of Arizona permits to use the existing water wells or, if necessary, drill offsets to the existing wells. The area is in an allocated water basin;
- U.S. Forest Service special use permits for use of existing roads and the tailings pipe line corridor; and
- Pima County air quality permit.

The above list is a summary only setting forth certain of the permits that are necessary to construct a new milling facility at the Oracle Ridge Property. Additional permits will be required to be obtained by us in constructing the new milling facility.

### ***Accessibility***

The Oracle Ridge Property is accessible by three routes from Tucson, Arizona: (i) via Highway 77 to Oracle, Arizona, then south on Mt. Lemmon road (Forest Service Road 38). This route is approximately 72 miles from Tucson, approximately 18 miles of which are on a dirt road; (ii) via Highway 77 to State Highway 76 then south past the San Manuel smelter site to the Black Hills Mine Road (Forest Service Road 4450). The Black Hills Mine Road bears south then west where it intersects the Mt. Lemmon road just north of the Oracle Ridge Property. This

route is approximately 85 miles from Tucson, approximately 30 miles of which are on a dirt road; and (iii) via the General Hitchcock-Mt. Lemmon Highway to Summerhaven, Arizona then west approximately 3.5 miles on Mt. Lemmon Road. The total distance is approximately 40 miles.

### ***Physiography and Climate***

The area of Oracle Ridge Property is located in the Marble Mountain area of the Santa Catalina Mountains. The Santa Catalina Mountains have a vertical relief of over 7,500 feet with the highest point being 9,157 feet above sea level. Elevations within the project area range from 5200 to 7200 feet above sea level. The terrain is rugged.

The Santa Catalina Mountains are one of the many "sky island" mountain ranges in the Arizona Upland portion of the Sonoran Desert. Temperatures are typically 15 to 20 degrees Fahrenheit cooler than the surrounding lowlands. Semi-arid to arid conditions prevail. Rain fall averages 19 inches per year but is highly variable both in amount and from location to location. The main rainy season occurs from mid-July to September when monsoon type conditions prevail. Winter rainfall is derived from storm fronts arising in the Pacific Ocean and is unpredictable. Pan evaporation at the site averages 89 inches per year.

### ***Local Resources***

The area of the Oracle Ridge Property has been primarily used for mining and cattle grazing. Various natural springs are present in the area but there are no natural bodies of standing water. The San Manuel smelter-town site and underground copper mine are approximately 10 and 15 miles to the north-northeast respectively. The San Manuel mine was opened in 1953 by Magma Copper Company, then a division of Newmont Mining Company, and was mined continuously until its closure by BHP Copper Company due to low copper prices in 1999. The San Manuel mine was one of the largest underground copper mines in the world. The San Manuel mine has been allowed to flood and the surface facilities and smelter site have been reclaimed.

Three miles to the west of the project is the weekend community of Summerhaven and the Mt. Lemmon recreation and ski area. Summerhaven's main attraction is as a get-away from the heat of the desert in the summer and it has a very limited number of services. The Mt. Lemmon ski area can receive up to approximately 180 inches of snow annually and is the southernmost ski area in the United States. It has a vertical drop of 950 feet. The Summerhaven area was devastated by the Aspen forest fire of 2003 and many of the homes in the area were burnt.

### ***Flora and Fauna***

The vegetative community at the Oracle Ridge Mine project area consists of mountain mahogany with pine oak woodlands limited to the valleys and north facing slopes. The western portion of the Oracle Ridge Mine project area contains a ponderosa pine forest. The understory is primarily Manzanita and browse species, with the lowest layer consisting of sideoats, gramma and hairy gramma. Much of the area was burned during the 21,000 acre Bullock Fire in 2002.

Wildlife species in the area include mule deer, white tail deer, javalina, bear and mountain lions. Smaller species present include coyote, bobcat, fox and rabbit. There are also numerous bird species present including dove, quail and birds of prey.

A flora and fauna assessment by Envirocon Inc. in 1989 found the flora and fauna of the area typical and reported no unique population groups.

Recent biological surveys conducted by Tetra Tech biologists have identified the lowland leopard frog (*Rana yavapaiensis*), an Arizona state protected species, in several riparian areas that border the mine property to the east and south during surveys in 2011. These areas include Gibb Wash, Geesaman Wash, Alder Canyon and three ponds occurring along a ridgeline separating Gibb Wash and Geesaman Wash. An active Mexican spotted owl (*Strix occidentalis lucida*) protected activity center has been identified on Mt. Lemmon, approximately a mile south of the mine property. However, no Mexican spotted owls were determined to be occurring on the Oracle Ridge Property during surveys conducted in 2011 using approved survey methodology. Bat surveys are on-going, but to date no protected species of bats have been located on the mine property.

Biological surveys for Pima County species of interest have included the Pima Pineapple Cactus (*Coryphantha scheeri* var. *robustispina*), Cactus Ferruginous Pygmy Owl (*Glaucidium brasilianum*) and desert tortoise (*Gopherus agassizii*). None of these species have been found on the mine property or on right of ways that are proposed for use by the Oracle Ridge Mine during surveys conducted in 2011.

### ***Infrastructure***

The infrastructure for the Oracle Ridge Mine project is considered good, as the Oracle Ridge Mine was an active mine site as recently as 1996. Accordingly, there are no expected issues in connection with the transportation of construction materials and heavy equipment to the site. Previous mining operations have left an intact, developed underground mine with an estimated 11+ miles of underground workings and a mill site which can be prepared for construction activities with very little site modification. The mill has been removed and a new facility is needed. The Oracle Ridge Mine project has a 3,000 square foot maintenance shop with outdoor work areas and flat areas sufficient for the construction of such things as office facilities, core shack or mine laboratories, without significant further surface disturbance.

Electric power sufficient for office use is currently on site. In the 1990s, the Oracle Ridge Mine and milling operations utilized diesel generators for electric power. A study was undertaken during this period of time to connect the Oracle Ridge Mine to the local electrical grid. The local power company put in a bid of \$0.12/kw in the 1990s.

During the 1990s phase of mining, telephone service via microwave relay from Tucson, Arizona was present.

### ***Required Surface and Tailings Facility***

The Oracle Ridge Property is sufficient to carry out the mining and processing of the ores including potential rock dumps.

During past operations, tailings were piped to a tailings impoundment downhill from the Oracle Ridge Mine. Some of the piping remains in the right of way. The tailings are not acid generating and since the closure of the Oracle Ridge Mine, nature has been reclaiming the area.

The old tailings impoundment area is capable of holding more tailing initially but will have to be expanded during the life of the new project.

### ***History***

#### ***Corporate and Production History***

The Oracle Ridge Mining District was discovered in 1873. In 1881, a 20-ton-per-day copper smelter was erected at nearby Apache Camp. The ore for this smelter was supplied from the Hartman, Homestake, Leatherwood, Stratton, Geesaman and other small mines in the area.

Phelps Dodge Copper Company ("**Phelps Dodge**") entered the Oracle Ridge Mining District in 1910 and undertook considerable development and exploration work. While some small production undoubtedly took place, the first documented production began late in 1937 when the Daily Arizona Copper Company ("**Daily**") erected a 90 ton flotation plant. Ore was mined from the Daily and Geesaman mines, the latter being leased from Phelps Dodge. Between August 1937 and May 1938, Daily processed 18,000 tons grading 2.7% copper.

In 1939, Control Mines ("**Control Mines**") bought the Daily flotation plant and leased the Daily mine. In spring of 1940, Control Mines purchased the Geesaman mine from Phelps Dodge. Between 1940 and 1942, the Geesaman mine produced 52,200 tons of ore grading 3.4% copper. The operation apparently continued until 1944. During this period, approximately 115,000 tons of ore were treated, producing concentrates assaying 27% Cu and 8.6 oz/ton Ag.

Following World War II, operations continued on and off for the next 25 years. In 1968 Continental Copper, Inc., a subsidiary of Continental Materials Corp. ("**Continental**"), leased the Oracle Ridge Property with an option to purchase and undertook a large exploration and development program. This was the first time there was a large scale analysis of the mineralization.

Union Mines Inc., a subsidiary of Union Miniere, entered into a joint venture with Continental in 1977 to develop and operate the Oracle Ridge Mine. Construction activities were curtailed in 1979 when it was determined that further exploration and underground development were necessary.

Under an amended partnership agreement, a new exploration program began in April 1980. In 1984, a feasibility study for a 2000-tons-per-day operation was completed. Further development was then suspended due to low copper prices after a reported expenditure of \$19 million.

In October, 1988, South Atlantic Ventures (whose name was changed to "Southern Copper Corp." and then to "Santa Catalina Mining Corp."), a Vancouver, Canada-based mining company, acquired Union Miniere's interest and entered into a 70-30 partnership with Continental to develop the Oracle Ridge Mine. Minproc Engineers Inc. was contracted to supervise the confirmatory metallurgical test work. A detailed design was started in November 1989 on a column flotation plant. Construction of the facility commenced in April 1990 and the first ore was processed through the plant on March 3, 1991. The capacity of the mill was initially set at 850 tons per day.

Concise production records have not been located. Various reports and internal documents indicate approximately 172,000 tons grading 1.65% Cu were processed in 1991. The mill capacity was restated as 750 tons per day.

In 1992, 224,000 tons at an unknown grade were processed. During 1992, the operation was restructured and the bank debt eliminated; however, the Oracle Ridge Mine was still experiencing operational problems and operated at a loss. Copper prices averaged around \$1.05 during 1992.

In 1993, the mill was shut down for three months, though approximately 100,000 tons were still processed over the course of the year. The milling capacity during the shutdown period was expanded to a nominal 1,000 tons-per-day in an effort to lower production costs. With the increased capacity, the Oracle Ridge Mine reopened in the third quarter with projected operating costs of \$0.68/lb copper. Although copper prices bottomed out in the fourth quarter of 1993 at \$0.72/lb, the Oracle Ridge Mine reported a modest profit.

1994 was a 14-month financial period as "Southern Copper Corp." changed its name to "Santa Catalina Mining Corp." ("**Santa Catalina**") in November 1993. During this period, 453,635 tons of ore at a mill head grade of 1.8% copper was mined. Due to ongoing operational problems, the mill only processed 378,630 tons of ore. In addition, Santa Catalina's 1994 Annual Report states that grades were lower than budgeted due to "dilution caused by inadequate exploration diamond drilling underground".

The copper price in 1994 ranged from approximately \$0.80/lb to a high of approximately \$1.35/lb at year end. Unfortunately Santa Catalina had entered into a hedge program in August 1994 covering 40% of budgeted production at \$1.07, and the company therefore did not fully benefit from the increased copper price. Despite the increase in copper prices, Santa Catalina reported an operating loss of \$902,670 during this period because of ongoing milling problems. This loss equates to approximately \$12/ton of mined but not milled ore.

During 1994, it was recognized that modifications had to be made to the processing circuits and that operational savings could be obtained by expanding milling capacity to 2,000 tons-per-day. A feasibility study by Western Sates Engineering of Tucson, Arizona and Walsh Engineers of Denver, Colorado was initiated.

Funding for the expansion of the milling circuit was not available in 1995 and operational problems with the mill continued throughout 1995. To further complicate the situation, beginning in the summer of 1995, harder ore was encountered and the crushing and grinding circuits could not process this ore properly at the rate of mill feed. Ball mill scat (oversize rejects) increased from a reported 5% of the ball mill feed to 50% by January 1996. The copper content of the scats went from 0.4% to 1.6% copper in September 1995. Prior to 1995, the ball mill scat had been discarded, however because of the near run of mine grade, the ball mill scat was recycled to the crushing and milling circuit. By January 1996, more than 50% of the mill feed was scat.

A temporary shutdown of the operation for the stated purposes of processing the scat inventory and upgrading the crushing circuit occurred in early February 1996. An apparent sale of the Oracle Ridge Property, scheduled for closing at the end of February 1996, fell through and the Oracle Ridge Mine was officially closed in April 1996.

Following the Oracle Ridge Mine's closure, Santa Catalina attempted to sell the Oracle Ridge Property in the face of declining copper prices. Several offers were apparently made in the late 1990's but they were deemed inadequate.

As we do not have complete production records, it is not clear from the available records how many tons were mined and processed between 1991 and the closure of the Oracle Ridge Mine in 1996, though it is estimated that approximately 1 million tons were mined during this period.

In 2005, the Oracle Ridge Property was sold to Marble Mountain. In November 2009, Oracle Ridge entered in to an option to purchase the mineral rights and also entered into a long term surface lease with Marble Mountain in respect of 903 acres of patented mining claims.

#### *Historical Exploration*

Available records indicate that modern exploration of the current Oracle Ridge Property began in 1964 when Continental optioned the district. The details of this work are not documented but it has been reported that this program had completed 103,675 ft. core drilling and 2,651 ft. of underground drifting by 1974.

During the active phase of the Continental-Union Miniere joint venture from 1978 to 1984, additional drilling and underground exploration was undertaken as well as surface mapping and sampling. By the conclusion of the active phase of the joint venture in late 1983, a grand total of 28,675 ft. of underground drifting, 125,607 ft. of surface and 46,916 ft. of underground drilling had been completed on the project.

Steve Soderman ("**Soderman**"), the former chief geologist at the Oracle Ridge Mine, employed at the Oracle Ridge Property during much of the exploration period and all of the active operational phase, has stated in a personal communication that little additional exploration drilling took place during the operational period. This is substantiated by statements in Santa Catalina's Annual Reports. An exploration drilling program was started in 1995 but was terminated by mine management after the drilling of several holes. The holes were never logged in detail nor did mine management allow samples to be submitted for assay. As a result of this historical exploration, 12 Blocks were found to contain significant copper mineralization. Of the 12 Blocks, 6 have been developed underground.

Due to the rugged topography and the difficulty of constructing roads in the marble and other metamorphosed Palaeozoic rocks, the construction of drill roads was difficult. The locations for the surface drill holes were highly restricted and a significant portion of the Oracle Ridge Property has not been drilled. The undrilled areas are prospective in terms of locating additional copper mineralization.

#### *Historical Geophysics*

During 1995, a geophysical study was undertaken in order to locate new exploration targets. This work was conducted by DIGHEM, a division of CGG Canada Ltd., and consisted of air borne magnetic and resistivity surveys. This work successfully showed that the known mineral occurrence could be identified. Additional exploration targets were delineated.

#### *Historical Drilling*

Soderman provided the following information regarding the drilling and sampling.

Various diamond drill core sizes have been utilized in the surface and underground drilling. Surface core sizes used have been NC, NQ, NX, BQ and BX and underground drill sizes were BQ, BX, AQ, and AX. The drill core was logged, indicating rock type, structure, mineralization and alteration, providing an estimate of the relative abundance

of mineralization and alteration encountered. Development and production percussion drilling holes were also sampled. The sludge from the jumbo and jackleg drill holes was collected.

### *Historical Sampling*

The descriptions below pertain to the work that was previously done. Various types of sampling have been employed at the Oracle Ridge Mine. The type of sample utilized has often been of necessity.

Diamond Drill Core. The drill core was logged by a geologist and the samples were determined by the mineralization present. Once the samples were identified, the core was split with one-half stored and the other one-half sent to an analytical laboratory for assay. On site there are a number of the previous drill holes stored and in good condition. These holes will be re-logged and re-assayed as part of the study to bring the Oracle Ridge Property to NI 43-101 compliance standards.

Percussion Drill Sludge Sampling. Pre-1980 long hole drilling was accomplished using a one boom drill jumbo, utilizing 4 foot drill steel and a 4 inch drill bit. The cuttings were collected in 4 foot increments in a container at the collar. The sample was then logged, and submitted for assay. Hole depths of +/- 200 feet were obtained.

Development Drilling Sampling. The development or production drilling sludge was sampled. When the jumbo was used, a depth of +/- 40 feet was reached, with a hole diameter of 3.5 inches. The drill steel used was 12 feet in length. Jackleg drilling differed in that the hole diameter was 1.5 inches, and limited to +/- 24 feet. A sample of the material was obtained by holding a container at the drill hole collar and collecting the material discharged during the drilling process.

A sample was obtained for each length of drill steel. The jumbo steel was 12 feet and the jackleg steel 6 feet. On occasion the samples would be assayed, but more commonly, the copper grade was visually estimated. This method of obtaining information was relatively quick, and inexpensive. The data was evaluated quickly for on the spot development planning and for direction and/or grade control estimates.

Truck Sampling. With the advance of a heading, or the pulling of an ore pass, samples were taken of the material loaded into the truck. Initially the truck drivers would take a small amount of material from each truck to form a composite sample representing the material moved over the course of mucking out a heading, or the material drawn from an ore pass over the course of the shift. The sample was then submitted for assay.

A more regimented truck sampling program was subsequently instituted by the geologist, who began taking a representative sample each time the loader put muck in the truck. These samples were combined to form a composite sample for the truck load. The composite sample was then homogenized and split until a sample of +/- 15 pounds was obtained. The composite sample was then assayed. This procedure continued for each truck load. At the same time the geologist also obtained an additional sample from each truck load and these additional samples were combined to form one sample representing all of the trucks from that heading. The assays of the samples from the individual truck were averaged with the average compared to the assay of the combined sample that represented all of the trucks. The assay results showed that the two methods were within 0.1% Cu, over a trial of ten of each sample type. This was an excellent comparison. The decision was made to continue with the making of one sample for all of the truck loads from a heading.

The truck drivers were then trained in this sampling methodology. It was decided that ten trucks would be considered the limit for making one composite sample when drawing ore from either an ore chute, ore pass, or from a stope.

Channel or Chip Sampling. Due to the hardness of the ore material, it was determined that obtaining channel samples, or production face chip samples would be uneconomical considering the production demands and the prevailing staffing levels. While some chip or channel samples were acquired, the assays were not considered representative, and the procedure was abandoned. Testing of an air rotary/impact hammer with a tungsten-carbide chisel bit in order to obtain a more representative sample proved futile, as the hardness of the rock dulled the bit within minutes of use.

We have taken representative channel samples recently using a mechanized hammer device and sampling was proven effective. Hardness determination of the rock concluded that the ore is of medium hardness for grinding. Additional sampling is planned and ongoing as access to underground drifts becomes available.

#### *Historical Analytical Procedures*

There have been no records found describing the analytical procedures used by the commercial labs that carried out the assaying on the exploration samples prior to the production period. Similarly there have been no records found describing the assay procedures during the production period.

Considering when the exploration and production took place (1980s and 1990s) it is expected that the copper was assayed using acid digestion and atomic adsorption ("AA") analysis. The Western States Feasibility Study in 1994 noted that the AA machine needed replacement. No other assay equipment was mentioned. Precious metals were assayed on a routine basis. The assay technique used for the precious metals is not known. It is anticipated that any silver assays carried out at the Oracle Ridge Mine would have been by acid digestion and AA analysis.

#### *Historical Quality Assurance and Quality Control*

Over the course of exploration, development and mining activities at the Oracle Ridge Mine, thousands of samples were submitted for assay. Professional analytical laboratories were used up until the time that milling activity started in 1991, when an on-site assay lab was used.

During the development program conducted from 1980 through 1983, it was recognized that a means to increase the confidence of the assay results obtained from the assay lab was needed and a series of assay standards were made. These assay standards were obtained by selecting a range of values for the elements which were then being assayed: copper, gold, silver, molybdenum and tungsten. These elements were also chosen based on the knowledge of changes in chemical procedures or calibration of machinery for given ranges of values.

The assay standards were created by selecting suitable assay rejects and exhaustively homogenizing them during the sample preparation. Three samples of each standard were subsequently submitted to three analytical labs for analysis, the minimum for any type of statistical verification. Following this, statistical tests (student's "s" test, standard deviation, and means) were performed to arrive at an acceptable statistical range of each standard. With such a set of assay standards the reliability of the assays returned was assured.

Once the on-site lab was operational, a new set was created utilizing the various ore types to be mined, and limited to the copper value. The sample standard submittal, along with the standard solution prepared by the assayer in the lab, assured the accuracy of results obtained, not only for the ore mined, but milled, as well.

The range of the standards utilized:

Standard A		Standard B		Standard C	
High range		Mid range		Low range	
Gold	+ 0 ppm	Au	+ 0 ppm	Au	+0 ppm
Silver	+50 ppm	Ag	+25 ppm	A g	0 - 25 ppm
Copper	1- 3%	Cu	0.5 %	Cu	0.5 %
Molybdenum	+0 ppm	Mo	+0 ppm	Mo	+0 ppm
Tungsten	+0 ppm	W	+0 ppm	W	+0 ppm

#### *Geological Setting*

The Oracle Ridge Property is located in the Santa Catalina Rincon Mountains metamorphic core complex. This metamorphic complex is the eastern most in a belt of core complexes trending west northwest into California and southward into Mexico. The area is structurally complex and contains formations ranging from Proterozoic to recent in age. It has been the site of massive intrusions and associated volcanism since the Laramide Orogeny. Rocks of sedimentary origin are up to 1.5 miles in combined thickness. Intrusive rocks have added 2.8 miles to the

total stratigraphic section. Structural reconstructions demonstrate that over 4 miles of rock have been removed from the top of the range through a combination of erosion and tectonic movement since Laramide times.

The structure of the Santa Catalina Mountains is very complex. The area has been subjected to both compressive tectonics and extension and detachment faulting. The Laramide compressive tectonics is evident primarily on the northern slope of the Main Range of the Catalinas. The Tertiary extension and detachment faulting has produced broad areas of mylonite in the Fore Range rocks of the Catalinas.

The Oracle Ridge Mine area is a roof pendent of Palaeozoic rocks at Marble Peak, surrounded by the Leatherman Granodiorite. The Oracle Ridge Property surrounds Marble Peak.

The Geesaman Fault is the most prominent structural feature at the Oracle Ridge Mine. The fault trends northwest-southeast and has a very high angle dip on the north side of the mine area. The displacement is +2000 feet, normal, as it brings the Pre-Cambrian rocks on the north in juxtaposition to the Paleozoic section on the south side of the fault trace. This displacement is also evident to the east, near the former tailings containment area. Here the fault trends more in the northeast-southwest direction.

Faults evident in the development areas of the underground mine are presumed to be related to the Geesaman Fault event. These faults exhibit minor to moderate offsets, from less than 1 foot to about 60 feet. The trend of the faults is N40-70 E with variable 30-75 degree dips to the northwest. A few rather strong north-northwest (+ N 15 W) high angle faults have also been encountered. These structures are evidently related to the large (+ 40 feet) diorite dike trending to the northwest which can be seen both on the surface and in the underground.

Folding is quite evident in the mine area, both on the surface and in underground exposures. The Marble Peak syncline is parallel to sub-parallel to the Geesaman Fault although younger in terms of its age. This synform and its related subfolds apparently have a variable plunge southward and it appears to be undulating in nature. It trends through Blocks 5, 6, and 7, and to the north of Block 1.

Two fold axis directions have been observed, essentially paralleling the fault trends east-northeast and north-northwest. The axial intersections are nearly perpendicular, giving rise to an apparent "egg-carton" structure that is represented by cymoids of variable size.

### ***Mineralization***

Skarn mineralization at the Oracle Ridge Mine consists of copper,  $\pm$  magnetite along with bi-product gold and silver mineralization. Copper grades in excess of 15% have been reported. Magnetite when present can be as high as 60%, however, historically no attempt to recover the iron has been documented. Gold and silver have historically been recovered in the copper concentrate and would be more significant given the current metal prices.

The Escabrosa (Me) limestone is the most favourable copper host in terms of past production. It has been especially productive when found in discordant intrusive contacts, where the mineralizing fluids were allowed to migrate along bedding. The copper mineralization in the Escabrosa consists of chalcopyrite, bornite, and chalcocite in the order of relative abundance. The copper minerals occur as finely disseminated grains to massive blobs within fractures, veins or as disseminations. The alteration mineral assemblage is comprised of andradite, grossularite garnet, epidote, quartz, calcite, and serpentine with some local talc.

In the Martin Formation three carbonate units, the 'L-zones', have been found, thus far, to contain higher grade copper mineralization. The impermeable 'S-zones' are interstratified with the permeable 'L-zones'. The 'S-zones' restricted the movement of the fluids while the 'L-zones' acted as channelways, resulting in more abundant but irregular copper mineralization bodies in the 'L-zones'.

Mineralization in the 'L-zones' is characterized by an abundance of magnetite, up to + 60%, with intricate intergrowths of bornite, chalcopyrite, chalcocite, and covellite. Though no discrete silver or gold minerals have been identified, hessite is suspected as an inclusion in the sulphides.

The DmS3 subunit of the Martin Formation is a calcareous shale near its base with intercalated dolomite. This zone can be up to 12 feet thick. The unit is distinctive because of the abundance of chlorite (due to numerous shale partings), and in places has an average grade of 0.75% Cu, with the bornite content much greater than the chalcopryite. Although previously considered uneconomic in grade, its extent and geometry should be reexamined in light of recent copper prices.

The upper unit of the Abrigo has two favourable skarn horizons the Cau (u) and the Cau (l) dolomites. These two horizons are separated by a 25 to 30 foot thick shaley unit.

The Cau (u) dolomite is 15 to 20 feet thick. Bornite is the dominant copper bearing mineral in the Abrigo followed by chalcopryite, chalcocite, and covellite. The bornite to chalcopryite ratio is approximately 3:1. These copper minerals occur as disseminated grains and massive blebs, and fracture fillings. Associated alteration consists of alternating diopside, epidote and garnet beds with chloritized shaley partings, especially near the top of the unit.

The Cau (l) is second only to the Escabrosa as an important copper resource at the mine, occurring in Blocks 1, 8, 9, and 10. Mineralization consists of chalcopryite, with lesser bornite, and occurs as disseminated irregular sized blebs and fracture filling. Subordinate chalcocite and covellite have been noted. The associated alteration assemblage consists of pervasive diopside in the weakly altered zones which imparts a light cream to tan coloration. In intensely altered areas the assemblage consists of andradite and grossularite garnet, epidote and diopside.

### ***Exploration***

Other than as discussed above under the heading "*Recent Initiatives for Re-Opening of the Oracle Ridge Mine*", no exploration on the Oracle Ridge Property has been carried out since the Oracle Ridge Mine was closed in 1996. Accordingly, the majority of the information available is from previous operators.

### ***Drilling***

Other than as discussed above under the heading "*Recent Initiatives for Re-Opening of the Oracle Ridge Mine*", we have not carried out any drilling on the Oracle Ridge Property. The drilling results are generally historical with the drilling carried out by previous operators.

### ***Sampling and Assaying***

Other than as discussed above under the heading "*Recent Initiatives for Re-Opening of the Oracle Ridge Mine*", there has been no sampling at the Oracle Ridge Property since 1996.

### ***Resource and Reserve Estimates***

There are no mineral resources or reserves at the Oracle Ridge Property that meet the requirements of NI 43-101. The historical estimations of resources and reserves at the Oracle Ridge Property do not follow the definitions of the Canadian Institute of Mining, Metallurgy and Petroleum and other requirements of NI 43-101 and should not be relied upon. All of the estimations given below are historical in nature and the reader is cautioned against using them for an economic assessment. The following historical estimations were prepared or audited by competent individuals and consulting firms.

#### ***Tonnage Factor***

There is no historical record of any Specific Gravity tests to determine the density. In all of the historical estimations, a density of 10.0 cubic feet per ton was used. This would seem to be a reasonable average density based on the information available and the mineralization that has been examined. It is possible that there should be different densities applied to the different zones as the mineralization does vary from zone to zone.

As at September 2011, we have conducted 215 Specific Gravity determinations from six different diamond drill holes and produced an average density of 10.42 cu ft/ton and using a conversion factor of 31.04 cu ft/ton of ore. The

weighted average from the samples completed to date determined a density of 10.14 cu ft/ton, which is comparable to the historical estimates.

*Continental Copper, 1974 (non-compliant)*

A reserves estimate of 11 million tons grading 2.25% with "significant silver and minor gold" was estimated in 1984 at the conclusion of Continental's exploration program. All existing drill holes in all 12 blocks were included in the estimation. The methodology that was used is reported by Soderman to be grade thickness contouring. No break down by reserve class was reported.

*Continental-Union Joint Venture (non-compliant)*

Between January 29 and April 27, 1979 a reserve estimate was performed by personnel employed by Union Mines, Inc. This reserve estimation appears to have employed categories utilizing definitions compliant with regulations formulated by the United States Securities Exchange Commission at that time. The reserve categories in 1979 were defined as follows:

- "Proved Ore – Ore which is so completely exposed in underground workings or so closely drilled that its grade, tonnage, and geometry are essentially certain. At the present time, it is felt that Proved Ore is that which has been exposed or drilled on a maximum grid of 50 x 100 feet, and there must be confidence of geologic continuity between samples."
- "Probable Ore – Ore whose occurrence is for all essential purposes reasonably assured but not absolutely certain as to grade and tonnage. Probable ore has been generally drilled or exposed at 100-foot intervals. Where confidence in geologic continuity is high, this interval may be 150 feet. Outward extension of 50 feet from the last ore exposure is allowed if geologic continuity is likely. Any Probable Ore must have at least two sample points. The geometry of Probable Ore is not known in detail, and irregularities of the boundaries and fault off-sets may occur."
- "Possible Ore – Ore whose existence is a reasonable possibility, based primarily upon the strength and continuity of geologic mineralogical relationships and upon similarities of occurrence of ore bodies already developed. Possible Ore cannot be assigned a grade with any practical certainty, nor can the quantity be expressed as a definite amount. Possible Ore has been drilled or exposed at 200-foot intervals or up to 400-foot intervals if geologic continuity is likely. Outward extension of 50 feet from the last ore exposure or drill is allowed if geologic continuity is likely. The geometry of Possible Ore is only known as a gross simplification. Fault off-sets and other frequent variations in shape may exist without being known."

Parameters used in estimating the 1979 "reserve" were as follows:

- minimum true thickness 10 feet, or a grade thickness (%Cu x True thickness) of 20 or greater;
- a tonnage factor of 10 cubic feet per ton;
- waste between parallel ore zones was not included for blocks 8 and 9. Blocks 1 & 2 at a 1.5% copper cut-off grade included the lower grade copper mineralization if the overall grade, after inclusion of the low grade, still averaged above 1.5%; and
- except for Blocks 1-2 as described above the "ore reserves" were undiluted.

At a 1.5% copper cut-off, the 1979 reserve estimation contained no Proved Ore. The Probable Ore totalled 1.4 million tons grading 2.39% copper and 0.72 opt silver. Possible Ore totalled 1.88 million tons grading 2.41% copper and 0.69 opt silver.

Blocks 3, 4, 5, 6, 7, 10, 11 and 12 which had drill holes known to contain ore grade mineralization were not included in the study. In addition ore grade drill hole intercepts contained in the Escabrosa Limestone were not included as they were felt to be too small and discontinuous to be of importance. The Escabrosa proved to be the largest ore host in terms of processed tonnage during the 1990s period of production.

*Santa Catalina Mining, 1991-1994 (non-compliant)*

During this operating period, resource estimates were apparently carried out in-house in conjunction with the mine planning. Public documents filed by Santa Catalina and Annual Reports contain the following information on reserve estimation:

- 1991 proven plus probable reserves of 4 million tons grading 2.33% copper. There is no breakdown of proven and probable reserve estimates contained in the documentation nor is it known if all blocks of mineralization were included.
- Santa Catalina's 1993 Annual Report states that as of year-end the Oracle Ridge Mine had an expanded proven plus probable reserve of 5.23 million tons grading 2.24. Santa Catalina's 1994 Annual Report further elaborates that the geologic reserves estimated in 1993 consisted of 5.23 million tons at 2.24% copper and 9.59 million tons at 2.32% copper proven plus probable plus possible.

*Mintec Inc., 1994 (non-compliant)*

Mintec Inc. ("**Mintec**") was contracted in 1994 to complete a reserve estimation as part of a feasibility study for increasing the mine and processing plants capacity to 2,000 tons per day. These reserves were classified as geologic reserves by Mintec. Mintec was provided a drill hole database by the mine that had been compiled and internally audited. This database has been converted to Mintec's MineSight© program format and has been made available to Oracle Ridge. The database contains the following:

Number of Drill Hole	534
Total Drill Hole Footage	163,622 ft
Number of Copper Assays	6,848
Number of Gold Assays	2,150
Number of Silver Assays	3,510

Also provided as part of the drill hole database was information pertaining to rock type, alteration, and the mineralized block or zone the drill hole was located in. The following tabulates the assay statistics:

Average Copper Grade	2.76%
Maximum Copper Grade	22.62
Minimum Copper Grade	0.00%
Average Gold Grade	0.010 oz/ton
Maximum Gold Grade	0.57 0x/ton
Minimum Gold Grade	0.001 oz/ton
Average Silver Grade	0.82 oz/ton
Maximum Silver Grade	9.37 oz/ton
Minimum Silver Grade	0.00 oz/ton

The drill hole intervals were composited into maximum 10-foot intervals respecting rock and unit types. If a composited 10-foot interval had two rock types, it was split into two at the interface of the change in rock type. Rock types were interpolated into the model based on the rock associated with each assay interval. This was accomplished by nearest neighbour projection.

Blocks were first matched by rock type to the appropriate geology then the grade was interpolated into a block using an Inverse Distance to the second power search (IDP2). Interpolation distances were 40 to 50 feet in a maximum 3D distance for Proven Ore and 100 to 120 feet maximum for Probable Ore or Possible Ore. Probable Ore required more composites being used to interpolate a block grade than the Possible Ore needed. A high grade outlier restriction was used which limited grades in excess of 4.61% copper to a projection distance of 20 feet. 4.61% Cu was substituted for the composite grade beyond 20 feet. No allowance was made for mined out areas. A tonnage factor of 10 cubic feet per ton was used.

At a 1.5% copper cut-off the model estimated 8.14 million tons of Proven Ore and Probable Ore at a grade of 2.33% copper and an additional 16.57 million ton at 2.33%. No allowance is made for dilution, mine loss or pillars. Gold and silver grades were not estimated.

This study was reviewed by several engineering and consulting firms during attempts to purchase the Oracle Ridge Mine. According to available documents, this model was deemed to be acceptable by the standards of the time.

#### *Oracle Ridge Mine, 1996 (non-compliant)*

In April of 1996, a reserve and mine and mine plan was developed utilizing polygons on cross section estimation techniques. This estimation used more restrictive reserve category definitions than those used in the 1978 reserve estimation. The category requirements used were as follows:

- Proven Ore was projected 50 feet up and 50 feet down dip and had to be exposed in mine workings. A drill hole intersection without an adjacent working could not be used to define a proved block of ore;
- Probable Ore had to be adjacent to Probable Ore and was projected 50 feet up dip and 50 feet down dip where geologic interpretation allowed or where sufficient drill data is available; and
- Possible Ore was projected 50 feet above and 50 feet below Probable Ore where geologic interpretation allowed. Individual exploration drill holes were projected 100 feet in both the vertical and horizontal dimensions. This equates to 50 feet up dip and 50 feet down dip.

This study used a 1.5% copper cut-off and resulted in a reserve estimate of 3.32 million tons of proven and probable grading 2.10% copper and 4.9 million tons of possible grading 2.38% copper. The reserve estimation is stated to be diluted and accounts for mine loss and pillars. The percentage of mine and pillar loss is not stated.

#### *Comments on Historical Resources and Reserves*

In comparing the Mintec 1994 estimate and the 1996 Oracle Ridge Mine estimate, the difference is essentially in the definitions used to categorize the mineralization and projection distances. The categories and the projection distances were quite different. The Mintec Proven Ore and Probable Ore are probably comparable to the Oracle Ridge Mine Proven Ore, Probable Ore and Possible Ore. When the results for those categories are compared they are quite similar. Mintec results estimate 8.1 million tons at a grade of 2.33% Cu and the Oracle Ridge Mine results estimate 8.2 million tons at 2.27% Cu.

All of the resource and reserve estimates given above are noncompliant with the requirements of NI 43-101 and should not be relied upon. The fact that different groups have come up with similar estimations is encouraging. These historical estimates have been shown here to indicate the magnitude of the resources and reserves that is expected when the estimates are compliant with NI 43-101.

#### ***Other Data and Information***

##### *Historical Metallurgical Recoveries*

Internal Santa Catalina documents and studies conducted by parties interested in purchasing the Oracle Ridge Mine indicate metallurgical copper recoveries of approximately 90% were the norm when the ore feed was primary sulphide in nature. During the first seven months of 1995, recoveries averaged 92.8%. This was prior to the mining of the harder ore which resulted in the shutdown of the Oracle Ridge Mine. The copper concentrate ranged between 27% to 32%. The bornite-rich ores which make up 20% of the ore grade mineralization were capable of producing concentrates of between 39% and 41% copper.

Gold and silver were not apparently assayed for on any consistent basis during operations. A back calculated recoverable grade of 0.004 oz/ton gold and 0.61 oz/ton silver can be derived based on the reported gold and silver by-product production. There was some indication that the recoverable precious metal content of the bornite ores might be somewhat higher.

*Feasibility Study, 1994 (non-compliant)*

In 1994, Western States Engineering, of Tucson, Arizona, was contracted by the Oracle Ridge Mine to complete a feasibility study on the expansion of milling capacity to 2,000 tons per day. Walsh Engineers, of Denver, Colorado ("**Walsh**") was contracted to examine and perform a capital and operating and capital cost estimate for the mine expansion. In addition Walsh examined the then current mining methods.

While the study is out of date and no longer applicable as the processing facility has been removed, it does contain relevant data in terms of future work programs for the Oracle Ridge Mine.

Walsh notes the Oracle Ridge Mine has good ground conditions in terms of rock stability and that a substantial amount of ground support was not needed. This would indicate that the cost of rehabilitating the Oracle Ridge Mine is not likely to not be excessive.

Walsh stated that mining methods could be improved and dilution reduced by better practice. In particular the lack of exploration and development drilling, as previously noted, was a major problem.

The geometry and relative location of the mineral deposits would make expansion of the operation to 2,000 tons per day easy without interruption of the ongoing mining. The fact that a great deal of development workings had been made was also noted.

***Proposed Exploration and Development***

The Oracle Ridge Mine project requires confirmation of the technical data that is needed to complete a feasibility study for production from these mineral zones. In addition to the confirmation of the data already obtained, we believe that it will be useful to expand the mineral resource to indicate the overall potential of the Oracle Ridge Property.

The following program is Phase I of the necessary development of these zones. It is primarily to confirm the data available. It is anticipated that some expansion of the mineral resources will also take place.

*Proposed Program, Phase I*

The Oracle Ridge Mine has a historical database which needs to be validated and brought up to NI 43-101 standards and definitions. We intend to verify the drill-hole locations in the electronic database. We plan to re-sample and assay some of the mineralized intervals in the drill core that have been stored at the Oracle Ridge Mine site.

In conjunction with the re-assaying and the new drilling, we intend to establish a program of quality control and quality assurance. We expect to rehabilitate the underground, and to survey the underground workings with appropriate maps prepared. We plan to sample and assay the mineralized exposures in the workings and compare the results to the historical database.

We intend to twin a selection of the drill holes completed by previous operators, and compare the assay results to the original. The specific number of holes to be twinned will depend on the assay comparisons. If reasonable, some of the twinned holes will be twins of some of the holes that have the core stored on the site.

Exploration and development drilling is recommended before a NI 43-101 compliant mineral resource is estimated. As detailed in the Technical Report, the estimated costs of the proposed Phase I drill program prior to our acquiring the Oracle Ridge Property are set forth in the table below:

AREA	AMOUNT	UNIT COST	TOTALS
Drilling and Assaying (per foot)	30,000	\$ 50	\$ 1,500,000
Check Assays	2,000	30	60,000
Underground Rehabilitation	1	200,000	200,000
Surveying	1	65,000	65,000
Resource Study	1	80,000	80,000
Geologists	2	60,000	120,000
Labourers	2	25,000	50,000
Supervision	1	120,000	120,000
Travel	1	35,000	35,000
Road and Surface Work	1	50,000	50,000
Miscellaneous	1	15,000	15,000
Contingency @10%			229,000
<b>Estimated Total Cost Stage 1</b>			<b>\$ 2,524,500</b>

To date, we have drilled twenty holes totalling 17,500 feet of the Phase I program and have expended approximately \$1.65 million on the program. This includes exploratory drilling not originally included in the initial Phase I program budget disclosed in the table above. Post-acquisition drilling costs have been greater than estimated prior to acquisition.

An additional 7,500 feet of exploration and development drilling are planned to begin in the fourth quarter of 2011, once the Phase I program is completed.

For additional information, see above under the heading "*— Recent Initiatives for Re-Opening of the Oracle Ridge Mine*".

#### *Future Programs*

Once the confirmation is completed, we are planning to complete a compliant NI 43-101 study outlining the mineral resources and reserves as they are then known. Although the metallurgy is reasonably documented by the 1990s production, additional test work has been recommended prior to a feasibility study and in conjunction with the plant design needs. In particular, the hardness of the zones should be properly established so the crushing and grinding section of the new plant can be sized accordingly. A feasibility study will be completed as soon as sufficient information is available.

#### *Interpretations and Conclusions*

Not all of the copper bearing zones were extracted while the Oracle Ridge Mine was in production. The Oracle Ridge Mine was closed due to production problems. The main problem was that the crushing and grinding circuits were inadequate. The mill facility has been removed and a new plant is necessary. Much of the technical data has been located and it is expected that as work continues on the Oracle Ridge Property more will be located.

Permitting of a mining operation at this location should be straight forward especially as it has already had a history of production and is located on privately owned land. There is sufficient information available to indicate that the mineral resources and reserves will possibly support a viable mine and mill complex.

### **RISK FACTORS**

*An investment in our securities should be considered highly speculative and involves a high degree of financial risk due to the nature of our activities and the current status of our operations. A prospective investor should carefully consider the risks summarized below and all other information contained in this Annual Information Form before making an investment decision relating to our securities. Some statements in this Annual Information Form*

*(including some of the following risk factors) are forward-looking statements. Please refer to the discussion of forward-looking statements in the introduction to this Annual Information Form. Any one or more of these risks could have a material adverse effect on the value of any investment in our Company and the business, financial position or operating results of our Company and should be taken into account in assessing our activities. The risks noted below do not necessarily comprise all those faced by us.*

### **Exploration, Development and Operating Risks**

Resource exploration and development is a speculative business, characterized by a number of significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but also from finding mineral deposits that, though present, are insufficient in quantity and quality to return a profit from production. The marketability of minerals acquired or discovered by us may be affected by numerous factors which are beyond our control and which cannot be accurately predicted, such as market fluctuations, the proximity and capacity of milling facilities, mineral markets and processing equipment, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals, and environmental protection, the combination of which factors may result in us not receiving an adequate return of investment capital.

There is no assurance that our mineral exploration and development activities will result in any discoveries of commercial bodies of ore. The long-term profitability of our operations will in part be directly related to the costs and success of our exploration programs, which may be affected by a number of factors. Substantial expenditures are required to establish reserves through drilling and to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that funds required for development can be obtained on a timely basis.

There is no certainty that the expenditures made by us towards the search for and evaluation of mineral deposits will result in discoveries of commercial quantities of ore.

### **Production**

Mineral exploration is highly speculative in nature, involves many risks, and frequently does not lead to the discovery of commercial reserves of minerals. While the rewards can be substantial if commercial reserves of minerals are found, there can be no assurance that our past or future exploration efforts will be successful, that any production therefrom will be obtained or continued, or that any such production which is attempted will be profitable.

### **Titles to Property**

The acquisition of title to mineral properties is a detailed and time-consuming process. Title to, and the area of, mineral concessions may be disputed. Although we believe that we have taken reasonable measures to ensure proper title to our interests in our properties, there is no guarantee that title to any such properties will not be challenged or impaired. Third parties may have valid claims underlying portions of our interests, including prior unregistered liens, agreements, transfers or claims, including aboriginal land claims, and title may be affected by, among other things, undetected defects. In addition, we may be unable to operate on such properties as permitted or to enforce our rights with respect to such properties.

### **Acquisition of Additional Mineral Properties**

If we lose or abandon our interest in the Oracle Ridge Property, there is no assurance that we will be able to acquire another mineral property of merit or that such an acquisition would be approved by the TSXV (or such other stock exchange on which our common shares may then be listed). There is also no guarantee that the TSXV (or such other stock exchange on which our common shares may then be listed) will approve the acquisition of any additional properties by us, whether by way of option or otherwise, should we wish to acquire any additional properties.

## **Permits, Licences and Government Regulations**

Our future operations may require permits from various governmental authorities and will be governed by laws and regulations governing prospecting, development, mining, production, export, taxes, labour standards, occupational health, waste disposal, land use, environmental protections, mine safety and other matters. There can be no guarantee that we will be able to obtain all necessary permits and approvals that may be required to undertake exploration activity or commence construction or operation of mine facilities on any of our properties. Mining and exploration activities are also subject to various laws and regulations relating to the protection of the environment.

Although we believe that our exploration activities are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner that could limit or curtail the production or development of our properties. Amendments to current laws and regulations governing our operations and activities or a more stringent implementation thereof could have a material adverse effect on our business, financial condition and results of operations.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, the installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of mining activities and may be subject to civil or criminal fines or penalties for violations of applicable laws or regulations.

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or a more stringent implementation thereof, could have a material adverse impact on us and cause increases in exploration expenses, capital expenditures or production costs, reduction in levels of production at producing properties, or abandonment or delays in development of new mining properties.

## **Metal Prices**

Our revenues, if any, are expected to be in large part derived from the extraction and sale of base and precious metals such as copper. Metal prices have historically fluctuated widely and are affected by numerous factors beyond our control, including international, economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates, global or regional consumptive patterns, speculative activities and increased worldwide production levels due to new extraction developments and improved extraction and production methods. These factors may affect the price of base and precious metals, and, therefore, the economic viability of any of our future exploration projects cannot accurately be predicted.

## **Competition**

The mining industry is intensely competitive in all of its phases and we compete with many companies possessing greater financial and technical resources than ourselves. Competition in the precious metals mining industry includes competition for: mineral rich properties that can be developed and produced economically; technical expertise to find, develop, and operate such properties; labour to operate the properties; and capital for the purpose of funding such properties. Many competitors not only explore for and mine precious metals, but conduct refining and marketing operations on a global basis. Such competition may result in our being unable to acquire desired properties, to recruit or retain qualified employees or to acquire the capital necessary to fund our operations and develop mining properties. Existing or future competition in the mining industry could materially adversely affect our prospects for mineral exploration and success in the future.

## **Environmental Regulations**

Environmental laws and regulations may affect our operations. These laws and regulations set various standards regulating certain aspects of health and environmental quality. They provide for penalties and other liabilities for the violation of such standards and establish, in certain circumstances, obligations to rehabilitate current and former facilities and locations where operations are or were conducted. The permission to operate can be withdrawn

temporarily where there is evidence of serious breaches of health and safety standards, or even permanently in the case of extreme breaches. Significant liabilities could be imposed on us for damages, clean-up costs or penalties in the event of certain discharges into the environment, environmental damage caused by previous owners of acquired properties or noncompliance with environmental laws or regulations. We intend to minimize risks by taking steps to ensure compliance with environmental, health and safety laws and regulations and operating to applicable environmental standards. There is a risk that environmental laws and regulations may become more onerous, making our operations more expensive.

### **Uninsured Hazards**

In the course of exploration, development and production of mineral properties, certain risks, and in particular, unexpected or unusual geological operating conditions including rock bursts, cave-ins, fires, flooding and earthquakes may occur. Such occurrences could result in damage to mineral properties or facilities thereon, personal injury or death, environmental damage to our properties or the properties of others, delays in mining, monetary losses and possible legal liability.

Although we maintain insurance to protect against certain risks in such amounts as we consider reasonable, our insurance will not cover all of the potential risks associated with our operations. We may also be unable to maintain insurance to cover certain risks at economically feasible premiums. In addition, insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increased costs and a decline in the value of our securities.

Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to us or to other companies in the mining industry on acceptable terms. As a result, we may become subject to liability for pollution or other hazards that we may not be insured against. Losses from these events may cause us to incur significant costs that could have a material adverse effect upon our financial performance and results of operations.

### **Future Financing**

The advancement, exploration and development of the Oracle Ridge Property (or any other property that we may acquire, explore and/or develop), and the construction of mining facilities and commencement of mining operations, if any, will require substantial additional financing in the future. Failure to obtain sufficient financing in the future will result in a delay or indefinite postponement of the advancement, exploration, development or commercial production on the Oracle Ridge Property (or any other property that we may acquire, explore and/or develop) or even a loss of our property interest. Additional equity financing may not be available when needed or, if available, the terms of such financing might not be favourable to us and might involve substantial dilution to existing shareholders. While we have been successful in raising such financing in the past, our ability to raise additional financing may be affected by numerous factors beyond our control, including, but not limited to, adverse market conditions and/or commodity price changes and economic downturn. Failure to raise capital when needed would have a material adverse effect on our business, financial condition and results of operations.

### **Foreign Operations**

Presently, our principal mineral property interest is located in the United States of America. While we believe that the United States of America represents a favourable environment for mining companies to operate, there can be no assurance that changes in the laws of the United States of America or changes in the regulatory environment for mining companies or for non-domiciled companies in the United States of America will not be made that would adversely affect us.

### **Infrastructure**

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants that affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government or other interference

in the maintenance or provision of such infrastructure could adversely affect our operations, financial condition and results of operations.

### **Currency Fluctuations**

We maintain accounts in U.S. and Canadian dollars. While our financings have generally been conducted in Canadian dollars, we conduct our business using both currencies depending on the location of the operations in question and the payment obligations involved. Accordingly, the results of our operations are subject to currency exchange risks, particularly to changes in the exchange rate between the U.S. and Canadian dollar. To date, we have not engaged in any formal hedging program to mitigate these risks. The fluctuations in currency exchange rates, particularly between the U.S. and Canadian dollar, may significantly impact our financial position and results of operations in the future.

### **Capital Cost Estimates**

Capital and operating cost estimates made in respect of our current and future development projects and mines may not prove to be accurate. Capital and operating costs are estimated based on the interpretation of geological data, feasibility studies, anticipated climatic conditions and a number of other factors. Any of the following events, among the other events and uncertainties described in this Annual Information Form, could affect the accuracy of such estimates: unanticipated changes in grade and tonnage of ore to be mined and processed; incorrect data on which engineering assumptions are made; delay in construction schedules; unanticipated transportation costs; the accuracy of major equipment and construction cost estimates; labour negotiations; changes in government regulation (including regulations regarding prices, cost of consumables, royalties, duties, taxes, permitting and restrictions on production quotas on exportation of minerals); and title claims.

### **Dependence on Key Management Personnel, Employees and Consultants**

Our success is and/or will be dependent on a relatively small number of key management personnel, employees and consultants. The loss of the services of one or more of such key management personnel could have a material adverse effect on us. Our ability to manage our exploration and future development activities, and therefore our success, will depend in large part on the efforts of these individuals. We face intense competition for qualified personnel, and there can be no assurance that we will be able to attract and retain such personnel.

### **Litigation**

We are subject to litigation risks. All industries, including the mining industry, are subject to legal claims, with and without merit. Defense and settlement costs of legal claims can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, the resolution of any particular legal proceeding to which we are or may become subject could have a material effect on our financial position, results of operations or our mining and project development operations.

### **Enforceability of Judgments**

Our principal asset, the Oracle Ridge Property, is located outside of Canada. It may be difficult or impossible to enforce judgments obtained in Canadian courts predicated upon the civil liability provisions of the securities laws of the various Canadian provinces against our assets located outside of Canada.

### **Conflicts of Interest**

We are dependent on certain directors and officers who are, and may in the future be, involved in the mining and mineral exploration industry through their direct and indirect participation in corporations, partnerships or joint ventures which are or may be our potential competitors. Situations may arise in connection with potential acquisitions in investments where the other interests of these directors and officers may conflict with our interests.

In accordance with applicable laws, including the CBCA, our directors and officers are required to act honestly, in good faith and in the best interest of our Company. In addition, each director and officer is required to declare and,

in the case of our directors, to refrain from voting on, any matter in which such director or officer may have a conflict of interest in accordance with the procedures set out in the CBCA and other applicable laws.

## DIVIDENDS

We have not declared or paid any dividends on our common shares since incorporation and we do not foresee the declaration or payment of any dividends on our common shares in the near future. Any decision to pay dividends on our common shares will be made by our board of directors on the basis of our earnings, financial requirements and other conditions existing at such future time and which our board of directors considers appropriate in the circumstances.

## DESCRIPTION OF CAPITAL STRUCTURE

Our authorized capital consists of an unlimited number of common shares without par value. As at the date of this Annual Information Form, there were an aggregate of 31,434,070 common shares issued and outstanding. The holders of our common shares are entitled to one vote at all meetings of our shareholders and to receive the remaining property of our Company upon dissolution.

## MARKET FOR SECURITIES

Our common shares are listed for trading on the TSXV under the symbol "OMN". The following table provides the monthly price range and trading volume of our common shares from January 1, 2010 to December 31, 2010:

	Trading Summary for OMN		
	High (\$)	Low (\$)	Volume Traded (# of Shares)
<b>2010</b>			
December	2.31	1.76	1,008,900
November	2.20	1.53	1,988,800
October	1.75	1.35	2,436,700
September	1.33	1.10	2,248,000
August	1.31	1.04	921,500
July	1.20	1.00	909,700
June	1.05	1.00	120,100
May	1.12	0.99	298,500
April	1.18	1.00	475,200
March	1.10	0.94	1,201,100
February	1.05	0.93	276,500
January	1.21	0.67	1,217,600

## SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

	Designation of class	Number of securities subject to a contractual restriction on transfer	Percentage of class
Paul Eagland	Common shares	3,269,842 <sup>(1)</sup>	11.99%
Greg Liller	Common shares	3,269,842 <sup>(1)</sup>	11.99%

**Note:**

- (1) In connection with our acquisition of the Oracle Ridge Property, each of Mr. Liller and Mr. Eagland received 4,369,842 of our common shares. Pursuant to lock-up agreements entered into concurrently with the closing of the acquisition, each of Mr. Liller and Mr. Eagland agreed not to, subject to certain exceptions, directly or indirectly, dispose of any such common shares in excess of one-quarter of such common shares in any six month period subsequent to the closing, without our prior consent.

## DIRECTORS AND EXECUTIVE OFFICERS

Our board of directors is comprised of six members. The term of office for each of our directors will expire at the time of our next annual general meeting of shareholders. The following table sets forth the name, province or state and country of residence, positions held and date of appointment and principal occupation for each of our directors and executive officers as at September 19, 2011:

<u>Name and Province or State and Country of Residence</u>	<u>Position</u>	<u>Director Since</u>	<u>Principal Occupation for the Past Five Years</u>
Paul Eagland <sup>(1)(2)</sup> British Columbia, Canada	Director and Interim Chief Executive Officer <sup>(3)</sup>	September 28, 2010	Interim Chief Executive Officer of our Company since June 3, 2011. Private Investor.
Greg Liller <sup>(2)</sup> Arizona, U.S.A.	Director	September 28, 2010	Geologist. Director or officer of various publicly traded companies.
Derek Price <sup>(4)(5)</sup> Tauranga, New Zealand	Director	August 17, 2010	Retired mining executive. Former Vice President, Finance and Chief Financial Officer of Thompson Creek Metals from 2003 to 2008 and Vice President, Finance and Chief Financial Officer of Glencairn Gold Corp. from 2003 to 2006.
Michel Tardif <sup>(4)(5)</sup> Québec, Canada	Director	May 10, 2001	Private investor. Retired.
Mark Forsyth <sup>(4)</sup> Zug, Switzerland	Director	July 25, 2011	Consultant at Cliveden AG since September 2010. Senior Trader at Trafigura Group from 2008 until 2010. Head Trader at Mark Rich & Co. Investment AG from 1999 until 2008.
Gregory Radke <sup>(6)</sup> Luzern, Switzerland	Director	July 25, 2011	Director of Coalcorp since February 2010. General Counsel to Pala Investments AG since June 2007. Vice-President and Corporate Counsel at Prudential Financial Inc. from 2003 until 2007.
Carlos Escribano <sup>(1)</sup> British Columbia, Canada	Vice President, Finance and Chief Financial Officer	Not applicable.	Vice President, Finance and Chief Financial Officer of our Company since January 2011. Vice President, Finance and Chief Financial Officer of Canadian Zinc Corporation from June 2010 to December 2010.
Jason Mercier <sup>(2)</sup> British Columbia, Canada	Vice President and Corporate Secretary	Not applicable.	Vice President and Corporate Secretary of our Company since October 2010.
Victor Rozon <sup>(2)</sup> Ontario, Canada	Vice President, Operations and Vice President, Projects	Not applicable.	Vice President, Operations and Vice President, Projects of our Company since October 2010 and February 2008, respectively.

**Notes:**

- (1) Member of the Disclosure and Corporate Governance Committee.
- (2) Member of the Environment, Health and Safety Committee.
- (3) Mr. Eagland was appointed interim Chief Executive Officer of our Company upon the resignation of Kevin Drover effective June 30, 2011.
- (4) Member of the Audit Committee.
- (5) Member of the Compensation Committee.
- (6) Mr. Radke is Coalcorp's nominee to our board of directors pursuant to the terms of the private placement completed by us with Coalcorp in November 2010.

As at the date hereof, our directors and senior officers, as a group, beneficially owned, directly or indirectly, or exercised control or direction over, 8,085,350 (approximately 25.7%) of our issued and outstanding common shares.

## **Cease Trade Orders, Bankruptcies, Penalties or Sanctions**

To the best of our knowledge, no director or executive officer is, as at the date of this Annual Information Form, or has been, within 10 years before the date of this Annual Information Form, a director, Chief Executive Officer ("CEO") or Chief Financial Officer ("CFO") of any company (including our Company) that:

- a) was the subject, while the director or executive officer was acting in the capacity as director, CEO or CFO of such company, of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days; or
- b) was subject to a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after the director or executive officer ceased to be a director, CEO or CFO and which resulted from an event that occurred while that person was acting in the capacity as director, CEO or CFO of such company.

To the best of our knowledge, no director, executive officer or a shareholder holding a sufficient number of securities of our Company to affect materially the control of our Company:

- a) is, as at the date of this Annual Information Form, or has been within 10 years before the date of this Annual Information Form, a director or executive officer of any company (including our Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceeding, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets;
- b) has, within the 10 years before the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder;
- c) has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- d) has been subject to any penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

## **Conflicts of Interest**

There are potential conflicts of interest to which our directors and officers will be subject in connection with our operations. In particular, certain of our directors and officers are involved in managerial or director positions with other companies whose operations may, from time to time, be in direct competition with those of our Company or with entities which may, from time to time, provide financing to, or make equity investments in, competitors of our Company. Gregory Radke, a director of our Company, is Coalcorp's nominee to our board of directors pursuant to the terms of the private placement by us with Coalcorp in November 2010. Mr. Radke is also a director of Coalcorp. As at the date hereof, based on publicly available information, Coalcorp owns approximately 15.8% of our issued and outstanding common shares.

In accordance with the CBCA, any of our directors or officers who have a material interest or who are a party to a material contract or a proposed material contract with us are required, subject to certain exceptions, to disclose that interest and, in the case of our directors, to generally abstain from voting on any resolution to approve the contract. In addition, our directors and officers are required to act honestly and in good faith with a view to the best interests of our Company.

Certain of our directors and officers have either other employment or other business or time restrictions placed on them and accordingly these directors and officers will only be able to devote part of their time to our affairs.

## AUDIT COMMITTEE DISCLOSURE

### The Audit Committee's Charter

Our Audit Committee operates under a written charter that sets out its responsibilities and composition requirements. A copy of the audit committee charter is attached hereto as Schedule "A".

### Composition of the Audit Committee

The members of the Audit Committee are Derek Price, Mark Forsyth and Michel Tardif. Each member of the Audit Committee is financially literate and each is an independent member of the Audit Committee.

<u>Name of Member</u>	<u>Independent<sup>(1)</sup></u>	<u>Financially Literate<sup>(2)</sup></u>
Derek Price	Yes	Yes
Mark Forsyth	Yes	Yes
Michael Tardif	Yes	Yes

**Notes:**

- (1) To be considered independent, a member of the Audit Committee must not have any direct or indirect "material relationship" with our Company. A "material relationship" is a relationship which could, in the view of our directors, be reasonably expected to interfere with the exercise of a member's independent judgment.
- (2) To be considered financially literate, a member of the Audit Committee must have the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by our financial statements.

### Relevant Education and Experience

The following relevant education and experience of the members of the Audit Committee have been used in assessing their financial literacy:

#### *Derek Price*

Mr. Price is a retired mining executive. Mr. Price holds a bachelor's degree in mathematics and an MBA. Mr. Price is a member of both the Canadian and Australian Institutes of Chartered Accountants. Mr. Price is the former Vice President, Finance and Chief Financial Officer of Thompson Creek Metals (2003-2008), Vice President, Finance and Chief Financial Officer of Glencairn Gold Corp. (2003- 2006) and Vice President, Finance and Chief Financial Officer of Wheaton River Minerals Ltd. (now Goldcorp Inc.) from 1996-2003. Mr. Price is the Chairman of our Audit Committee.

#### *Mark Forsyth*

Mr. Forsyth has spent 25 years working in commodity trading houses. Mr. Forsyth started his career in London in 1986 working for Marc Rich and also Pechiney World Trade. Since 2002, Mr. Forsyth has been based in Zug, Switzerland where he was Head Trader at Marc Rich & Co Investment AG for 7 years. Mr. Forsyth recently resumed a position with the Trafigura Group where he was senior trader in Luzern, Switzerland and at the end of 2010 he formed his own consultancy company, Cliveden AG. Mr. Forsyth provides insight into the trading world and is actively involved in optimizing marketing and operations strategies.

#### *Michel Tardif*

Mr. Tardif is an investor involved in senior financial ventures. Mr. Tardif was formerly a financial analyst for brokerage firms in Montreal.

## Audit Committee Oversight

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

## Reliance on Certain Exemptions

Since the commencement of our most recently completed financial year, we have not relied on the exemption in section 2.4 (*De Minimis Non-Audit Services*), section 3.2 (*Initial Public Offerings*), subsection 3.3(2) (*Controlled Companies*), section 3.4 (*Events Outside Control of Member*), section 3.5 (*Death, Disability or Resignation of Audit Committee Member*), section 3.6 (*Temporary Exemption for Limited and Exceptional Circumstances*) or section 3.8 (*Acquisition of Financial Literacy*) of National Instrument 52-110 – *Audit Committee* ("**NI 52-110**"), or an exemption from NI 52-110, in whole or in part, granted under Part 8 (*Exemptions*) of NI 52-110.

## Pre-Approval Policies and Procedures

Our Audit Committee has adopted specific policies and procedures for the engagement of non-audit services as described in Section III.B "*Powers and Responsibilities*" and "*Performance & Completion by Auditor of its Work*" of the audit committee charter which is attached as Schedule "A" hereto.

## External Auditor Service Fees

The following table discloses the fees billed to us by our external auditor during the last two financial years:

	<u>Year ended December 31,</u>	
	<u>2009</u>	<u>2010</u>
Audit Fees <sup>(1)</sup>	\$ 117,080	\$ 68,000
Audit-Related Fees <sup>(2)</sup>	\$ 18,900	\$ 41,686
Tax Fees <sup>(3)</sup>	\$ 12,666	\$ 12,621
All Other Fees <sup>(4)</sup>	\$ Nil	\$ 59,960

### Notes:

- 1) The aggregate fees billed for audit services for the year ended 2010.
- 2) The aggregate fees billed for consultation, assurance and related services that are reasonably related to the performance of the audit or review of our Company's financial statements and are not disclosed in the "Audit Fees" column for the year ended December 31, 2010.
- 3) The aggregate fees billed for tax compliance, corporate income tax returns, tax advice, tax compliance, and tax planning services, and is for the year ended December 31, 2010.
- 4) The aggregate fees billed for professional services other than those listed in the other columns. For 2010, these fees are related to the review conducted on the Oracle Ridge Mine acquisition.

## Exemption

We are not required to comply with Part 3 (*Composition of the Audit Committee*) and Part 5 (*Reporting Obligations*) of NI 52-110 by virtue of the exemption contained in section 6.1 thereof.

## PROMOTERS

Other than as may be otherwise disclosed herein, no person or company, within the two most recently completed financial years or during the current financial year, has been a promoter of our Company or of any subsidiary of our Company.

## LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Except as set out below, we are not involved nor have been involved in any legal or regulatory proceedings (including any such proceedings which are pending or threatened of which we are aware) within the preceding financial year.

Given the nature of the business environment in which we operate and the relative strength of our financial position, third parties may threaten or commence legal or regulatory proceedings against us in the ordinary course of our

business. An adverse determination in litigation or regulatory proceedings could subject us to significant liabilities to third parties. Although such disputes are often settled before trial, the costs associated with such arrangements may be substantial. We closely monitor the progress of all threatened litigation, and where our directors consider it appropriate, make the appropriate provisions and reserves in our financial statements.

#### **REGISTRAR AND TRANSFER AGENT**

Our registrar and transfer agent is Computershare Investor Services Inc., 1500 University Street, Suite 700, Montreal, Québec H3A 3S8.

#### **INTEREST OF MANAGEMENT IN MATERIAL TRANSACTIONS**

Except as otherwise described in this Annual Information Form, no director, executive officer or 10% shareholder of our Company or any associate or affiliate of any such person or company, has or had any material interest, direct or indirect, in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or will materially affect our Company.

#### **MATERIAL CONTRACTS**

Except as otherwise described in this Annual Information Form, there are no contracts, other than contracts entered into in the ordinary course of business, that are material to us and that were entered into in the most recently completed financial year, or before the most recently completed financial year, but are still in effect.

The following material contracts were entered into by us during the most recently completed financial year or before the most recently completed financial year but are still in effect:

1. share purchase agreement dated July 7, 2010 between the Company and Nyrstar. For additional information, see the section of this Annual Information Form entitled "*General Development of the Business – Three Year History – Disposition of the Coricancha Mine*"; and
2. share purchase agreement dated September 1, 2010 among the Company and the shareholders of Oracle Ridge. For additional information, see the section of this Annual Information Form entitled "*General Development of the Business – Three Year History – Acquisition of the Oracle Ridge Mine*".

#### **INTERESTS OF EXPERTS**

The following is a list of persons or companies named as having prepared or certified a statement, report or valuation, in this Annual Information Form, either directly or in a document incorporated by reference and whose profession or business gives authority to the statement, report or valuation made by the person or company.

Glenn R. Clark, P.Eng. is responsible for preparing the Technical Report, which contains certain scientific and technical information concerning the Oracle Ridge Property, which has been included, or incorporated by reference herein. Glenn R. Clark is a "qualified person" as defined in NI 43-101.

No person or company referred to in this section beneficially owns, directly or indirectly, 1% or more of any class of our outstanding securities.

#### **ADDITIONAL INFORMATION**

Additional information regarding us, including directors' and officers' remuneration and indebtedness, principal holders of our securities and securities authorized for issuance under equity compensation plans, is contained in our management information circular dated April 29, 2011, available on SEDAR at [www.sedar.com](http://www.sedar.com). Additional financial information is provided in our consolidated financial statements and related management's discussion and analysis for the fiscal year ended December 31, 2010, as well as our unaudited consolidated financial statements and related management's discussion and analysis for the fiscal quarters ended March 31, 2011 and June 30, 2011, respectively, all of which are available on SEDAR at [www.sedar.com](http://www.sedar.com).

Additional information relating to our Company may be found on SEDAR at [www.sedar.com](http://www.sedar.com).

## SCHEDULE "A"

### AUDIT COMMITTEE CHARTER

#### CHARTER FOR THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS OF ORACLE MINING CORP.

##### I. MANDATE

The Audit Committee (the "Committee") of the directors (the "Board") of Oracle Mining Corp. (the "Corporation") shall assist the Board in fulfilling its financial oversight responsibilities. The Committee's primary duties and responsibilities under this mandate are to serve as an independent and objective party to monitor:

The quality and integrity of the Corporation's financial statements and other financial information;

The compliance of such statements and information with legal and regulatory requirements;

The qualifications and independence of the Corporation's independent external auditor (the "Auditor"); and

The performance of the Corporation's internal accounting procedures and Auditor.

##### II. STRUCTURE AND OPERATIONS

###### A. Composition

The Committee shall be comprised of three or more members.

###### B. Qualifications

Each member of the Committee must be a member of the Board.

A majority of the members of the Committee shall not be officers or employees of the Corporation or of an affiliate of the Corporation.

Each member of the Committee must be able to read and understand fundamental financial statements, including the Corporation's balance sheet, income statement, and cash flow statement.

###### C. Appointment and Removal

In accordance with the By-laws of the Corporation, the members of the Committee shall be appointed by the Board and shall serve until such member's successor is duly elected and qualified or until such member's earlier resignation or removal. Any member of the Committee may be removed, with or without cause, by a majority vote of the Board.

###### D. Chair

Unless the Board shall select a Chair, the members of the Committee shall designate a Chair by the majority vote of all of the members of the Committee. The Chair shall call, set the agendas for and chair all meetings of the Committee.

###### E. Sub-Committees

The Committee may form and delegate authority to subcommittees consisting of one or more members when appropriate, including the authority to grant pre-approvals of audit and permitted non-audit services, provided that a

decision of such subcommittee to grant a pre-approval shall be presented to the full Committee at its next scheduled meeting.

F. Meetings

The Committee shall meet at least four times in each fiscal year, or more frequently as circumstances dictate. The Auditor shall be given reasonable notice of, and be entitled to attend and speak at, each meeting of the Committee concerning the Corporation's annual financial statements and, if the Committee feels it is necessary or appropriate, at every other meeting. On request by the Auditor, the Chair shall call a meeting of the Committee to consider any matter that the Auditor believes should be brought to the attention of the Committee, the Board or the Shareholders of the Corporation.

At each meeting, a quorum shall consist of a majority of members that are not officers or employees of the Corporation or of an affiliate of the Corporation.

As part of its goal to foster open communication, the Committee may periodically meet separately with each of management and the Auditor to discuss any matters that the Committee or any of these groups believes would be appropriate to discuss privately. In addition, the Committee should meet with the Auditor and management annually to review the Corporation's financial statements in a manner consistent with Section III of this Charter.

The Committee may invite to its meetings any director, any manager of the Corporation, and any other person whom it deems appropriate to consult in order to carry out its responsibilities. The Committee may also exclude from its meetings any person it deems appropriate to exclude in order to carry out its responsibilities.

### **III. DUTIES**

A. Introduction

The following functions shall be the common recurring duties of the Committee in carrying out its purposes outlined in Section I of this Charter. These duties should serve as a guide with the understanding that the Committee may fulfill additional duties and adopt additional policies and procedures as may be appropriate in light of changing business, legislative, regulatory or other conditions. The Committee shall also carry out any other responsibilities and duties delegated to it by the Board from time to time related to the purposes of the Committee outlined in Section I of this Charter.

The Committee, in discharging its oversight role, is empowered to study or investigate any matter of interest or concern which the Committee in its sole discretion deems appropriate for study or investigation by the Committee.

The Committee shall be given full access to the Corporation's internal accounting staff, managers, other staff and Auditor as necessary to carry out these duties. While acting within the scope of its stated purpose, the Committee shall have all the authority of, but shall remain subject to, the Board.

B. Powers and Responsibilities

The Committee will have the following responsibilities and, in order to perform and discharge these responsibilities, will be vested with the powers and authorities set forth below, namely, the Committee shall:

*Independence of Auditor*

1. Review and discuss with the Auditor any disclosed relationships or services that may impact the objectivity and independence of the Auditor and, if necessary, obtain a formal written statement from the Auditor setting forth all relationships between the Auditor and the Corporation, consistent with Independence Standards Board Standard 1.
2. Take, or recommend that the Board take, appropriate action to oversee the independence of the Auditor.

3. Require the Auditor to report directly to the Committee.
4. Review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the Auditor and former independent external Auditor of the Corporation.

*Performance and Completion by Auditor of its Work*

5. Be directly responsible for the oversight of the work by the Auditor (including resolution of disagreements between management and the Auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work;
6. Review annually the performance of the Auditor and recommend the appointment by the Board of a new, or re-election by the Corporation's Shareholders of the existing, Auditor.
7. Pre-approve all auditing services and permitted non-audit services, including the fees and terms thereof, to be performed for the Corporation by the Auditor unless such non-audit services:
  - (a) which are not pre-approved, are reasonably expected not to constitute, in the aggregate, more than 10% of the total amount of revenues paid by the Corporation to the Auditor during the fiscal year in which the non-audit services are provided;
  - (b) were not recognized by the Corporation at the time of the engagement to be non-audit services; and
  - (c) are promptly brought to the attention of the Committee by the Corporation and approved prior to the completion of the audit by the Committee or by one or more members of the Committee who are members of the Board to whom authority to grant such approvals has been delegated by the Committee.

*Internal Financial Controls & Operations of the Corporation*

8. Establish procedures for:
  - (a) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and
  - (b) the confidential, anonymous submissions by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

*Preparation of Financial Statements*

9. Discuss with management and the Auditor significant financial reporting issues and judgments made in connection with the preparation of the Corporation's financial statements, including any significant changes in the Corporation's selection or application of accounting principles, any major issues as to the adequacy of the Corporation's controls and any special steps adopted in light of material control deficiencies.
10. Discuss with management and the Auditor any correspondence with regulators or governmental agencies and any employee complaints or published reports, which raise material issues regarding the Corporation's financial statements or accounting policies.
11. Discuss with management and the Auditor the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Corporation's financial statements.
12. Discuss with management the Corporation's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Corporation's risk assessment and risk management policies.

13. Discuss with the Auditor the matters required to be discussed relating to the conduct of any audit, in particular:
  - (a) The adoption of, or changes to, the Corporation's significant auditing and accounting principles and practices as suggested by the Auditor, internal auditor or management.
  - (b) The management inquiry letter provided by the Auditor and the Corporation's response to that letter.
  - (c) Any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to requested information, and any significant disagreements with management.

*Public Disclosure by the Corporation*

14. Review the Corporation's annual and quarterly financial statements, management discussion and analysis (MD&A) and earnings press releases before the Board approves and the Corporation publicly discloses this information.
15. Review the Corporation's financial reporting procedures and internal controls to be satisfied that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from its financial statements, other than disclosure described in the previous paragraph, and periodically assessing the adequacy of those procedures.
16. Review disclosures made to the Committee by the Corporation's Chief Executive Officer and Chief Financial Officer during their certification process of the Corporation's financial statements about any significant deficiencies in the design or operation of controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Corporation's internal controls.

*Manner of Carrying Out its Mandate*

17. Consult with the Auditor, without the presence of management, about the quality of the Corporation's accounting principles, internal controls and the completeness and accuracy of the Corporation's financial statements.
18. Request any officer or employee of the Corporation or the Corporation's outside counsel or Auditor to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee.
19. Meet with management, any internal auditor and the Auditor in separate executive sessions at least quarterly.
20. Have the authority, to the extent it deems necessary or appropriate, to retain special independent legal, accounting or other consultants to advise the Committee advisors.
21. Make regular reports to the Board.
22. Review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.
23. Annually review the Committee's own performance.
24. Provide an open avenue of communication among the Auditor, the Corporation's financial and senior management and the Board.

25. Not delegate these responsibilities other than to one or more independent members of the Committee the authority to pre-approve, which the Committee must ratify at its next meeting, nonaudit services to be provided by the Auditor.

C. Limitation of Audit Committee's Role

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Corporation's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of management and the Auditor.