



**NOTICE OF ANNUAL AND SPECIAL MEETING  
TO BE HELD ON JUNE 14, 2010  
AND  
MANAGEMENT INFORMATION CIRCULAR**

**May 18, 2010**

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**May 18, 2010**

Dear Shareholder:

You are invited to attend our Annual and Special Shareholders' Meeting which will be held at:

**Dundee Place  
Suite 2800  
1 Adelaide Street East  
Toronto, Ontario M5C 2V9**

on Monday, June 14, 2010 at 4:00 p.m. (Toronto time).

The items of business to be acted upon are included in the attached Notice of 2010 Annual and Special Meeting of Shareholders and accompanying Management Information Circular. As is the custom of past annual meetings, in addition to the business of the meeting, we will also review our operations and answer questions following the formal part of the meeting.

Your participation in Eurogas Corporation's business is important. We have made it easy for you to vote by using any of the telephone, Internet, mail or facsimile or by coming to the meeting in person.

Please consult the attached Management Information Circular which contains all of the information you need about the meeting and how to exercise your right to vote. Your vote does count.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Jaffar Khan", written in a cursive style.

**Jaffar Khan**  
President and Chief Executive Officer

The accompanying Management Information Circular, as well as our 2009 annual and quarterly financial information are posted on SEDAR at [www.sedar.com](http://www.sedar.com), along with other information regarding Eurogas Corporation.



**EUROGAS CORPORATION  
NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS**

**NOTICE IS HEREBY GIVEN** that the annual and special meeting (the "Meeting") of the Shareholders of **EUROGAS CORPORATION** (the "Company") will be held at 4:00 p.m. (Toronto time) on Monday, June 14, 2010, at the offices of Dundee Corporation, Main Boardroom, Dundee Place, Suite 2800, 1 Adelaide Street East, Toronto, Ontario for the following purposes:

1. to receive the audited consolidated financial statements of the Company for the financial year ended December 31, 2009 together with the auditors' report thereon;
2. to elect directors of the Company for the ensuing year;
3. to appoint PricewaterhouseCoopers LLP as the auditor of the Company for the ensuing year and to authorize the directors to fix their remuneration thereof;
4. to consider, and if deemed advisable, pass with or without variation, a resolution in the form set forth in Schedule A to the accompanying Management Information Circular to approve the issuance of common shares from treasury pursuant to the deferred share unit plan of the Company;
5. to consider, and if deemed advisable, pass with or without variation, a resolution in the form set forth in Schedule B to the accompanying Management Information Circular to approve a new share incentive plan of the Company; and
6. to transact such other business as may properly come before the Meeting or any adjournment(s) thereof.

The accompanying Management Information Circular of the Company provides additional information with respect to the matters to be considered at the Meeting and forms part of this Notice of the Meeting.

Shareholders of the Company are invited to attend the Meeting. Shareholders of record at the close of business on April 15, 2010, will be entitled to vote at the Meeting except to the extent that a person has transferred any common shares of the Company after that date and the transferee of such common shares produces properly endorsed share certificates or otherwise establishes ownership thereof and requests, not later than ten (10) days before the Meeting, to be included in the list of Shareholders of the Company entitled to vote at the Meeting.

Regardless of whether or not you are able to be present at the Meeting, please date, sign and return the form of proxy accompanying this Notice of the Meeting. To be effective, forms of proxy must be received by Computershare Trust Company of Canada, 100 University Avenue, 9<sup>th</sup> Floor, Toronto, Ontario M5J 2Y1, Attention: Proxy Department not less than 48 hours (excluding Saturdays, Sundays and holidays) immediately preceding the time of the Meeting or any adjournment(s) thereof.

**Non-Registered Shareholders**

Shareholders may beneficially own common shares that are registered in the name of a broker, another intermediary or an agent of that broker or intermediary ("Non-Registered Shareholders").

**Without specific instructions, intermediaries are prohibited from voting shares for their clients.** If you are a Non-Registered Shareholder, it is vital that the voting instruction form provided to you by your broker, intermediary or agent is returned according to their instructions, sufficiently in advance of the deadline specified by the broker, intermediary or agent, to ensure that they are able to provide voting instructions on your behalf.

**DATED** at Toronto, Ontario as of the 18<sup>th</sup> day of May, 2010.

**By Order of the Board**

A handwritten signature in cursive script, appearing to read "Lili Mance".

**Lili Mance, Corporate Secretary**

## **EUROGAS CORPORATION**

**Suite 250, 435 - 4<sup>th</sup> Avenue SW  
Calgary, Alberta  
T2P 3A8**

### **MANAGEMENT INFORMATION CIRCULAR**

**Dated May 18, 2010**

### **GENERAL PROXY INFORMATION**

#### **SOLICITATION OF PROXIES**

The information contained in this management information circular (the "Information Circular") is furnished to the holders (the "Shareholders") of common shares ("Common Shares") of Eurogas Corporation (the "Company") in connection with the solicitation by management and the directors of the Company of proxies to be used at the annual and special meeting (the "Meeting") of the Shareholders to be held at 4:00 p.m. (Toronto time) on Monday, June 14, 2010 at the offices of Dundee Corporation, Main Boardroom, Suite 2800, Dundee Place, 1 Adelaide Street East, Toronto, Ontario, and at all adjournments thereof, for the purposes set forth in the notice of the Meeting which accompanies this Information Circular (the "Notice of Meeting"). The solicitation of proxies will be made primarily by mail but proxies may also be solicited personally or by telephone by officers, directors or regular employees of the Company. Employees of the Company will not receive any extra compensation for such activities. The Company may also retain, and pay a fee to, one or more professional proxy solicitation firms to solicit proxies from the Shareholders in favour of the matters set forth in the Notice of Meeting. The Company may pay brokers or other persons holding Common Shares of the Company in their own names, or in the names of nominees, for their reasonable expenses for sending proxies and this Information Circular to beneficial owners of Common Shares and obtaining proxies therefor. The solicitation of proxies by this Information Circular is being made by and on behalf of management and the board of directors. The cost of the solicitation will be borne by the Company.

No person is authorized to give any information or to make any representation other than those contained in this Information Circular and, if given or made, such information or representation should not be relied upon as having been authorized by the Company. The information contained herein is given as of April 15, 2010 except as otherwise indicated. The delivery of this Information Circular shall not, under any circumstances, create an implication that there has not been any change in the information set forth herein since the date of this Information Circular.

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

**THE PERSONS NAMED IN THE FORM OF PROXY ACCOMPANYING THIS INFORMATION CIRCULAR ARE OFFICERS AND/OR DIRECTORS OF THE COMPANY. A SHAREHOLDER HAS THE RIGHT TO APPOINT A PERSON, WHO NEED NOT BE A SHAREHOLDER, OTHER THAN THE PERSONS SPECIFIED IN SUCH FORM OF PROXY TO ATTEND AND ACT FOR AND ON BEHALF OF SUCH SHAREHOLDER AT THE MEETING. SUCH RIGHT MAY BE EXERCISED BY EITHER STRIKING OUT THE NAMES OF THE PERSONS SPECIFIED IN THE FORM OF PROXY ACCOMPANYING THIS INFORMATION CIRCULAR AND INSERTING THE NAME OF THE PERSON TO BE APPOINTED IN THE BLANK SPACE PROVIDED IN SUCH FORM OF PROXY OR BY COMPLETING AND EXECUTING ANOTHER FORM OF PROXY AND, IN EITHER CASE, RETURNING SUCH COMPLETED AND EXECUTED FORM OF PROXY IN THE MANNER DESCRIBED IN THE NOTICE OF MEETING.**

In order to be valid and acted upon at the Meeting, forms of proxy must be returned to Computershare Trust Company of Canada, 100 University Avenue, 9<sup>th</sup> Floor, Toronto, Ontario, M5J 2Y1, Attention: Proxy Department not less than 48 hours (excluding Saturdays, Sundays and holidays) before the time set for the holding of the Meeting or any adjournment(s) thereof.

In addition to any other manner permitted by law, a Shareholder who has given a proxy may revoke it as to any matter upon which a vote has not already been cast by completing an instrument in writing executed by the Shareholder or their attorney authorized in writing, or if the Shareholder is a corporation, under its corporate seal by an officer or attorney thereof duly authorized, and by depositing such instrument of revocation either with the Secretary of the Company, c/o Computershare Trust Company of Canada, 100 University Avenue, 9<sup>th</sup> Floor, Toronto, Ontario, M5J 2Y1, Attention: Proxy Department, at any time up to and including the last business day preceding the day of the Meeting, or with the Chairman of the Meeting on the date of the Meeting immediately prior to the commencement thereof or adjournment(s) thereof. In addition, a proxy may be revoked by the Shareholder personally attending at the Meeting and voting his or her Common Shares.

## **VOTING OF COMMON SHARES REPRESENTED BY MANAGEMENT PROXIES**

The persons named in the form of proxy accompanying this Information Circular will vote the Common Shares in respect of which they are appointed proxy on any ballot that may be called for at the Meeting or any adjournment(s) thereof in accordance with the instructions in the form of proxy. **In the absence of instructions, such persons will vote such Common Shares in favour of or for each of the matters referred to in the Notice of Meeting.**

The form of proxy accompanying this Information Circular confers discretionary authority upon the persons named therein with respect to amendments to or variations of the matters identified in the Notice of Meeting and with respect to other matters, if any, which may properly be brought before the Meeting or any adjournment(s) thereof. At the date of this Information Circular, management of the Company knows of no such amendments, variations or other matters to be brought before the Meeting. However, if any other matters which are not now known to management of the Company should properly be brought before the Meeting or any adjournment(s) thereof, the Common Shares represented by any proxy will be voted on such matters in accordance with the judgement of the person named in such proxy.

## **NON-REGISTERED SHAREHOLDERS**

Some Shareholders beneficially own Common Shares that are registered in the name of a broker, another intermediary or an agent of that broker or intermediary ("Non-Registered Shareholders"). The Company has distributed copies of this Information Circular and form of proxy to these intermediaries or their agents for onward distribution to Non-Registered Shareholders.

**Without specific instructions, intermediaries are prohibited from voting shares for their clients.** If you are a Non-Registered Shareholder, it is vital that the voting instruction form provided to you by your broker, intermediary or agent is returned according to their instructions, sufficiently in advance of the deadline specified by the broker, intermediary or agent, to ensure that they are able to provide voting instructions on your behalf.

**If you are a Non-Registered Shareholder, you have the right to attend and vote your Common Shares directly at the Meeting.** If you are a Non-Registered Shareholder and you wish to attend the Meeting and vote your Common Shares you can request, in writing, a legal proxy from your broker or other intermediary in whose name your shares are registered, that enables you to vote the shares registered in the name of that intermediary. You should carefully and promptly follow the instructions of your intermediary in this regard.

A Non-Registered Shareholder may revoke a form of proxy or voting instruction form given to an intermediary at any time by written notice to the intermediary in accordance with the instructions given to the Non-Registered Shareholder by the intermediary.

## **VOTING SHARES AND PRINCIPAL HOLDERS THEREOF**

The Company has 156,118,453 Common Shares outstanding. Each holder of record at the close of business on April 15, 2010, the record date established for Notice of the Meeting, of a Common Share will, unless otherwise specified herein, be entitled to one (1) vote for each Common Share held by such

holder on all matters to be brought before the Meeting, except to the extent that such holder has transferred any such Common Shares after the record date and the transferee of such Common Shares produces properly endorsed share certificates or otherwise establishes ownership thereof and demands, not later than ten (10) days before the Meeting or any adjournment(s) thereof, to be included in the list of Shareholders entitled to vote at the Meeting or any adjournment(s) thereof, in which case the transferee thereof will be entitled to vote such Common Shares at the Meeting or any adjournment(s) thereof.

As of the date hereof, to the knowledge of the officers and directors of the Company, one entity, being Dundee Corporation ("Dundee"), beneficially owns, directly or indirectly, or exercises control or direction over, more than 10% of the outstanding Common Shares as of the date hereof. Dundee owns, directly or indirectly, 84,634,138 Common Shares representing 54.21% of the outstanding Common Shares. Mr. Ned Goodman, Chairman of the Company, owns in aggregate, directly and indirectly, class A subordinate voting shares and class B common shares of Dundee representing an 81.20% voting interest in Dundee. Mr. Goodman also owns personally 934,328 Common Shares of the Company representing 0.60% of the Company. Accordingly, Mr. Goodman owns directly and indirectly, or exercises control or direction over Common Shares of the Company representing a 44.62% voting interest.

## **BUSINESS OF THE MEETING**

### **Presentation of Financial Statements**

The audited consolidated financial statements of the Company for the financial year ended December 31, 2009 and the auditor's report thereon will be placed before the Meeting.

### **Appointment of Auditor**

**Unless specifically instructed in the proxy to withhold such vote, the person(s) designated as proxy holder(s) in the accompanying form of proxy intend to vote for the appointment of PricewaterhouseCoopers LLP as the auditor of the Company to hold office until the next annual general meeting of Shareholders and to authorize the directors to fix their remuneration.**

### **Election of Directors**

Shareholders will be asked to elect six (6) directors for the ensuing year. **The persons named in the form of proxy accompanying this Information Circular intend to vote for the election of the nominees whose names are set forth below, each of whom is now a director of the Company and has been a director of the Company since the date indicated, unless the Shareholder who has given such proxy has directed that the Common Shares represented by such proxy be withheld from voting in respect of the election of directors of the Company.** Management of the Company does not contemplate that any of such nominees will be unable to serve as a director of the Company for the ensuing year but if that should occur for any reason prior to the Meeting or any adjournment(s) thereof, the persons named in the form of proxy accompanying this Information Circular have the right to vote for the election of the remaining nominees and may vote for the election of a substitute nominee in their discretion. Each director of the Company elected at the Meeting will hold office until the next annual meeting of the Shareholders held following his election unless he resigns or is removed as a director of the Company in accordance with the by-laws of the Company prior to such date.

The names and municipality of residence of the nominees, their position with the Company, their principal occupation, the date upon which they became a director of the Company and the number of voting or other securities beneficially owned by each of them, or over which control or direction is exercised by each of them as of April 15, 2010, are as follows:

Name and Municipality of Residence	Position	Principal Occupation	Date Elected/ Appointed Director	Holdings <sup>(1)</sup>
Derek H. L. Buntain <sup>(3)(4)</sup> Grand Cayman, Cayman Islands	Director	President, The Dundee Merchant Bank, a private bank and a subsidiary of Dundee Corporation	April 18, 1994	Common 322,950 Options 300,000 Deferred Share Units 60,000
Jonathan Goodman <sup>(5)</sup> Ontario, Canada	Director	President and Chief Executive Officer, Dundee Precious Metals Inc., a mining company	May 1, 2002	Common 445,000 Options 200,000 Deferred Share Units 60,000
Ned Goodman <sup>(2)(3)(4)</sup> Ontario, Canada	Non-Executive Chairman and Director	President and Chief Executive Officer of Dundee Corporation and Ned Goodman Investment Counsel Limited and Chairman of DundeeWealth Inc., financial service and merchant banking companies	February 26, 1996	Common 934,328 <sup>(2)</sup> Options 350,000 Deferred Share Units 60,000
M. Jaffar Khan London, England	President and Chief Executive Officer and Director	President and Chief Executive Officer of the Company	May 1, 2002	Common 515,625 Options 200,000 Deferred Share Units 60,000
Garth A. C. MacRae <sup>(3)(4)</sup> Ontario, Canada	Director	Director, Dundee Corporation and DundeeWealth Inc., financial service and merchant banking companies	April 18, 1994	Common 750,000 Options 200,000 Deferred Share Units 60,000
Michael Smith Ontario, Canada	Director	Legal Counsel, Smith & Zoldhelyi	October 16, 2008	Common 0 Options 200,000 Deferred Share Units 15,000

(1) The class and number of securities beneficially owned, directly or indirectly, or over which control or direction is exercised, was provided to the Company by the respective director nominee.

(2) Does not include the Common Shares beneficially owned, or over which control or direction is exercised, by Dundee Corporation. See "Voting Shares and Principal Holders Thereof".

(3) Member of Audit Committee.

(4) Member of Compensation Committee.

(5) Mr. Jonathan Goodman who was a director of Tahera Diamond Corporation ("Tahera") from August 2003 to September 29, 2008, which company filed for protection under the Companies' Creditors' Arrangement Act (Canada) ("CCAA") with the Ontario Superior Court of Justice on January 16, 2008. On February 6, 2009, Tahera announced that it had made application for the voluntary suspension of trading of its common shares on the TSX and on February 9, 2009 the TSX announced the voluntary suspension to be effective immediately and indicated the voluntary suspension would remain in effect until further notice.

Each of the foregoing nominees has been employed in his present capacity or other executive position with the same firm or company or affiliates thereof during the last five (5) years.

### Approval of Deferred Share Unit Plan and New Share Incentive Plan

The Company currently has a Share Option Plan and a Deferred Share Unit Plan (the "DSU Plan"). The

Share Option Plan currently provides that a maximum of 10,000,000 Common Shares may be issued upon exercise of options granted thereunder. The DSU Plan currently contemplates that 4,000,000 Common Shares may be issued by the Company from treasury to satisfy entitlements thereunder.

The Company is seeking shareholder approval: (i) to permit Common Shares to be issued by the Company from treasury to satisfy entitlements under the DSU Plan; and (ii) of a new share incentive plan (the "SIP"). If Shareholders approve the SIP, the Share Option Plan will be suspended and no further options will be granted thereunder.

Each of the Stock Option Plan, the DSU Plan and the SIP (collectively the "Plans") are designed to provide long-term incentives to eligible participants under such Plans by encouraging them to own and hold Common Shares and to provide them with an interest in preserving and maximizing shareholder value over the long term. The Plans also enable the Company to attract and retain individuals with experience and ability, and to reward individuals for current performance and expected future performance.

#### *Deferred Share Unit Plan*

The DSU Plan, initially adopted by the Company in 2006, provides eligible employees, officers and directors of the Company and its affiliates with incentives tied to the long-term performance of Common Shares in the form of deferred share units ("DSUs"). Entitlements payable in respect of DSUs granted under the DSU Plan have been, since inception, paid in the form of cash. The DSU Plan also provides that DSU entitlements may be paid in the form of Common Shares purchased in the open market or Common Shares issued by the Company from treasury. The Company has not issued Common Shares from treasury under the DSU Plan as it has not previously obtained the approval of Shareholders to permit it to do so as required under applicable rules of the TSX Venture Exchange (the "TSXV").

The Company is now seeking Shareholder approval to permit entitlements under the DSU Plan to be settled in the form of Common Shares issued by the Company from treasury, subject to the following limitations:

- the maximum number of Common Shares that may be issued from treasury to satisfy entitlements under the DSU Plan is 4,000,000, which represents 2.56% of the outstanding Common Shares of the Company as of April 15, 2010;
- the maximum number of Common Shares issuable to insiders under the DSU Plan and any other share compensation arrangement of the Company within a one-year period may not exceed 10% of the total number of Common Shares then outstanding;
- the maximum number of Common Shares issuable to any one individual pursuant to the DSU Plan and any other share compensation arrangement of the Company, within a one-year period, may not exceed 2% of the total number of Common Shares then outstanding; and
- no more than an aggregate of 2% of the issued Common Shares may be granted to an employee or consultant conducting investor relations activities in any twelve (12) month period.

For a description of other provisions of the DSU Plan, see "Securities Based Compensation Arrangements – Deferred Share Unit Plan".

#### *Deferred Share Unit Plan Resolution*

At the Meeting or any adjournment thereof, Shareholders will be asked to consider, and if deemed appropriate, to pass, with or without variation, a resolution in the form set forth in Schedule A to this Information Circular (the "DSU Plan Resolution"). The DSU Plan Resolution will be passed if approved by a majority of the votes cast in person or represented by proxy at the Meeting. See "Voting Securities and Principal Shareholders thereof".

Notwithstanding the approval of the DSU Plan Resolution by the Shareholders of the Company, the board of directors of the Company (the "Board") may determine, without further notice to the Shareholders of the Company, and in its sole discretion, not to proceed with the adoption of the DSU Plan Resolution or

may revoke the DSU Plan Resolution at any time prior to the adoption thereof.

**The persons named in the form of proxy which accompanies this Information Circular intend to vote the Common Shares represented by such form of proxy FOR the approval of the DSU Plan Resolution, unless the Shareholder of the Company has given contrary instructions in such form of proxy.**

### *Share Incentive Plan*

The Company is proposing to adopt a new plan, the SIP, which will provide for a variety of equity incentive awards designed to advance the interests of the Company by encouraging eligible employees, officers, directors and consultants of the Company and affiliates thereof, to hold equity in the Company. If the SIP is approved by Shareholders, the Stock Option Plan will be suspended and no further options will be issued thereunder. If approved, the SIP will be administered by the Compensation Committee of the Board (the "Compensation Committee") and will provide for the following components described below.

#### *Share Purchase Component*

Subject to either: (i) the Company qualifying as a Tier 1 Issuer (as determined by the rules of the TSXV); or (ii) the Common Shares no longer being listed on the TSXV, the SIP will provide for the establishment of a share purchase component pursuant to which:

- eligible participants may contribute to the share purchase component a cash amount not to exceed 10% of the participant's basic annual remuneration or such other maximum amount to be determined in accordance with the SIP from time to time (the "Participant Contributions");
- the Company may match up to the full amount of each Participant Contribution (the "Company Contributions");
- Participant Contributions and Company Contributions will be used to purchase, at the discretion of the Compensation Committee, either:
  - Common Shares issued by the Company from treasury (the "Treasury Alternative"), which Common Shares shall be deemed to be issued at a price equal to the simple average of the high and low trading prices of the Common Shares on the TSXV for the five (5) prior consecutive trading days ending three (3) trading days immediately prior to the date of issue of such Common Shares, or
  - Common Shares purchased on the open market (the "Market Alternative") at the prevailing market price at the time of purchase,
- under both the Treasury Alternative and the Market Alternative, Common Shares acquired for participants with Participant Contributions will be available to participants as soon as practicable after such contribution is made and Common Shares purchased with Company Contributions will be released to participants as soon as practicable upon completion of any vesting period imposed at the discretion of the Board or the Compensation Committee and the date that Common Shares are purchased;
- any vesting period imposed by the Compensation Committee on Common Shares acquired under the share purchase component may be accelerated by the Compensation Committee if a take-over bid or issuer bid is made for the Common Shares of the Company;
- subject to any employment agreement and unless otherwise determined by the Compensation Committee, upon termination of a participant's employment with the Company due to retirement, long-term disability or death, Common Shares purchased with Participant Contributions and Company Contributions will be delivered to the participant on the date that they otherwise would have been delivered under the SIP;

- subject to any employment agreement and unless otherwise determined by the Compensation Committee, upon termination of a participant's employment with the Company for any reason other than retirement, long-term disability or death:
  - Common Shares purchased with contributions under the Treasury Alternative which are held by the Company pursuant to vesting conditions will be re-purchased by the Company from the participant for an amount equal to the lesser of: (i) the Participant's Contribution; and (ii) 50% of the current market price of the Common Shares, and
  - vested Common Shares purchased with Company Contributions under the Market Alternative will be delivered to the participant on the date on which they otherwise would have been delivered under the SIP and unvested Common Shares will be forfeited.

#### *Share Option Component*

The SIP will provide for the establishment of a share option component pursuant to which:

- options to purchase Common Shares may be granted to eligible participants, the exercise price of which per Common Share may not be less than the weighted average price per Common Share for the five (5) immediately prior consecutive trading days on the TSXV prior to the day on which the option is granted (the "Grant Date");
- unless otherwise determined by the Compensation Committee, options expire ten (10) years after their Grant Date provided that:
  - if the Company is a Tier 2 Issuer (as determined by the rules of the TSXV) at the time of grant of an option, the term of any such option may not exceed five (5) years, and
  - options that would expire during a period in which the holder of such options is prohibited from trading under policies of the Company or securities laws (a "Blackout Period) or within ten (10) business days after the end of such Blackout Period, then the expiry date of such options will automatically be extended for the ten (10) business days after the end of the blackout period;
- unless otherwise determined by the Compensation Committee, options vest in 33⅓% increments over three (3) years from their Grant Date provided that:
  - for so long as the Common Shares are listed on the TSXV, options issued to employees or consultants performing investor relations activities must vest in stages over a minimum of twelve (12) months with no more than 25% of such options vesting in any three month period, and
  - any vesting period imposed by the Compensation Committee on options may be accelerated by the Compensation Committee if a take-over bid or issuer bid is made for the Common Shares of the Company,
- if, pursuant to a take-over bid and any compulsory acquisition, an offeror acquires 100% of the outstanding Common Shares of the Company, the Board may require optionees to surrender their options provided that the offeror agrees to grant replacement options to purchase equity securities of the offeror that have substantially the same economic value as the options surrendered and further that exchange of options of the Company for replacement options of the offeror can be effected on a tax free roll-over basis;
- provided either: (i) the Company is a Tier 1 Issuer (as determined by the rules of the TSXV); or (ii) the Common Shares are not listed on the TSXV at such time, a participant may elect to terminate his or her options, in whole or in part, and receive in lieu of the Common Shares which would have been issuable upon exercise of such terminated options either: (a) a number of Common Shares having value equal to the difference between the weighted average price of the Common Shares on the TSXV for the five (5) trading days immediately preceding the date of termination of the options (the "Current Market Price") and the exercise price of the terminated options; or (b) with the consent of the Company, an amount in cash equal to the difference between the Current Market Price of the Common Shares which would have been issuable upon exercise of the terminated options and the exercise price of the terminated options;

- subject to vesting and any employment agreement, options may be exercised at any time prior to expiry of such options provided that at the time of such exercise the participant is, and has been since the Grant Date for such options, an employee, officer or director of the Company provided further that:
  - upon the retirement, long-term disability or death of a participant, any unvested options held by such participant will immediately terminate and any vested options held by such participant will terminate on the earlier of: (i) twelve (12) months after the date of retirement, long-term disability or death (provided that if the Company is a Tier 2 Issuer (as determined by rules of the TSXV) at such time, such twelve (12) month period shall be reduced to thirty (30) days for options held by any participant employed to provide investor relations activities or to ninety (90) days for any other participant); and (ii) the date upon which such option expires,
  - upon termination of a participant's employment with the Company for any reason other than retirement, long-term disability or death or termination for cause, or if a participant ceases to be a director of the Company, any unvested options held by such participant will immediately terminate and any vested options held by such participant will terminate on the earlier of sixty (60) days after the date the participant ceased to be an employee, officer or a director, as applicable, and the original expiry date of the options, and
  - upon termination of a participant's employment with the Company for cause, all vested and unvested options will immediately terminate.

#### *Share Bonus Component*

Subject to either: (i) the Company qualifying as a Tier 1 Issuer (as determined by the rules of the TSXV); or (ii) the Common Shares no longer being listed on the TSXV, the SIP will provide for the establishment of a share bonus component pursuant to which:

- the Compensation Committee may determine to issue Common Shares to eligible participants as a discretionary bonus ("Bonus Shares"), which Bonus Shares may, but are not required to, be subject to vesting provisions provided any vesting period imposed by the Compensation Committee on Bonus Shares may be accelerated by the Compensation Committee if a take-over bid or issuer bid is made for the Common Shares of the Company; and
- unless otherwise determined by the Compensation Committee, upon termination of employment with the Company for any reason, all unvested Bonus Shares will immediately be forfeited.

#### *General Provisions of the Share Incentive Plan*

The maximum number of Common Shares that may be issued to satisfy entitlements under the SIP is 15,611,845, which represents 10% of the Company's outstanding Common Shares as of April 15, 2010 provided that the number of Common Shares:

- issued to insiders of the Company within any one (1) year period; and
- issuable to insiders of the Company at any time,

under the SIP, or when combined with all of the Company's other securities based compensation arrangements, may not exceed 10% of the Company's total outstanding Common Shares, respectively.

For so long as the Common Shares of the Company are listed on the TSXV, the following limitations also apply:

- the aggregate number of Common Shares issuable in respect of options granted under the SIP to any one (1) employee or consultant conducting investor relations activities must not exceed 2% of the outstanding Common Shares in any twelve (12) month period, calculated at the date an option is granted;

- the aggregate number of Common Shares issuable to any one individual in respect of options granted under the SIP in any twelve (12) month period must not exceed 5% of the outstanding Common Shares, calculated at the date an option is granted; and
- the aggregate number of Bonus Shares awards under the share bonus component must not exceed 1% of the outstanding Common Shares, calculated at the date the Bonus Shares are awarded.

Common Shares which would have been issuable upon exercise of options or upon settlement of other awards granted under the SIP that are surrendered, forfeited or cancelled or that terminate or expire without being exercised or settled and Common Shares that are surrendered to the Company as payment of exercise price, withholding tax or as part of an award exchange program, will again become available for issuance under the SIP.

The Compensation Committee may at any time amend the SIP and any awards outstanding thereunder in any manner provided that no such amendment: (i) increases the number of Common Shares reserved for issuance under the SIP; (ii) reduces the issue price at which Common Shares may be issued under the Treasury Alternative of the share purchase component or reduces the exercise price of any option for the benefit of an insider of the Company; or (iii) extends the exercise term of any award beyond the original expiry date of such award, without the approval, if required, of shareholders and, if required, any stock exchange or regulatory authority having jurisdiction over the securities of the Company.

Awards granted under the SIP are generally not assignable or transferable.

#### *Share Incentive Plan Resolution*

At the Meeting or any adjournment thereof, the Shareholders will be asked to consider, and if deemed appropriate, to pass, with or without variation, a resolution in the form set forth in Schedule B to this Information Circular (the “Share Incentive Plan Resolution”) approving the SIP. The Share Incentive Plan Resolution must be approved by a majority of the votes cast by Shareholders present in person or represented by proxy at the Meeting or any adjournment thereof.

Notwithstanding the approval of the Share Incentive Plan Resolution by the Shareholders of the Company, the Board may determine, without further notice to the Shareholders of the Company, and in its sole discretion, not to proceed with the adoption of the SIP or may revoke the Share Incentive Plan Resolution at any time prior to the adoption of the SIP being completed.

**The persons named in the form of proxy which accompanies this Information Circular intend to vote the Common Shares represented by such form of proxy FOR the approval of the Share Incentive Plan Resolution, unless the Shareholder of the Company has given contrary instructions in such form of proxy.**

#### **OTHER BUSINESS**

As of the date of this Information Circular, the Board does not know of any other matters to be brought to the Meeting, other than those set forth in the Notice of Meeting. If other matters are properly brought before the Meeting, the persons named in the enclosed proxy will vote the proxy on such matters in accordance with their best judgment.

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

Except as described elsewhere herein, none of the directors or senior officers of the Company, nor any of their associates or affiliates, has any substantial interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting.

#### **REPORT ON CORPORATE GOVERNANCE**

An overview of the Company’s corporate governance practices, as assessed in context of National Instrument 58-101 – Disclosure of Corporate Governance Practices (“NI 58-101”), National Policy 58-201

– Corporate Governance Guidelines and National Instrument 52-110 – Audit Committees (“NI 52-110”), is provided below.

## Board of Directors

The Company’s Board is comprised of six (6) directors, three (3) of whom are independent directors and three (3) directors who are non-independent. For purposes of NI 58-101, a director is independent if he or she would be independent within the meaning of Section 1.4 of NI 52-110. Pursuant to Section 1.4 of NI 52-110, a director is independent if he or she has no direct or indirect material relationship with the Company. A “material relationship” is defined as a relationship which could, in the view of the Board, be reasonably expected to interfere with the exercise of such member’s independent judgment, and certain relationships are deemed to be material. The Board has determined that Mr. Jaffar Khan is not independent because he is the President and Chief Executive Officer of the Company and Mr. Ned Goodman is not independent by virtue of his position as President and Chief Executive Officer of the Company’s parent company, Dundee Corporation, and Mr. Derek Buntain is not independent by virtue of his position as President of The Dundee Merchant Bank, a wholly-owned subsidiary of Dundee Corporation. Messrs. Garth MacRae, Jonathan Goodman and Michael Smith are independent of management as they are free from any interests and any business or other relationships which could, or could reasonably be perceived to, materially interfere with the directors’ ability to act with a view to the best interest of the Company, other than interests and relationships arising from shareholdings.

## Directorships

The following table provides a listing of the reporting issuers for which the members of the Board serve as directors:

Director	Directorship(s) with Other Reporting Issuers
Derek Buntain	Assisted Living Concepts Inc. Cencotech Inc. Dundee Precious Metals Inc. Eurogas International Inc. High Liner Foods Inc. Natunola Health Biosciences Inc.
Jonathan Goodman	Breakwater Resources Ltd. Cogitore Resources Inc. Dundee Corporation Dundee Precious Metals Inc. Sabina Gold & Silver Corp.
Ned Goodman	Breakwater Resources Ltd. Corona Gold Corporation Dundee Corporation Dundee Precious Metals Inc. Dundee REIT DundeeWealth Inc. Eurogas International Inc. Valdez Gold Inc.
Jaffar Khan	Eurogas International Inc.

Director	Directorship(s) with Other Reporting Issuers
Garth MacRae	Breakwater Resources Ltd. Dundee Corporation Dundee Precious Metals Inc. DundeeWealth Inc. GeneNews Limited Torque Energy Inc. Uranium Participation Corporation

## Board and Committee Meetings

The table below indicates regularly scheduled and special meetings of the Board and its various committees held and attendance of directors, in person or by teleconference, for the year ended December 31, 2009.

Director	Board of Directors (4 Meetings)	Audit Committee (4 Meetings)	Compensation Committee (1 Meeting)
Derek Buntain	3 of 4	4 of 4	1 of 1
Jonathan Goodman	3 of 4	-	-
Ned Goodman <sup>(1)</sup>	4 of 4	2 of 4	1 of 1
Jaffar Khan	4 of 4	-	-
Garth MacRae	4 of 4	4 of 4	1 of 1
Michael Smith	4 of 4	-	-

<sup>(1)</sup> Mr. Ned Goodman became a member of the Audit Committee on May 22, 2009. Mr. Goodman participated in 2 of the 3 Audit Committee meetings held while he was a member of the Audit Committee.

The independent directors are afforded an opportunity to hold “in camera” sessions, if desired. The “in camera” session provides the independent directors the opportunity to conduct discussions both openly and candidly.

## Orientation and Continuing Education

The Board is responsible for providing a formal orientation program for new directors and ongoing education sessions on the business and strategies of the Company. In particular, new Board members are invited to participate in informal discussions with senior management of the Company. Each new director is furnished with a board package intended to provide a thorough understanding of the business of the Company. The package includes, among other things, the corporate governance practices of the Company. The Board, during the interview process, makes each prospective new director aware of the amount of time required to fulfill his role as a director. In addition, a site visit to the Company’s main operations is arranged, at the earliest convenience, for each director.

The Company is also committed to a continuing education program for all directors. At each regularly scheduled Board meeting, management provides directors with a presentation on the Company’s operations thereby updating the Board on all important activities since the last meeting. The Board also receives written reports from management when changes are made to the business plan or significant activities are underway. Directors are kept informed of best practices with respect to the role of the Board and of emerging trends that are relevant to their roles as directors. In addition, individual directors are encouraged to identify their continuing education needs through a variety of means, including discussions with management and at Board and committee meetings.

## **Ethical Business Conduct**

The Company is committed to conducting its business in compliance with all applicable laws and regulations and in accordance with the highest ethical principles. The Board requires all directors to disclose any activities or relationships which could have the potential for a conflict of interest. The Board encourages and provides an overall culture of ethical conduct. The Board and the Company promote a “tone at the top” culture intended to instill ethics, openness, honesty and accountability throughout the organization.

## **Nomination of Directors**

The Compensation Committee is responsible for identifying, assessing and making recommendations as to candidates for election to the Board and Board committees with a view to the independence and expertise required for effective governance and satisfaction of applicable regulatory requirements. When the Compensation Committee identifies additional skills or competencies needed at the Board level, or becomes aware that any individual director intends to retire from the Board, the Compensation Committee initiates a recruitment process. Prospective Board members, whose relevant education and related business experience are taken into consideration, are interviewed by the Compensation Committee which in turn proposes the new and suitable candidates for consideration by the Board.

## **Board Committees**

The Board has a Compensation Committee and an Audit Committee. Details regarding the Audit Committee begin on page 18 of this Information Circular.

## **Compensation Committee**

The Compensation Committee, comprised of Messrs. Derek Buntain, Ned Goodman and Garth MacRae, makes determinations and recommendations to the Board with respect to the cash and incentive compensation of the executive officers of the Company. See “Compensation Discussion and Analysis” below.

## **Assessments**

Individual director performance is evaluated on a regular basis by the Compensation Committee. Individual director assessments are determined by examining a number of factors including, but not limited to, attendance at and participation in meetings, meeting preparedness, ability to communicate ideas clearly and overall contribution to effective Board performance.

## **COMPENSATION DISCUSSION AND ANALYSIS**

The primary goal of the Compensation Committee is to ensure that the overall compensation provided to the Chief Executive Officer, Chief Financial Officer, and the other three (3) most highly compensated officers of the Company, if applicable, (collectively, the “Named Executive Officers” or “NEOs”) is determined with regard to, and is consistent with, the business strategies and objectives of the Company, such that the financial interests of such executive officers of the Company is congruent with the financial interests of the Company’s Shareholders.

Executive compensation consists of salary, options and benefits. Executive officer salaries are set slightly below industry standard, which is determined by reference to the salaries of local executives in positions with similar experience and similar responsibility. Executive officers receive additional compensation in the form of options, the number of which is determined by reference to the position and experience of the individual executive. Executive officers receive a basic benefits package including medical, dental and insurance.

## **Base Salaries**

The Compensation Committee recommends to the Board the base salary of the President and Chief Executive Officer. The President and Chief Executive Officer of the Company received a base salary of \$125,000 in respect of fiscal 2009. See “Services Agreements” below and “Executive Compensation – Summary Compensation Table” on page 16 of this Information Circular.

## **Services Agreements**

The Compensation Committee recommends to the Board the form and amount of any service agreements to be entered into with the executive officers of the Company, taking into consideration the recommendations of the Chief Executive Officer of the Company (other than in respect of the CEO’s consulting agreement) the current and potential contribution of the executive officer to the success of the Company and competitive industry pay practices for comparable positions at businesses of comparable size.

The President and Chief Executive Officer of the Company, Mr. Jaffar Khan, has entered into a consulting contract pursuant to which he provides the Company with certain executive services. Mr. Khan’s remuneration pursuant to the consulting contract is subject to annual review and is at the full discretion of the Compensation Committee of the Company. The consulting contract became effective on April 1, 2005 and is for an indefinite term. The consulting contract contains confidentiality and non-competition provisions which extend for a period of two (2) years and six (6) months respectively, following termination of the consulting contract. The consulting contract may be terminated at any time by either party and is not subject to a termination payment.

In addition, in 2009, designated employees of Dundee Resources Limited, an affiliate of the Company, provided services to the Company pursuant to a services arrangement.

## **Bonuses**

Although the Company does not have a formalized bonus plan, the executive officers of the Company may earn annual bonuses, which will vary, based on the individual’s position and contribution to the performance of the Company and the annual performance of the Company. The Chief Executive Officer of the Company presents recommendations to the Compensation Committee with respect to the award of any such bonuses (other than bonuses paid to the Chief Executive Officer). The Compensation Committee determines the bonuses for the executive officers of the Company and recommends the amounts thereof to the Board for approval. In 2009, the Company paid an annual bonus of \$160,000 to Mr. Jaffar Khan, the President and Chief Executive Officer.

## **SECURITY BASED COMPENSATION ARRANGEMENTS**

The Company currently has a Share Option Plan and a Deferred Share Unit Plan. Shareholders will be asked at the Meeting to approve the SIP (see “Business of the Meeting”). If the resolution to approve the adoption of the SIP is passed, the Company will suspend the current Share Option Plan and no further grants will be made thereunder.

The terms of the Share Option Plan and DSU Plan are described below.

### **Share Option Plan**

The Share Option Plan is administered by the Board. Under the Share Option Plan:

- directors of the Company may grant options to acquire Common Shares to any director, senior officer, employee or consultant of the Company or any subsidiary thereof and have the authority to determine, among other things, subject to the terms and conditions of the Share Option Plan, the terms, limitations, restrictions and conditions respecting the grant of options;

- when recommending the grant of options, consideration is given to the exercise price and the aggregate number of Common Shares which would be subject to options held by the individual after the grant under consideration, the evaluation of the former, current and potential contribution of the individual to the success of the Company, the relative position of the individual, the years of service of the individual to the Company and past grants of options to the individual;
- the exercise price of any option granted under the Share Option Plan may not be less than the closing price of the Common Shares on the TSXV on the trading day immediately preceding the date of grant of the option;
- the maximum number of Common Shares that may be reserved for issuance pursuant to options granted under the Share Option Plan is 12,000,000 Common Shares;
- the maximum number of Common Shares that may be reserved for issue to any one (1) individual pursuant to the Share Option Plan may not exceed 5% of the Common Shares outstanding at the time of grant (on a non-diluted basis) less the aggregate number of Common Shares reserved for issue to such person under any other proposed option to purchase Common Shares granted as a compensation or incentive mechanism;
- no more than an aggregate of 2% of the issued Common Shares may be granted under the Share Option Plan to an employee or consultant conducting investor relations activities in any one (1) year period;
- an optionee is entitled to terminate his or her options, in whole or in part, and, in lieu of receiving the Common Shares to which the terminated options relate, and elect to receive that number of Common Shares, disregarding fractions, which, when multiplied by the fair value of the Common Shares (which will be the weighted average trading price of the Common Shares on the TSXV during the five (5) trading days preceding the date of the termination of such options) to which the options so terminated relate, has a value equal to the product of the number of such Common Shares multiplied by the difference between the fair value and the exercise price per share of such Common Shares;
- options are not transferable other than by will or the laws of descent and distribution;
- if an optionee ceases to be an eligible person under the Share Option Plan for any reason other than death, each option held by such optionee will cease to be exercisable sixty (60) days from the date of termination (being the date on which such optionee ceases to be an eligible person); and
- if an optionee dies, the legal representative of the optionee may exercise the options held by such optionee within six (6) months after the date of death of the optionee but only up to and including the original expiry date of the option.

As of April 15, 2010, options to purchase an aggregate of 2,935,000 Common Shares were outstanding representing 1.88% of the Company's outstanding Common Shares.

### **Deferred Share Unit Plan**

The DSU Plan is administered by the Compensation Committee. Under the DSU Plan:

- employees, officers and directors of the Company and its affiliates are eligible to be granted, on an annual or more frequent basis, DSUs in such number and effective as of such date as the Compensation Committee may determine based on criteria determined by the Compensation Committee relating to services performed or to be performed by the grantee (a "Participant");
- the Compensation Committee may impose conditions on any DSUs granted to be met by a Participant in order to be entitled to receive payment in respect of the DSUs granted;
- following termination of a Participant's employment with the Company or an affiliate thereof (and provided that at such time the Participant is not a director of the Company or an affiliate thereof) such Participant (or the legal representative of such Participant's estate) may elect up to five (5) separate dates (each, an "Entitlement Date") on which all or a portion of the DSUs granted to such Participant

will be redeemed for an amount per DSU equal to the market value of a Common Share (the "Redemption Value") on the applicable Entitlement Date;

- the market value of a Common Share on any Entitlement Date is the weighted average price of the Common Shares on the TSXV for the five (5) days immediately preceding the applicable Entitlement Date;
- the Redemption Value on an applicable Entitlement Date may be, at the discretion of the Compensation Committee, paid in the form of any combination of: (i) a cash payment; (ii) Common Shares acquired in the open market; or (iii) Common Shares issued by the Company from treasury provided that any such Shareholder approval as may be required by the TSXV shall have been obtained prior to any such issuance (note that to date such Shareholder approval has not been obtained and no Common Shares have been issued from treasury to satisfy entitlements under the DSU Plan); and
- if the DSU Plan Resolution is approved: (i) the maximum number of Common Shares that may be issued from treasury to satisfy entitlements under the DSU Plan is 4,000,000; (ii) the maximum number of Common Shares issuable to insiders under the DSU Plan and any other share compensation arrangement within a one (1) year period may not exceed 10% of the total number of Common Shares then outstanding unless disinterested Shareholder approval is obtained; (iii) the maximum number of Common Shares issuable to any one (1) individual pursuant to the DSU Plan and any other share compensation arrangement, within a one (1) year period, may not exceed 2% of the total number of Common Shares then outstanding; and (iv) no more than an aggregate of 2% of the issued Common Shares may be granted to an employee or consultant conducting investor relations activities in any twelve (12) month period.

As of April 15, 2010, an aggregate of 355,000 DSUs were outstanding representing 0.23% of the Company's outstanding Common Shares.

### Compensation of Directors

The Company does not pay any fees to directors for their services as directors. Directors are, however, entitled to participate in the Share Option Plan and the DSU Plan and, subject to approval, will be entitled to participate in the SIP.

### Fees and Incentive Plan Awards

The following table details all compensation provided to non-executive directors for the fiscal year ended December 31, 2009.

Name	Fees Earned (\$)	Share-Based Awards <sup>(1)</sup> (\$)	Option-Based Awards (\$)	Non-Equity Incentive Plan Compen- sation (\$)	All Other Compen- sation (\$)	Total (\$)
Derek Buntain	-	7,650	-	-	-	7,650
Jonathan Goodman	-	7,650	-	-	-	7,650
Ned Goodman	-	7,650	-	-	-	7,650
Garth MacRae	-	7,650	-	-	-	7,650
Michael Smith	-	7,650	-	-	-	7,650

<sup>(1)</sup> 15,000 DSUs were granted to each director on May 22, 2009 at \$0.51 per DSU.

## Outstanding Option-Based and Share-Based Awards Table

The following table provides a summary of all unexercised option awards and share-based awards held as at December 31, 2009 by each of the non-executive directors of the Company:

Name and Award Date(s)	Option-Based Awards				Share-Based Awards	
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised in-the-money Options <sup>(1)</sup> (\$)	Number of Shares or Units of Shares that have not Vested (#)	Market or Payout Value of Share-Based Awards that have not Vested (\$)
Derek Buntain May 17, 2007	300,000	1.12	May 17, 2012	0	-	-
Jonathan Goodman May 17, 2007	200,000	1.12	May 17, 2012	0	-	-
Ned Goodman May 17, 2007	350,000	1.12	May 17, 2012	0	-	-
Garth MacRae May 17, 2007	200,000	1.12	May 17, 2012	0	-	-
Michael Smith Oct 16, 2008	200,000	0.54	Oct 16, 2013	14,000	-	-

<sup>(1)</sup> This value is based on the difference between the market value of the Common Shares underlying the options at the end of the most recently completed financial year, and the exercise price of the option.

## Incentive Plan Awards

The following table sets forth information regarding the vesting of option-based awards of the Company to the non-executive directors for the fiscal year ended December 31, 2009:

Name	Option-Based Awards – Value Vested During the Year <sup>(1)</sup> (\$)	Share-Based Awards – Value Vested During the Year (\$)	Non-Equity Incentive Plan Compensation – Value Earned During the Year (\$)
Derek Buntain	0	-	-
Jonathan Goodman	0	-	-
Ned Goodman	0	-	-
Garth MacRae	0	-	-
Michael Smith	13,333	-	-

<sup>(1)</sup> The value is determined by calculating the difference between the market price of the underlying Common Shares and the exercise price of the options on the vesting date.

## EXECUTIVE COMPENSATION

The following table sets forth all annual compensation for services in all capacities to the Company for the fiscal years ended December 31, 2009 and December 31, 2008 in respect of each of the individuals who were, for any portion of the year ended December 31, 2009, the Named Executive Officers. There were

no other executive officers of the Company whose total compensation was, individually, more than \$150,000 as determined at the end of the financial year.

### Summary Compensation Table

Name and Principal Position	Year	Salary (\$)	Share-Based Awards (\$)	Option-Based Awards (\$)	Annual Non-Equity Incentive Plan Compensation (\$)	All Other Compensation (\$)	Total Compensation (\$)
<i>Jaffar Khan</i> <sup>(7)</sup> President and Chief Executive Officer	2009	125,000	7,650 <sup>(5)</sup>	-	160,000 <sup>(6)</sup>	16,625 <sup>(4)</sup>	309,275
	2008	100,000	25,400 <sup>(3)</sup>	-	-	-	125,400
Lucie Presot <sup>(1)</sup> Chief Financial Officer	2009	-	7,650 <sup>(5)</sup>	-	-	-	7,650
	2008	-	-	-	-	-	-
Joanne Ferstman <sup>(2)</sup> Executive Vice President and Chief Financial Officer	2009	-	-	-	-	-	-
	2008	-	-	-	-	-	-

(1) Ms. Presot was appointed Chief Financial Officer on May 22, 2009.

(2) Ms. Ferstman ceased to be Executive Vice President and Chief Financial Officer on May 22, 2009.

(3) 20,000 DSUs were granted on May 22, 2008 at \$1.27. The value is determined by multiplying the number of DSUs by the closing price of the underlying Common Shares on the grant date.

(4) This amount represents the value of Mr. Khan's annual medical benefit and travel allowance. The portion attributed to the medical benefit was converted from US dollars using the conversion rate as at December 31, 2009.

(5) 15,000 DSUs were granted on May 22, 2009 to each of Mr. Khan and Ms. Presot at \$0.51. The value is determined by multiplying the number of DSUs by the closing price of the underlying Common Shares on the grant date.

(6) This amount represents Mr. Khan's cash bonus award in respect of the 2009 year end.

(7) See "Compensation Discussion and Analysis – Services Agreements".

### Outstanding Option-Based Awards and Share-Based Awards Table

The following table provides a summary of all option-based awards and share-based awards outstanding on December 31, 2009 to each of the Named Executive Officers:

Name and Award Date	Option-Based Awards				Share-Based Awards	
	Number of Securities Underlying Unexercised Options	Option Exercise Price	Option Expiration Date	Value of Unexercised n-the-Money Options <sup>(1)</sup>	Number of Shares or Units of Shares that have not Vested	Market or Payout Value of Share-Based Awards that have not Vested
	(#)	(\$)		(\$)	(#)	(\$)
Jaffar Khan						
Mar 16, 2005	600,000	1.76	Mar 16, 2010	0	-	-
May 17, 2007	200,000	1.12	May 17, 2012	0	-	-
Lucie Presot						
-	-	-	-	-	-	-
Joanne Ferstman						
May 17, 2007	500,000	1.12	May 17, 2012	0	-	-

<sup>(1)</sup> The value is based on the difference between the market value of the Common Shares underlying the options at December 31, 2009, and the exercise price of the option.

### Incentive Plan Awards

The following table sets forth information regarding the vesting of option-based awards of the Company to the Named Executive Officers for the fiscal year ended December 31, 2009:

Name	Option-Based Awards – Value Vested During the Year	Share-Based Awards – Value Vested During the Year	Non-Equity Incentive Plan Compensation – Value Earned During the Year
	(\$)	(\$)	(\$)
Jaffar Khan	0	-	-
Lucie Presot	-	-	-
Joanne Ferstman	0	-	-

### INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No director or executive officer of the Company, or any associate or affiliate of such person, is or ever has been indebted to the Company; nor has any such person's indebtedness to any other entity been the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company.

### INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Except as described in this Information Circular, and to the knowledge of the Company, none of the directors, officers or insiders of the Company, any proposed nominee for election as a director, or any associate or affiliate of the foregoing has, or has had, any material interest in any transaction since the commencement of the last financial year or in any proposed transaction that has materially affected, or will materially affect, the Company or any of its affiliates.

### AUDIT COMMITTEE

#### Composition

The Audit Committee of the Board is comprised of three (3) directors, being Messrs. Derek Buntain, Ned Goodman and Garth MacRae, one (1) of whom is independent and all of whom are financially literate.

On May 22, 2009, Mr. Goodman was appointed as a member of the Audit Committee. The Audit Committee is responsible for reviewing the Company's financial reporting procedures, internal controls, the performance of the Company's external auditor and reviewing the reserve evaluations prepared by the Company's independent engineering consultants. The Audit Committee is also responsible for reviewing quarterly and annual financial statements prior to their approval by the Board.

## RELEVANT EDUCATION AND EXPERIENCE

Mr. Derek Buntain, MBA, has served as a director of the Company since 1994. Mr. Buntain has nearly thirty (30) years of experience in the investment industry in Canada and abroad and is a member of several public company boards and audit committees.

Mr. Garth MacRae, Chartered Accountant, has served as a director of the Company since 1994. Mr. MacRae has over eighteen (18) years of public accounting experience and has held executive positions with Hudson Bay Mining, Brinco Limited and Denison Mines Limited. Mr. MacRae is currently a director and member of the audit committee of Breakwater Resources Ltd., Dundee Corporation, DundeeWealth Inc., Dundee Precious Metals Inc., GeneNews Limited, Torque Energy Inc. and Uranium Participation Corporation.

Mr. Ned Goodman, has served as a director of the Company since 1996. Mr. Goodman has over forty (40) years of experience in the investment industry and is currently President and Chief Executive Officer of Dundee Corporation and Ned Goodman Investment Counsel Limited and Chairman of the board of directors of DundeeWealth Inc. as well as Chairman of the board of trustees of Dundee REIT. Mr. Goodman is also a director of Breakwater Resources Ltd., Corona Gold Corporation, Dundee Precious Metals Inc., Eurogas International Inc. and Valdez Gold Inc.

## AUDIT COMMITTEE CHARTER

The full text of the Company's Audit Committee charter is attached as Schedule C to this Information Circular.

## PRE-APPROVAL POLICIES AND PROCEDURES

In accordance with its mandate, the Audit Committee has established policies and procedures for the pre-approval of allowable non-audit services and the associated fees therefore, to be provided by the external auditor. These policies and procedures safeguard the independence of the external auditor. The policy requires that management obtain the approval of the Chairman of the Audit Committee of its parent, Dundee Corporation, in advance of retaining the services of the external auditor for any service that is non-audit related.

## EXTERNAL AUDITOR SERVICE FEES

The following table represents the fees paid by the Company to PricewaterhouseCoopers LLP, the Company's external auditor, during the fiscal years 2009 and 2008:

	<b>2009</b>	<b>2008</b>
	(\$)	(\$)
Audit Fees <sup>(1)</sup>	55,000	105,000
Audit-Related Fees <sup>(2)</sup>	42,500	93,250
Tax Fees	0	2,000
All Other Fees	767	91,844
<b>Total</b>	<b>98,267</b>	<b>292,094</b>

- (1) Audit fees consist of fees for the audit of the Company's annual financial statements or services that are normally provided in connection with statutory and regulatory filings or engagements.
- (2) Audit-related fees consist of fees for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements and are not reported as Audit Fees.

## **EXEMPTION**

The Company is relying on the exemption in Section 6.1 exempting it from the requirements of Parts 3 and 5 of NI 52-110 (Composition of the Audit Committee and Reporting Obligations).

## **ADDITIONAL INFORMATION**

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.eurogascorp.com](http://www.eurogascorp.com). Shareholders may also request copies of the Company's financial statements and management's discussion & analysis from the Company by calling (403) 264-4985.

## **DIRECTORS' APPROVAL**

The contents and sending of this Information Circular have been approved by the directors of the Company.

**DATED** at Toronto, Ontario as of the 18<sup>th</sup> day of May, 2010.

**By Order of the Board**



**Lili Mance, Corporate Secretary**

**SCHEDULE A**

**TO THE MANAGEMENT INFORMATION CIRCULAR  
OF EUROGAS CORPORATION  
(the "Corporation")**

**RESOLUTION OF THE SHAREHOLDERS**

**DEFERRED SHARE UNIT PLAN**

IT IS RESOLVED THAT:

1. The issuance of Common Shares of the Company from treasury under the Deferred Share Unit Plan of the Company subject to the terms and limitations of the Deferred Share Unit Plan as described in the management information circular dated May 18, 2010 is hereby approved; and
2. Any director or officer of the Company is hereby authorized and directed, acting for, in the name of and on behalf of the Company, to execute or cause to be executed, under the seal of the Company or otherwise, and to deliver or cause to be delivered, all such other deeds, documents, instruments and assurances, and to do or cause to be done all such other acts and things, as in the opinion of such director or officer of the Company may be necessary or desirable to carry out the intent of the foregoing resolution (including, without limitation, the compliance with all requirements of the TSX Venture Exchange), and the execution of any such document or the doing of any such other act or thing being conclusive evidence of such determination.

**SCHEDULE B**

**TO THE MANAGEMENT INFORMATION CIRCULAR  
OF EUROGAS CORPORATION  
(the "Corporation")**

**RESOLUTION OF THE SHAREHOLDERS**

**ADOPTION OF A SHARE INCENTIVE PLAN**

IT IS RESOLVED THAT:

1. The adoption by the Company of the Share Incentive Plan subject to the terms and limitations included in such plan as described in the management information circular of the Company dated May 18, 2010 is hereby approved; and
2. Any director or officer of the Company is hereby authorized and directed, acting for, in the name of and on behalf of the Company, to execute or cause to be executed, under the seal of the Company or otherwise, and to deliver or cause to be delivered, all such other deeds, documents, instruments and assurances, and to do or cause to be done all such other acts and things, as in the opinion of such director or officer of the Company may be necessary or desirable to carry out the intent of the foregoing resolution (including, without limitation, the compliance with all requirements of the TSX Venture Exchange), and the execution of any such document or the doing of any such other act or thing being conclusive evidence of such determination.

## SCHEDULE C

### TO THE MANAGEMENT INFORMATION CIRCULAR OF EUROGAS CORPORATION (the "Corporation")

#### CHARTER OF THE AUDIT COMMITTEE

The primary responsibility of the Audit Committee (the "Committee") is to oversee the Corporation's financial reporting process and disclosure policies on behalf of the Board in order to assist the directors of the Corporation in meeting their responsibilities with respect to complete, timely and accurate regulatory filings by the Corporation, including financial reporting.

Management is responsible for the preparation, presentation and integrity of the Corporation's financial statements and for the appropriateness of the accounting principles, internal controls, and disclosure and reporting policies that are used by the Corporation. The independent auditors are responsible for auditing the Corporation's annual financial statements and for reviewing the Corporation's interim financial statements.

The role, responsibility, authority and power of the Committee shall include, but not be limited to:

- (a) The Committee shall be directly responsible for the appointment and termination (subject to board and shareholder ratification), compensation and oversight of the work of the independent auditors, including resolution of disagreements between management and the independent auditors regarding financial reporting;
- (b) The Committee shall ensure that at all times there are direct communication channels between the Committee and the internal auditors, if applicable, and the external auditors of the Corporation to discuss and review specific issues, as appropriate;
- (c) The Committee shall discuss with the independent auditors (and internal auditors, if applicable) the overall scope and plans for their audits, including the adequacy of staff. The Committee shall discuss with Management and the independent auditors the adequacy and effectiveness of the accounting and financial controls including the Corporation's policies and procedures to assess, monitor, and manage business risk, legal risk and adherence to the Corporation's ethical compliance programs;
- (d) The Committee shall, at least annually, obtain and review a report by the independent auditors:
  - (i) describing their internal quality control procedures;
  - (ii) any material issues raised by the most recent internal quality control review, or peer review, or any inquiry or investigation by government or professional institute or society, within the preceding five years, respecting any independent audit carried out by the independent auditors, and any steps taken to deal with any such issues; and
  - (iii) all relationships between the independent auditor and the Corporation in order to assess auditor's independence;
- (e) The Committee shall meet separately, on a regular basis, with Management and the independent auditors to discuss any issues or concerns warranting Committee attention. As part of this process, the Committee shall provide sufficient opportunity for the independent auditors to meet privately with the Committee;
- (f) The Committee shall receive regular reports from the independent auditors on critical policies and practices of the Corporation, including all alternative treatment of financial information within generally accepted accounting principles which have been discussed with management. Where

alternative treatment exists, the independent auditors shall be invited to express their opinion as to whether the Corporation is using best practices;

- (g) The Committee shall review Management's policies and processes relating to its effectiveness of internal controls as of the end of the most recent fiscal year and the independent auditors' report on Management's assertion;
- (h) The Committee shall review and discuss earnings press releases, as well as information and earnings guidance provided to analysts and rating agencies;
- (i) The Committee shall review the interim and annual financial statements and disclosures under Management's Discussion and Analysis of Financial Condition and Results of Operations with Management and with the independent auditors prior to recommending them to the Board of Directors for approval for release or inclusion in any reports to shareholders and/or regulatory authorities;
- (j) The Committee shall monitor the effectiveness of and compliance with the Corporation's disclosure procedures;
- (k) The Committee shall receive reports, if any, from the Corporation's legal representatives of evidence of material violation of securities laws or breaches of fiduciary duty;
- (l) The Committee should review and ensure that procedures are in place for the receipt, retention and treatment of complaints received by the Corporation regarding accounting and auditing matters, as well as the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters;
- (m) The Committee shall meet as often as it deems appropriate to discharge its responsibilities and, in any event, at least four times per year. Additional meetings may be held as deemed necessary by the Chairman of the Audit Committee or as requested by any member or the external auditors;
- (n) The Committee shall review all issues related to a change of auditor, including the information to be included in the notice of change of auditor and the planned steps for an orderly transition;
- (o) At all times, the membership of the Committee shall be such that:
  - (i) it shall be comprised of no fewer than three members of the Board;
  - (ii) Committee members shall not receive any compensation from the Corporation other than in the member's capacity as a member of the Board of Directors and any Board committee.
- (p) No business shall be transacted by the Committee except:
  - (i) at a meeting of the members thereof at which a majority of the members thereof are present; and
  - (ii) by a resolution in writing signed by all of the members of the Committee.