



ERDENE GOLD INC.

Notice of Annual and Special Meeting of Shareholders and Management Information Circular

Meeting Date: Thursday, May 10, 2007, 5:30 p.m. (Atlantic time)

Halifax Marriott Harbourfront
1919 Upper Water Street
Halifax, Nova Scotia

ERDENE GOLD INC.
Metropolitan Place
99 Wyse Road, Suite 1480
Dartmouth NS B3A 4S5

NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN:

That the Annual and Special Meeting (the "Meeting") of the Shareholders of Erdene Gold Inc. (the "Corporation") will be held at the Halifax Marriott Harbourfront, 1919 Upper Water Street, Halifax, Nova Scotia, on **Thursday, May 10, 2007 at 5:30 p.m. (Atlantic time)** for the following purposes:

- (a) to receive the financial statements of the Corporation for the year ended December 31, 2005, together with the Report of the Auditor thereon, copies of which accompany this Notice;
- (b) to elect directors of the Corporation for the forthcoming year;
- (c) to appoint the Auditor of the Corporation for the forthcoming year and to authorize the directors to fix the Auditor's remuneration;
- (d) to consider and, if deemed advisable, approve a new Incentive Stock Option Plan; and
- (e) to transact such further and other business as may properly come before the Meeting or any adjournment thereof.

The specific details of the matters proposed to be put before the Meeting are set forth in the Management Information Circular accompanying and forming part of this Notice.

Only Shareholders of record as of the close of business on March 30, 2007 are entitled to receive Notice of the Meeting and, except as noted in the attached Management Information Circular, to vote at the Meeting.

To assure your representation at the Meeting as a **Registered Shareholder**, please complete, sign, date and return the enclosed proxy, whether or not you plan to personally attend. Sending your proxy will not prevent you from voting in person at the Meeting. All proxies completed by Registered Shareholders must be received by the Corporation's transfer agent, **Computershare Trust Company of Canada**, not later than **Tuesday, May 8, 2007 at 5:30 (Atlantic time)**. A Registered Shareholder must return the completed proxy to Computershare Trust Company of Canada, as follows:

- (a) by **mail** in the enclosed envelope;
- (b) by the **Internet** or **telephone** as described on the enclosed proxy; or
- (c) by **registered mail**, by **hand** or by **courier** to the attention of Computershare Proxy Department, 9th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1; or
- (d) by **fax** to the attention of the Proxy Department at 1-866-249-7775 (toll free in North America) or 1-416-263-9524 (international fax).

Non-Registered Shareholders whose shares are registered in the name of an intermediary should carefully follow voting instructions provided by the intermediary. A more detailed description on returning proxies by Non-Registered Shareholders can be found on page 2 of the attached Management Information Circular.

If you receive more than one proxy or voting instruction form, as the case may be, for the Meeting, it is because your shares are registered in more than one name. To ensure that all of your shares are voted you should sign and return all proxies and voting instruction forms that you receive.

DATED at Halifax, in the Halifax Regional Municipality, Nova Scotia, this 9th day of April, 2007.

BY ORDER OF THE BOARD OF DIRECTORS

(Signed) "*Peter C. Akerley*"
President and Chief Executive Officer

ERDENE GOLD INC.

MANAGEMENT INFORMATION CIRCULAR

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**ERDENE GOLD INC.
MANAGEMENT INFORMATION CIRCULAR**

INFORMATION REGARDING ORGANIZATION AND CONDUCT OF MEETING

Solicitation of Proxies

THIS MANAGEMENT INFORMATION CIRCULAR IS FURNISHED IN CONNECTION WITH THE SOLICITATION OF PROXIES BY OR ON BEHALF OF THE MANAGEMENT OF ERDENE GOLD INC. (the "Corporation") for use at the Annual and Special Meeting of shareholders of the Corporation ("Shareholders") to be held at the Halifax Marriott Harbourfront, 1919 Upper Water Street, Halifax, Nova Scotia, on Thursday, May 10, 2007 at 5:30 p.m. (Atlantic time), or at any adjournment thereof (the "Meeting"), for the purposes set forth in the accompanying Notice of Meeting.

Solicitation of proxies will be primarily by mail, but may also be by telephone or other means of communication by the directors, officers, employees or agents of the Corporation at nominal cost. All costs of solicitation will be paid by the Corporation. The Corporation will also pay the fees and costs of intermediaries for their services in transmitting proxy-related material in accordance with National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer*.

Appointment and Revocation of Proxies

General

Shareholders of the Corporation may be "Registered Shareholders" or "Non-Registered Shareholders". If common shares of the Corporation ("Common Shares") are registered in the name of an intermediary and not registered in the Shareholder's name, they are said to be owned by a "Non-Registered Shareholder". An intermediary is usually a bank, trust company, securities dealer or broker, or a clearing agency in which an intermediary participates. The instructions provided below set forth the different procedures for voting Common Shares at the Meeting to be followed by Registered Shareholders and Non-Registered Shareholders.

The persons named in the enclosed instrument appointing proxy are officers and directors of the Corporation. **Each Shareholder has the right to appoint a person or company (who need not be a Shareholder) to attend and act for him at the Meeting other than the persons designated in the enclosed form of proxy.** Shareholders who have given a proxy also have the right to revoke it insofar as it has not been exercised. The right to appoint an alternate proxyholder and the right to revoke a proxy may be exercised by following the procedures set out below under "*Registered Shareholders*" or "*Non-Registered Shareholders*", as applicable.

If any Shareholder receives more than one proxy or voting instruction form, it is because that Shareholder's shares are registered in more than one form. In such cases, Shareholders should sign and submit all proxies or voting instruction forms received by them in accordance with the instructions provided.

Registered Shareholders

Registered Shareholders have two methods by which they can vote their Common Shares at the Meeting, namely in person or by proxy. To assure representation at the Meeting, Registered Shareholders are encouraged to return the proxy included with this Management Information Circular. Sending in a proxy will not prevent a Registered Shareholder from voting in person at the Meeting. Your vote will be taken and counted at the Meeting. Registered Shareholders who do not plan to attend the Meeting or do not wish to vote in person can vote by proxy.

Proxies must be received by the Corporation's transfer agent, **Computershare Trust Company of Canada**, not later than **Tuesday, May 8, 2007 at 5:30 p.m. (Atlantic time)**. A Registered Shareholder must return the completed proxy to Computershare Trust Company of Canada, as follows:

- (a) by **mail** in the enclosed envelope;

- (b) by the **Internet** or **telephone** as described on the enclosed proxy; or
- (c) by **registered mail**, by **hand** or by **courier** to the attention of Computershare Proxy Department, 9th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1; or
- (d) by **fax** to the attention of the Proxy Department at 1-866-249-7775 (toll free in North America) or 1-416-263-9524 (international fax).

To exercise the right to appoint a person or company to attend and act for a Registered Shareholder at the Meeting, such Shareholder must strike out the names of the persons designated on the enclosed instrument appointing proxy and insert the name of the alternate appointee in the blank space provided for that purpose.

To exercise the right to revoke a proxy, in addition to any other manner permitted by law, a Shareholder who has given a proxy may revoke it by instrument in writing, executed by the Shareholder or his attorney authorized in writing, or if the Shareholder is a corporation, by a duly authorized officer or attorney thereof, and deposited: (i) at the registered office of the Corporation, 1300-1969 Upper Water Street, Purdy's Tower II, PO Box 730, Halifax, Nova Scotia B3J 2V1, Attention: D. Suzan Frazer, at any time up to and including the last business day preceding the Meeting at which the proxy is to be used, or at any adjournment thereof, or (ii) with the Chairman of the Meeting on the date of the Meeting, or at any adjournment thereof, and upon either of such deposits the proxy is revoked.

Non-Registered Shareholders

The Corporation has distributed copies of the Meeting materials to intermediaries for distribution to Non-Registered Shareholders. Intermediaries are required to deliver these materials to all Non-Registered Shareholders of the Corporation who have not waived their right to receive these materials, and to seek instructions as to how to vote the Common Shares. Often, intermediaries will use a service company (such as ADP Investor Communications) to forward these meeting materials to Non-Registered Shareholders.

Non-Registered Shareholders who receive Meeting materials will typically be given the ability to provide voting instructions in one of two ways:

- (a) Usually, a Non-Registered Shareholder will be given a voting instruction form which must be completed and signed by the Non-Registered Shareholder in accordance with the instructions provided by the intermediary. In this case, the mechanisms described above for Registered Shareholders cannot be used and the instructions provided by the intermediary **must** be followed.
- (b) Occasionally, a Non-Registered Shareholder may be given a proxy that has already been signed by the intermediary. This form of proxy is restricted to the number of Common Shares owned by the Non-Registered Shareholder but is otherwise not completed. This form of proxy does not need to be signed by the Non-Registered Shareholder but must be completed by Non-Registered Shareholders and returned to Computershare Trust Company of Canada in the manner described above for Registered Shareholders.

The purpose of these procedures is to allow Non-Registered Shareholders to direct the proxy voting of the Common Shares that they own but that are not registered in their name. Should a Non-Registered Shareholder who receives either a form of proxy or a voting instruction form wish to attend and vote at the Meeting in person (or have another person attend and vote on their behalf), the Non-Registered Shareholder should strike out the names of the persons designated on the enclosed form of proxy and insert the Non-Registered Shareholder's name (or the name of his alternate appointee) in the blank space provided for that purpose or, in the case of a voting instruction form, follow the corresponding instructions provided by the intermediary. **In either case, Non-Registered Shareholders should carefully follow the instructions provided by the intermediary.**

To exercise the right to revoke a proxy, a Non-Registered Shareholder who has completed a proxy (or a voting instruction form, as applicable) should carefully follow the instructions provided by the intermediary.

Proxies returned by intermediaries as "non-votes" (because the intermediary has not received instructions from the Non-Registered Shareholder with respect to the voting of certain shares or, under applicable stock exchange or other rules, the intermediary does not have the discretion to vote those shares on one or more of the matters that come before the Meeting) will be treated as not entitled to vote on any such matter and will not be counted as having been

voted in respect of any such matter. Common Shares represented by such "non-votes" will, however, be counted in determining whether there is a quorum.

Exercise of Proxies

Where a choice is specified, the Common Shares represented by proxy will be voted for, withheld from voting or voted against, as directed, on any poll or ballot that may be called. **Where no choice is specified, the proxy will confer discretionary authority and will be voted in favour of all matters referred to on the form of proxy. The proxy also confers discretionary authority to vote for, withhold from voting, or vote against amendments or variations to the matters identified in the Notice of Meeting and with respect to other matters not specifically mentioned in the Notice of Meeting but which may properly come before the Meeting.**

Management has no present knowledge of any amendments or variations to matters identified in the Notice of Meeting or any business that will be presented at the Meeting other than that referred to in the Notice of Meeting. However, if any other matters properly come before the Meeting, it is the intention of the persons named in the enclosed instrument appointing proxy to vote in accordance with the recommendations of Management of the Corporation.

Voting Shares

The authorized capital of the Corporation consists of an unlimited number of Common Shares, of which 53,951,127 are issued and outstanding as of the date hereof. Each issued and outstanding Common Share is entitled to one vote.

The board of directors of the Corporation (the "Board") has fixed the record date for the Meeting as the close of business on Friday, March 30, 2007 (the "Record Date"). Only Shareholders as of the close of business on the Record Date will be entitled to vote at the Meeting. Shareholders entitled to vote shall have one vote each on a show of hands and one vote per Common Share on a poll. If a person acquires ownership of Common Shares after the Record Date, such person may, not later than ten days before the Meeting, establish the right to vote by (i) providing evidence satisfactory to the Board of his or her ownership of the Common Shares and of the person from whom such Common Shares were purchased; and (ii) requesting that his or her name be placed on the voting list. Such materials should be sent to the Corporation's Recognized Agent, D. Suzan Frazer, at McInnes Cooper, 1300-1969 Upper Water Street, Purdy's Tower II, PO Box 730, Halifax, Nova Scotia B3J 2V1.

Two or more persons present in person representing at least 5% of the Common Shares entitled to be voted at the Meeting will constitute a quorum at the Meeting.

As of the date hereof, to the knowledge of the directors and officers of the Corporation, no person or company beneficially owns, directly or indirectly, or exercises control or direction over, Common Shares carrying more than 10% of the voting rights attaching to all outstanding Common Shares of the Corporation.

FINANCIAL STATEMENTS

The financial statements of the Corporation, the Auditor's Report thereon and management's discussion and analysis for the financial year ended December 31, 2006 are contained in the Annual Report accompanying this document and will be presented to the Shareholders at the Meeting.

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

None of the directors or officers of the Corporation, nor any associate of the foregoing, has any material interest, direct or indirect, by way of beneficial ownership of securities of the Corporation or otherwise, in matters to be acted upon at the Meeting other than the election of directors, except that directors and officers may participate in the Corporation's Incentive Stock Option Plan (See "*Approval of New Incentive Stock Option Plan*").

ELECTION OF DIRECTORS

The By-laws of the Corporation provide that the size of the Board must consist of not less than three directors and not more than ten directors to be elected annually. The size of the Board is to be determined by the Board and is currently fixed at ten directors.

Each of the persons named in the list which follows, is currently a director of the Corporation and all are, in the opinion of Management, well qualified to direct the Corporation's activities for the ensuing year. They have all confirmed their willingness to serve as directors, if elected. The term of office of each director elected will be until the next annual meeting of the Shareholders of the Corporation or until the position is otherwise vacated.

Unless the proxy specifically instructs the proxyholder to withhold such vote, Common Shares represented by the proxies hereby solicited shall be voted for the election of the nominees whose names are set forth below. Management does not contemplate that any of these proposed nominees will be unable to serve as a Director, but if that should occur for any reason prior to the Meeting, the Common Shares represented by the properly executed proxies given in favour of nominees of management named in the enclosed form of proxy may be voted for another nominee at such proxyholder's discretion.

Greater than 50% of the votes cast by Shareholders present in person or by proxy are required to elect the directors.

Name, Province and Country of Residence	Principal Occupation	Director Since	Position(s) with the Corporation	Common Shares Owned, Controlled or Directed ⁽⁷⁾ (as of March 30, 2007)
Peter C. Akerley ⁽⁴⁾⁽⁵⁾ Halifax, Nova Scotia, Canada	President and CEO, Erdene Gold Inc.	February 25, 2003	President, Chief Executive Officer and Director, and Co-Managing Director of a Subsidiary	295,800
Wayne G. Beach ⁽³⁾ Toronto, Ontario, Canada	Partner, Beach, Hepburn LLP	November 18, 2003	Director	1,205,500
William B. Burton ⁽²⁾⁽⁵⁾ Toronto, Ontario, Canada	President and CEO, MagIndustries Corp.	February 25, 2003	Director	74,000
John P. Byrne ⁽¹⁾⁽³⁾ Toronto, Ontario, Canada	President, Petroleum Corporation of Canada Exploration Ltd.	August 25, 2004	Director	932,500
David S.B. Carnell ⁽¹⁾⁽²⁾ Halifax, Nova Scotia, Canada	President, Bedford Capital Group Inc.	November 18, 2003	Director	396,400
J.C. (Chris) Cowan ⁽⁴⁾⁽⁵⁾ Toronto, Ontario, Canada	Minerals Consultant	February 25, 2003	Vice-President (Asia), Director and a Managing Director of the Corporation's Mongolian Subsidiaries	342,000
Jeffrey J. Gerard ⁽²⁾⁽⁵⁾ Sydney, Australia	General Manager, Business Strategy, Xstrata Coal	February 24, 2006	Director	Nil

Name, Province and Country of Residence	Principal Occupation	Director Since	Position(s) with the Corporation	Common Shares Owned, Controlled or Directed ⁽⁷⁾ (as of March 30, 2007)
Ken W. MacDonald ⁽⁴⁾ Halifax, Nova Scotia, Canada	Vice President (North America) and CFO, Erdene Gold Inc.	February 25, 2003	Vice-President (North America), Chief Financial Officer and Director	317,200
Stuart P. Rath ⁽¹⁾⁽⁶⁾ Truro, Nova Scotia, Canada	President, Stuco Holdings Limited	June 14, 2006	Director	736,637
Philip L. Webster ⁽⁶⁾ Hatley, Quebec, Canada	President, Imperial Windsor Group Inc.	June 14, 2006	Director	366,000

Notes:

- (1) Member of the Audit Committee.
- (2) Member of the Compensation Committee.
- (3) Member of the Corporate Governance and Disclosure Policy Committee.
- (4) Member of the Pre-Clearance Committee.
- (5) Member of the Technical Committee.
- (6) Pursuant to the terms of an arrangement agreement dated April 26, 2006, the Corporation acquired the outstanding shares of Kaoclay Resources Inc. ("Kaoclay") in exchange for shares and warrants of the Corporation by way of a court-approved plan of arrangement under the *Canada Business Corporations Act* and agreed, among other things, to include two of Kaoclay's nominees as management's nominees for the Board at the next two following annual meetings of Shareholders. Messrs. Rath and Webster, Kaoclay's nominees, were first elected to the Board at the annual meeting of Shareholders held on June 14, 2006.
- (7) The information as to security holdings was provided by the nominees as of March 30, 2007.

Peter C. Akerley - Mr. Akerley has a BSc (1988) from Saint Mary's University in Halifax. Mr. Akerley has been the Corporation's President and Chief Executive Officer since March 2003. Mr. Akerley previously provided corporate development, exploration and managerial services for projects in Canada, Guyana, Mexico, the Philippines, the United States of America and Mongolia to junior and senior exploration and mining companies. He is also a director of Temex Resources Corporation (Jan 2005 – Present).

Wayne G. Beach - Mr. Beach is a graduate of Queen's University School of Law and the University of New Brunswick. Prior to co-founding Beach, Hepburn LLP, a Toronto law firm, in 1985, Mr. Beach was a professor of law at the University of Western Ontario School of Law, teaching taxation law. From 1997 to June 1999, Mr. Beach founded and operated Northern Securities Inc., a registered securities dealer. He returned to Beach Hepburn LLP in January 2001. Mr. Beach has served on the board of several publicly traded mining companies, including Tan Range Exploration Corporation (1999-2003), FNX Mining Company (1997-2005), Newstar Resources Inc. (1996-2001), Southern Rio Resources (2002-2005), Gold Summit Mines Ltd. (2002-2005), Northwestern Mineral Ventures Inc. (2005-2006), Frontera Copper Corporation (2003-Present), MCK Mining Corp. (2003-2005), Vedron Gold Inc. (2003-2005), RNC Gold Inc. (2003-2006) and Diadem Resources Ltd. (2004-2006). In 1999, Newstar Resources Inc., a company of which Mr. Beach formerly served as a director, was the subject of a cease trade order for failure to file financial statements resulting from the filing under Chapter 11 of the United States Bankruptcy Code by its United States subsidiary.

William B. Burton - Mr. Burton is President and CEO of MagIndustries Corp. and has held that position since 1998. MagIndustries Corp., a publicly-listed company, develops mineral and energy resources. Mr. Burton is a geoscientist and was previously Vice-President of Exploration for International Pursuit Corporation (1996-1998), evaluating gold properties in Asia including Mongolia and was President of Mongolian Goldfields Corporation from 1996 to 1997. He has over 30 years experience in exploration and operating junior resource companies. Mr. Burton was President and CEO of Adex Mining Inc. in June 1997, when the Ontario Securities Commission issued a cease trade order because the company did not meet the continued listing requirements with respect to asset values and trading volume. The cease trade order was revoked on March 23, 2007. Mr. Burton resigned as an officer of Adex Mining Inc. in March 2000 but became a director again on January 23, 2007. In August 1999, Mr. Burton instituted a compromise with his sole creditor, Canada Customs and Revenue Agency, through a proposal under the *Bankruptcy and Insolvency Act*. The proposal was accepted by the creditor and the court, and has since been settled.

John P. Byrne – Mr. Byrne has more than 30 years of investment banking and corporate finance experience. He is President of Petroleum Corporation of Canada Exploration Limited ("Petrex"), an oil and gas exploration and development company, and has held that position since 1976. Petrex helped establish and finance Enerplus Energy Services Limited ("Enerplus") for which Mr. Byrne served as Vice-Chairman (1986-2000). He was a director of FW Omnimedia (2000-2004). He also served in senior executive roles with Levesque Beaubien Geoffrion Inc. (now National Bank Financial), A.E. Ames & Company Ltd./Dominion Securities Ames Ltd. and The First Boston Corporation. Mr. Byrne graduated from McGill University with a BA and from the University of Toronto Law School with a LLB. He is also a Chartered Financial Analyst.

David S.B. Carnell - Mr. Carnell is the President of Bedford Capital Group Inc. (an investment holding company) based in Halifax, Nova Scotia. From 1987 to 1989, Mr. Carnell was a director of AquaGold Resources Inc. (now Atlantic Industrial Minerals Inc.). He retired in the 2000 from a bank-owned investment dealer after a 32-year career in sales and management.

J.C. (Chris) Cowan - Mr. Cowan, MSc (Geology), P. Eng. (Ontario), is a minerals consultant providing services to exploration and mining companies world-wide since 1990. Prior to that, he spent 28 years with Falconbridge Limited in a variety of senior management and board positions. Mr. Cowan has also been responsible for technical direction of Falconbridge's world-wide exploration as well as activities exploration manager in Southeast Asia and Chief Geologist for Sudbury Operations. Mr. Cowan is a Managing Director of Erdene Mongol XXK and Erdene Energy XXK, wholly-owned subsidiaries of the Corporation. Mr. Cowan has served as a director for a number of publicly listed companies, including Unigold Inc. (2003-2006) and Preston Resources Inc. (1997-2001). Mr. Cowan was appointed Vice-President Asia in June 2006.

Jeffrey J. Gerard - Mr. Gerard is the Chief Operating Officer of the Americas for Xstrata Coal and has 25 years of experience in mining and related industries. Xstrata plc is a major global diversified mining group, listed on the London and Swiss stock exchanges. At Xstrata Coal, Mr. Gerard is responsible for business strategy and development support to the operating divisions, capital investment approvals and international mergers and acquisitions. Mr. Gerard began working in the coal industry in 1991, holding various positions in open cut and underground operations including exploration, mining engineering, environmental management, coal preparation, quality control, marketing, finance and consulting. Mr. Gerard has been the General Manager of Business Strategy for Xstrata Coal since 2002. Prior to February 2002, he was employed by Glencore Coal Australia as the General Manager, Business Development. Mr. Gerard is a qualified Industrial Chemist and a graduate of the Australian Institute of Company Directors.

Kenneth W. MacDonald - From September 1992 to present, Mr. MacDonald has been the President and owner of Fisher Transport Limited, a specialized transport company. Mr. MacDonald has been Vice-President of Finance for Kaoclay Resources Inc. from 1996 to the present. From 1985 to September 1992, he was involved as Vice-President Finance with public and private corporations in the resource sector. Prior to 1985, Mr. MacDonald, a chartered accountant, was a senior manager with one of Canada's major accounting firms. Mr. MacDonald has been Vice-President and Chief Financial Officer of the Corporation since March 2003. Mr. MacDonald was appointed Vice-President North America in June 2006.

Stuart P. Rath - Stu Rath is President and Director of Stuco Holdings Ltd., a private investment company. From 1985 to 1995, he was President and Chief Operating Officer of Halifax Cablevision Ltd., a cable television business with systems in Halifax, Yarmouth, Liverpool and Shelburne. From 1976 to 1985 he was the President and General Manager of Eastern Cablevision Ltd. and from 1960 to 1976 he was employed by the Bank of Montreal serving in the capacity of Manager, Commercial Credit from 1975 to 1976. He is the Vice-President of Truro Centre Ltd. and Chairman of the Truro Industrial Society.

Philip L. Webster - Philip Webster's principal occupation for the past five years has been as a private investor and as President of Imperial Windsor Group Inc. and Emster Holdings Inc. (private investment companies) and, since 1998, as President of Imperial Windsor Group Inc. (a family investment company). From 1984 to 1990 he was an adjunct professor at McGill University, School of Architecture. He was a designer with Anderson Architects from 1986 to 1989 and was Executive Assistant to the President of Imperial Trust Company from 1979 to 1981. Mr. Webster is presently a director of Western Financial Group Inc. (a publicly listed Canadian financial services corporation), Detroit Marine Terminals Inc. (a stevedoring company), Imperial Windsor Group Inc., Emster Holdings Inc., PBI Kinmont Inc. (a private investment company), R. Howard Webster Foundation and the Zellers

Family Foundation (both charitable foundations). He is a past director of St. Lawrence Stevedoring Inc. and Seaway Terminals Inc. (both stevedoring companies) and Newsco Investments Inc. (a private investment company). He is a trustee and past Chair of Stanstead College (a private boarding school) and a former director of the Canadian Heritage of Quebec. He was previously the Chairman of the Site Selection Committee of the McGill University Hospital Centre, Treasurer and Building Committee Chairman for the Montreal Association for the Blind and Chairman of the World Foundation of Hemophilia.

DIRECTOR AND EXECUTIVE COMPENSATION

Compensation of Directors

Prior to March 2004, the directors of the Corporation did not receive fees or other such compensation in their capacities as directors, other than stock options pursuant to the Corporation's Incentive Stock Option Plan. Following the Corporation's initial public offering in March 2004, the Corporation began to pay its directors, who are not executive officers, an honorarium of \$500 per meeting of the Board or any committee of the Board. The aggregate amount earned by the directors in 2006 based upon their meeting attendance was \$17,500. Directors are also entitled to be reimbursed for travel and other out-of-pocket expenses incurred for attendance at directors' meetings.

From time to time directors may be retained to provide specific services to the Corporation and will be compensated for services provided to the Corporation as consultants or experts on the same basis and at the same rate as would be payable if such services were provided by a third party, arm's length service provider. During the year ended December 31, 2006, the Corporation paid:

- (a) \$148,000 to Fisher Transport Limited, a company owned by Ken W. MacDonald, for management and administrative services provided by Mr. Macdonald, \$142,000 related to services provided in 2006 and \$6000 as a bonus in recognition of his outstanding efforts in 2005; and
- (b) \$197,000 to J.C. (Chris) Cowan for management and technical services, \$162,000 related to services provided in 2006 and \$35,000 as a bonus in recognition of his outstanding efforts in 2005.

The Corporation has a formalized Incentive Stock Option Plan (the "Plan") for the granting of incentive stock options to its officers, directors, employees and consultants. The purpose of granting options pursuant to the Plan is to assist the Corporation in compensating, attracting, retaining and motivating such persons and to closely align the personal interests of such persons to that of the Shareholders. The Shareholders will be asked at the Meeting to approve a new Incentive Stock Option Plan as described in this Management Information Circular under "*Approval of New Incentive Stock Option Plan*".

Executive Compensation

The following sets forth all annual and long-term compensation for services in all capacities to the Corporation in respect of the Corporation's President & Chief Executive Officer, Vice-President (North America) & Chief Financial Officer and Vice-President (Asia) (the "Named Executives") for the years ended December 31, 2006, December 31, 2005 and December 31, 2004. Other than the President & Chief Executive Officer and the Vice-President (Asia), no executive officer of the Corporation (or any other individual) earned in excess of \$150,000 during the Corporation's most recently completed financial year. The information provided below includes annual salary earned, incentive bonuses earned and all other compensation during those financial periods for the Named Executives.

(a) **Summary Compensation Table**

All amounts are in Canadian dollars.

Named Executive and Principal Position	Financial Year Ending	Annual Compensation			Long Term Compensation			
		Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)	Awards		Payouts	All Other Compensation (\$)
					Securities Under Options/SARs Granted (#)	Shares or Units subject to Resale Restrictions (\$)	LTIP Payouts (\$)	
Peter C. Akerley, President & CEO	2006	180,000	35,000	Nil	125,000	Nil	Nil	Nil
	2005	145,000	25,000	Nil	Nil	Nil	Nil	Nil
	2004	96,664 ⁽¹⁾	Nil	Nil	125,000	Nil	Nil	46,250 ⁽¹⁾
Ken W. MacDonald, Vice-President (North America) & CFO	2006	Nil	6,000	Nil	Nil	Nil	Nil	142,000
	2005	Nil	Nil	Nil	125,000	Nil	Nil	114,922 ⁽²⁾
	2004	Nil	Nil	Nil	125,000	Nil	Nil	96,000 ⁽²⁾
J.C. Cowan (Chris), Vice President (Asia)	2006	Nil	35,000	Nil	125,000	Nil	Nil	162,000 ⁽³⁾
	2005	Nil	Nil	Nil	Nil	Nil	Nil	102,000 ⁽³⁾
	2004	Nil	Nil	Nil	125,000	Nil	Nil	72,000 ⁽³⁾

Notes:

- (1) Beginning January 1, 2003 and up to April 30, 2004, Mr. Akerley was compensated pursuant to a consulting arrangement whereby BRM Exploration Ltd., a company owned by Mr. Akerley, was paid a per diem rate for services provided by Mr. Akerley. In 2004 this compensation amounted to \$46,250. Effective May 1, 2004, Mr. Akerley has been compensated pursuant to an employment agreement under which Mr. Akerley is paid a salary of \$145,000 per annum.
- (2) Mr. MacDonald is compensated pursuant to a consulting arrangement whereby Fisher Transport Limited, a company owned by Mr. MacDonald, is paid a monthly rate for services provided by Mr. MacDonald and others.
- (3) Mr. Cowan is compensated pursuant to a consulting arrangement whereby he is paid a monthly rate for services provided.

(b) **Options Granted During the Most Recently Completed Financial Year**

The following options were granted to the Named Executives during the most recently completed financial year pursuant to the Corporation's Incentive Stock Option Plan.

Named Executive	Securities under Options/SARs Granted (#)	% of Total Options/SARs Granted to Employees in Financial Year ⁽¹⁾	Exercise or Base Price (\$/Security)	Market Value of Securities Underlying Options/SARs on the Date of Grant (\$/Security)	Expiration Date (MM/DD/YY)
Peter C. Akerley, President & CEO	125,000	8.5%	\$0.85	\$0.80	08/23/11
Ken W. MacDonald Vice-President (North America) & CFO	Nil	0%	N/A	N/A	N/A
J.C. (Chris) Cowan	125,000	8.5%	\$0.85	\$0.80	08/23/11

Note:

- (1) An aggregate of 1,470,000 options were granted to employees, directors, officers and consultants of the Corporation during the most recently completed financial year pursuant to the Corporation's Incentive Stock Option Plan.

(c) ***Aggregate Options Exercised During the Most Recently Completed Financial Year and Financial Year End Option Values***

No stock options were exercised in respect of the Corporation's Common Shares by any Named Executive during the financial year ended December 31, 2006. The following table sets forth the value of outstanding options held by the Named Executives as of December 31, 2006. The value of unexercised in-the-money options at financial year end is the difference between the fair market value of the Common Shares on December 31, 2006 which was \$0.72 per Common Share and the exercise price of the options.

Named Executive	Securities Acquired on Exercise (#)	Aggregate Value Realized (\\$)	Unexercised Options/SARs at Dec. 31, 2006 (#)		Value of Unexercised In-the-Money Options/SARs at Dec. 31, 2006 (\\$)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Peter C. Akerley President & CEO	Nil	N/A	292,500	7,500	\$12,537.50	\$2,212.50
Ken W. MacDonald Vice-President (North America) & CFO	Nil	N/A	368,000	Nil	\$34,810	Nil
J.C. (Chris) Cowan, Vice President (Asia)	Nil	N/A	290,000	Nil	\$11,800	Nil

(d) ***Employment Agreements***

Beginning January 1, 2003, Peter C. Akerley, the President & CEO of the Corporation, was compensated pursuant to a consulting arrangement whereby BRM Exploration Ltd., a company owned by Mr. Akerley, was paid a per diem rate for services provided by Mr. Akerley. Effective May 1, 2004, Mr. Akerley has been compensated pursuant to a written employment agreement under which he was paid at the rate of \$145,000 per annum for his services as President & CEO which was increased to \$180,000 per annum effective January 1, 2006. In 2006, Mr. Akerley received a bonus of \$35,000 for his exceptional efforts in 2005. Mr. Akerley's agreement is for an indefinite term, which the Board agreed to review bi-annually.

Beginning in March 2003, Ken W. MacDonald, Vice-President (North America) & CFO of the Corporation, was compensated pursuant to a consulting arrangement whereby Fisher Transport Limited ("Fisher Transport"), a company owned by Mr. MacDonald, was paid a monthly rate for services provided by Mr. MacDonald and others. Effective February 1, 2004, Mr. MacDonald has been compensated through Fisher Transport pursuant to a written consulting agreement for management, financial and accounting services to be provided by Mr. MacDonald and others at a rate of \$9,500 per month, which was increased to \$13,500 per month effective June, 2006. In 2006, Fisher Transport received a bonus of \$6000 for services provided by Mr. MacDonald in 2005.

Since January, 2003, J.C. (Chris) Cowan, who was appointed the Vice-President (Asia) of the Corporation in June 2006, has been compensated pursuant to a consulting arrangement for the technical and management services he provides to the Corporation. Beginning January 2004, he was compensated at the rate of \$6000 per month, which was increased to \$8500 per month effective January 1, 2005 and to \$13,500 per month effective January 1, 2006. In 2006, Mr. Cowan received a bonus of \$35,000 for his exceptional efforts in 2005.

The Corporation has not entered into any compensatory plan, contract or arrangement where a Named Executive is entitled to receive compensation in the event of resignation, retirement or any other termination, a change of control of the Corporation, or a change in the Named Executives' responsibilities following a change in control, except that:

- (a) under the terms of the employment agreement with Mr. Akerley: (i) if his employment is terminated by the Corporation without cause, he will receive 12 months' salary and the Corporation shall continue his group insurance benefits, if any, for 6 months after the date of termination; and (ii) if his employment is terminated by the Corporation as a result of death or disability, he shall receive an amount equal to his then current annual salary; and

- (b) under the terms of the consulting agreement with Fisher Transport and the employment agreement with Mr. Akerley, in the event of a change of control of the Corporation, each may terminate their respective agreements with the Corporation. If Mr. Akerley does so, the Corporation is required to pay him a lump sum payment equal to his annual salary, and if Fisher Transport does so, the Corporation is obliged to pay it an amount equal to the compensation received by Fisher Transport in the preceding 12 months with respect to the services provided by Mr. MacDonald.

Composition of the Compensation Committee

The Corporation's Compensation Committee consists of three Board members, William Burton, David Carnell and Jeffrey Gerard.

Report on Executive Compensation

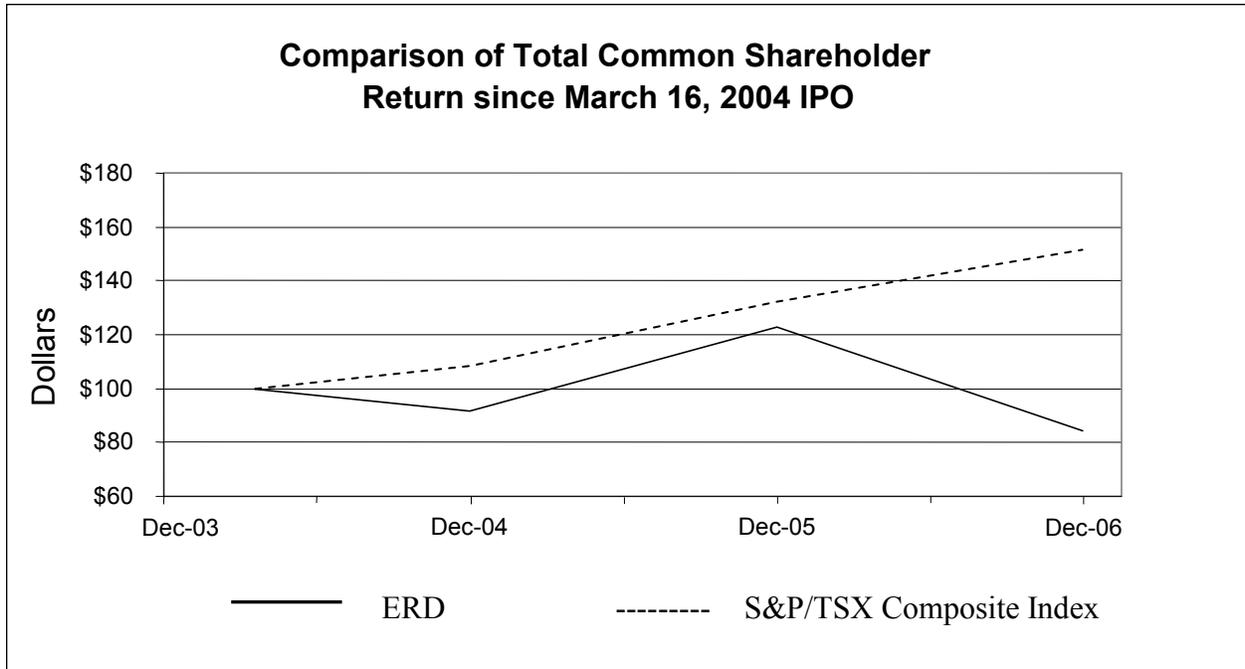
The Compensation Committee has been assigned the responsibility for reviewing and determining the adequacy and form of compensation and making recommendations to the Board on all aspects of compensation payable to the CEO and CFO. The Compensation Committee is also responsible for approving, upon recommendation of the CEO to the Compensation Committee, the remuneration of the other executive officers of the Corporation. The objective of the Corporation's Compensation Committee is to provide an appropriate compensation package to reward performance taking into account the Corporation's present stage of development and its available financial resources. The Corporation's compensation packages have been designed to provide a blend of a non-cash stock option component and a reasonable salary component based on industry comparables with companies at similar levels of development.

Salaries for the CEO, CFO and key personnel are determined by evaluating the responsibilities inherent in the position held and the individual's experience and past performance, as well as by reference to the competitive marketplace for management talent at other mining companies. At the end of each year, the Compensation Committee reviews actual performance against the objectives set by the Corporation and the employee for such year. The assessment of whether our objectives for the year have been met includes, but is not limited to, considering the quality and measured progress of the Corporation's exploration projects, raising of capital, corporate alliances and similar achievements. On the recommendation of the Compensation Committee, the Board approved a bonus payable to the CEO, the CFO and the Vice-President (Asia) and the CFO & Vice-President (North America) for their performance during the calendar year 2005.

Stock options are generally awarded to key personnel at the commencement of their employment and periodically thereafter. Options are granted to reward individuals for current performance, expected future performance and value to the Corporation, and take into account the stock options held by the individual.

Presented by the Compensation Committee, namely: William B. Burton, David S.B. Carnell and Jeffrey J. Gerard.

Performance Graph



The graph depicts the yearly percentage change in the Corporation's cumulative total shareholder return since March 16, 2004, the date the Corporation completed its initial public offering of Common Shares, assuming a \$100 investment in the Common Shares on such date, compared to an equal investment in the S&P/TSX Composite Index shares.

	March 16, 2004	2004	2005	2006
Value based on \$100 invested in Erdene Gold Inc.	\$100	\$91.76	\$122.35	\$84.71
Value based on \$100 invested in S&P/TSX Composite Index	\$100	\$108.74	\$132.56	\$151.81

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

Introduction

On November 18, 2003, the Shareholders of the Corporation approved the adoption of a formalized stock option plan, the Incentive Stock Option Plan (the "Plan"). The Plan was subsequently re-affirmed by the Shareholders at their meetings on each of June 24, 2004 and June 9, 2005 as required by the policies of the TSX Venture Exchange, the stock exchange upon which the Corporation's Common Shares were listed at the time. The Plan adopted by the Corporation is a "rolling" type of incentive stock option plan under which options may be granted for a number of shares up to 10% of the outstanding Common Shares of the Corporation, from time to time. The Shareholders will be asked at the Meeting to approve a new Incentive Stock Option Plan as described in this Management Information Circular under "*Approval of New Incentive Stock Option Plan*".

In addition to the Plan, the Corporation has issued common share purchase warrants in connection with an individual equity compensation arrangement.

Year-End Options and Warrants Outstanding

The following table sets out information as of December 31, 2006, the Corporation's most recently completed financial year, with regard to outstanding options exercisable into Common Shares under the Plan and outstanding warrants exercisable into Common Shares under individual compensation arrangements:

Plan Category	Number of securities to be issued upon exercise of outstanding options and warrants (a)	Weighted-average exercise price of outstanding options and warrants (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Incentive Stock Option Plan (Approved by Shareholders)	3,259,000	\$0.80	2,046,112 ⁽¹⁾
Individual Equity Compensation (Not Approved by Shareholders) ⁽²⁾	395,750	\$1.00	Nil
Total	3,654,750	\$0.82	2,046,112

Notes:

- (1) This number equals 10% of the total issued and outstanding Common Shares of the Corporation on December 31, 2006, which was 53,051,127, less the number of Common Shares reported under column (a) above.
- (2) The Corporation issued an aggregate of 395,750 warrants to purchase Common Shares to its agents in connection with a private placement of Common Shares by the Corporation on July 14, 2006. Each warrant is non-assignable and exercisable until January 14, 2008, at an exercise price of \$1.00 per Common Share.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Corporation has acquired liability insurance for the directors and officers of the Corporation to insure them from claims against them for certain of their acts, errors or omissions as well as insurance for the Corporation to insure the Corporation against any loss arising out of any liability to indemnify a director or officer. The insurance is in effect until April 22, 2007 at an annual premium of \$39,500 paid by the Corporation. The insurance provides coverage of up to \$5,000,000 with a \$50,000 deductible applicable to the Corporation only.

In addition, the Corporation acquired a "run off" liability insurance policy for the former directors and officers of Kaoclay Resources Inc., a corporation acquired by the Corporation by way of a court-approved plan of arrangement under the *Canada Business Corporations Act* on June 12, 2006. The policy insures the former officers and directors until June 12, 2009, from claims against them for certain of their acts, errors and omissions as officers and directors of Kaoclay Resources Inc. The Corporation paid \$25,000 for the insurance, which provides coverage of \$2,000,000 with a deductible of \$25,000.

INDEBTEDNESS OF DIRECTORS AND OFFICERS

None of the current or former directors, executive officers or employees of the Corporation, or associates or affiliates of a director or executive officer of the Corporation, have been indebted to the Corporation or its subsidiaries at any time since the beginning of the last completed financial year of the Corporation, other than "routine indebtedness" as that term is defined in applicable securities legislation.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

None of the directors or executive officers of the Corporation, or associates or affiliates of any of these persons, had any material interest, direct or indirect, in any transaction since January 1, 2006, or in any proposed transaction which, in either case, has materially affected or would materially affect the Corporation or its subsidiaries.

APPOINTMENT OF AUDITOR

KPMG LLP, Chartered Accountants, has been the Auditor of the Corporation since its incorporation. Management recommends the re-appointment of KPMG LLP. The Shareholders will be asked at the Meeting to vote for the appointment of KPMG LLP as Auditor of the Corporation until the next annual meeting of the Shareholders of the Corporation, at the remuneration to be fixed by the Board.

It is intended that all proxies received will be voted in favour of the appointment of KPMG LLP as Auditor of the Corporation, unless a proxy contains instructions to withhold the same from voting. Greater than 50% of the votes of Shareholders present in person or by proxy are required to appoint the Auditor of the Corporation.

APPROVAL OF NEW INCENTIVE STOCK OPTION PLAN

Introduction

The Board of Directors of the Corporation has approved a new Incentive Stock Option Plan (the "New Plan") to replace the Corporation's existing incentive stock option plan (the "Old Plan"), subject to Shareholder approval. The Corporation has adopted the New Plan in order to:

- (a) adopt a formal amendment procedure;
- (b) provide for the extension of the term of an option where such option expires during a black-out period; and
- (c) update the Old Plan to ensure consistency with the requirements of the Toronto Stock Exchange (the "TSX") given the Old Plan was initially adopted at the time the Corporation was listed on the TSX Venture Exchange.

The TSX issued a staff notice in June 2006 which recommended to issuers that they adopt formal amendment procedures with respect to their stock option plans. These amendment procedures are required to specify the list of amendments that the board of an issuer has the authority to approve without shareholder approval. If no such procedures are adopted, the TSX will require an issuer to obtain shareholder approval for all amendments to its option plan or options granted under such plan. In addition, the staff notice advised issuers that the TSX would permit them to provide in their option plans for an extension of the expiry date of an option in the event it expired during a black-out period. The TSX recognizes that self-imposed black-out periods by issuers are examples of good corporate governance and trading policies, and that issuers and optionees should not be penalized for this type of positive corporate behaviour.

Like the Old Plan, the purpose of the New Plan is to attract and retain directors, officers, employees and service providers to the Corporation and to motivate them to advance the interests of the Corporation by affording them with the opportunity to acquire an equity interest in the Corporation through options. The New Plan has been drafted to comply with the policies of the TSX as they exist at the time of this Management Information Circular. The following information is intended as a summary of the New Plan, and is qualified in its entirety by reference to the New Plan in the form attached as Appendix "A" to this Management Information Circular.

The New Plan – "Rolling" Maximum Reserve

The policies of the TSX permit the adoption of a "rolling" type of incentive stock option plan whereby the number of shares available for issuance under the plan will not be greater than a rolling maximum number equal to a percentage of the outstanding shares. Like the Old Plan, the New Plan provides that the number of Common Shares reserved for issuance upon the exercise of options granted under the New Plan is a rolling maximum number that shall not be greater than 10% of the outstanding Common Shares of the Corporation at any point in time. The purpose of adopting a "rolling" type of incentive stock option plan is to ensure that a sufficient number of Common Shares remains issuable under the New Plan at all times to meet the overall objective of the New Plan as previously stated, which is to allow the Corporation to attract, retain and motivate directors, officers, employees and service providers of the Corporation.

The New Plan – Other Terms

The New Plan authorizes the Board of Directors of the Corporation (or a Committee of the Board of Directors if so authorized by the Board of Directors) ("Board") to grant options to acquire Common Shares in favour of "Eligible Persons". Eligible Persons are directors, officers, employees, consultants, management company employees or any other service providers of the Corporation or its affiliates.

The aggregate number of Common Shares issued to insiders of the Corporation within any one year period under the New Plan together with any other security based compensation arrangement cannot exceed 10% of the outstanding Common Shares. In addition, the aggregate number of Common Shares issuable to insiders of the Corporation at any time under the New Plan together with any other security based compensation arrangement cannot exceed 10% of the outstanding Common Shares.

The date of grant, the number of Common Shares, the vesting period and any other terms and conditions of options granted pursuant to the New Plan are determined by the Board, subject to the express provisions of the New Plan.

Unless otherwise specified by the Board at the time an option is granted under the New Plan:

- (a) the exercise price of the option will be the volume weighted average trading price of the Shares on the TSX for the five trading days immediately preceding the date of the grant;
- (b) the term of the option will be 10 years from the date of the grant (which is the maximum allowable term under the New Plan), unless the expiry of the term falls during a black-out (or within ten days from the end of blackout) from trading in the securities of the Corporation imposed on certain persons including the optionee pursuant to any policies of the Corporation, and where such black-out applies, the expiry of the term of the option shall automatically be extended to 10 business days following the end of the black-out;
- (c) the option will vest immediately upon grant; and
- (d) the option will terminate immediately upon the holder ceasing to be an Eligible Person, provided however, in the event of: (i) death, the option continues to be exercisable for a period up to 12 months from the date of death, or (ii) termination without cause, the option continues to be exercisable for a period up to 90 days from the date of termination.

In the event an offer is made for the Common Shares which would result in the offeror exercising control of the Corporation within the meaning of applicable securities laws, any options then outstanding may be exercised so as to allow the optionee to tender the Common Shares received upon such an exercise; provided however, if the offer is not completed or the Common Shares tendered to the offeror are not taken up and paid for by the offeror, then such Common Shares must be returned to the Corporation by the optionee and the terms of the option applicable prior to the offer will again apply to the options.

The options are non-assignable and there is no ability under the New Plan to transform an option granted under the New Plan into a stock appreciation right.

The Board may, in its discretion, but subject to applicable law, authorize the Corporation to make loans to Eligible Persons to assist them in exercising their options. The terms and conditions of such loans are determined by the Board, and must include interest at prevailing market rates, a term not in excess of one year, and security in favour of the Corporation represented by that number of Common Shares received on exercise which equals the loaned amount divided by the market price of the Common Shares on the date of such exercise, or equivalent security, which security may be granted on a non-recourse basis.

The New Plan contains a formal amendment procedure which set forth a list of amendments that can be made to the New Plan by the Board without requiring the approval of Shareholders unless specifically required by the TSX. These amendments include, without limitation:

- (a) altering, extending or accelerating option vesting terms and conditions;
- (b) amending the termination provisions of an option;
- (c) accelerating the expiry date of an option;

- (d) determining adjustments pursuant to the provisions of the New Plan concerning corporate changes;
- (e) amending the definitions contained in the New Plan;
- (f) amending or modifying the mechanics of exercising options;
- (g) adding, amending or removing any provisions for financial assistance provided by the Corporation to purchase Common Shares under the New Plan;
- (h) amending provisions relating to the administration of the New Plan;
- (i) making "housekeeping" amendments, such as those necessary to cure errors or ambiguities contained in the New Plan;
- (j) effecting amendments necessary to comply with the provisions of applicable laws; and
- (k) suspending or terminating the New Plan.

The New Plan specifically provides that the following amendments, among others, require shareholder approval:

- (a) increasing the number of Common Shares issuable under the New Plan, except by operation of the "rolling" maximum reserve;
- (b) amending the New Plan which amendment could result in the aggregate number of Common Shares issued to insiders within any one year period or issuable to insiders at any time under the New Plan, together with any other security based compensation arrangement, exceeding 10% of the outstanding Common Shares;
- (c) extending the term of any option;
- (d) reducing the option price;
- (e) amending the class of Eligible Persons which would have the potential of broadening or increasing participation in the New Plan by insiders;
- (f) amending the formal amendment procedures; and
- (g) making any amendments required to be approved by the Shareholders under applicable law.

Existing Stock Options and Shares Reserved

As of the date hereof:

- (a) the total number of Common Shares issued upon exercise of options granted under the Old Plan is 10,000, which represents less than 0.1% of the outstanding Common Shares; and
- (b) the total number of Common Shares which remain reserved for issuance pursuant to currently outstanding options and options available to be granted, and which have been approved for listing by the TSX, is 5,294,112, which represents 9.8% of the outstanding Common Shares.

There are currently 3,254,000 options outstanding under the Old Plan (the "Old Options"), which represent 6.0% of the outstanding Common Shares.

Like the Old Plan, the New Plan will provide that the number of Common Shares reserved for issuance at any time will be a number equal to 10% of the outstanding Common Shares at that time. Based on the currently outstanding 53,951,127 Common Shares, a total of up to 5,395,112 Common Shares may be reserved for issuance under the New Plan, of which a total of 5,294,112 Common Shares have been approved for listing by the TSX as of the date hereof and are currently reserved for issuance. An aggregate of 3,254,000 of these Common Shares will be allocated to the Old Options.

The Corporation believes that all of the terms of the Old Options are not inconsistent with the terms of the New Plan and no amendments to such Old Options are presently contemplated. Notwithstanding the foregoing, in the event that a conflict arises between the terms of the New Plan and the terms of the Old Plan, the terms of the Old Plan will prevail with respect to the Old Options.

New Plan Resolution

The Shareholders of the Corporation will be asked to consider, and if deemed advisable, to approve a resolution adopting the New Plan. A copy of the proposed form of the resolution is set forth in Appendix "B" to this Management Information Circular.

Given the New Plan is a "rolling" type of incentive stock option plan, the Shareholders will be asked to approve the New Plan every three years in accordance with the rules and policies of the TSX. Therefore, the Shareholder will be asked for such approval at the annual meeting of the shareholders of the Corporation to be held in 2010.

The directors of the Corporation believe the New Plan is in the Corporation's best interest and recommend that the Shareholders approve the New Plan. **It is intended that all proxies received will be voted in favour of the resolution to approve the New Plan, unless a proxy contains instructions to vote against the New Plan. Greater than 50% of the votes cast by Shareholders present in person or by proxy is required to approve this resolution.**

AUDIT COMMITTEE

Information about the Corporation's Audit Committee is provided in the Corporation's Annual Information Form ("AIF") for the year ended December 31, 2006, under the section entitled "Audit Committees". A copy of the AIF may be obtained from the Corporation's public disclosure documents found on SEDAR at www.sedar.com.

CORPORATE GOVERNANCE

The Corporation is required to include disclosure of its corporate governance practices in this Management Information Circular in accordance with National Instrument 58-101 *Disclosure of Corporate Governance Practices* (the "Instrument"). The Instrument has been adopted by the securities commissions or similar regulatory authorities across Canada (the "Canadian Securities Administrators").

The Board endorses the efforts of the Canadian Securities Administrators in continuing the evolution of good corporate governance practices. The Board is committed to adhering to the highest standards in all aspects of its activities.

The corporate governance practices described below are subject to change as the Corporation evolves. The Board shall remain sensitive to corporate governance issues and shall continuously seek to set up the necessary measures, control mechanisms and structures to ensure an effective discharge of its responsibilities without creating additional overhead costs and reducing the return on Shareholders' equity.

Board of Directors

The Board is currently comprised of ten directors, six of whom are independent. It is proposed that ten directors be elected for the current year. An independent director is defined to be a director who has no direct or indirect relationship with the Corporation which could, in the view of the Board, be reasonably expected to interfere with the exercise of a member's independent judgement.

The six independent directors are Wayne Beach, William Burton, John Byrne, David Carnell, Stuart Rath and Philip Webster.

The remaining four directors are not considered independent for the following reasons:

- (a) Peter Akerley is the President and Chief Executive Officer of the Corporation;
- (b) Chris Cowan is the Vice President (Asia) and a Managing Director of subsidiaries of the Corporation;
- (c) Ken MacDonald is the Vice-President (North America) and Chief Financial Officer of the Corporation; and
- (d) Jeff Gerard is an employee of Xstrata Coal, an affiliate of Xstrata Coal Donkin Ltd. (with whom the Corporation is a joint venture partner in connection with the Donkin Coal Project in Cape Breton, Nova Scotia), Donkin Coal Management Limited (which manages the Donkin Coal Project) and Xstrata Coal Canada Limited (with whom the Corporation has an alliance agreement).

Although the independent directors do not meet regularly without the non-independent members of the Board, the directors can request at any time a meeting restricted to independent directors for the purpose of discussing matters independently of Management. No such formal meetings have been called since January 1, 2006. There have been, however, informal discussions among Board members, as well as formal meetings of the Audit Committee, which is comprised of three directors, all of whom are independent. As a result, the Chair of the Audit Committee, David Carnell, has provided leadership for the majority of the independent directors. In addition, all of the members of the Compensation Committee and the Corporate Governance and Disclosure Policy Committee are independent directors.

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

Director	Name of Other Reporting Issuer
Peter Akerley	Temex Resources Corp. (TSX-V)
Wayne Beach	Frontera Copper Corporation (TSX)
William Burton	MagIndustries Corp. (TSX-V)
Philip Webster	Western Financial Group Inc. (TSX)

The Board meets a minimum of four times a year and more frequently if required.

There have been 6 formal Board meetings since January 1, 2006, and the attendance record of each director at such meetings is as follows:

Director	Number of Meetings Attended
Peter Akerley	6
Wayne Beach	5
William Burton	5
John Byrne	5
David Carnell	6
J.C. (Chris) Cowan	5
Jeffrey Gerard	6
Ken MacDonald	6
Stuart Rath	6
Philip Webster	6

In addition, certain of the Board's decisions since January 1, 2006 were passed by way of written consent following informal discussions among the directors and Management.

Board Mandate

The Board is responsible for the stewardship of the Corporation through the supervision of the business and management of the Corporation. This mandate is accomplished directly and through five committees:

- (i) the Compensation Committee;
- (ii) the Audit Committee;
- (iii) the Pre-Clearance Committee;
- (iv) the Corporate Governance and Disclosure Policy Committee; and
- (v) the Technical Committee.

The Board remains committed to ensuring the long-term viability and profitability of the Corporation, as well as the well-being of its employees and of the communities in which it operates. The strategic planning and business objectives developed by Management are submitted to and reviewed by the full Board, both on a formal annual basis and on an on-going basis through regular interim reports from Management. The Board also works with Management to identify principal risks, to select and assess senior management and to review significant operational

and financial matters. The Board reviews and approves the annual audited financial statements, the annual report, the annual budget and changes thereto, management proxy information circulars, material press releases, decisions as to material acquisitions not within the budget and the grant of stock options. The Board does not have a written mandate.

Position Descriptions

The Board has not developed written position descriptions for the Chairman, the Chair of each committee, or for the Chief Executive Officer of the Corporation. Given the relatively small size of the Corporation and the length of time Mr. Akerley and the majority of the Board members have served in such capacities, the Board believes that the roles and responsibilities have been appropriately communicated through Board meetings and informal communications amongst the Board, the Chairman, the Chairs of the Board committees and Mr. Akerley.

Orientation and Continuing Education

Given the size and relative stability of the Board, there is no formal program for the orientation and education of new recruits to the Board. The Corporation does, however, ensure that all new directors receive a complete package outlining the securities law obligations and restrictions on Board members and the Corporation, as well as a copy of all of the Corporation's policies. In addition, the Board believes that the past and continuing experiences of each director resulting from their past experience and current positions as detailed in this Management Information Circular ensure they have the skills and knowledge necessary to serve the Corporation as a member of the Board on an ongoing basis.

In August of 2006, the Board met in Sydney, Nova Scotia, and in December of 2006 the Board met in Eatonton, Georgia. All but one of the directors attended the meeting in Sydney, Nova Scotia, where Board members were given a presentation and a tour of the site of the Donkin Coal Project by representatives of Donkin Coal Management Ltd., the project manager. All directors attended the meeting in Eatonton, Georgia, where Board members visited the Corporation's offices and laboratory facility, met the Corporation's administrative and technical staff and observed the systems of financial policies and internal controls. Board members also visited the Corporation's kaolin properties in Hancock County, Georgia (being mined by J.M. Huber Corporation ("Huber")) and toured Huber's processing plant in Sandersville, Georgia. In addition, Board members visited the Corporation's Maddox property (under lease to Rinker Materials Corporation) in Hancock County, Georgia and a number of the Corporation's other kaolin properties for observation and presentations.

Ethical Business Conduct

In March 2006, the Board adopted a formal Code of Business Conduct and Ethics (the "Code") and expects each of its directors, officers and employees to adhere to the standards set forth in the Code. The Board does not intend to monitor compliance with the Code; however, a copy of the Code will be provided to each director, officer and employee, and such person will be required to sign an acknowledgement form under which they agree to adhere to the standards set forth in the Code. A copy of the Code is available on SEDAR at www.sedar.com. The Code specifically addresses, among other things, conflicts of interest, confidentiality, compliance with laws, the reporting of unethical behaviour and the reporting of accounting irregularities. Any submission received by the Audit and Corporate Governance Committee pursuant to the provisions of the Code must be reviewed by the Committee. The Committee will then determine whether an investigation is appropriate. The Committee and/or management will promptly investigate such submission and record the results in writing. All submissions must be treated confidentially to every extent possible, and the Audit and Corporate Governance Committee and any outside counsel must not reveal the identity of any person who makes the submission and asks that his or her identity remain confidential. The Code specifically provides that any submission may be made without fear of dismissal, disciplinary action or retaliation of any kind.

The Board believes that the Corporation's size also facilitates informal review of and discussions with its officers and employees to promote ethical business conduct.

In addition, the Pre-Clearance Committee is responsible for pre-clearing trades in the Corporation's securities by the officers and directors of the Corporation, and members of their families who reside with them, in accordance with the Corporation's Pre-Clearance Policy.

Nomination of Directors

The responsibility for proposing new nominees to the Board and for assessing directors on an ongoing basis is assumed by the full Board and every director is entitled to bring the matter to the Board. While it is open to any one director to propose new nominees to the Board for consideration by the Board as a whole, the Corporate Governance and Disclosure Policy Committee reviews the qualifications of candidates for Board membership and the slate of candidates for directors to be nominated for election by Shareholders at the annual general meeting of Shareholders. The Corporate Governance and Disclosure Policy Committee is required to meet a minimum of four times a year.

Compensation

The mandate of the Compensation Committee is to review the performance, compensation and succession planning of the executive officers of the Corporation and to ensure the proper administration of the Plan. This Committee is also responsible to review and recommend all executive benefits plans and executive prerequisites for approval by the Board. The Compensation Committee meets twice a year.

The Compensation Committee presently consists of three directors, Messrs. Burton, Carnell and Gerard, all of whom are independent.

Other Board Committees

The Pre-Clearance Committee is responsible for pre-clearing trades in the Corporation's securities by the officers and directors of the Corporation, and members of their families who reside with them, in accordance with the Corporation's Pre-Clearance Policy.

The Corporate Governance and Disclosure Policy Committee oversees all regulatory disclosure requirements and the Corporation's disclosure practices, including its Insider Trading Policy. This Committee is responsible to ensure that appropriate systems, processes and controls for disclosure are in place and to review all news releases and core disclosure documents before their release or filing.

The Technical Committee assists management in identifying and reviewing any acquisitions, joint ventures or similar opportunities before they are submitted to the Board.

The Board may, from time to time, create new committees or establish ad hoc committees to address special business issues.

Assessments

The responsibility for assessing directors on an ongoing basis is assumed by the full Board and every director is entitled to bring the matter to the Board. Without convening a special meeting for this purpose, the Board periodically performs an assessment exercise addressing its effectiveness, with input from Management.

PROPOSALS BY SHAREHOLDERS

Pursuant to the *Canada Business Corporations Act* (the "Act"), resolutions intended to be presented by Shareholders for action at the next annual meeting must comply with the provisions of the Act and be deposited at the Corporation's head office not later than January 21, 2008, in order to be included in the management information circular relating to the next annual meeting.

ADDITIONAL INFORMATION

Additional information relating to the Corporation is available on SEDAR at www.sedar.com. Financial information is provided in the Corporation's comparative financial statements and Management Discussion & Analysis ("MD&A") for its most recently completed financial year. To request copies of the Corporation's financial statements and MD&A, Shareholders should contact Michael X. Gillis at Erdene Gold Inc., Suite 1480, 99 Wyse Road, Dartmouth, Nova Scotia, B3A 4S5, Telephone (902) 423-6419, Fax (902) 423-6432. The financial statements and MD&A are also available on SEDAR at www.sedar.com.

APPROVAL OF CIRCULAR

The contents and the sending of this Management Information Circular have been approved by the Board.

Dated at Halifax, Nova Scotia, this 9th day of April, 2007.

(Signed) "*Peter C. Akerley*"
President and Chief Executive Officer

APPENDIX "A"

INCENTIVE STOCK OPTION PLAN

Article 1 - Purpose

1.1 The purpose of this Incentive Stock Option Plan ("Plan") of Erdene Gold Inc. ("Corporation") is to advance the interests of the Corporation and its subsidiaries by encouraging the Directors, Officers, Employees, Consultants and Management Company Employees to acquire Shares in the Corporation thereby increasing their proprietary interest in the Corporation, encouraging them to remain associated with the Corporation, rewarding significant performance achievements and furnishing them with additional incentive in their efforts on behalf of the Corporation and its Affiliates in the conduct of their affairs.

Article 2 - Defined Terms

2.1 The following terms used herein shall have the following meanings:

- (a) "Affiliate" means an affiliated entity to the Corporation as determined under the *Securities Act* (Ontario) as amended from time to time;
- (b) "Black-Out Period" means a time when pursuant to any policies of the Corporation any securities of the Corporation may not be traded by certain persons as designated by the Corporation, including any holder of an Option;
- (c) "Board" means the board of directors of the Corporation or, if established and duly authorized to act in respect of the Plan, a committee of the board of directors of the Corporation;
- (d) "Business Day" means any day, other than a Saturday or a Sunday, on which the TSX is open for trading;
- (e) "Consultant" means an individual or Consultant Company, other than a Director, Officer, Employee or Management Company Employee that:
 - (i) is engaged to provide on an ongoing bona fide basis, consulting, technical, management or other services to the Corporation or its Affiliates, other than services provided in relation to a distribution;
 - (ii) provides the services under a written contract with the Corporation or its Affiliates; and
 - (iii) spends or will spend a significant amount of time on the affairs and business of the Corporation or its Affiliates;
- (f) "Consultant Company" means for an individual consultant, a company or partnership of which the individual is an employee, shareholder or partner;
- (g) "Corporation" means Erdene Gold Inc., a company incorporated under the laws of Canada, and any successor corporation;
- (h) "Director" means a director of the Corporation or its Affiliates;
- (i) "Eligible Person" means any Director, Officer, Employee, Consultant or Management Company Employee of the Corporation or its Affiliates, or any other person or entity engaged to provide ongoing services to the Corporation or its Affiliates determined by the Board as eligible for participation in the Plan;
- (j) "Employee" means:

- (i) an individual who is considered an employee of the Corporation or its Affiliates under the *Income Tax Act* (Canada);
 - (ii) an individual who works full-time for the Corporation or its Affiliates providing services normally provided by an employee and who is subject to the same control and direction by the Corporation over the details and methods of work as an employee of the Corporation, but for whom income tax deductions are not made at source; or
 - (iii) an individual who works for the Corporation or its Affiliates on a continuing and regular basis for the minimum amount of time per week specified by the Board, providing services normally provided by an employee and who is subject to the same control and direction by the Corporation over the details and methods of work as an employee of the Corporation, but for whom income tax deductions are not made at source;
- (k) "Exchange" means the TSX or, if the Shares are not then issued and posted for trading on the TSX, on such stock exchange in Canada on which such Shares are listed and posted for trading as may be selected for such purpose by the Board;
- (l) "Fixed Term" means the period of time during which the Options must be exercised pursuant to the terms of the Plan;
- (m) "Insider" means:
- (i) a director or senior officer of the Corporation;
 - (ii) every director or senior officer of a Company that is itself an insider of the Corporation;
 - (iii) every director or senior officer of an Affiliate of the Corporation if:
 - A. such person, in the ordinary course, receives or has access to information as to material facts or material changes concerning the Corporation before the material facts or material changes are generally disclosed; or
 - B. the Affiliate is a Major Subsidiary of the Corporation; or
 - C. such person is an Insider of the Corporation in a capacity other than as a director or senior officer of the Affiliate; and
 - (iv) any person or company who beneficially owns, directly or indirectly, voting securities of the Corporation or who exercises control or direction over voting securities of the Corporation or a combination of both carrying more than ten percent (10%) of voting rights attached to all outstanding voting securities of the Corporation; and
 - (v) the Corporation itself if it holds any of its own securities;
- (n) "Major Subsidiary" has the meaning attributed to such term under National Instrument 55-101 *Insider Reporting Exemptions*;
- (o) "Management Company Employee" means an individual employed by a person providing management services to the Corporation, which are required for the ongoing successful operation of the business enterprise of the Corporation;
- (p) "Market Price" means the volume weighted average trading price of the Shares on the Exchange for the five trading days immediately preceding the date on which the Option is approved by the Board rounded up to the nearest cent. In the event that such Shares are not listed and posted for trading on any Exchange, the Market Price in respect thereof shall be the fair market value of such Shares as determined by the Board in its sole discretion;

- (q) "Officer" means a senior officer of the Corporation or its Affiliates;
- (r) "Option" means an option granted to purchase Shares under the terms of the Plan;
- (s) "Option Price" means the price per share at which Shares may be purchased under the Option, as the same may be adjusted from time to time in accordance with Article 8 hereof;
- (t) "Optionee" means an Eligible Person to whom an Option has been granted under the terms of the Plan;
- (u) "Plan" means this incentive stock option plan;
- (v) "Shares" means the common shares of the Corporation as currently constituted or, in the event of an adjustment as contemplated by Article 7, such other shares or securities to which an Optionee may be entitled upon the exercise of an Option as a result of such adjustment; and
- (w) "TSX" means the Toronto Stock Exchange.

Article 3 - Administration of Plan

3.1 The Plan shall be administered by the Board which shall have the power, subject to the specific provisions of the Plan:

- (a) to establish policies and to adopt rules and regulations for carrying out the purposes, provisions and administration of the Plan;
- (b) to interpret and construe the Plan and determine all questions arising out of the Plan and any Option granted pursuant to the Plan and any such interpretation, construction or determination made by the Board shall be final, binding and conclusive for all purposes;
- (c) to determine to which Eligible Persons Options are granted and to grant Options;
- (d) to determine the number of Shares covered by each Option;
- (e) to determine the Option Prices;
- (f) to determine the time or times when Options will be granted and exercisable;
- (g) to determine if the Shares that are subject to an Option will be subject to any restrictions upon the exercise of such Option; and
- (h) to prescribe the form of the instruments relating to the grant, exercise and other terms of Options.

The power described in this Section 3.1 shall be exercised in accordance with applicable securities laws and rules and policies of the Exchange.

Article 4 - Shares Subject to the Plan

4.1 Subject to adjustment as provided in Article 7, the Shares to be offered under the Plan shall consist of the Corporation's authorized but unissued Shares. The aggregate number of Shares to be delivered upon the exercise of all Options granted under the Plan shall not exceed the greater of ten percent (10%) of the issued and outstanding Shares at the time of granting of Options (on a non-diluted basis) or such other number as may be approved by the Exchange and the shareholders of the Corporation from time to time.

4.2 Under no circumstances shall this Plan, together with any other security-based compensation arrangements, result, at any time, in:

- (a) the number of Shares issuable to Insiders exceeding ten percent (10%) of the issued and outstanding Shares (on a non-diluted basis); or
- (b) the issuance to Insiders, within a one-year period, of a number of Shares exceeding 10% of the issued and outstanding Shares (on a non-diluted basis).

4.3 If any Option granted hereunder shall expire or terminate for any reason without having been exercised in full, the unpurchased Shares subject thereto shall again be available for the purpose of the Plan.

Article 5 - Eligibility, Grant and Terms of Options

5.1 Options may only be granted to Eligible Persons.

5.2 Options shall be for a Fixed Term and exercisable from time to time as determined in the discretion of the Board at the time of grant, provided that, subject to Section 5.3, no Option shall have a term exceeding ten (10) years (or such shorter or longer period as is permitted by the Exchange from time to time).

5.3 Except where not permitted by the Exchange, where a Fixed Term for an Option expires during a Black-Out Period or within ten (10) Business Days of the end of a Black-Out Period, the term of such Option shall be extended to the date which is ten (10) Business Days following the end of such Black-Out Period.

5.4 Subject to this Article, the number of Shares subject to each Option, the Option Price, the expiration date of each Option, the extent to which each Option is exercisable from time to time during the term of the Option and other terms and conditions relating to each such Option shall be determined by the Board; provided, however, if no specific determination is made by the Board with respect to any of the following matters, each Option shall, subject to any other specific provisions of the Plan, contain the following terms and conditions:

- (a) the Fixed Term shall be ten (10) years from the date the Option is granted to the Optionee;
- (b) the Option shall be exercisable in whole or in part at any time after the grant of the Option; and
- (c) the Option Price shall be the Market Price.

5.5 The Option Price shall in no circumstances be lower than the greater of: (i) the price permitted by the Exchange, or (ii) the price permitted by any other regulatory body having jurisdiction.

5.6 An Option is personal to the Optionee and is non-assignable and non-transferable. Where an Option is granted to a company wholly-owned by an Optionee, such company must agree, at the time of the grant, not to effect or permit any transfer of ownership of Options or shares of such company, nor issue any additional shares to any individual or entity for so long as Options remain outstanding to the credit of that company, except with the prior written consent of the Corporation, the Exchange and any other applicable regulatory authority.

5.7 Notwithstanding any provision contained in this Plan, no Optionee may exercise any Option granted under this Plan and no Shares may be issued upon exercise of an Option unless such exercise and issuance are in compliance with all applicable securities laws or other legislation of the jurisdiction of residence of such person. Unless the potential Optionee is a resident of Canada, the Corporation may require, as a condition of the grant of Options, that the potential Optionee provide a written acknowledgement that the grant of the Options does not violate any such laws.

Article 6 - Ceasing to be an Eligible Person

6.1 Subject to Section 6.2, Section 6.3 and any express resolution passed by the Board, an Option, and all rights to purchase Shares pursuant thereto, granted to an Eligible Person shall expire and terminate immediately upon the Optionee ceasing to be a Director, Officer, Employee, Consultant or Management Company Employee.

6.2 If, before the expiry of an Option in accordance with the terms thereof, the Optionee ceases to be an Eligible Person for any reason whatsoever other than termination by the Corporation for cause, but including termination by reason of death of the Optionee, such Option may, subject to the terms thereof and any other terms of the Plan, be exercised:

- (a) if the Optionee is deceased, by the heirs of the Optionee or by legal personal representative(s) of the estate of the Optionee at any time within twelve (12) months following the death of the Optionee; or
- (b) if he is alive, by the Optionee at any time within ninety (90) days following the date of the Optionee ceased to be an Eligible Person,

but, in any case, the exercise of the Option must be: (i) prior to the expiry of the Fixed Term of the Option in accordance with the terms thereof, and (ii) only to the extent that the Optionee was entitled to exercise such Option at the date he ceased to be an Eligible Person.

6.3 Options shall not be affected in the event the Optionee ceases to fall within a listed category contained in the definition of an "Eligible Person" hereunder where such Optionee continues to fall within another listed category of such definition.

6.4 If an Optionee who has ceased to be an Eligible Person again becomes an Eligible Person before the expiration of the applicable period referred to in Section 6.2(b), any of the Optionee's unexercised Options shall continue to be exercisable under the same terms and conditions as though the Optionee never ceased to be an Eligible Person.

Article 7 - Certain Adjustments

7.1 If a bona fide offer ("Offer") for Shares is made to the Optionee or to shareholders generally or to a class of shareholders which includes the Optionee, which Offer, if accepted in whole or in part, would result in the offeror exercising control over the Corporation within the meaning of subsection 1(3) of the *Securities Act* (Ontario) (as amended from time to time), then the Corporation shall, immediately upon receipt of notice of the Offer, notify each Optionee currently holding an Option of the Offer, with full particulars thereof, whereupon, notwithstanding the terms of the Option, such Option may be exercised in whole or in part by the Optionee so as to permit the Optionee to tender the Shares received upon such exercise (the "Optioned Shares") pursuant to the Offer. If:

- (a) the Offer is not completed within the time specified therein; or
- (b) the Optionee does not tender the Optioned Shares pursuant to the Offer; or
- (c) any of the Optioned Shares tendered by the Optionee pursuant to the Offer are not taken up and paid for by the offeror in respect thereof,

then the Optioned Shares or, in the case of paragraph (c) above, the Optioned Shares that are not taken up and paid for, shall be returned by the Optionee to the Corporation and reinstated as authorized but unissued Shares and the terms of the Option applicable prior to the Offer shall again apply to the Option. If any Optioned Shares are returned to the Corporation under this Section, the Corporation shall refund the exercise price to the Optionee for such Optioned Shares. In no event shall the Optionee be entitled to sell the Optioned Shares otherwise than pursuant to the Offer.

7.2 If the Corporation amalgamates or merges with or into another company, any Shares receivable on the exercise of an Option shall be converted into the securities, property or cash which the Optionee would have

received upon such amalgamation or merger if the Optionee had exercised his Option immediately prior to the record date applicable to such amalgamation or merger, and the Option Price shall be adjusted appropriately by the Board and such adjustment shall be binding for all purposes of the Plan.

7.3 If there is any change in the Shares through the declaration of stock dividends of Shares or consolidations, subdivisions or reclassification of Shares, or otherwise, the number of Shares available under the Plan, the Shares subject to any Option, and the Option Price shall be adjusted appropriately by the Board and such adjustment shall be effective and binding for all purposes of the Plan.

7.4 The Corporation shall not be obligated to issue fractional shares in satisfaction of any of its obligations hereunder.

Article 8 - Exercise of Options

8.1 Subject to the provisions of the Plan, an Option may be exercised from time to time by delivery to the Corporation at its principal office of a written notice of exercise addressed to the President of the Corporation specifying the number of Shares with respect to which the Option is being exercised and accompanied by payment in full of the Option Price for the Shares to be purchased. Certificates for such Shares shall be issued and delivered to the Optionee within a reasonable time following the receipt of such notice and payment.

8.2 Notwithstanding any of the provisions contained in the Plan or any Option, the Corporation's obligation to issue Shares to an Optionee pursuant to the exercise of an Option shall be subject to:

- (a) completion of such registration or other qualification of such Shares or obtaining approval of the Exchange or such regulatory authority as the Corporation shall determine to be necessary or advisable in connection with the authorization, issuance or sale thereof;
- (b) the admission of Shares to listing on the Exchange; and
- (c) the receipt from the Optionee of such representations, agreements and undertakings, including as to future dealings in such Shares as the Corporation or its counsel determines to be necessary or advisable in order to safeguard against the violation of the securities laws of any jurisdiction.

In this connection, the Corporation shall, to the extent necessary, take all reasonable steps to obtain such approvals, registrations and qualifications as may be necessary for the issuance of such Shares in compliance with applicable securities laws and for the listing of such Shares on the Exchange. If any Shares cannot be issued to any Optionee for any reason including, without limitation, the failure to obtain necessary shareholder, regulatory or stock exchange approval, then the obligation of the Corporation to issue such Shares shall terminate and any Optionee's contribution or Option Price paid to the Corporation shall be returned to the Optionee.

8.3 Subject to applicable law, the Board may at any time authorize the Corporation to loan money to an Eligible Person, on such terms and conditions as the Board may reasonably determine, to assist such Eligible Person to exercise an Option held by him or her. Such terms and conditions shall include, in any event, interest at prevailing market rates, a term not in excess of one year, and security in favour of the Corporation represented by that number of Shares received upon exercise of the Option which equals the loaned amount divided by the Market Price of the Shares on the date of exercise of the Option, or equivalent security, which security may be granted on a non-recourse basis.

Article 9 - Amendment Procedure

9.1 Where permissible, the Corporation retains the right to amend or terminate the terms and conditions of the Plan by resolution of the Board. If required, any amendments shall be subject to the prior consent of any applicable regulatory bodies, including the Exchange. Any amendment to the Plan shall take effect with respect to all outstanding Options on the date of, and all Options granted after, the effective date of such amendment, provided that in the event any amendment materially and adversely affects any outstanding Options it may apply to such outstanding Options only with the mutual consent of the Corporation and the Optionees to whom such Options have been granted. The Board shall have the power and authority to approve amendments relating to the Plan or to Options, without further approval of the shareholders of the Corporation, to the extent that such amendments relate to:

- (a) altering, extending or accelerating the terms and conditions of vesting of any Options;
- (b) amending the termination provisions of an Option, which amendment shall include determining that any provisions of Article 6 concerning the effect of the Optionee ceasing to be an Eligible Person shall not apply for any reason acceptable to the Board;
- (c) accelerating the expiry of the Fixed Term of any Option;
- (d) determining adjustments pursuant to Article 7 hereof;
- (e) amending the definitions contained within the Plan, including but not limited to the definition of "Eligible Person" under the Plan except as provided in Section 9.2(d);
- (f) amending or modifying the mechanics of exercise of the Options as set forth in Article 8;
- (g) amending the terms and conditions of any financial assistance which may be provided by the Corporation to Optionees to facilitate the purchase of Shares under the Plan, or adding, amending or removing any provisions for such financial assistance;
- (h) effecting amendments of a "housekeeping" nature including, without limiting the generality of the foregoing, any amendment for the purpose of curing any ambiguity, error, inconsistency or omission in or from the Plan;
- (i) effecting amendments necessary to comply with the provisions of applicable laws (including, without limitation, the rules, regulations and policies of the Exchange);
- (j) effecting amendments respecting the administration of the Plan; and
- (k) effecting amendments necessary to suspend or terminate the Plan.

9.2 Approval of the shareholders of the Corporation shall be required for the following types of amendments:

- (a) increasing the number of Shares issuable under the Plan, except such increase by operation of Section 4.1 and in the event of an adjustment contemplated by Article 7;
- (b) amending the Plan which amendment could result in the aggregate number of Shares of the Corporation issued to Insiders within any one year period under the Plan together with any other security-based compensation arrangement, or issuable to Insiders at any time under the Plan together with any other security-based compensation arrangement, exceeding 10% of the issued and outstanding Shares;
- (c) extending the Fixed Term of the Option;
- (d) reducing the Option Price of the Option or cancelling the Option and replacing such Option with a lower Option Price under such replacement Option, except as permitted pursuant to Article 7;

- (e) amending the listed categories contained in the definition of "Eligible Persons" hereunder which would have the potential of broadening or increasing participation in the Plan by Insiders;
- (f) amending Section 9.1 hereof and this Section 9.2; and
- (g) making any amendments required to be approved by shareholders under applicable law (including, without limitation, pursuant to the rules, regulations and policies of the Exchange).

Where required by the policies of the Exchange, the shareholder approval required by this Section 9.2 shall be by the majority vote of the shareholders of the Corporation excluding any votes cast by Insiders who are entitled to participate as Eligible Persons under the Plan or who will specifically benefit from the proposed amendment. In the event of any conflict between Sections 9.1 and this Section 9.2, the latter shall prevail to the extent of the conflict.

Article 10 - General

10.1 The holder of an Option shall not have any rights as a Shareholder of the Corporation with respect to any Shares covered by such Option until such holder shall have exercised such Option in accordance with the terms of the Plan (including tender of payment in full of the Option Price of the Shares in respect of which the Option is being exercised) and the Corporation shall issue such Shares to the Optionee in accordance with the terms of the Plan in those circumstances.

10.2 Nothing contained in the Plan or any Option shall confer upon any Optionee any right with respect to continuance as a Director, Officer, Employee, Consultant or Management Company Employee of the Corporation or its Affiliates, or interfere in any way with the right of the Corporation or its Affiliates to terminate the Optionee's employment at any time.

10.3 Nothing contained in the Plan or any Option shall confer on any Optionee who is not a Director, Officer, Employee, Consultant or Management Company Employee any right to continue providing ongoing services to the Corporation or its Affiliates or affect in any way the right of the Corporation or its Affiliates to determine to terminate his, her or its contract at any time.

10.4 The Corporation makes no representation or warranty as to the future market value of any Shares issued in accordance with the provisions of the Plan.

10.5 The Plan will be governed by and construed in accordance with the laws of Nova Scotia.

10.6 If any provision of this Plan or any agreement entered into pursuant to this Plan contravenes any law or any order, policy, by-law or regulation of any regulatory body or Exchange having authority over the Corporation or the Plan then such provision shall be deemed to be amended to the extent required to bring such provision into compliance therewith.

Article 11 - Shareholder and Regulatory Approval

This Plan shall be subject to the approval of the shareholders of the Corporation to be given by a resolution passed at a meeting of the shareholders of the Corporation, and to acceptance by the Exchange and any other relevant regulatory authority. Any Options granted hereunder prior to such approval and acceptance shall be conditional upon such approval and acceptance being given, and no such Options may be exercised unless and until such approval and acceptance is given.

APPENDIX "B"

STOCK OPTION PLAN RESOLUTION

BE IT RESOLVED that:

1. The New Plan substantially in the form attached as Appendix "A" to the Management Information Circular delivered to the Shareholders of the Corporation in connection with the Annual and Special Meeting to be held on May 10, 2007 be and is hereby approved;
2. The form of the New Plan may be amended in order to satisfy the requirements or requests of any regulatory authorities without requiring further approval of the Shareholders of the Corporation; and
3. Any one of the directors or officers of the Corporation is hereby authorized to take all such actions and execute and deliver all such documents as are necessary or desirable for the implementation of this resolution.