
**NOTICE OF SPECIAL MEETING OF SHAREHOLDERS**

**OF SOUTH AMERICAN SILVER CORP.**

**to be held on Monday, December 9, 2013**

**and**

**MANAGEMENT INFORMATION CIRCULAR**

**with respect to a proposed**

**CONTINUANCE**

**and**

**PLAN OF ARRANGEMENT**

**November 7, 2013**

**These materials are important and require your immediate attention. They require you to make important decisions. If you are in doubt as to how to make such decisions, please contact your financial, legal or other professional advisors. If you are a registered holder and have any questions or require more information with regard to voting your common shares, please contact our registrar and transfer agent, CST Trust Company, by phone at 1-800-387-0825 (Toll Free in North America) or 1-416-682-3860 or by email at inquiries@canstockta.com. If you are a non-registered holder and have any questions or require more information with regard to voting your common shares, please contact your investment dealer. Non-registered shareholders or beneficial shareholders means owners of shares whose shares are registered in the name of an investment dealer, other intermediary or clearing agency.**

**THE BOARD OF DIRECTORS RECOMMENDS THAT SHAREHOLDERS**

**VOTE IN FAVOUR**

**OF THE CONTINUANCE RESOLUTION AND THE ARRANGEMENT RESOLUTION**

November 7, 2013

Dear Shareholders:

You are invited to attend a special meeting of holders of common shares of South American Silver Corp. to be held at 1 First Canadian Place, 100 King Street West, Suite 1600, Toronto, Ontario M5X 1G5, on December 9, 2013 at 2:00 p.m. (Toronto time).

At the Meeting you will be asked to consider and, if thought advisable, to approve (i) the continuance of SASC from the federal jurisdiction into British Columbia, and (ii) a plan of arrangement pursuant to which, among other things, SASC will exchange each issued and outstanding SASC Common Share for one SASC Class A Share and one SASC Class B Share and SASC will acquire all of the issued and outstanding common shares of High Desert Gold Corporation that it does not already own by issuing 0.275 Class A Shares of the Corporation for each HDG Share.

The Class B Shares to be issued to the SASC shareholders immediately prior to the acquisition of HDG entitle the holders collectively to 85% of the net cash proceeds received from any arbitration award or settlement agreement in connection with the ongoing dispute with Bolivia related to its expropriation of the Malku Khota Project.

The acquisition of HDG will put South American Silver back into precious metals through HDG's 100% owned Gold Springs gold-silver project. Gold Springs straddles the border of Utah and Nevada, both of which are pro-development, safe, mining-friendly states. Gold Springs is an outcropping, near-surface gold-silver deposit which early metallurgical test-work suggests will produce material that is amenable to heap leaching. This all means that, should the Gold Springs deposit prove economic after further exploration and engineering studies, it could be brought into production relatively quickly with minimal technical risk and at reasonable capital costs.

The resolutions approving the Continuance and the Plan of Arrangement must be approved by at least 66⅔% of the votes cast by SASC Shareholders voting either in person or by proxy at the Meeting. Completion of the Arrangement is conditional upon the Continuance first taking place.

**The Board has concluded that the Continuance and Arrangement are in the best interests of SASC and recommends that the SASC Shareholders vote in favour of each of the resolutions authorising, adopting and approving the Continuance and the Arrangement.**

The enclosed information circular contains a detailed description of the Continuance and the Arrangement, as well as detailed information regarding SASC, HDG and the combined business following of the Arrangement. Please give this material your careful consideration and consult your financial, tax or other professional advisors. If you are unable to attend the Meeting in person, please complete and deliver the enclosed form of proxy or voting instruction form in order to ensure your representation at the Meeting.

Completion of the Arrangement is subject to various conditions under the Arrangement Agreement, including the receipt of the approval by the SASC Shareholders of the Continuance and the Arrangement. Assuming that the SASC Shareholders pass the required resolutions, and all other conditions are either satisfied or waived, the Arrangement will become effective on or about December 20, 2013.

Yours very truly,

(signed) *"Phillip Brodie-Hall"*

Phillip Brodie-Hall
President and Chief Executive Officer

**SOUTH AMERICAN SILVER CORP.**

**NOTICE OF SPECIAL MEETING OF SHAREHOLDERS**

**NOTICE IS HEREBY GIVEN** that the special meeting (the "**Meeting**") of the shareholders of **SOUTH AMERICAN SILVER CORP.** ("**SASC**" or the "**Corporation**") will be held at 1 First Canadian Place, 100 King Street West, Suite 1600, Toronto, Ontario M5X 1G5, on December 9, 2013 at 2:00 p.m. (Toronto time) for the following purposes:

1 to consider and, if deemed advisable, to pass, with or without variation, a special resolution (the "**Continuance Resolution**") authorizing the continuance of the Corporation into British Columbia under the *Business Corporations Act* (British Columbia) (the "**Continuance**"), as more particularly described in the accompanying management information circular (the "**Circular**");

2 conditional upon approval of the Continuance, to consider, pursuant to an interim order of the Supreme Court of British Columbia dated November 6, 2013, as the same may be amended (the "**Interim Order**"), and, if deemed advisable, to pass, with or without variation, a special resolution (the "**Arrangement Resolution**") to approve an arrangement (the "**Arrangement**") pursuant to Section 288 of the *Business Corporations Act* (British Columbia) involving, among other things, the exchange of each issued and outstanding common share of the Corporation (the "**SASC Common Shares**") then outstanding for one SASC Class A Share and one SASC Class B Share and the acquisition by the Corporation of all of the issued and outstanding common shares of High Desert Gold Corporation (the "**HDG Shares**") that it does not already own through the issuance of 0.275 Class A Shares of the Corporation for each HDG Share as of the effective date of the Arrangement, all as more particularly described in the accompanying Circular; and

3 to transact such other business as may properly come before the Meeting or any postponement or adjournment thereof.

The Continuance and Arrangement are described in the accompanying Circular, which forms part of this Notice of Special Meeting of Shareholders. The full text of the Continuance Resolution is set out in Schedule A to the Circular and the full text of the Arrangement Resolution is set out in Schedule E to the Circular. The board of directors of the Corporation, as confirmed by the Interim Order, has fixed the close of business on November 4, 2013 as the record date for determining shareholders who are entitled to receive notice of, and to vote at, the Meeting.

The Circular, form of proxy and Letter of Transmittal (as defined in the Circular) accompany this Notice of Special Meeting of Shareholders. Reference is made to the Circular for details relating to the matters to be considered at the Meeting.

Whether or not you expect to attend the Meeting, if you are a registered shareholder ("**Registered Shareholder**"), please exercise your right to vote by signing and returning the enclosed form of proxy, if by mail, to CST Trust Company, P.O. Box 721, Agincourt, Ontario, M1S 0A1, if by fax to 416-368-2502 or 1-866-781-3111 (in North America) or if in person, to CST Trust Company, 320 Bay Street, Basement Level (B1), Toronto, Ontario, M5H 4A6 so as to arrive not later than 5:00 p.m. (Toronto time) on the second business day (excluding Saturdays, Sundays and holidays) preceding the date of the Meeting or any postponement or adjournment thereof. If you execute the form of proxy you may still attend the Meeting. Only Registered Shareholders and duly appointed proxyholders may vote in person at the Meeting.

Beneficial owners of SASC Common Shares registered in the name of a broker, custodian, nominee or other intermediary should follow the instructions provided by your broker, custodian, nominee or other intermediary in order to vote your SASC Common Shares.

Registered Shareholders of SASC Common Shares have a right to dissent in respect of the Continuance or the Arrangement. If the Continuance or Arrangement is implemented, Registered Shareholders who exercise their right of dissent in connection with respect to either the Continuance or Arrangement and follow the appropriate procedures will be entitled to be paid the fair value of their SASC Common Shares. Registered Shareholders wishing to exercise their right to dissent must provide a written objection to the applicable Resolution to the Corporation c/o Gowling Lafleur Henderson LLP, Suite 2300, Bentall 5, 550 Burrard Street, Box 30, Vancouver, BC V6C 2B5 (Attention: Martin L. Palleson) prior to the Meeting or to the Chair at the Meeting. No Registered Shareholder who has voted in favour of the Continuance Resolution shall be entitled to dissent with respect to the Continuance and no Registered Shareholder who has voted in favour of the Arrangement Resolution shall be entitled to dissent with respect to the Arrangement. Registered Shareholders must otherwise comply strictly with the dissent procedures described in the Circular. See Continuance into British Columbia - Shareholders' Rights of Dissent in Respect of the Continuance" and "The Arrangement - Dissent Rights" in the Circular and Schedule D of the Circular.

**FAILURE TO COMPLY STRICTLY WITH THE DISSENT PROCEDURES MAY RESULT IN THE LOSS OR UNAVAILABILITY OF THE RIGHT TO DISSENT. BENEFICIAL OWNERS OF SASC COMMON SHARES REGISTERED IN THE NAME OF A BROKER, CUSTODIAN, NOMINEE OR OTHER INTERMEDIARY WHO WISH TO DISSENT SHOULD BE AWARE THAT ONLY REGISTERED SHAREHOLDERS ARE ENTITLED TO EXERCISE THE RIGHT OF DISSENT AND SHOULD CONTACT SUCH REGISTERED HOLDER IMMEDIATELY WITH RESPECT TO ANY INSTRUCTIONS CONCERNING EXERCISING A RIGHT TO DISSENT.**

If you are a Registered Shareholder and have any questions regarding the matters to be dealt with at the Meeting, the procedures for voting or completing the form of proxy or any information contained in the accompanying Circular, please contact our registrar and transfer agent, CST Trust Company, by phone at 1-800-387-0825 (Toll Free in North America) or 1-416-682-3860 or by email at inquiries@canstockta.com. If you are a non-registered shareholder and have any questions or require more information with regard to voting your SASC Common Shares, please contact your investment dealer. Non-registered shareholders or beneficial shareholders means owners of SASC Common Shares whose SASC Common Shares are registered in the name of an investment dealer, other intermediary or clearing agency.

**BY ORDER OF THE BOARD**

(signed) *"Phillip Brodie-Hall"*

Vancouver, British Columbia
November 7, 2013

Phillip Brodie-Hall
President and Chief Executive Officer

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**SOUTH AMERICAN SILVER CORP.**

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## Information Contained in this Circular

The information contained in this Circular is given as at November 7, 2013 except where otherwise noted and except that information in documents incorporated by reference is given as of the dates noted therein.

No person has been authorized to give any information or to make any representation in connection with the matters described herein other than those contained in this Circular and, if given or made, any such information or representation should be considered not to have been authorized by the Corporation.

This Circular does not constitute the solicitation of an offer to purchase any securities or the solicitation of a proxy by any person in any jurisdiction in which such solicitation is not authorized or in which the person making such solicitation is not qualified to do so or to any person to whom it is unlawful to make such solicitation.

Descriptions in this Circular of the terms of the Arrangement Agreement and the Plan of Arrangement are merely summaries of the terms of those documents. Shareholders should refer to the full text of each of the Arrangement Agreement and the Plan of Arrangement for complete details of those documents. The full text of the Arrangement Agreement is available electronically under SASC's profile on the SEDAR website at www.sedar.com and the full text of the Plan of Arrangement is attached as Schedule F to this Circular.

## Information Concerning High Desert Gold Corporation

Certain information in this Circular pertaining to HDG and the Gold Springs Project, including but not limited to information in Schedule H "Information Concerning High Desert Gold Corporation" and information derived from the Gold Springs Technical Report has been furnished by HDG or is derived from information provided by HDG. The Gold Springs Technical Report is available electronically under HDG's profile on the SEDAR website at www.sedar.com.

Although the Corporation does not have any knowledge that would indicate that such information is untrue or incomplete, neither the Corporation nor any of its directors or officers assumes any responsibility for the accuracy or completeness of such information including any of HDG's financial statements or information derived from the Gold Springs Technical Report or for the failure by HDG to disclose events or information that may affect the completeness or accuracy of such information.

## Cautionary Statement Regarding Forward-Looking Information and Statements

This Circular contains forward-looking statements and forward-looking information (collectively, "**forward-looking statements**") within the meaning of applicable Canadian and US securities legislation. These statements relate to future events or the future activities or performance of the Corporation. Information concerning mineral resource estimates also may be deemed to be forward-looking statements in that it reflects a prediction of the mineralization that would be encountered if a mineral deposit were developed and mined. Forward-looking statements are typically identified by words such as believe, expect, anticipate, intend, estimate, plans and similar expressions, or which by their nature refer to future events. These forward-looking statements include, but are not limited to, statements concerning:

- the Corporation upon completion of the Arrangement;

- the pursuit by South American Silver Limited of its arbitration claim against the Government of Bolivia;

- the Corporation's strategies and objectives, both generally and specifically in respect of the Escalones property and the Gold Springs property; and

- the Corporation's estimates of the resources at its Escalones property and HDG's estimates of the resources at its Gold Springs property and the potential for the expansion of the estimated resources at the Gold Springs property.

Although the Corporation believes that such statements are reasonable, it can give no assurance that such expectations will prove to be correct. These forward-looking statements are based on current expectations and entail various risks and uncertainties. Actual results may materially differ from expectations, if known and unknown risks or uncertainties affect our business, or if our estimates or assumptions prove inaccurate. Factors that could cause results or events to differ materially from current expectations expressed or implied by the forward-looking statements, include, but are not limited to, failure to obtain the requisite shareholder, court and stock exchange approvals for the Continuance and the Arrangement or other conditions of the Arrangement not being met or waived; the receipt by HDG of a competing or superior proposal for an alternative transaction; uncertainties associated with the arbitration proceeding against Bolivia, including the quantum of damages to be obtained and the realization or collection of the value of any award or settlement; possible variations in mineral resources, grade, metal prices; availability of further financing to fund planned or further required work in a timely manner and on acceptable terms; changes in project parameters as plans continue to be refined; failure of equipment or processes to operate as anticipated; regulatory, environmental and other risks of the mining industry more fully described in the Corporation's Annual Information Form dated March 28, 2013 for the year ended December 31, 2012 (the "**AIF**"), which is available on SEDAR at www.sedar.com and other risks identified herein under "Risk Factors to the Arrangement".

The Corporation cautions investors that any forward-looking statements by the Corporation are not guarantees of future performance, and that actual results may differ, and may differ materially, from those expressed or implied by forward-looking statements contained in this Circular. Such statements are based on a number of assumptions which may prove incorrect, including, but not limited to, assumptions about:

- the tax treatment of the exchange of SASC Common Shares for SASC Class A Shares and SASC Class B Shares;

- the ability of the Corporation to realize value from its arbitration claim against the Government of Bolivia;

- the accuracy of the Corporation's and HDG's resource estimates (including with respect to size and grade) and the geological, operational and price assumptions on which these are based;

- the timing of the receipt of regulatory and governmental approvals, permits and authorizations necessary to continue HDG's planned exploration program at the Gold Springs property and to continue to explore the Escalones property;

- the Corporation's ability to secure the necessary consulting, drilling and related services and supplies on favourable terms in connection with its ongoing and planned exploration programs;

- that the metallurgy and recovery characteristics of samples from the Escalones and Gold Springs properties are reflective of the respective deposits as a whole; and

- the Corporation's ability to negotiate and enter into an appropriate joint venture agreement for its Escalones property.

In addition, forward-looking information and *pro forma* financial information herein is based on certain assumptions and involves risks related to the consummation or non-consummation of the Acquisition and the business and operations of the Corporation following the Acquisition. *Pro forma* financial information contained herein is based on the assumption that the Acquisition will be completed. Risks include the risk that immediately prior to completion of the Acquisition the relative market value of the SASC Common Shares and the HDG Shares will be different from the values at the time the Acquisition was agreed to, that the value ascribed to the SASC Class A Shares in the *pro forma* financial information will be different from the market value of the SASC Class A Shares following completion of the Arrangement, that the conditions to the Acquisition will not be satisfied or waived, that the Arrangement Agreement may be terminated and other risks discussed in this Circular. Although the Corporation has attempted to identify important factors that could cause actions, events or results to differ materially from those described in forward-looking statements and *pro forma* financial information in this Circular, and the documents incorporated by reference herein, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There is no assurance that such statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements or information.

The unaudited *pro forma* consolidated financial statements included as Schedule I to this Circular should be read in conjunction with the consolidated financial statements and notes thereto of SASC and HDG incorporated by reference into this Circular. The *pro forma* adjustments are based on available financial information and certain estimates and assumptions. The actual adjustments to the consolidated financial statements of SASC will depend on a number of factors. Therefore, the actual amounts recorded upon completion of the transactions will likely differ from those recorded in the unaudited *pro forma* consolidated financial statements and these differences may be material. Similarly, the calculation and allocation of the purchase price has been prepared on a preliminary basis and is subject to change between the time such preliminary estimates were made and closing as a result of several factors which could include, among others, changes in the fair value of the assets acquired and liabilities assumed and the market price of the related HDG Shares, HDG Options and HDG Warrants. Any potential synergies that may be realized and integration costs that may be incurred upon completion of the transactions have been excluded from the unaudited *pro forma* consolidated financial statements. Further, the unaudited *pro forma* financial information is not necessarily indicative of the results of operations that may be obtained in the future.

Shareholders are advised that the SASC Class A Share and SASC Class B Share prices estimated in the unaudited *pro forma* consolidated financial statements were calculated for the purpose of the *pro forma* consolidated financial statements and shall not be construed by the shareholders as an indicative tax value of the SASC Class A Shares and SASC Class B Shares for income tax purposes. As the final proportion cannot be determined prior to the closing of the Arrangement, the Corporation will advise holders on its website shortly after the closing of the Arrangement as to its views on such division of adjusted cost base of the SASC Common Shares into SASC Class A Shares and SASC Class B Shares. In order to comply with the requirements of the *Income Tax Act* (Canada), such allocation will, in general terms, reflect the Corporation's estimate of fair market values for certain property determined at the time of the Arrangement and may well not be reflective of the relative trading price of the SASC Class A Shares after the Arrangement. As well, the Corporation's views on the allocation of adjusted cost base are not binding on the Canada Revenue Agency (the "**CRA**") or a court.

All of the forward-looking statements made in this Circular, including all documents incorporated by reference herein, are qualified by these cautionary statements. These forward-looking statements are made as of the date hereof and the Corporation does not intend and does not assume any obligation, to update these forward-looking statements, except as required by applicable law. For the reasons set forth above, investors should not attribute undue certainty to or place undue reliance on forward-looking statements.

**Notice to United States Shareholders**

Neither the United States Securities and Exchange Commission (the "**SEC**") nor the securities regulatory authorities in any state has passed on the fairness or merits of the Arrangement or the adequacy or accuracy of this Circular. Any representation to the contrary is a criminal offence.

The securities of the Corporation to be issued under the Arrangement have not been registered under the U.S. Securities Act and are being issued in reliance on the exemption from registration set forth in Sections 3(a)(9) and 3(a)(10) thereof. Section 3(a)(9) of the U.S. Securities Act provides an exemption from registration under the U.S. Securities Act for offers and sales of securities exchanged by the issuer with its existing security holders exclusively where no commission or other remuneration is paid or given directly or indirectly for soliciting such exchange. Section 3(a)(l0) of the U.S. Securities Act provides an exemption. Section 3(a)(l0) of the U.S. Securities Act provides an exemption from registration under the U.S. Securities Act for offers and sales of securities issued in exchange for one or more outstanding securities where the terms and conditions of the issuance and exchange of such securities have been approved by a court authorized to grant such approval after a hearing upon the fairness of the terms and conditions of the issuance and exchange at which all persons to whom the securities will be issued have the right to appear. The Supreme Court of British Columbia (the "**Court**") is authorized to conduct a hearing at which the fairness of the terms and conditions of the Arrangement will be considered. The Court issued the Interim Order on November 6, 2013 and, subject to the approval of the HDG Resolutions at the HDG Meeting, a hearing on the Arrangement is expected to be held on December 19, 2013 at 9:45 a.m. (Vancouver time) in the Court or so soon thereafter as counsel may be heard.

The Corporation is a corporation subject to corporate laws applicable in Canada. The solicitations of proxies and the transactions contemplated in this Circular involve securities of a Canadian issuer and are being effected in accordance with Canadian corporate and securities laws. The solicitation of proxies is not subject to the requirements of Section 14(a) of the U.S. Exchange Act. Accordingly, this Circular has been prepared in accordance with applicable Canadian disclosure requirements. Residents of the United States should be aware that such requirements differ from such requirements under U.S. securities laws relating to United States companies.

Financial statements included or incorporated by reference herein have been prepared in accordance with International Financial Reporting Standards and are subject to auditing and auditor independence standards in Canada, which differ from U.S. generally accepted accounting principles and auditing and auditor independence standards in the U.S. in certain material respects, and thus may not be comparable to financial statements of U.S. companies.

The enforcement by SASC Shareholders of civil liabilities under the United States securities laws may be affected adversely by the fact that the Corporation is organized under corporate law applicable in Canada, that some of its officers and directors and the experts named herein may be resident in jurisdictions outside the United States, and that a significant portion of the assets of the Corporation and such persons are located outside the United States. As a result, it may be difficult or impossible for SASC Shareholders in the United States to effect service of process within the United States upon the Corporation, its directors or officers, or the experts named herein, or to realize against them upon

judgments of courts of the United States predicated upon civil liabilities under the federal securities laws of the United States or "blue sky" laws of any state within the United States. In addition, SASC Shareholders should not assume that the courts of Canada: (a) would enforce judgments of United States courts obtained in actions against such persons predicated upon civil liabilities under the federal securities laws of the United States or "blue sky" laws of any state within the United States; or (b) would enforce, in original actions, liabilities against such persons predicated upon civil liabilities under the federal securities laws of the United States or "blue sky" laws of any state within the United States.

*There may be U.S. tax implications to the Arrangement*

U.S. shareholders should be aware that there may be U.S. tax implications to the Arrangement. Shareholders are encouraged to seek independent advice from their tax and legal advisors.

**Caution Regarding Reference to Resources and Reserves**

National Instrument 43-101 *Standards of Disclosure for Mineral Projects* is a rule developed by the Canadian Securities Administrators which establishes standards for all public disclosure an issuer makes of scientific and technical information concerning mineral projects. Unless otherwise indicated, all resource estimates contained in or incorporated by reference in this Circular have been prepared in accordance with NI 43-101 and the guidelines set out in the Canadian Institute of Mining, Metallurgy and Petroleum (the "**CIM**") Standards on Mineral Resource and Mineral Reserves, adopted by the CIM Council on November 14, 2004 (the "**CIM Standards**") as they may be amended from time to time by the CIM.

United States investors are cautioned that the requirements and terminology of NI 43-101 and the CIM Standards differ significantly from the requirements and terminology set forth in SEC Industry Guide 7. Accordingly, the Corporation's disclosures regarding mineralization may not be comparable to similar information disclosed by companies subject to SEC Industry Guide 7. Without limiting the foregoing, while the terms "mineral resources", "inferred mineral resources", "indicated mineral resources" and "measured mineral resources" are recognized and required by NI 43-101 and the CIM Standards, they are not recognized by the SEC and are not permitted to be used in documents filed with the SEC by companies subject to SEC Industry Guide 7. Mineral resources which are not mineral reserves do not have demonstrated economic viability, and US investors are cautioned not to assume that all or any part of a mineral resource will ever be converted into reserves. Further, inferred resources have a great amount of uncertainty as to their existence and as to whether they can be mined legally or economically. It cannot be assumed that all or any part of the inferred resources will ever be upgraded to a higher resource category. Under Canadian rules, estimates of inferred mineral resources may not form the basis of a feasibility study or prefeasibility study, except in rare cases. The SEC normally only permits issuers to report mineralization that does not constitute SEC Industry Guide 7 compliant "reserves" as in-place tonnage and grade without reference to unit amounts. The term "contained ounces" is not permitted under the rules of SEC Industry Guide 7. In addition, the NI 43-101 and CIM Standards definition of a "reserve" differs from the definition in SEC Industry Guide 7. In SEC Industry Guide 7, a mineral reserve is defined as a part of a mineral deposit which could be economically and legally extracted or produced at the time the mineral reserve determination is made. The SEC has taken the position that mineral reserves for a mineral property may not be designated unless: (i) competent professional engineers conduct a detailed engineering and economic study, and the "bankable" or "final" feasibility study demonstrates that a mineral deposit can be mined profitably at a commercial rate; (ii) a historic three-year average commodity price is used in any reserve or cash flow analysis used to designate reserves; and (iii) the company has demonstrated that the mineral property will receive its governmental permits and the primary environmental document has been filed with the appropriate governmental authorities.

**Documents Incorporated by Reference**

The following documents, filed by the Corporation or HDG with securities commissions or similar regulatory authorities in Canada, are specifically incorporated by reference into, and form an integral part of, this Circular:

*South American Silver Corp.*

(a) the annual information form of the Corporation dated March 28, 2013 for the financial year ended December 31, 2012;

(b) the audited consolidated financial statements of the Corporation as at and for the financial years ended December 31, 2012 and 2011, together with the notes thereto and the auditors' report thereon;

(c) the management's discussion and analysis of the financial condition and results of operation of the Corporation for the financial years ended December 31, 2012 and 2011;

(d) unaudited condensed consolidated interim financial statements of the Corporation for the three-month and six-month periods ended June 30, 2013, together with notes thereto;

(e) management's discussion and analysis of financial condition and results of operations of the Corporation for the three-month and six-month periods ended June 30, 2013;

(f) the management information circular of the Corporation dated April 22, 2013; and

(g) the Escalones Technical Report;

*High Desert Gold Corporation*

(a) the audited consolidated financial statements of HDG as at and for the financial years ended December 31, 2012 and 2011, together with the notes thereto and the auditors' report thereon;

(b) the management's discussion and analysis of the financial condition and results of operation of HDG for the financial years ended December 31, 2012 and 2011;

(c) unaudited condensed consolidated interim financial statements of HDG for the three-month and six-month periods ended June 30, 2013, together with notes thereto;

(d) management's discussion and analysis of financial condition and results of operations of HDG for the three-month and six-month periods ended June 30, 2013;

(e) the management information circular of HDG dated April 26, 2013; and

(f) the Gold Springs Technical Report.

Copies of the documents of the Corporation and HDG incorporated herein by reference may be obtained on request without charge from the Corporate Secretary of the Corporation at 2696 South Colorado Boulevard, Suite 240, Denver, Colorado 80222, Telephone: (303) 584-0606, Fax: (303) 758-2063. These documents are also available electronically under the Corporation's or HDG's profile on the SEDAR website at www.sedar.com.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this Circular to the extent that a statement contained in this Circular or in any subsequently filed document that also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not constitute a part of this Circular, except as so modified or superseded. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes.

The making of such a modifying or superseding statement shall not be deemed an admission for any purpose that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made.

## GLOSSARY OF TERMS

In this Circular, the following capitalized terms shall have the following meanings:

"**Acquisition**" means the acquisition by the Corporation of all of the issued and outstanding common shares of HDG that it does not already own through the issuance of 0.275 Class A Shares of the Corporation for each HDG Share as of the Effective Date of the Arrangement;

"**AIF**" means the annual information form of the Corporation dated March 28, 2013 for the financial year ended December 31, 2012;

"**Arrangement**" means the arrangement pursuant to Section 288 of BCBCA involving, among other things, the exchange of each issued and outstanding SASC Common Share then outstanding for one SASC Class A Share and one SASC Class B Share and the acquisition by the Corporation of all of the issued and outstanding HDG Shares that it does not already own through the issuance of 0.275 Class A Shares of the Corporation for each HDG Share as of the Effective Date, all as more particularly described in this Circular;

"**Arrangement Agreement**" means the arrangement agreement between SASC, HDG and MK Acquisition Corp. dated October 21, 2013 as amended November 7, 2013;

"**Arrangement Resolution**" means the special resolution of SASC Shareholders approving the Arrangement pursuant to the Arrangement Agreement as set out in Schedule E to the Circular;

"**Articles**" means the Corporation's Articles of Incorporation, as amended by Articles of Amendment, under the CBCA;

"**BCBCA**" means *Business Corporations Act* (British Columbia);

"**Board**" means the board of directors of SASC;

"**CBCA**" means the *Canada Business Corporations Act*;

"**Circular**" means this Management Information Circular;

"**Continuance**" the continuance of the Corporation into British Columbia under the BCBCA;

"**Continuance Resolution**" means the special resolution of SASC Shareholders authorizing the Continuance as set out in Schedule A to the Circular;

"**Corporation**" means South American Silver Corp.;

"**Effective Date**" means the effective date of the Arrangement pursuant to the Arrangement Agreement;

"**Escalones Technical Report**" means the technical report titled "Resource Estimate on the Escalones Porphyry Copper Project Located in the Santiago Metropolitan Region, Chile" dated August 12, 2013 with an effective date of June 28, 2013;

"**Exchange Ratio**" means 0.275 of a SASC Class A Share to be exchanged for each HDG Share;

"**GMP**" means GMP Securities L.P.;

"**Gold Springs Technical Report**" means the technical report entitled "Amended Technical Report on the Gold Springs Property, Utah/Nevada, USA" dated May 1, 2013 and amended September 26, 2013 prepared for HDG by Allan Armitage and Duncan Studd of GeoVector Management Inc.;

"**HDG**" means High Desert Gold Corporation;

"**HDG Options**" means options to purchase HDG Shares;

"**HDG Shares**" means common shares of HDG;

"**HDG Warrants**" means warrants to purchase HDG Shares;

"**Interim Order**" means the an interim order of the Supreme Court of British Columbia dated November 6, 2013, as the same may be amended, regarding the Arrangement;

"**Meeting**" means the meeting of the shareholders of South American Silver Corp. to be held on December 9, 2013 at 2:00 p.m. (Toronto time);

"**New Articles**" means the articles of the Corporation under the BCBCA, which will set out the rules for the conduct of the Corporation following the Continuance;

"**NI 43-101**" means National Instrument 43-101 *Standards of Disclosure for Mineral Projects*;

"**Notice of Articles**" means a notice of articles under the BCBCA which sets forth the name of the Corporation and the amount and type of authorized capital;

"**Notice of Meeting**" means the notice of the special meeting of SASC Shareholders that accompanies this Circular dated November 7, 2013;

"**PWC**" means PricewaterhouseCoopers LLP;

"**Registered Shareholders**" means the registered holders of SASC Common Shares;

"**SASC**" means South American Silver Corp.;

"**SASC Class A Shares**" means the Class A shares of the Corporation, which will be created pursuant to the Arrangement and re-designated as "Common Shares" as the last step of the Arrangement;

"**SASC Class B Shares**" means the Class B shares of the Corporation post-Arrangement;

"**SASC Common Share certificates**" means the common share certificates of the Corporation;

"**SASC Common Shares**" means the common shares of the Corporation;

"**SASC Fairness Opinion**" means the opinion of GMP as to whether the consideration to be paid to the shareholders of HDG in connection with the Arrangement is fair, from a financial point of view, to the shareholders of SASC;

"**SASC Shareholders**" means the shareholders of SASC;

"**Special Committee**" means the special committee of the Board formed to review the possibility of a transaction with HDG;

"**Tax Act**" means the *Income Tax Act* (Canada); and

"**UK-Bolivia Treaty**" means the Bilateral Investment Treaty between the United Kingdom and Bolivia.

## GENERAL PROXY INFORMATION

### Solicitation of Proxies

**This Circular is furnished in connection with the solicitation by management of SASC of proxies to be used at the special meeting of the shareholders of the Corporation to be held at 1 First Canadian Place, 100 King Street West, Suite 1600, Toronto, Ontario M5X 1G5, on December 9, 2013 at 2:00 p.m. (Toronto time), and at all postponements or adjournments thereof, for the purposes set forth in the Notice of Meeting.** It is expected that the solicitation will be made primarily by mail but proxies may also be solicited personally by directors, officers or regular employees of the Corporation. Such persons will not receive any extra compensation for such activities. The Corporation may also retain, and pay a fee to, one or more proxy solicitation firms to solicit proxies from the shareholders of the Corporation in favour of the matters set forth in the Notice of Meeting. The Corporation may pay brokers or other persons holding SASC Common Shares in their own names, or in the names of nominees, for their reasonable expenses for sending proxies and the Circular to beneficial owners of SASC Common Shares and obtaining proxies therefor. The total cost of the solicitation will be borne directly by the Corporation.

### Appointment and Revocation of Proxies

The persons named in the enclosed form of proxy are officers of the Corporation. **A Registered Shareholder has the right to appoint a person (who need not be a shareholder of the Corporation) other than the persons specified in such form of proxy to attend and act on behalf of such Registered Shareholder at the Meeting.** Such right may be exercised by striking out the names of the persons specified in the form of proxy, inserting the name of the person to be appointed in the blank space provided in the form of proxy, signing the form of proxy and returning it in the manner set forth in the form of proxy.

A Registered Shareholder who has given a proxy may revoke it: (i) by depositing an instrument in writing, including another completed form of proxy, executed by such Registered Shareholder or Registered Shareholder's attorney authorized in writing either at the registered office of the Corporation at any time up to and including the last business day preceding the date of the Meeting or any postponement or adjournment thereof, or with the chairman of the Meeting prior to the commencement of the Meeting on the day of the Meeting or any postponement or adjournment thereof; or (ii) in any other manner permitted by law.

### Exercise of Discretion

The persons named in the enclosed form of proxy will vote the SASC Common Shares in respect of which they are appointed by proxy on any ballot that may be called for in accordance with the instructions contained therein. If the Registered Shareholder specifies a choice with respect to any matter to be acted upon, the SASC Common Shares will be voted accordingly. **In the absence of such specifications, such SASC Common Shares will be voted FOR each of the matters referred to herein.**

The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments to or variations of matters identified in the Notice of Meeting and with respect to other matters, if any, which may properly come before the Meeting. At the date of the Circular, management of the Corporation knows of no such amendments, variations or other matters to come before the Meeting. However, if any other matters that are not now known to management should properly come before the Meeting, the proxy will be voted on such matters in accordance with the best judgment of the named proxy.

**Advice to Beneficial Holders of Common Shares**

The information set forth in this section is of significant importance to many holders of SASC Common Shares, as a substantial number of shareholders do not hold SASC Common Shares in their own name. Shareholders who do not hold their SASC Common Shares in their own name (referred to herein as "**Beneficial Shareholders**") should note that only proxies deposited by shareholders whose names appear on the records of the Corporation as the registered holders of SASC Common Shares can be recognized and acted upon at the Meeting. If SASC Common Shares are listed in an account statement provided to a shareholder by a broker, then, in almost all cases, those SASC Common Shares will not be registered in the shareholder's name on the records of the Corporation. Such SASC Common Shares will more likely be registered under the name of the shareholder's broker or an agent of that broker. More particularly, a person is a Beneficial Shareholder in respect of SASC Common Shares which are held on behalf of that person but which are registered either: (a) in the name of an intermediary that the Beneficial Shareholder deals with in respect of the SASC Common Shares (intermediaries include, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered RRSPs, RRIFs, RESPs and similar plans); or (b) in the name of a clearing agency (such as The Canadian Depository for Securities Limited ("**CDS**")), of which the intermediary is a participant. In Canada, the vast majority of such shares are registered under the name of CDS, which acts as nominee for many Canadian brokerage firms. SASC Common Shares held by brokers or their nominees can only be voted upon the instructions of the Beneficial Shareholder. Without specific voting instructions, brokers and their nominees are prohibited from voting SASC Common Shares held for Beneficial Shareholders. Therefore, Beneficial Shareholders should ensure that instructions respecting the voting of their SASC Common Shares are communicated to the appropriate person or that the SASC Common Shares are duly registered in their name.

Applicable Canadian securities regulatory policy requires intermediaries/brokers to seek voting instructions from Beneficial Shareholders in advance of shareholders' meetings. Every intermediary/broker has its own mailing procedures and provides its own return instructions to clients, which should be carefully followed by Beneficial Shareholders in order to ensure that their SASC Common Shares are voted at the Meeting.

In Canada, the majority of brokers now delegate responsibility for obtaining voting instructions from Beneficial Shareholders to Broadridge Investor Communication Solutions ("**Broadridge**"). Broadridge typically supplies a special sticker to be attached to the proxy forms and asks Beneficial Shareholders to return the completed proxy forms to Broadridge. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of SASC Common Shares to be represented at the Meeting. **A Beneficial Shareholder receiving such a proxy from Broadridge cannot use that proxy to vote SASC Common Shares directly at the Meeting. The proxy must be returned to Broadridge well in advance of the Meeting in order to instruct Broadridge how to vote the SASC Common Shares.**

The Corporation has instructed intermediaries to deliver proxy-related Meeting materials to non-objecting Beneficial Shareholders under applicable Canadian securities law. The Corporation also intends to pay for intermediaries to deliver copies of the proxy-related Meeting materials and related forms to objecting Beneficial Shareholders. The Corporation is not sending proxy-related Meeting materials to Beneficial Shareholders who have declined to receive them in order to save mailing costs and abide by the instructions of its declining Beneficial Shareholders.

Beneficial Shareholders who wish to attend the Meeting and vote SASC Common Shares directly at the Meeting should contact their intermediary/broker to have the registered holder of their SASC Common Shares execute a proxy in favour of the Beneficial Shareholder to allow the Beneficial Shareholder to

attend the Meeting in place of the registered holder entitled to attend the Meeting in respect of such SASC Common Shares.

**Record Date**

The directors have fixed November 4, 2013 as the record date for the determination of shareholders entitled to receive notice of the Meeting. Only shareholders of record on such record date are entitled to vote at the Meeting.

**Voting Securities and Principal Holders Thereof**

As of November 4, 2013, there were 115,303,322 SASC Common Shares issued and outstanding. Each SASC Common Share has the right to one vote on each matter at the Meeting.

To the knowledge of the directors and officers of the Corporation, there are no persons or companies beneficially owning, directly or indirectly, or exercising control or direction over 10% or more of the issued and outstanding SASC Common Shares.

**Interests of Certain Persons or Companies in Matters to be Acted Upon**

Other than as set forth in this Circular, no person who has been a director or executive officer of the Corporation at any time since the beginning of the Corporation's last financial year, and no associate or affiliate of the foregoing persons, has any material interest, direct or indirect, by way of beneficial ownership or otherwise, in matters to be acted upon at the Meeting.

Shareholders should be aware that certain members of the Corporation's senior management and Board have interests discussed below in connection with the Arrangement. The Board is aware of these interests and considered them along with the other matters described herein.

*Exchange of SASC Common Shares for SASC Class A Shares and SASC Class B Shares*

As of the date hereof, the directors and executive officers of the Corporation, in the aggregate, beneficially own, directly or indirectly, or exercise control or direction over 6,645,798 SASC Common Shares, representing approximately 5.8% of the issued and outstanding SASC Common Shares. All of the SASC Common Shares held by the directors and executive officers of the Corporation will be treated in the same manner under the Arrangement as SASC Common Shares held by any other shareholder of the Corporation.

*Acquisition of HDG*

Ralph Fitch, Executive Chairman and a director of the Corporation, is also the Chairman, President, Chief Executive Officer and a director of HDG and Richard Doran, Executive Vice President and Corporate Secretary of the Corporation, is also the Executive Vice President and Corporate Secretary of HDG. In addition, Paul Haber and Tina Woodside, each a director of the Corporation, are also directors of HDG.

(a) Executive Directors and Officers

As of November 5, 2013, the executive directors and officers of SASC, in the aggregate, beneficially owned, directly or indirectly, or exercised control or direction over 3,930,000 HDG Shares, representing approximately 4.5% of the HDG Shares as well as 1,350,000 HDG Options. All of the HDG Shares and

HDG Options held by the executive directors and officers of SASC will be treated in the same manner under the Arrangement as HDG Shares and HDG Options held by every other securityholder of HDG.

(b) Non-Executive Directors

As of November 5, 2013, the non-executive directors of SASC, in the aggregate, beneficially owned, directly or indirectly, or exercised control or direction over 90,000 HDG Shares, representing approximately 0.1% of the HDG Shares as well as 950,000 HDG Options. All of the HDG Shares and HDG Options held by the non-executive directors of SASC will be treated in the same manner under the Arrangement as HDG Shares and HDG Options held by every other securityholder of HDG.

## CONTINUANCE INTO BRITISH COLUMBIA

Currently the Corporation is governed by the CBCA. It is proposed that the Corporation continue from the federal laws of Canada under the CBCA to the laws of British Columbia under the BCBCA prior to implementing the Arrangement.

### Reasons for the Continuance

The CBCA contains provisions that would prohibit MK Acquisition Corp. or any other subsidiary of the Corporation from exercising the Liquidation Call Right, the Redemption Call Right or Retraction Call Right contained in the special rights and restrictions attached to the SASC Class B Shares and pursuant thereto paying to the holders of the SASC Class B Shares their collective 85% share of the net cash proceeds (after all costs and expenses, including taxes, and the third party funder's portion of any award or settlement received from any arbitration award or settlement) in connection with the arbitration claim of South American Silver Limited, a wholly-owned subsidiary of SASC, against the Government of Bolivia. See "The Arrangement – Background – Investment Dispute with Bolivia" below.

Accordingly, in order to proceed with the Arrangement, the Corporation must first continue under the BCBCA. Management of the Corporation believes that it is in the best interest of the Corporation to do so in order to facilitate the Arrangement under the BCBCA as described in this Circular.

### Effect of the Continuance

Upon the Continuance, the CBCA will cease to apply to the Corporation and the Corporation will thereupon become subject to the BCBCA as if it had been originally incorporated as a British Columbia corporation.

The CBCA currently governs the corporate affairs of the Corporation and restricts the jurisdictions into which a corporation may continue. The Director appointed under the CBCA will allow a continuance out of Canada into British Columbia upon: (i) receipt of an application for continuation into British Columbia; and (ii) being satisfied that certain rights, obligations, liabilities and responsibilities of the Corporation as set out in Section 188(10) of the CBCA will remain unaffected as a result of the Continuance.

The BCBCA also provides for companies incorporated in foreign jurisdictions to be continued into British Columbia and allows for companies so continued to continue out to a foreign jurisdiction. A corporation being continued into British Columbia will be subject to the requirements of the BCBCA and all other laws of British Columbia that govern companies. The registration of the Continuance does not create a new legal entity, nor does it prejudice or affect the continuity of the Corporation.

The BCBCA provides shareholders with comparable rights as are available to shareholders under the CBCA, including rights of dissent and appraisal and rights to bring oppression and derivative actions. However, there are certain differences between the two statutes and the regulations thereunder.

**Differences Between the CBCA and BCBCA**

The following is a summary of certain differences between the CBCA and the BCBCA which may be material to shareholders. **This summary is not an exhaustive review of the two statutes. Reference should be made to the full text of both statutes and the regulations thereunder for particulars of any differences between them, and shareholders should consult their legal or other professional advisors with regard to the implications of the Continuance which may be of importance to them.**

*Charter Documents*

Under the BCBCA, the charter documents will consist of the Notice of Articles, which sets forth the name of the Corporation and the amount and type of authorized capital, and New Articles, which will set out the rules for the conduct of the Corporation following the Continuance. The Notice of Articles is filed with the British Columbia Registrar of Companies and the New Articles will be filed only with the Corporation's registered and records office.

Under the CBCA, the Corporation has Articles, which set forth, among other things, the name of the Corporation and the amount and type of authorized capital, and by-laws, which govern the management of the Corporation. The Articles are filed with the Director under the CBCA while the by-laws are kept at the Corporation's registered office.

The Continuance to British Columbia and the adoption of the Notice of Articles and New Articles will not result in any substantive changes to the constitution, powers or management of the Corporation, except as otherwise described herein.

Therefore, the current by-laws of the Corporation, which are suitable for a corporation governed by the CBCA and not for a corporation governed by the BCBCA, will have to be changed to the New Articles that are suitable for a BCBCA corporation. The repeal of the existing by laws of the Corporation, and the adoption of the New Articles, have been approved by the directors, subject to the prior completion of the Continuation. Upon the Continuance becoming effective, the former by-laws of the Corporation will be repealed and replaced by the New Articles.

The New Articles will be mailed to any shareholder, free of charge, who requests a copy, in writing, from the Corporation at its registered office, and will be available for review at the Meeting. Following the Continuance, the Notice of Articles and the New Articles will also be available electronically under the Corporation's profile on SEDAR at www.sedar.com.

*Amendments to Charter Documents*

Changes to the notice of articles or articles of a corporation under the BCBCA, such as an alteration of the restrictions, if any, on the business carried on by a corporation, a change in the name of a corporation or an increase or reduction of the authorized capital of a corporation, may only be made if authorized by the type of resolution specified in the BCBCA, or if the BCBCA does not specify the type of resolution, by the type of resolution specified in the articles, or if neither the BCBCA or the articles specify the type of resolution, by a special resolution. A company may in its articles specify the majority of votes that is required to pass a special resolution, which majority must be at least two-thirds and not more than three-quarters of the votes cast on the resolution. As the New Articles will not contain such a provision, a two-

thirds majority vote will be required to effect a special resolution as mandated under the Act. Other fundamental changes such as a proposed amalgamation or continuance of a corporation out of the jurisdiction require a special resolution passed by holders of shares of each class entitled to vote at a general meeting of the corporation and the holders of all classes of shares adversely affected by an alteration of special rights and restrictions.

Under the CBCA, the articles of a corporation may be amended to effect certain fundamental changes, such as an alteration of the restrictions, if any, on the business carried on by a corporation, a change in the name of a corporation or an increase or reduction of the stated capital of a corporation, by a special resolution passed by not less than two-thirds of the votes cast by the shareholders voting on the resolution. Authorization to amalgamate a CBCA corporation generally requires that the amalgamation be approved by special resolution.

*Sale of Undertaking*

Under the BCBCA, a corporation may sell, lease or otherwise dispose of all or substantially all of its undertaking if it does so in the ordinary course of its business or if it has been authorized to do so by a special resolution.

The CBCA requires approval of the holders of shares of each class or series of a corporation represented at a duly called meeting by not less than two-thirds of the votes cast upon a special resolution for a sale, lease or exchange of all or substantially all of the property (as opposed to the "undertaking") of the corporation other than in the ordinary course of business of the corporation to vote separately only if sale would affect a particular class/series in a manner different from the shares of another class or series entitled to vote.

*Rights of Dissent and Appraisal*

The BCBCA provides that shareholders who dissent to certain actions being taken by a corporation may exercise a right of dissent and require the corporation to purchase the shares held by such shareholder at the fair value of such shares. The dissent right is applicable in respect of:

- a resolution to alter the articles to alter restrictions on the powers of the corporation or on the business it is permitted to carry on;
- a resolution to adopt an amalgamation agreement;
- a resolution to approve an amalgamation into a foreign jurisdiction;
- a resolution to approve an arrangement, the terms of which arrangement permit dissent;
- a resolution to authorize or ratify the sale, lease or other disposition of all or substantially all of the corporation's undertaking;
- a resolution to authorize the continuation of the corporation into a jurisdiction other than British Columbia;
- any other resolution, if dissent is authorized by the resolution; or
- any court order that permits dissent.

The CBCA contains a similar dissent remedy, although the procedure for exercising this remedy is different than that contained in the BCBCA. The dissent provisions of the CBCA are set forth in Schedule D to this Circular.

*Oppression Remedies*

Under the BCBCA, a shareholder of a corporation has the right to apply to court on the grounds:

- that the affairs of the corporation are being or have been conducted, or that the powers of the directors are being or have been exercised, in a manner oppressive to one or more of the shareholders, including the applicant; or

- that some act of the corporation has been done or is threatened, or that some resolution of the shareholders or of the shareholders holding shares of a class or series of shares has been passed or is proposed, that is unfairly prejudicial to one or more of the shareholders, including the applicant.

On such an application, the court may make such order as it sees fit including an order to prohibit any act proposed by the corporation.

The CBCA contains rights that are substantially broader in that they are available to a larger class of complainants. Under the CBCA, a registered shareholder, former registered shareholder, beneficial owner of shares, former beneficial owner of shares, director, former director, officer, former officer of a corporation or any of its affiliates, or any other person who, in the discretion of a court, is a proper person to seek an oppression remedy may apply to a court for an order to rectify the matters complained of where, in respect of a corporation or any of its affiliates: (i) any act or omission of the corporation or its affiliates effects or threatens to effect a result; (ii) the business or affairs of the corporation or its affiliates are or have been carried on or conducted in a manner; or (iii) the powers of the directors of the corporation or any of its affiliates are or have been exercised in a manner, that is oppressive or unfairly prejudicial to, or that unfairly disregards the interests of, any security holder, creditor, director or officer.

*Shareholder Derivative Actions*

Under the BCBCA, a shareholder or director of a corporation may, with leave of the court, bring an action in the name and on behalf of the corporation to enforce a right, duty or obligation owed to the corporation that could be enforced by the corporation itself or to obtain damages for any breach of such a right, duty or obligation.

A broader right to bring a derivative action is contained in the CBCA, and this right extends to a registered shareholder, former registered shareholder, beneficial owner of shares, former beneficial owner of shares, director, former director officer and a former officer of a corporation or any of its affiliates, and any person who, in the discretion of the court, is a proper person to make an application to court to bring a derivative action. In addition, the CBCA permits derivative actions to be commenced in the name and on behalf of a corporation or any of its subsidiaries.

*Requisition of Meetings*

Both the BCBCA and the CBCA provide that shareholders of a corporation holding not less than 5% of the issued voting shares of a corporation may give notice to the directors requiring them to call and hold a meeting.

Under the CBCA, if the directors do not call a meeting within 21 days on receiving the requisition, any shareholder who signed the requisition may call the meeting.

Under the BCBCA, if the directors do not call a general meeting within 21 days of receiving the requisition, any one or more of the requisitioning shareholders who hold not less than 2.5% of the issued shares that carry the right to vote may call a general meeting.

*Solicitation of Proxies*

Under the CBCA, proxies may be solicited other than by or on behalf of management of the company without the sending of a dissident's circular if: (i) proxies are solicited from 15 or fewer shareholders; or (ii) if the solicitation is conveyed by public broadcast, speech or publication containing certain of the information that would be required to be included in a dissident's circular. Furthermore, under the CBCA, the definition of "solicit" and "solicitation" specifically excludes: (i) certain public announcements by a shareholder of how the shareholder intends to vote and the reasons for that decision; (ii) communications for the purpose of obtaining the number of shares required for a shareholder proposal; and (iii) certain other communications made other than by or on behalf of management of the company, including communications by one or more shareholder concerning the business and affairs of the company or the organization of a dissident's proxy solicitation where no form of proxy is sent by or on behalf of such shareholders, by financial and other advisors in the ordinary course of business to shareholders who are their clients, or by any person who does not seek directly or indirectly the power to act as proxy for a shareholder.

The BCBCA does not contain proxy solicitation rules, however reporting issuers subject to the BCBCA are also subject to securities law requirements pertaining to proxy solicitations.

*Place of Meetings*

Under the CBCA, a shareholders' meeting may be held at any place in Canada provided in the by-laws, or in the absence of such by-law, at the place within Canada that the directors determine, or it may be held at a place outside Canada if such place is specified in the articles of the company or all the shareholders entitled to vote at the meeting agree the meeting is to be held at that place.

Under the BCBCA, meetings of shareholders are required to be held in British Columbia unless:

- a location outside of British Columbia is provided for in the articles;
- the articles do not restrict the corporation from approving a location outside of British Columbia for the holding of the general meeting and the location for the meeting is:
    - approved by the resolution required by the articles for that purpose; or
    - if no resolution is required for that purpose by the articles, approved by ordinary resolution; or
    - the location for the meeting is approved in writing by the Registrar of Companies before the meeting is held.

*Directors*

The BCBCA and CBCA both provide that a public corporation must have a minimum of three directors. The CBCA does not have a provincial residency requirement for directors (although 25% must be resident Canadians) and the BCBCA has neither Canadian nor provincial residency requirements for directors.

**Shareholders' Rights of Dissent in Respect of the Continuance**

**Persons who are beneficial owners of the Corporation's common shares registered in the name of a broker, custodian, nominee or other intermediary who wish to dissent should be aware that ONLY A REGISTERED SHAREHOLDER IS ENTITLED TO DISSENT. A shareholder who beneficially owns the Corporation's common shares, but is not the registered holder thereof, should contact the registered holder for assistance.**

Dissent Rights with respect to the Continuance are technical and complex therefore SASC Shareholders are encouraged to consult with their legal advisors in respect to such dissent.

*Dissent Rights under the CBCA*

A holder of SASC Common Shares may be entitled to be paid the fair value of all of such SASC Common Shares in accordance with section 190 of the CBCA, if the shareholder dissents to the Continuance and the Continuance becomes effective. A holder of SASC Common Shares is not entitled to dissent if he votes any of such SASC Common Shares in favour of the Continuance Resolution. The execution or exercise of a proxy does not constitute a written objection for purposes of the CBCA.

*Procedure for Dissent under the CBCA*

The following summary does not purport to provide comprehensive statements of the procedures to be followed by a dissenting shareholder under the CBCA. However, the CBCA requires adherence to the procedures established therein and failure to do so may result in the loss of all dissenter's rights. **Accordingly, each shareholder who might desire to exercise dissenter's rights should carefully consider and comply with the provisions of those sections and consult his legal adviser.** The full text of section 190 of the CBCA is set out in Schedule D to this Circular. A dissenting shareholder who seeks payment of the fair value of his SASC Common Shares is required to send a written objection to the Continuance Resolution to the Corporation at or prior to the Meeting. The address of the Corporation for such purpose is prior to the Meeting c/o Gowling Lafleur Henderson LLP, Suite 2300, Bentall 5, 550 Burrard Street, Box 30, Vancouver, BC V6C 2B5 (Attention: Martin L. Palleson) or at the Meeting to the Chair of the Meeting. A vote against the Continuance Resolution or withholding votes does not constitute a written objection. Within 10 days after the Continuance Resolution is approved by shareholders, the Corporation must so notify the dissenting shareholder who is then required, within 20 days after receipt of such notice (or if he does not receive such notice within 20 days after he learns of the approval of the Continuance Resolution), to send to the Corporation a written notice containing his name and address, the number of SASC Common Shares in respect of which he dissents and a demand for payment of the fair value of such SASC Common Shares and, within 30 days after sending such written notice, to send the Corporation the appropriate share certificate or certificates. If the proposal contemplated in the Continuance Resolution becomes effective, the Corporation is required to determine the fair value of the SASC Common Shares and to make a written offer to pay such amount to the dissenting shareholder. If such offer is not made or not accepted within 50 days after the proposal in the Continuance Resolution becomes effective, the Corporation may apply to the court to fix the fair value of such SASC Common Shares. There is no obligation on the Corporation to apply to the court. If the Corporation fails to make

such an application, a dissenting shareholder has the right to so apply within a further 20 days. If an application is made by either party, the dissenting shareholder will be entitled to be paid the amount fixed by the court. The fair value of the common shares as determined for such purpose by a court will not necessarily be the same as and could vary significantly from the fair market value of such shares.

**Recommendation of the Board**

As noted above under "Reasons for the Continuance" in order to proceed with the Arrangement, the Corporation must first continue under the BCBCA. For the reasons discussed in more detail under "The Arrangement", the Board has determined that the Arrangement is in the best interests of SASC and accordingly the Board has also approved the Continuance, and has recommended and authorized the submission of the Continuance Resolution to the SASC Shareholders.

The Board recommends that SASC Shareholders vote FOR the Continuance Resolution at the Meeting.

**Approval of the Continuance Resolution**

The Corporation's shareholders will be asked at the Meeting to consider and, if deemed advisable, approve the Continuance Resolution. To become effective, the Continuance Resolution must be approved by a majority of not less than 66⅔% of the votes cast by the shareholders voting in person or by proxy at the Meeting. The full text of the Continuance Resolution is set out in Schedule A.

**PROXIES RECEIVED BY MANAGEMENT WILL BE VOTED FOR THE CONTINUANCE RESOLUTION UNLESS A SHAREHOLDER HAS SPECIFIED IN THE PROXY THAT HIS, HER OR ITS SHARES ARE TO BE VOTED AGAINST SUCH RESOLUTION.**

## THE ARRANGEMENT

**Background**

*Investment Dispute with Bolivia*

In 2012, an investment dispute arose between the Corporation's wholly-owned subsidiary South American Silver Limited and the Plurinational State of Bolivia. The dispute arose as a result of acts and omissions of the Government of Bolivia including the issuance of Supreme Decree No.1308 on August 1, 2012, revoking all of the mining concessions held by Compañia Minera Malku Khota S.A. ("**CMMK**"). CMMK is an indirect wholly owned subsidiary of South American Silver Limited, which is a protected investor under the UK-Bolivia Treaty. The acts and omissions of the Bolivian Government are in violation of the UK-Bolivia Treaty and of international law.

On July 16, 2012, the Corporation engaged the international law firm, King & Spalding LLP, to act as lead legal counsel in any international arbitration proceedings against Bolivia. King & Spalding is a leading law firm with extensive experience in investor-state arbitrations, particularly in South America. On August 2, 2012, on the recommendation of King & Spalding, the Corporation engaged one of Bolivia's leading law firms to act as local counsel to King & Spalding. The local counsel also has extensive experience in investor-state arbitration as well as special expertise in Bolivian and international law.

On September 13, 2012, the Corporation retained a leading global financial advisory firm to provide expert services to assess the damages suffered by the revocation of CMMK's mining concessions.

The firm has vast experience as a damages expert in international arbitration and has special expertise in mining-related cases.

On October 23, 2012, South American Silver Limited delivered a formal letter to the Bolivian Government notifying it of the investment dispute under the UK-Bolivia Treaty. Notification of the investment dispute triggered a six-month cooling-off period during which the disputing parties may negotiate a settlement. On April 23, 2013, the cooling-off period expired and on April 30, 2013 South American Silver Limited commenced international arbitration proceedings against the Government of Bolivia under the Arbitration Rules of the United Nations Commission on International Trade Law (UNCITRAL) pursuant to the UK-Bolivia Treaty.

On May 23, 2013, the Corporation entered into an agreement with a third party funder (the "**Fund**") pursuant to which the Fund will cover the future costs and expenses related to the international arbitration proceedings against Bolivia for the expropriation of the Malku Khota project. The funding is on a non-recourse basis and includes costs and expenses of the enforcement of any award rendered by the arbitral tribunal. South American Silver Limited continues to have control over the conduct of the international arbitration proceedings and to have the right to settle with Bolivia, discontinue proceedings, pursue the proceedings to trial and take any action it considers appropriate to enforce any resulting judgment or award. Under the terms of the privileged arbitration funding agreement, the Corporation has given certain warranties and covenants to the Fund and has provided security for its obligations. In consideration for the funding, the Corporation has agreed to pay to the Fund a portion of any recoveries received pursuant to the arbitration proceedings or any settlement with Bolivia.

Concurrent with the Notice of Arbitration issued to Bolivia, South American Silver Limited appointed its arbitrator to the arbitral tribunal. The arbitral tribunal will be comprised of three members: one appointed by South American Silver Limited, one appointed by Bolivia and the third, who will act as president of the tribunal, to be appointed by the other two members. On June 28, 2013, the Bolivian Government responded to the Notice of Arbitration and appointed its own arbitrator. On July 12, 2013, South American Silver Limited challenged the appointment of Bolivia's arbitrator on grounds of justifiable doubts as to his independence and impartiality and on July 31, 2013, Bolivia challenged South American Silver Limited arbitrator appointment on the same grounds. The challenges were rejected by the parties and The Permanent Court of Arbitration. Accordingly the arbitrator appointed by South American Silver Limited and the arbitrator appointed by Bolivia now have until November 29, 2013 to appoint a third arbitrator who will act as president of the tribunal.

Once the tribunal is formed, the tribunal will set a provisional timetable for the arbitration itself. This will include a schedule for submission of a Statement of Claim, Statement of Defense and oral hearings before the arbitration tribunal. Unless there is a negotiated settlement of the dispute, it is expected that the arbitration can take up to 2-3 years from commencement of proceedings until rendering of a final award.

*Initial Investment into High Desert Gold Corporation*

After the loss of Malku Khota it became very important to the Corporation to have other exploration targets on which to focus the Corporation's exploration and development expertise. The Corporation drew up its "wish-list" and started a search, aimed at finding a precious metals property or properties, preferably gold, located in a mining-friendly jurisdiction in the Americas, right-sized for the Corporation, preferably at an advanced exploration stage, in a near-surface deposit requiring conventional processing.

Amongst many other interesting prospects, the Corporation's efforts turned up High Desert Gold Corporation's Gold Springs property, which straddles the Nevada-Utah border. In December 2012 and

January 2013 the Corporation acquired a 19.9% equity interest in HDG. The Gold Springs property is discussed in more detail under the heading "Information Concerning High Desert Gold Corporation".

*Background to the Arrangement*

The provisions of the Arrangement Agreement are the result of the negotiations conducted between committees of independent directors of SASC and HDG and their respective legal and financial advisors. The following is a summary of the principal events, meetings, negotiations, discussions and actions leading up to the public announcement and execution of the Arrangement Agreement.

On February 15, 2013, the Corporation's President and Chief Executive Officer sent a non-binding letter to HDG's board of directors expressing the Corporation's interest in potentially acquiring 100% of the issued and outstanding HDG Shares that it did not already own in exchange for shares of SASC on terms to be determined.

On February 21, 2013, a special committee, comprised of Messrs. Mironchik (Chair), Canton and Harris, each of whom was determined to be independent of management of the Corporation, independent of HDG, and free from any interest and any business or other relationship that could reasonably be expected to interfere with his ability to act with a view to the best interests of the Corporation was formed, to review the possibility of a transaction with HDG. The Special Committee engaged Gowling Lafleur Henderson LLP as counsel to act for SASC in respect of a possible transaction.

Between February 21 and October 6, 2013, the Special Committee had eight formal meetings, including five meetings with GMP Securities L.P., its financial advisor. In addition, members of the Special Committee held informal consultations and meetings with its financial and legal advisers, management, representatives of the HDG Special Committee, and each other.

On March 8, 2013, the Corporation and HDG entered into a mutual confidentiality agreement with respect to the provision of information to the other in connection with consideration of a possible transaction.

The Special Committee received proposals from various parties to act as financial advisor to the Special Committee and the Board. The Special Committee reviewed the credentials and qualifications of each firm including a description of representative work in mergers and acquisitions and the mineral exploration and mining industry. Each firm declared that it was independent of SASC and HDG and would be prepared to act. Some firms also described the nature of the services they proposed to provide, including the scope of work and proposed fee structure and quantum of fees to act as financial advisor and if requested to render a fairness opinion. The Special Committee considered the candidate firms and determined to engage GMP Securities L.P. as financial advisor to the Special Committee and the Board.

On April 17, 2013, the Special Committee engaged GMP Securities L.P. pursuant to a letter agreement to act as financial advisor to the Corporation and the Special Committee in connection with the acquisition of all the outstanding HDG Shares that it did not already own in a merger transaction to be effected by way of a plan of arrangement and to deliver, at the request of the Board, an opinion as to whether the consideration to be paid to the shareholders of HDG in connection with the Arrangement is fair, from a financial point of view, to the shareholders of SASC.

On April 23, 2013, the Corporation received a letter from the Chair of HDG's special committee advising that HDG had established a special committee of its board of directors and engaged Haywood Securities Inc. to act as its financial advisor and Dentons Canada LLP as its legal counsel to consider

the Corporation's February 15, 2013 expression of interest and requesting a non-binding letter of intent from the Corporation and a list of requested documents required for a due diligence review.

From late April through late June 2013, there were several exchanges of correspondence and discussions between the SASC and HDG Special Committees regarding the possible terms of a potential transaction.

Between mid-June and mid-July drafts of a conditional, non-binding letter of intent setting out a framework to negotiate a definitive agreement were exchanged by the Special Committees. On July 16, 2013, the Corporation and HDG entered into a non-binding letter of intent establishing the framework to negotiate a definitive agreement for the Corporation to acquire all the issued HDG Shares in exchange for SASC Class A Shares at a ratio to be negotiated. The Corporation indicated its intention to, immediately before the acquisition of HDG, spin-out a right to each of the Corporation's shareholders entitling such shareholders to their *pro-rata* share of a percentage of any net cash award or settlement received in respect of South American Silver Limited's arbitration claim against the Government of Bolivia. SASC engaged PWC to assist with tax planning and the structuring of the proposed capital reorganization and subsequent acquisition.

Through August and September SASC worked with PWC and legal counsel to develop the structure for the proposed transaction, to be comprised of the Continuance, the creation of the SASC Class A Shares and SASC Class B Shares, the exchange of SASC Common shares for SASC Class A Shares and SASC Class B Shares, and the acquisition of HDG Shares in exchange for SASC Class A Shares.

On August 19, 2013, the Special Committee sent the HDG Special Committee an outline of the proposed strategic direction and business plan for a combined company, as well as its views on management and the organizational structure for a combined company. On August 21, 2013, the HDG Special Committee advised that it agreed with such plans.

During the month of September the parties negotiated the terms of the Arrangement Agreement and Plan of Arrangement, with the exception of the share exchange ratio which was still to be determined.

On September 24, 2013, the Special Committee advised the HDG Special Committee of the share exchange ratio it was proposing. Between October 2 and 6, the parties further negotiated the share exchange ratio and following such negotiations agreed to a share exchange ratio of 0.275 SASC Class A Shares for each HDG Share, provided that the SASC Class B Shares would be entitled in the aggregate to 85% of the net cash proceeds received from any award or settlement with the Government of Bolivia in respect of the international arbitration proceedings commenced by South American Silver Limited.

On October 7, 2013, the SASC Special Committee met to receive a presentation from GMP Securities regarding their opinion as to the fairness, from a financial point of view, of the consideration to be paid by SASC to the HDG Shareholders pursuant to the Arrangement. Following receipt of the presentation by GMP Securities, the Special Committee resolved to recommend to the Board that it approve the Arrangement on the terms negotiated.

On October 8, 2013 the Board, having received the recommendations of the Special Committee and with the non-independent directors abstaining, approved the Arrangement and authorized the Corporation to enter into the Arrangement Agreement, provided that the Corporation first enter into new employment arrangements with certain officers of HDG to be effective following completion of the Arrangement and provided that such officers of HDG agreed to waive their entitlements on a change of control as set out in their current HDG employment agreements.

Between October 8 and October 21, 2013, HDG and SASC negotiated employment agreements with certain officers of HDG whose employment will continue following completion of the Arrangement. Such agreements were entered into on October 21, 2013.

On October 21, 2013, the Corporation, HDG and Newco entered into the Arrangement Agreement and announced the Arrangement.

**Benefits of the Arrangement**

The Board believes the SASC Shareholders derive the following benefits from the Arrangement:

- the SASC Class B Shares entitle the holders to their *pro rata* share of 85% of the net cash proceeds received by the Corporation or its subsidiaries pursuant to any award or settlement agreement entered into in respect of South American Silver Limited's arbitration claim against the Government of Bolivia;

- the Acquisition and any future share exchange acquisitions or equity financings by the Corporation will not dilute the interests of the SASC Class B Shareholders in such net cash proceeds;

- it puts the Corporation back into precious metals through the acquisition of the Gold Springs gold-silver project,

    - located in pro-development, safe, mining-friendly states,

    - 18 separate geologically similar gold targets, two of which have been drilled sufficiently to estimate a mineral resource thereon, and

    - an outcropping, near-surface gold-silver deposit which early metallurgical test-work suggests will produce material that is amenable to heap leaching;

- it provides SASC Shareholders with a continuing ownership position in a publicly traded exploration and development company having a strong management team with track record of discovery and successful project development; and

- it provides SASC Shareholders with an investment in a portfolio of exploration assets diversified in terms of target minerals, geographic location, political risk, exploration season, and type of development opportunity.

**Fairness Opinion**

GMP is a wholly-owned subsidiary of GMP Capital Inc., which is a publicly traded investment banking firm listed on the Toronto Stock Exchange (the "**TSX**") with offices in Toronto, Calgary, Montreal, New York, London, Perth and Sydney. GMP is a leading independent Canadian investment dealer focused on investment banking and institutional equities for corporate clients and institutional investors. As part of its investment banking activities, GMP is regularly engaged in the valuation of securities and the preparation of fairness opinions in connection with mergers and acquisitions, public offerings and private placements of listed and unlisted securities and regularly engages in market-making, underwriting and secondary trading of securities in connection with a variety of transactions. GMP is not in the business of providing auditing services and is not controlled by a financial institution.

For the purpose of preparing the SASC Fairness Opinion, GMP analyzed financial, operational and other information relating to SASC and HDG, including information derived from meetings and discussions with the management of SASC. GMP did not conduct any independent investigations to verify the accuracy and completeness thereof.

In connection with rendering the SASC Fairness Opinion, GMP reviewed and relied upon, or carried out, among other things, the following:

(a) reviewed the Arrangement Agreement as it relates to financial matters;

(b) reviewed and analyzed certain publicly available financial statements, technical information, regulatory announcements and other information of SASC and HDG;

(c) reviewed various equity research reports and industry sources regarding SASC and HDG;

(d) reviewed certain internal financial models, analyses, forecasts and projections prepared by the management of SASC relating to: (i) its business, (ii) the business of HDG, and (iii) the business of the merged entity (the "**Management Analysis**");

(e) performed a comparison of the consideration to be paid to the shareholders of HDG and the implied Exchange Ratio to the recent levels at which the common shares of SASC and HDG have traded;

(f) performed a comparison of the Exchange Ratio to the various financial, operational, trading and technical measures on a relative basis based on Management Analysis;

(g) discussed with the management of SASC concerning SASC's current business plan, its financial condition and its future business prospects as a standalone and merged entity;

(h) reviewed the officers' certificate addressed to GMP executed by senior officers of SASC dated the date of the SASC Fairness Opinion and setting out representations as to certain factual matters and the completeness and accuracy of the information upon which the SASC Fairness Opinion is based; and

(i) considered such other corporate, industry and financial market information, and conducted such investigations and analyses as GMP considered necessary or appropriate in the circumstances.

In its assessment, GMP looked at several methodologies, analyses and techniques and used a blended approach to determine its opinion on the Arrangement. GMP based the SAS Fairness Opinion upon a number of quantitative and qualitative factors.

GMP did not meet with the auditors or technical consultants of SASC or HDGC and assumed the accuracy and fair presentation of the audited comparative consolidated financial statements and technical reports of both entities.

The SASC Fairness Opinion is subject to a number of additional assumptions and limitations as set out in the full text of the opinion attached as Schedule L to this Circular.

On October 21, 2013, GMP provided its written opinion that, as of the date of the SASC Fairness Opinion, the consideration to be paid by SASC to the shareholders of HDG pursuant to the Arrangement is fair, from a financial point of view, to the shareholders of SASC.

None of GMP, its affiliates or associates, is an insider, associate or affiliate (as such terms are defined in the *Securities Act* (Ontario)) of SASC or HDG or of any of their respective subsidiaries, associates or affiliates.

**Recommendation of the Special Committee**

The Special Committee was established to consider the possible acquisition of all the HDG Shares that it did not already own and in particular to oversee and supervise management with respect to all aspects thereof including the negotiation of any agreement resulting therefrom, to engage a financial advisor and supervise the preparation of a fairness opinion in respect thereof, and to make recommendations to the Board relating thereto. The Special Committee considered the Arrangement from a business, financial and legal perspective. The Special Committee, after careful consideration, unanimously determined that the Arrangement is fair to SASC Shareholders and is in the best interest of SASC. Accordingly, the Special Committee recommended to the Board that it recommend to SASC Shareholders that they vote FOR the Arrangement Resolution for the reasons set out under the heading "The Arrangement - Reasons for Recommendation".

**Recommendation of the Board**

The Board, after careful consideration and receiving the recommendation of the Special Committee, determined that the Arrangement is fair to the SASC Shareholders and is in the best interests of SASC. Accordingly, the Board approved the Arrangement. The Board recommended and authorized the submission of the Arrangement Resolution to the SASC Shareholders, that SASC Shareholders vote for the Arrangement, and the submission of the Arrangement for Court for approval. One member of the Board objected to the Arrangement and voted against its approval and recommendation to SASC Shareholders.

**Reasons for Recommendations**

In reaching its determinations, the Special Committee and the Board considered the benefits of the Arrangement to the Corporation and the SASC Shareholders as well as the financial position, opportunities and the outlook for the Corporation following the Arrangement. In addition to the matters discussed under "Benefits of the Arrangement", the Special Committee and the Board considered the following:

- the procedures by which the Arrangement will be approved, including the requirement for the approval by a 66⅔% majority of votes cast at the Meeting of the Continuance Resolution and the Arrangement Resolution, and thereafter the approval of the Court after a hearing at which the fairness of the Arrangement to the SASC Shareholders will be considered;

- the SASC Fairness Opinion provided by GMP Securities L.P. attached as Schedule L to this Circular;

- that holders of SASC Common Shares who are Canadian Residents and hold their SASC Common Shares as capital property generally will be able to exchange their SASC Common Shares for SASC Class A Shares and SASC Class B Shares on a tax deferred basis under the *Income Tax Act* (Canada) (the "**Tax Act**"). See "Certain Canadian Income Tax Considerations";

- that all SASC Shareholders will be treated equally under the Arrangement; and

- that dissent rights are available to SASC Shareholders who are not in favour of the Continuance or Arrangement.

The foregoing discussion summarizes the material factors considered by the Board and the Special Committee in their consideration of the Arrangement and it not intended to be exhaustive. The Board and Special Committee reached their decisions with respect to the Arrangement in light of the factors described above and other factors that each member thereof felt were appropriate. In view of the wide variety of factors, the Board and the Special Committee did not find it useful or practicable to, and did not make specific assessments of, quantify, rank or otherwise, assign relative weights to the specific factors considered in reaching their determinations. Individual members of the Board and the Special Committee may have given different weight to different factors.

**Approval of Arrangement Resolution**

The SASC Shareholders will be asked at the Meeting to consider and, if deemed advisable, approve the Arrangement Resolution. To become effective, the Arrangement Resolution must be approved by a majority of not less than 66⅔% of the votes cast by the SASC Shareholders voting in person or by proxy at the Meeting. The full text of the Arrangement Resolution is set out in Schedule E.

The Board recommends that SASC Shareholders vote FOR the Arrangement Resolution at the Meeting for the reasons set out under the heading "The Arrangement - Reasons for Recommendation". One member of the Board objected to the Arrangement and voted against its approval and recommendation to SASC Shareholders.

**PROXIES RECEIVED BY MANAGEMENT WILL BE VOTED FOR THE ARRANGEMENT RESOLUTION UNLESS A SHAREHOLDER HAS SPECIFIED IN THE PROXY THAT HIS, HER OR ITS SHARES ARE TO BE VOTED AGAINST SUCH RESOLUTION.**

**Voting and Support Agreements**

SASC has entered or intends to enter into agreements with each of its directors and officers who held SASC Common Shares as of the record date for the Meeting, pursuant to which, subject to the terms thereof, such directors and officers irrevocably have agreed or will agree to vote their SASC Common Shares in favour of the Arrangement unless the Arrangement Agreement is terminated. SASC may also enter into such voting and support agreements with additional SASC Shareholders prior to the Meeting.

**The Arrangement Agreement**

The following summarizes, among other things, the material terms of the Arrangement Agreement, a copy of which has been filed on SEDAR under the Corporation's profile as a material document, and is available for review at www.sedar.com. This summary is qualified in its entirety by reference to the full text of the Arrangement Agreement which SASC Shareholders are urged to read for a more complete description of the Arrangement.

Capitalized terms used in this summary have the meanings ascribed to them in the Arrangement Agreement.

*Effective Date of the Arrangement*

The Arrangement will become effective on the date that is five business days after the last of the conditions precedent to the completion of the Arrangement have been satisfied or waived or such earlier or later date as is agreed to by HDG and SASC.

*Representation and Warranties*

Each of SASC and HDG provided customary representations and warranties in the Arrangement Agreement for a transaction of this nature. For a complete description of the representations and warranties, please refer to the Arrangement Agreement filed under the Corporation's profile on SEDAR.

*Mutual Covenants of SASC and HDG*

In the Arrangement Agreement, each of SASC and HDG have agreed it will use all commercially reasonable efforts to take, or cause to be taken, all action and to do, or cause to be done, all things necessary, proper or advisable to satisfy (or cause the satisfaction of) the conditions set out in the Arrangement Agreement to the extent the same is within its control and to consummate and make effective as promptly as is practicable the transactions contemplated therein; and discharge its obligations under the Arrangement Agreement, including the execution and delivery of such documents as may be reasonably required.

*Non Solicitation and Right to Match*

Subject to certain exceptions with respect to a transaction that could lead to a Superior Proposal, HDG has agreed to certain covenants with respect to the non solicitation of competing or alternative transactions with respect to the business of HDG. Should HDG receive a bona fide written competing offer that may constitute a Superior Proposal, HDG is required to notify the Corporation of such offer and the Corporation would then have the opportunity, but not the obligation, to offer in writing, within five business days of such notification by HDG, to amend the terms of the Arrangement Agreement and the HDG board shall then review such revised offer.

*Fiduciary Out and Termination Fee*

HDG Board may, prior to the approval of the Arrangement by HDG Shareholders, (i) consider, participate in discussions, negotiate or provide information relating to any Competing Proposal that the HDG Board determines in good faith, after consulting with its financial and legal advisors, is reasonably likely to result in a Superior Proposal, or (ii) approve or recommend to HDG Shareholders, or enter into an agreement in respect of, a Superior Proposal; but in each case only if the Superior Proposal did not result from a breach of the Arrangement Agreement by HDG and the HDG Board determines in good faith, after consulting with its legal advisors, that failure to take such action would be inconsistent with the fiduciary duties of the HDG Board under applicable Law.

If HDG enters into a legally binding agreement with respect to a Superior Proposal in accordance with the fiduciary duties of the directors of HDG and subject to SASC's right to match, SASC would be entitled to a termination fee in cash equal to $250,000.

*Conditions to Closing*

The Arrangement Agreement provides the respective obligations of HDG and SASC to complete the Arrangement will be subject to the satisfaction, or mutual waiver by the parties, on or before the Effective

Date, of each of the following conditions, which are for the mutual benefit of HDG and SASC and which may be waived, in whole or in part, by mutual consent of SASC or HDG at any time:

(a) the Interim Order will have been obtained in form and substance satisfactory to each of the parties, acting reasonably, and will not have been set aside or modified in a manner unacceptable to either of the parties (acting reasonably) on appeal or otherwise;

(b) the Final Order will have been obtained in form and substance satisfactory to each of the parties, acting reasonably, and will not have been set aside or modified in a manner unacceptable to either of the parties (acting reasonably) on appeal or otherwise;

(c) the Continuance and the HDG Continuance shall have been approved at the Meeting and the HDG shareholder meeting, respectively;

(d) all approvals, consents, waivers or permissions, regulatory or otherwise, which are required in connection with the consummation of the transactions contemplated in the Arrangement Agreement and in the Plan of Arrangement will have been obtained (including, without limitation, the approval of the Arrangement by the TSXV and the TSX, the HDG Shareholder Approval, the SASC Shareholder Approval, and the approval of the Plan of Arrangement by the Court);

(e) no preliminary or permanent injunction, restraining order, ruling, cease trading order or order or decree of any domestic or foreign court, tribunal, Governmental Authority or other regulatory authority or administrative agency, board or commission, and no law, regulation, policy, directive or order will have been enacted, promulgated, made, issued or applied: (i) to cease trade, enjoin, prohibit or impose material limitations on, the Arrangement or the transactions contemplated herein or in the Plan of Arrangement; or (ii) which would reasonably be expected to result in the expected benefits of the Arrangement not being substantially achieved, and no such action, proceeding or order will, to the best of the knowledge of SASC or HDG, be pending or threatened;

(f) the Effective Date shall have occurred no later than December 31, 2013;

(g) the distribution of the SASC Securities in the United States pursuant to the Arrangement shall be exempt from the registration requirements under the U.S. Securities Act and, except with respect to Persons deemed "affiliates" of SASC (as defined in Rule 405 under the U.S. Securities Act) after the Effective Date and Persons deemed "affiliates" of SASC within 90 days prior to the Effective Date, the SASC Securities to be distributed in the United States pursuant to the Arrangement shall not be subject to resale restrictions under the U.S. Securities Act; provided however, that any SASC Warrants issued to HDG Securityholders pursuant to the Arrangement may not be exercised in the United States or on behalf or for the benefit of, a U.S. Person or a Person in the United States, unless registered under the U.S. Securities Act and applicable state law or an exemption is available from such registration requirements, and the holder furnishes to SASC an opinion of counsel or other documentation satisfactory to SASC to such effect;

(h) the Arrangement Agreement will not have been terminated in accordance with its terms; and

(i) there will not be in force or threatened any order or decree of any Governmental Authority or other Person that has the effect of ceasing or restricting trading in the SASC Common Shares.

The obligation of HDG to complete the Arrangement will be subject to the satisfaction, or waiver by HDG, on or before the Effective Date or such earlier date stipulated, of each of the following conditions, which conditions are for sole the benefit of HDG and may be waived, in whole or in part, by HDG at any time:

(a) all covenants of SASC under the Arrangement Agreement to be performed on or before the Effective Date will have been duly performed by SASC in all material respects and HDG will have received a certificate of SASC, signed by two senior officers confirming the same as at the Effective Date;

(b) all representations and warranties of SASC under the Arrangement Agreement qualified as to materiality will be true and correct and those not so qualified will be true and correct in all material respects as of the Effective Date as if made on and as of such date (except to the extent such representations and warranties speak as of an earlier date, in which event such representations and warranties will be true and correct as of such earlier date, or except as affected by transactions contemplated or permitted by the Arrangement Agreement), except where the failure of such representations and warranties to be true and correct, individually or in the aggregate, would not result or would not reasonably be expected to result in a Material Adverse Change or would not, and would not reasonably be expected to, materially impede completion of the Arrangement, and HDG will have received a certificate of SASC addressed to HDG and dated the Effective Date, signed, without personal liability, on behalf of SASC by two senior officers of SASC, confirming the same as at the Effective Date;

(c) from the date of the Arrangement Agreement to the Effective Date, there shall not have occurred, and SASC shall not have incurred or suffered, any one or more changes, effects, events, occurrences or states of facts that, either individually or in the aggregate, have, or could reasonably be expected to have, a Material Adverse Effect on SASC;

(d) the Board will have adopted all necessary resolutions, and all other necessary corporate action will have been taken by SASC to permit the consummation of the Arrangement, including the issuance of the SASC Securities in connection therewith;

(e) SASC shall not be in material breach of its obligations under the Arrangement Agreement; and

(f) the SASC Class A Shares issued pursuant to the Arrangement, or to be issued upon exercise of the HDG Warrants or the HDG Options, shall not be subject to any resale restriction under applicable securities Law of Canada, other than as applicable to "control persons" (as such term is defined in the *Securities Act* (British Columbia)) or pursuant to Section 2.6 of National Instrument 45-102.

The obligation of SASC to complete the Arrangement will be subject to the satisfaction, or waiver by SASC, on or before the Effective Date or such earlier date stipulated, of each of the following conditions, which conditions are for the sole benefit of SASC and which may be waived by SASC, in whole or in part, at any time:

(a) all covenants of HDG under the Arrangement Agreement to be performed on or before the Effective Date will have been duly performed by HDG in all material respects and SASC will have received a certificate of HDG, signed by two senior officers confirming the same as at the Effective Date;

(b) all representations and warranties of HDG under the Arrangement Agreement qualified as to materiality will be true and correct and those not so qualified will be true and correct in all material respects as of the Effective Date as if made on and as of such date (except to the extent such representations and warranties speak as of an earlier date, in which event such representations and warranties will be true and correct as of such earlier date, or except as affected by transactions contemplated or permitted by the Arrangement Agreement), except where the failure of such representations and warranties to be true and correct, individually or in the aggregate, would not result or would not reasonably be expected to result in a Material Adverse Change or would not, and would not be reasonably be expected to, materially impede completion of the Arrangement, and SASC will have received a certificate of HDG addressed to SASC and dated the Effective Date, signed, without personal liability, on behalf of HDG by two senior officers of HDG, confirming the same as at the Effective Date;

(c) from the date of the Arrangement Agreement to the Effective Date, there shall not have occurred, and HDG shall not have incurred or suffered, any one or more changes, effects, events, occurrences or states of facts that, either individually or in the aggregate, have, or could reasonably be expected to have, a Material Adverse Effect on HDG;

(d) the HDG Board will have adopted all necessary resolutions, and all other necessary corporate action will have been taken by HDG to permit the consummation of the Arrangement;

(e) HDG shall not be in material breach of its obligations under the Arrangement Agreement;

(f) the time period for the exercise of any right to dissent conferred upon the HDG Shareholders in respect of the Arrangement will have expired and the HDG Shareholders will not have exercised such right of dissent with respect to greater than 5% of the number of outstanding HDG Shares or rights to acquire HDG Shares, excluding any such HDG Shareholders who have abandoned such rights of dissent;

(g) the time period for the exercise of any right to dissent conferred upon the SASC Shareholders in respect of the Arrangement will have expired and the SASC Shareholders will not have exercised such right of dissent with respect to greater than 5% of the number of outstanding SASC Shares or rights to acquire SASC Shares, excluding any such SASC Shareholders who have abandoned such rights of dissent;

(h) SASC will have received resignations and releases in favour of HDG and the HDG Subsidiaries from those directors and officers of HDG and of the HDG Subsidiaries as are specified by SASC; and

(i) SASC will have entered into new employment agreements satisfactory to SASC with those officers of HDG as are specified by SASC and will have received waivers in favour of HDG of the change of control provisions included in such officers' employment agreements with HDG.

*Termination*

The Arrangement Agreement may be terminated at any time prior to the Effective Date under the following conditions, among other conditions:

(a) by mutual written consent and agreement of HDG and SASC;

(b) by either party, upon written notice to the other party if, subject to a cure period, any of the conditions to closing in its favour is not satisfied or waived on or before the Effective Date;

(c) by SASC upon written notice to HDG if a Competing Proposal for HDG has been made or proposed and the HDG Board:

(A) shall have made a change in its recommendation that the HDG Shareholders approve the Arrangement;

(B) shall have failed, after being requested by SASC in writing, to reaffirm its approval or recommendation of the Arrangement and the transactions contemplated herein as promptly as possible (but in any event within 5 business days) after receipt of such written request from SASC; or

(C) shall have accepted, approved, recommended or entered into an agreement in respect of that Competing Proposal;

(d) by HDG, upon written notice to SASC, if HDG enters into a legally binding agreement with respect to a Superior Proposal in accordance with the fiduciary duties of the directors of HDG and subject to SASC's right to match, provided that HDG shall pay to SASC a termination fee in cash equal to $250,000 within 2 business days after termination of the Arrangement Agreement.

**Procedure for Exchange of SASC Common Shares**

At the time of sending of this Circular to each Registered Shareholder, SASC is also sending to each Registered Shareholder a Letter of Transmittal requesting the Registered Shareholder to tender their SASC Common Share certificates (if any).

Prior to the delivery of this Circular, SASC will appoint the Depositary for the purpose of exchanging with SASC Shareholders the SASC Class A Shares and SASC Class B Shares to be delivered in accordance with the Plan of Arrangement.

If the Arrangement becomes effective, upon delivery to the Depositary of a duly completed and validly executed Letter of Transmittal, together with the SASC Common Share Certificates: (i) a SASC Shareholder (other than a Dissenting Shareholder) shall be entitled to receive, in exchange for each SASC Common Share formerly held by it, one SASC Class A Share and one SASC Class B Share representing the consideration that such SASC Shareholder has the right to receive therefor in accordance with the Plan of Arrangement; and (ii) the SASC Common Share certificates so surrendered shall forthwith be cancelled. Promptly after receipt of a properly submitted Letter of Transmittal, the Depositary shall cause the SASC Class A Shares and SASC Class B Shares to be sent to the SASC Shareholder at the mailing address designated by such holder in the Letter of Transmittal. Until so surrendered, each outstanding SASC Common Share Certificate shall be deemed from and after the Effective Time, for all purposes, to

evidence only the right to receive upon such surrender the SASC Class A Shares and SASC Class B Shares in exchange therefor pursuant to the Plan of Arrangement.

SASC and the Depositary will be entitled to deduct and withhold from any consideration deliverable or otherwise payable to any SASC Shareholder such amounts as SASC or the Depositary is required or permitted to deduct and withhold with respect to such payment under the Tax Act or any provision of any applicable federal, provincial, state, local or foreign tax law or treaty, in each case, as amended. To the extent that amounts are so withheld, such withheld amounts will be treated for all purposes hereof as having been paid to the SASC Shareholder in respect of which such deduction and withholding was made, provided that such withheld amounts are actually remitted to the appropriate taxing authority. The Depositary is authorized, as agent for the SASC Shareholders, to sell such portion of the SASC Shares otherwise deliverable to applicable SASC Shareholders as is necessary to provide sufficient funds to SASC or the Depositary, as the case may be, to enable them to comply with such deduction or withholding requirement, and SASC or the Depositary will notify the applicable SASC Shareholder and remit any unapplied consideration including any unapplied balance of the net proceeds of such sale.

To the extent that a SASC Shareholder shall not duly surrendered its certificate formerly representing SASC Common Shares on or before the sixth anniversary of the Effective Date, any certificate held by such SASC Shareholder shall cease to represent a claim or interest of any kind or nature, against or in SASC. On such date, all SASC Shares to which the former holder of such certificates was entitled will be deemed to have been surrendered to SASC.

*Lost Certificates*

If any certificate which prior to the Effective Date represented outstanding SASC Common Shares which were exchanged pursuant to the Plan of Arrangement has been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming such certificate to be lost, stolen or destroyed, the Depositary will issue in exchange for such lost, stolen or destroyed certificate, certificates representing SASC Class A Shares and SASC Class B Shares deliverable in respect thereof. When seeking such certificate in exchange for any lost, stolen or destroyed certificate, the person to whom certificates representing securities of SASC are to be issued will, as a condition precedent to the issuance thereof, give a bond satisfactory to SASC and its transfer agent, in such sum as SASC may direct or otherwise indemnify SASC and its transfer agent in a manner satisfactory to SASC and its transfer agent against any claim that may be made against SASC or its transfer agent with respect to the certificate alleged to have been lost, stolen or destroyed.

**Arrangement Mechanics**

The following description of the Arrangement mechanics is qualified in its entirety by reference to the full text of the Plan of Arrangement which is set out in Schedule F to this Circular. The Arrangement will become effective on the Effective Date, which date will depend on the satisfaction of various conditions to the completion of the Arrangement.

Commencing at the Effective Time, the following will occur and will be deemed to occur in the following sequence without any further authorization, act or formality by SASC, HDG or any other person:

*Share Reorganization*

(a) each SASC Common Share held by a SASC Dissenting Shareholder will be, and will be deemed to be, transferred by the holder thereof, free from any claims, to SASC and thereupon each such SASC Dissenting Shareholder shall have the rights set out in Article

4 of the Plan of Arrangement and such holder's name will be removed from the central securities register of SASC in respect of such share at such time;

(b) there will be a reorganization of the capital of SASC as follows:

(A) the Notice of Articles and Articles of SASC will be altered to create and authorize the issuance of (in addition to the shares that SASC is authorized to issue immediately before the Effective Time) an unlimited number of SASC Class A Shares and up to 127,328,790 SASC Class B Shares, and to attach the special rights and restrictions to each class of shares of SASC so they will be as set out in Exhibit 1 to the Plan of Arrangement;

(B) each issued and outstanding SASC Common Share, other than any SASC Common Shares held by a SASC Dissenting Shareholder, will be and will be deemed to be disposed of by the holder, free from any claims, in exchange for one SASC Class A Share and one SASC Class B Share receivable from SASC and in respect of each such SASC Common Share:

(i) each such SASC Shareholder shall cease to be the holder of such SASC Common Share and shall become the holder of a SASC Class A Share and a SASC Class B Share on the Effective Date concurrently with the exchange referred to in (B) immediately above; and

(ii) all SASC Common Shares shall be cancelled;

*Acquisition of HDG*

(c) each HDG Share held by a HDG Dissenting Shareholder will be, and will be deemed to be, transferred by the holder thereof, free from any claims, to HDG and thereupon each HDG Dissenting Shareholder shall have the rights set out in Article 4 of the Plan of Arrangement and such holder's name will be removed from the central securities register of HDG in respect of such share at such time

(d) each of the issued and outstanding HDG Shares, other than any HDG Shares held by a HDG Dissenting Shareholder, shall be irrevocably transferred to SASC, free from any claims, in exchange for 0.275 of a SASC Class A Share and in respect of each such HDG Share:

(A) each such former HDG Shareholder shall cease to be the holder of HDG Shares so transferred on the Effective Date concurrently with the transfer referred to in (d) immediately above and such holder's name shall be removed from the central securities register of HDG in respect of such share at such time; and

(B) SASC shall become the sole legal and beneficial holder of the HDG Shares so transferred (free from any claim) on the Effective Date and shall be entered in the central securities register of HDG as the holder thereof;

*HDG Warrants*

(e) each of the issued and outstanding HDG Warrants will be exchanged for a warrant to acquire (on the same terms and conditions as were applicable to such HDG Warrants

immediately before the Effective Time under the terms thereof), the number (rounded down to the nearest whole number) of SASC Class A Shares equal to the product of: (A) the number of HDG Shares subject to such HDG Warrant immediately prior to the Effective Time; and (B) the Exchange Ratio. The exercise price per SASC Class A Share subject to any such exchanged SASC Warrant shall be the amount (rounded up to the nearest one-hundredth of a cent) equal to the quotient of (A) the exercise price per HDG Share subject to the HDG Warrant immediately before the Effective Time divided by (B) the Exchange Ratio; and

*Re-designation of Class A Shares as Common Shares*

(f) the Notice of Articles and Articles of SASC will be altered to cancel the SASC Common Shares, none of which will be issued and outstanding at such time, and to re-designate the SASC Class A Shares as "Common Shares".

**Treatment of SASC Options and SASC Warrants**

Pursuant to the terms of the share incentive plan governing the SASC Options outstanding immediately prior to the Effective Time and the terms of the certificates representing the SASC Warrants outstanding immediately prior to the Effective Time, upon completion of the Arrangement holders of such SASC Options and SASC Warrants will be entitled to receive, upon exercise thereof, one SASC Class A Share and one SASC Class B Share in substitute for one SASC Common Share, subject to any restrictions, limitations or subsequent adjustments that apply pursuant to such share incentive plan or warrant certificate, as the case may be.

**Treatment of HDG Options and HDG Warrants**

Pursuant to the terms of the share option plan governing the HDG Options, upon completion of the Arrangement holders of HDG Options will be entitled to receive, subject to any restrictions, limitations or subsequent adjustments that apply pursuant to such share option plan, upon exercise of a HDG Option, the number (rounded down to the nearest whole number) of SASC Class A Shares equal to the product of (A) the number of HDG Shares subject to such HDG Option immediately prior to the Effective Time and (B) the Exchange Ratio.

See "Arrangement Mechanics – HDG Warrants" above for treatment of the HDG Warrants.

**Required Shareholder Approvals**

*SASC Shareholder Approval*

In order to implement the Arrangement, the Arrangement Resolution, a copy of which is attached to the Circular as Schedule E, must be approved by at least 66⅔% of the votes cast at the Meeting by the SASC Shareholders.

*HDG Shareholder Approval*

The Arrangement is also subject to the requisite approval by the HDG Shareholders, which will be 66⅔% of the votes cast on the HDG Arrangement Resolution by HDG Shareholders present in person or by proxy at the meeting of HDG Shareholders to be held on or about December 9, 2013, together with minority approval in accordance with Multilateral Instrument 61-101.

**Required Court Approvals**

The Arrangement requires Court approval under the BCBCA. Prior to the mailing of this Circular, SASC obtained the Interim Order providing for the calling and holding of the Meeting and certain other procedural matters related to the Meeting. A copy of the Interim Order is attached to this Circular as Schedule J. Following approval of the Arrangement Resolution by SASC Shareholders at the Meeting, SASC will make application to the Court for the Final Order at 9:45 a.m. (Vancouver time) or as soon thereafter as counsel may be heard on December 19, 2013 at the courthouse located at 800 Smithe Street, Vancouver, British Columbia, V6Z 2E1. The Application for the Final Order is set forth in Schedule K. SASC's counsel has advised that, in deciding whether to grant the Final Order, the Court will consider, among other things, the fairness of the Arrangement to the SASC Shareholders and the HDG Shareholders.

At the hearing for the Final Order, SASC Shareholders or other interested persons are entitled to appear in person or by counsel and to make a submission regarding the Arrangement, subject to filing and serving a Response to Petition and satisfying any other applicable requirements.

At the hearing, the Court may approve the Arrangement either as proposed, or make the Arrangement subject to such terms and conditions as the Court considers appropriate, or may dismiss the application.

**Dissent Rights**

SASC Registered Shareholders are entitled to dissent to the Continuance Resolution pursuant to the CBCA as described above. See "Continuance into British Columbia - Shareholders' Rights of Dissent in Respect of the Continuance". Further, pursuant to the Arrangement Agreement and the Interim Order, SASC Registered Shareholders are entitled to dissent to the Arrangement Resolution and the Board will honour a dissent properly exercised by an SASC Shareholder against the Arrangement Resolution, made pursuant to the CBCA.

Both the Continuance Resolution and the Arrangement Resolution require approval by 66⅔% of the votes cast by SASC Shareholders at the Meeting in order to proceed with the Arrangement. Therefore, a dissent to either the Continuance Resolution or the Arrangement Resolution is effectively a dissent to the Arrangement itself. SASC Shareholders who wish to dissent to the Arrangement need only dissent to either the Continuance Resolution or the Arrangement Resolution.

SASC Shareholders registered as such on the Record Date of the Meeting may exercise Dissent Rights in respect of the Arrangement Resolution pursuant to and in the manner set forth in the Interim Order, which is attached as Schedule J. See also "Shareholders' Rights of Dissent in Respect of the Continuance" for a description of the Dissent Rights under the CBCA which are adopted in the Interim Order.

**Persons who are beneficial owners of SASC Common Shares registered in the name of a broker, custodian, nominee or other intermediary who wish to dissent should be aware that ONLY A REGISTERED SHAREHOLDER IS ENTITLED TO DISSENT. A shareholder who beneficially owns SASC Common Shares but is not the registered holder thereof, should contact the registered holder for assistance.**

Dissent Rights with respect to the Arrangement are technical and complex therefore SASC Shareholders who wish to dissent to the Arrangement are encouraged to consult with their legal advisors in respect to such dissent.

**Information Concerning South American Silver Corp.**

For additional information on the Corporation, please see "Information Concerning South American Silver Corp." attached as Schedule E.

**Information Concerning High Desert Gold Corporation**

High Desert Gold Corporation (TSX-V: HDG, US/OTCQX: HDGCF, FWB: 7HD) is a mineral exploration company that acquires and explores mineral properties, primarily gold, copper and silver, in North America. The major properties held by HDG are the 100% owned Gold Springs gold project situated along the border between Utah and Nevada and the San Antonio project in Sonora, Mexico. HDG also has a 26.8% equity interest in Highvista Gold Inc. (TSX-V: HVV) that owns the Canasta Dorada property in Sonora, Mexico.

For additional information on HDG, please see "Information Concerning High Desert Gold Corporation" attached as Schedule H.

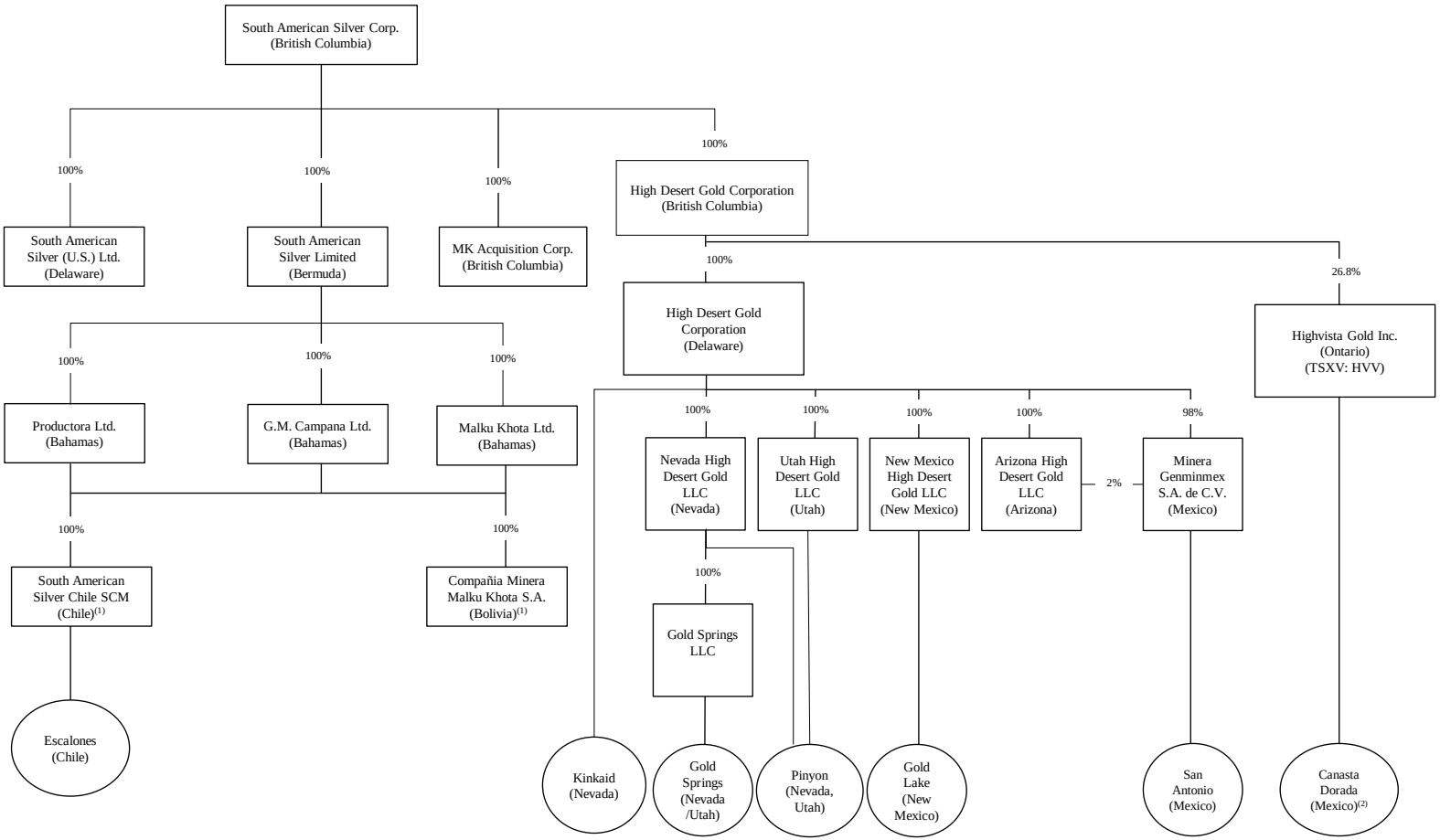
**Information Concerning the Corporation Upon Completion of the Arrangement**

On completion of the Arrangement, the Corporation will be a corporation governed by the provisions of the BCBCA. After the Effective Date, the Corporation will own all of the HDG Shares and HDG will be a direct, wholly-owned subsidiary of the Corporation. The Corporation will otherwise continue its business and operations as conducted prior to the Effective Date. The business and operations of HDG will be managed and operated as a subsidiary of the Corporation.

The registered office, records office and head office of the Corporation in Canada will be located at 580 Hornby Street, Suite 880, Vancouver, British Columbia, V6C 3B6 and the head office of the Corporation in the U.S. will remain located at 2696 South Colorado Boulevard, Suite 240, Denver, Colorado 80222.

*Organization Chart*

The following chart shows the corporate relationship between the Corporation and HDG following the completion of the Arrangement:


South American Silver Corp. (British Columbia)
100%
South American Silver (U.S.) Ltd. (Delaware)
100%
South American Silver Limited (Bermuda)
100%
MK Acquisition Corp. (British Columbia)
100%
High Desert Gold Corporation (British Columbia)
100%
Productora Ltd. (Bahamas)
100%
G.M. Campana Ltd. (Bahamas)
100%
Malku Khota Ltd. (Bahamas)
100%
High Desert Gold Corporation (Delaware)
26.8%
Highvista Gold Inc. (Ontario) (TSXV: HVV)
100%
South American Silver Chile SCM (Chile)(1)
100%
Compañia Minera Malku Khota S.A. (Bolivia)(1)
100%
Nevada High Desert Gold LLC (Nevada)
100%
Utah High Desert Gold LLC (Utah)
100%
New Mexico High Desert Gold LLC (New Mexico)
100%
Arizona High Desert Gold LLC (Arizona)
2%
98%
Minera Genminmex S.A. de C.V. (Mexico)
100%
Gold Springs LLC
Escalones (Chile)
Kinkaid (Nevada)
Gold Springs (Nevada /Utah)
Pinyon (Nevada, Utah)
Gold Lake (New Mexico)
San Antonio (Mexico)
Canasta Dorada (Mexico)(2)

(1) All of the subsidiaries of the Company are 100% owned by the Company and its subsidiaries. Local laws in Chile require that companies incorporated in Chile have at least two shareholders. Similarly, local laws in Bolivia require that companies incorporated in Bolivia have at least three shareholders. Accordingly, the issued shares of these subsidiaries are held as follows:

| Subsidiary | Shareholders |
|---|---|
| South American Silver Chile SCM | Productora Ltd. (1,499 shares)<br>G.M. Campana Ltd. (one share) |
| Compañia Minera Malku Khota S.A. | Malku Khota Ltd. (48 shares)<br>GM Campana Ltd. (one share)<br>Productora Ltd. (one share) |

(2) Held through wholly-owned subsidiaries of Highvista Gold Inc..

*Summary Description of the Corporation, Post-Arrangement*

The Corporation, post-Arrangement, will hold principal assets currently owned by the Corporation and HDG. For a detailed description of the principal assets currently owned by the Corporation and HDG, please see their respective documents filed pursuant to National Instrument 51-102 on SEDAR, Schedule G "Information Concerning South American Silver Corp.", and Schedule H "Information Concerning High Desert Gold Corporation".

The Corporation intends on delivering value to shareholders by continuing to acquire, explore and develop its principal exploration properties located in North and South America. Some of the key business objectives of the Corporation, post-Arrangement, will include:

- continuing the exploration and development of the Gold Springs project;
- evaluating the potential of joint venturing future stages of Escalones;
- seeking full compensation for damages arising from Bolivia's breaches of the investment treaty and international law in connection with the Malku Khota project by pursuing international arbitration proceedings against Bolivia at the same time remaining open to a negotiated settlement;
- rebranding the Corporation to reflect its new strategic direction; and
- considering additional acquisitions of exploration or development properties.

*Directors and Executive Officers of the Corporation, Post-Arrangement*

The Corporation does not anticipate any major changes to its management team following the completion of the Arrangement, other than Ralph Fitch assuming the role of President and Chief Executive Officer of the Corporation following Phillip Brodie-Hall's departure and the addition of Randall Moore, as Executive Vice-President of Exploration – North America. For a detailed description of the directors and officers of the Corporation, please see Schedule G "Information Concerning South American Silver Corp. – Directors and Officers".

*Description of Share Capital of the Corporation, Post-Arrangement*

After the Effective Date of the Arrangement, the Corporation's authorized share capital will consist of an unlimited number of SASC Class A Shares (to be re-designated Common Shares) without par value and up to 127,328,790 SASC Class B Shares without par value. The material provisions of the SASC Class A Shares and SASC Class B Shares are summarized below.

Based on the capitalization of the Corporation and HDG as of the date of this Circular, after the Effective Date, the Corporation will have approximately 134,763,395 SASC Class A Shares and 115,303,322 SASC Class B Shares issued and outstanding (assuming that no options and warrants are exercised before the Effective Date) and pre-Acquisition shareholders of the Corporation will hold in aggregate approximately 85.6% of the issued and outstanding SASC Class A Shares and 100% of the Class B Shares. In addition, after the Effective Date (assuming that no SASC or HDG options and SASC or HDG warrants are exercised before the Effective Date) approximately 8,526,968 SASC Class A Shares and 7,025,468 SASC Class B Shares will be reserved for issuance in respect of SASC Options (including the former HDG Options) outstanding as at the date of this Circular, and approximately 6,760,000 SASC Class A Shares and 5,000,000 SASC Class B Shares will be reserved for issuance in respect of SASC Warrants (including the former HDG Warrants) outstanding as at the date of this Circular.

On completion of the Arrangement, the SASC Class A Shares (to be re-designated Common Shares) will continue trading on the TSX. The Corporation has also applied to list the SASC Class B Shares for trading on the TSX. The HDG Shares are expected to be de-listed from the TSXV as soon as practicable following the Effective Date. HDG will also seek an order from applicable Canadian Securities Authorities to be deemed to have ceased to be a reporting issuer (or the equivalent) under the securities legislation of each of the provinces of Canada under which it is currently a reporting issuer (or the equivalent).

*SASC Class A Shares (to be re-designated Common Shares)*

The holders of the SASC Class A Shares, as such, will be entitled to receive notice of and to attend at general meetings of shareholders of the Corporation and will be entitled to one vote for each SASC Class A Share held. The holders of the SASC Class A Shares will also be entitled to receive dividends if, as and when declared by the board of directors. Dividends, which the board of directors determines to declare and pay, shall be declared and paid in equal amounts per share on the SASC Class A Shares at the time outstanding without preference or distinction. Subject to the rights of holders of SASC Class B Shares described below, holders of SASC Class A Shares are entitled to receive on a *pro rata* basis the remaining property or assets of SASC in the event of any liquidation, dissolution or winding-up of SASC.

*SASC Class B Non-Voting Shares*

This summary of the rights attached to the SASC Class B Shares is qualified in its entirety by reference to the full provisions of the SASC Class B Non-Voting Shares which are set out in Exhibit 1 to Schedule F to this Circular. Shareholders should refer to the full provisions of the SASC Class B Shares for complete details of the rights and restrictions attached to the SASC Class B Shares. Capitalized terms used in this section not otherwise defined in this Circular are defined in the full provisions of the SASC Class B Shares which are set out in Exhibit 1 to Schedule F to this Circular.

(a) Voting Rights

The holders of the SASC Class B Shares will not be entitled as such to receive notice of or to attend any meeting of the shareholders of the Corporation or to vote at any such meeting, except that (i) the holders of the SASC Class B Shares will be entitled to notice of meetings of the shareholders called for the purpose of authorizing the dissolution of the Corporation or the sale, lease or exchange of all or substantially all of the property of the Corporation other than in the ordinary course of business of the Corporation and (ii) the approval of the holders of the SASC Class B Shares will be required to add to, vary or delete the special rights and restrictions attaching to the SASC Class B Shares.

(b) Class B Share Entitlement

For purposes of the special rights and restrictions attaching to the SASC Class B Shares, the Class B Share Total Entitlement is:

(a) nil, until the Final Award is issued or a Settlement Agreement is entered into and either:

(i) the full Malku Khota Award or Settlement Amount, if any, is received by SASL or any of its affiliates, or

(ii) SASL determines, in its absolute discretion, that enforcement actions in respect of the collection of such Malku Khota Award or Settlement Amount are sufficiently exhausted and should cease;

(b) nil, if the Final Award is issued and SASL is not awarded any relief payable in cash to it or any of its affiliates, or if a Settlement Agreement is entered into and no cash is payable thereunder to SASL or any of its affiliates; or

(c) an amount equal to 85% of the amount, if any, by which the Malku Khota Award or Settlement Amount exceeds the Malku Khota Arbitration Expenses, if the Final Award is issued in favour of SASL or a Settlement Agreement is entered into and either:

(i) the full Malku Khota Award or Settlement Amount is received by SASL or any of its affiliates, or

(ii) SASL determines, in its absolute discretion, that enforcement actions in respect of the collection of such Malku Khota Award or Settlement Amount are sufficiently exhausted and should cease.

(c) Redemption Rights

All but not less than all of the SASC Class B Shares shall be redeemed by SASC on the Redemption Date (as defined below) for an amount per share equal to the total of the Class B Share Entitlement. The Redemption Date is the date that is 60 days after the earliest of the following dates:

(a) where SASL enters into a Settlement Agreement, the date which is the later of (i) the date the full amount of the Malku Khota Award or Settlement Amount is received by SASL or any of its affiliates; or (ii) the date on which SASL determines, in its absolute discretion, that enforcement actions in respect of the collection of such Malku Khota Award or Settlement Amount are sufficiently exhausted and should cease;

(b) where the Final Award is issued and SASL or its affiliates is awarded relief payable in cash, the date which is the later of (i) the date the full amount of the Malku Khota Award or Settlement Amount is received by SASL or any of its affiliates; or (ii) the date on which SASL determines, in its absolute discretion, that enforcement actions in respect of the collection of such Malku Khota Award or Settlement Amount are sufficiently exhausted and should cease;

(c) the date on which the Final Award is issued and no relief payable in cash is awarded to SASL;

(d) the date on which SASL enters into a Settlement Agreement pursuant to which no cash settlement or award will be payable to SASL; and

(e) the date the Malku Khota Arbitration Proceedings are otherwise terminated and the limitation period for SASL to file a challenge or appeal in respect of such termination has expired.

Notwithstanding the foregoing, Newco or an affiliate(s) of SASC has the overriding right (the "Redemption Call Right") to purchase all but not less than all of the SASC Class B Shares on the Redemption Date for the same amount as would have been paid on redemption.

(d) Retraction Rights

A holder of SASC Class B Shares is entitled after the Retraction Right Trigger Date (as defined below) to require SASC to redeem any or all of the SASC Class B Shares held by it for an amount for each share equal to the Class B Share Entitlement. The Retraction Right Trigger Date is the date, after the Final Award is issued or a Settlement Agreement is entered into, that is 60 days after the later of (i) the date the full amount of the Malku Khota Award or Settlement Amount is received by SASL or any of its affiliates; or (ii) the date on which SASL determines, in its absolute discretion, that enforcement actions in respect of the collection of such Malku Khota Award or Settlement Amount are sufficiently exhausted and should cease.

Notwithstanding the foregoing, Newco or an affiliate(s) of SASC has the overriding right (the "Retraction Call Right") to purchase all but not less than all of the SASC Class B Shares otherwise to be retracted for the same amount as would have been paid pursuant to the Retraction Right.

(e) Rights on Liquidation

In the event of the liquidation, dissolution or winding up of SASC or any other distribution of the assets of SASC among its shareholders for the purpose of winding up its affairs, each holder of a SASC Class B Share will be entitled to its *pro rata* shares of the Class B Share Total Entitlement, if any. Notwithstanding the foregoing, Newco or an affiliate(s) of SASC has the overriding right (the "Liquidation Call Right") in the event of any proposed liquidation, dissolution or winding up of SASC to purchase all but not less than all of the Class B Shares for the same amount as would have been paid on such liquidation, dissolution or winding-up.

Until (a) the Final Award is issued or a Settlement Agreement is entered into and (i) the Malku Khota Award or Settlement Amount is received by SASL or any of its affiliates or (ii) SASL determines, in its absolute discretion, that enforcement actions in respect of the Malku Khota Award or Settlement Amount are sufficiently exhausted and should cease, or (b) the Malku Khota Arbitration Proceedings are otherwise terminated, as a condition to any liquidation, dissolution or winding-up of SASC or any other distribution of the assets of SASC among its shareholders for the purpose of winding-up its affairs, each holder of a SASC Class B Share will be issued, in such manner as determined by SASC in its sole discretion, in exchange for each SASC Class B Share a right to their proportionate share of the Malku Khota Award or Settlement Amount.

*Principal Holders of Common Shares of the Corporation, Post-Arrangement*

To the knowledge of the directors and senior officers of the Corporation, no single shareholder will beneficially own, directly or indirectly, or exercise, control or direction over more than 10% of the votes attached to SASC Class A Shares following the completion of the Arrangement.

*Selected Unaudited Pro Forma Consolidated Financial Information*

The unaudited *pro forma* consolidated financial statements of the Corporation and accompanying notes are included in Schedule I to this Circular. The unaudited *pro forma* consolidated financial information for the Corporation has been derived from: (i) the interim consolidated financial statements of the Corporation for the six months ended June 30, 2013; (ii) the audited consolidated financial statements of the Corporation for the year ended December 31, 2012, (iii) the interim consolidated financial statements of HDG for the six months ended June 30, 2013; and (iv) the audited consolidated financial statements of HDG for the year ended December 31, 2012, and such other supplementary information as was available to the Corporation and considered necessary to give pro forma effect to the business combination of the Corporation and HDG.

The unaudited pro forma consolidated financial statements are based on certain assumptions and adjustments. The selected unaudited *pro forma* consolidated financial information set out below should be read in conjunction with the description of the Arrangement contained in this Circular, the unaudited pro forma consolidated financial statements attached to this Circular as Schedule I and the consolidated financial statements of the Corporation and the consolidated financial statements of HDG available on SEDAR at www.sedar.com.

| | **June 30, 2013 (US$)** |
|---|---|
| Cash and cash equivalents | 17,079,249 |
| Current assets | 17,865,432 |
| Mining claims and deferred exploration costs | 17,085,932 |
| Other deferred costs – Malku Khota | 18,504,000 |
| Total assets | 54,609,192 |
| Current liabilities | 1,965,060 |
| Non-current liabilities – Class B Shares | 19,540,904 |
| Equity | 33,103,228 |

The unaudited *pro forma* consolidated financial statements included as Schedule I to this Circular should be read in conjunction with the consolidated financial statements and notes thereto of SASC and of HDG incorporated by reference into this Circular. The *pro forma* adjustments are based on available financial information and certain estimates and assumptions. The actual adjustments to the consolidated financial statements of SASC will depend on a number of factors. Therefore, the actual amounts recorded upon completion of the transactions will likely differ from those recorded in the unaudited *pro forma* consolidated financial statements and these differences may be material. Similarly, the calculation and allocation of the purchase price has been prepared on a preliminary basis and is subject to change between the time such preliminary estimates were made and closing as a result of several factors which could include, among others, changes in the fair value of the assets acquired and liabilities assumed and the market price of the related shares, options and warrants. Any potential synergies that may be realized and integration costs that may be incurred upon completion of the transactions have been excluded from the

unaudited *pro forma* consolidated financial statements. Further, the unaudited *pro forma* financial information is not necessarily indicative of the results of operations that may be obtained in the future.

Shareholders are advised that the SASC Class A Share and SASC Class B Share prices estimated in the unaudited *pro forma* consolidated financial statements were calculated for the purpose of the *pro forma* consolidated financial statements and shall not be construed by the shareholders as an indicative tax value of the SASC Class A or B Shares for income tax purposes. As the final proportion cannot be determined prior to the closing of the Arrangement, the Corporation will advise holders on its website shortly after the closing of the Arrangement as to its views on such division of adjusted cost base of the SASC Common Shares into SASC Class A and SASC Class B shares. In order to comply with the requirements of the Tax Act, such allocation will, in general terms, reflect the Corporation's estimate of fair market values for certain property determined at the time of the Arrangement and may well not be reflective of the relative trading price of the SASC Class A Shares after the Arrangement. As well, the Corporation's views on the allocation of adjusted cost base are not binding on the CRA or a court.

*Auditors*

The auditors of the Corporation are, and are expected post-Arrangement to remain, PricewaterhouseCoopers LLP, Chartered Accountants, located at their principal office in Vancouver, British Columbia. PricewaterhouseCoopers LLP has advised the Corporation that they are independent in accordance with the Rules of Professional Conduct of the Institute of Chartered Accountants of British Columbia.

*Transfer Agent and Registrar*

The transfer agent and registrar of the SASC Common Shares / SASC Class A Shares and the SASC Class B Shares is, and is expected post-Arrangement to remain, CST Trust Company.

## RISK FACTORS TO THE ARRANGEMENT

In evaluating the Continuance and Arrangement, SASC Shareholders should carefully consider, in addition to the other information contained and incorporated by reference in this Circular, the risks and uncertainties described below and the risks related to HDG set out in Schedule H "Information Concerning High Desert Gold Corporation – Risk Factors" before deciding to vote in favour of the Continuance Resolution or the Arrangement Resolution. While this Circular has described the risks and uncertainties that management of the Corporation believes to be material to the Corporation's business, it is possible that other risks and uncertainties affecting the Corporation's business will arise or become material in the future.

### Risks of Proceeding with the Arrangement

*The SASC Class A Shares and Class B Shares issued and made issuable in connection with the Arrangement may have an aggregate market value different than that of the SASC Common Shares.*

Pursuant to the Arrangement, each SASC Common Share will be exchanged into one SASC Class A Share and one SASC Class B Share and each SASC Option and SASC Warrant will become exercisable for one SASC Class A Share and one SASC Class B Share rather than one SASC Common Share. There can be no assurance that the aggregate market value of the SASC Class A Share and the SASC Class B Share after completion of the Arrangement will approximate the market value of the SASC Common Shares immediately prior to completion of the Arrangement. Variations may occur as a result of changes in, or market perceptions of changes in, the business, operations or prospects of the Corporation and HDG

prior to completion of the Arrangement or the combined Corporation following the completion of the Arrangement, regulatory considerations, general market and economic conditions, changes in metal prices and other factors over which the Corporation has no control.

*The SASC Class B Shares may not realize any value.*

The holders of the SASC Class B Shares will have contingent rights to receive a *pro rata* share of 85% of the net cash proceeds received pursuant to any award or settlement agreement entered into in respect of the South American Silver Limited's arbitration claim against the Government of Bolivia. The holders of SASC Class B Shares will not realize any value if: (i) no award or settlement agreement is reached; (ii) no cash payment is included in the award or settlement agreement; or (iii) the costs of obtaining a cash payment on, or enforcement of, the award or settlement agreement exceeds to amount of such cash payment.

*The accrual of value on the SASC Class B Shares may be significantly delayed.*

The international arbitration process can take several years before an award is rendered or settlement reached. Once an award is rendered or settlement is reached, enforcing the award or settlement agreement could take an additional several years.

*Completion of the Arrangement is subject to several conditions that must be satisfied or waived.*

There are a number of conditions precedent to the Arrangement which are outside the control of the Corporation or HDG, including, but not limited to, approval of the Continuance Resolution and Arrangement Resolution by SASC Shareholders, the approval of the corresponding HDG resolutions by HDG Shareholders, the approval of the stock exchanges and Court and required satisfaction of the regulatory conditions to closing. If for any reason the conditions to the Arrangement are not satisfied or waived and the Arrangement is not completed, the market price of the SASC Common Shares may be adversely affected.

*Each of the Corporation and HDG has the right to terminate the Arrangement Agreement in certain circumstances.*

There is no certainty that the Arrangement Agreement will not be terminated by either the Corporation or HDG before the completion of the Acquisition. For example, each of the Corporation and HDG has the right, in certain circumstances, to terminate the Arrangement Agreement if changes occur that, in the aggregate, have a material adverse effect on HDG or the Corporation, respectively. There is no assurance that a change having a material adverse effect on the Corporation or HDG will not occur before the Effective Date, in which case HDG or the Corporation, as the case may be, could elect to terminate the Arrangement Agreement and the Arrangement would not proceed.

*The issuance of a significant number of SASC Class A Shares could adversely affect the market price of the SASC Class A Shares post-Arrangement.*

If the Arrangement is completed, a significant number of additional SASC shares will be issued and will become available for trading in the public market. The increase in the number of SASC Class A Shares may lead to sales of such shares or the perception that such sales may occur, either of which may adversely affect the market for, and the market price of, the SASC Class A Shares.

*The SASC Class B Shares may be illiquid.*

There is no current public market for the SASC Class B Shares and it is uncertain if any market for the SASC Class B Shares will develop, therefore, holders of SASC Class B Shares may be unable to dispose of their investment. SASC has applied to have the SASC Class B Shares listed for trading on the TSX.

**Risks of Not Proceeding with the Arrangement**

*Existing Operational Risks*

If the Arrangement is not completed, the Corporation will continue to face all of the existing operational and financial risks of its business as described in the documents incorporated herein by reference, including the AIF.

*Impact on Share Price and Future Business Operations*

If the Arrangement is not completed, there may be a negative impact on the price of the SASC Common Shares, future business and operations to the extent that the current trading price of the SASC Common Shares reflects an assumption that the Arrangement will be completed. The price of the SASC Common Shares may decline if the Arrangement is not completed.

*Costs of the Arrangement*

There are certain costs related to the Arrangement, such as legal and accounting fees incurred and fees related to the preparation of the SASC Fairness Opinion, that must be paid even if the Arrangement is not completed. There are also opportunity costs associated with the diversion of management attention away from the conduct of the Corporation's business in the ordinary course.

**Risks Related to the Corporation post-Arrangement**

*Existing Operational Risks*

If the Arrangement is completed, the Corporation will continue to face all of the existing operational and financial risks of its business and will also face the risks associated with the Corporation's and HDG's respective businesses as described under the headings "Risk Factors" in each of Schedule G "Information Concerning South American Silver Corp." and Schedule H "Information Concerning High Desert Gold Corporation" and in the documents incorporated by reference herein.

## CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

The following is a general summary of the principal Canadian federal income tax considerations in respect of the Arrangement generally applicable to an SASC Shareholder (a "**Holder**") who at all relevant times and for purposes of the Tax Act (i) holds its SASC Common Shares as capital property, (ii) will hold its SASC Class A Shares and SASC Class B Shares acquired pursuant to the Arrangement as capital property; (iii) deals at arm's length with, and is not affiliated with the Corporation; (iv) is not a "financial institution" for purposes of the mark-to-market property rules contained in the Tax Act or a "specified financial institution" as defined in the Tax Act; and (v) has not made a functional currency reporting election under the Tax Act. This summary is not applicable to a Holder an interest in which would be a "tax shelter investment" under the Tax Act or to a Holder that is a corporation resident in Canada that is, or becomes, controlled by a non-resident corporation for the purposes of the "foreign affiliate dumping" rules in section 212.3 of the Tax Act. This summary does not address the specific issues relevant to a

Holder who acquired SASC Common Shares on the exercise of an employee stock option. All such Holders should consult their own tax advisors.

Generally, the SASC Common Shares, SASC Class A Shares and SASC Class B Shares will be considered to be capital property of a Holder unless such shares or rights are held in the course of carrying on a business or were acquired in one or more transactions considered to be an adventure in the nature of trade. Certain Holders who are resident in Canada and who might not otherwise be considered to hold their SASC Common Shares, SASC Class A Shares or SASC Class B Shares as capital property may be entitled to make an irrevocable election in accordance with subsection 39(4) of the Tax Act to have such shares and every other "Canadian security", as defined in the Tax Act, owned by such Holder in the taxation year of the election, and in all subsequent taxation years, deemed to be capital property.

**For purposes of this summary, it has been assumed that the SASC Common Shares will continue to be listed on the TSX at all relevant times until they are exchanged for the SASC Class A Shares and SASC Class B Shares pursuant to the Arrangement.**

This summary is based on the current provisions of the Tax Act and counsel's understanding of the current published administrative policies and assessing practices of the CRA as of the date hereof. This summary takes into account all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "**Tax Proposals**") and assumes that the Tax Proposals will be enacted in the form proposed, although no assurance can be given that the Tax Proposals will be enacted in their current form or at all. This summary does not otherwise take into account any changes in law or in the administrative policies or assessing practices of the CRA, whether by legislative, governmental or judicial decision or action, nor does it take into account or consider any provincial, territorial or foreign income tax considerations, which considerations may differ significantly from the Canadian federal income tax considerations discussed in this summary.

**This summary is of a general nature only and is not intended to be, nor should it be considered to be, legal or tax advice to any particular Holder, and no representation with respect to the tax consequences to any particular Holder is made. The tax consequences to each Holder will depend on the Holder's own particular circumstances. Therefore, all Holders and all other persons affected by the Arrangement should consult their own tax advisors with respect to their particular circumstances, including the application and effect of the income and other tax laws of any country, province, state or other local tax authority.**

**Holders Resident in Canada**

The following portion of this summary applies generally to a Holder who, at all relevant times for the purposes of the Tax Act, is or is deemed to be resident in Canada (a "**Resident Holder**").

*Exchange of SASC Common Shares for SASC Class A Shares and SASC Class B Shares*

A Resident Holder who exchanges all of its SASC Common Shares for SASC Class A Shares and SASC Class B Shares in the course of the reorganization of the capital of the Corporation pursuant to the Arrangement will be deemed to have disposed of the SASC Common Shares for proceeds of disposition equal to the Holder's adjusted cost base of the SASC Common Shares immediately before the exchange. As a result, such a Resident Holder will not recognize a capital gain or a capital loss in respect of the exchange.

The aggregate cost to a Resident Holder of the SASC Class A Shares and the SASC Class B Shares receivable pursuant to the Arrangement upon the exchange of the Resident Holder's SASC Common

Shares will be equal to the aggregate adjusted cost base to the Resident Holder of the SASC Common Shares immediately before the exchange. The aggregate cost of the SASC Class A Shares and SASC Class B Shares to the Resident Holder will be allocated among the SASC Class A Shares and SASC Class B Shares in proportion to their fair market value immediately after such exchange. As the final proportion cannot be determined prior to the closing of the Arrangement, the Corporation will advise holders on its website shortly after the closing of the Arrangement as to its views on such division of adjusted cost base of the Common Shares into SASC Class A Shares and SASC Class B Shares. In order to comply with the requirements of the Tax Act such allocation will, in general terms, reflect the Corporation's estimate of fair market values for certain property determined at the time of the Arrangement and may well not be reflective of the relative trading price of the SASC Class A Shares after the Arrangement. As well, the Corporation's views on the allocation of adjusted cost base are not binding on the CRA or a court.

The adjusted cost base of the SASC Class A Shares and SASC Class B Shares to a Resident Holder at any time will be determined by averaging the cost of the SASC Class A Shares and SASC Class B Shares, respectively, with the adjusted cost base of any other SASC Class A Shares and SASC Class B Shares, respectively, owned by the Resident Holder as capital property at that time.

*Re-designation of SASC Class A Shares as Common Shares*

The re-designation of the SASC Class A Shares as Common Shares pursuant to the Arrangement does not constitute a substantive change to the attributes of the SASC Class A Shares and accordingly should not result, in and of itself, in a disposition of the SASC Class A Shares by Resident Holders for purposes of the Tax Act.

*Holding and Disposing of SASC Class A Shares or SASC Class B Shares*

Dividends received or deemed to be received on SASC Class A Shares or SASC Class B Shares by a Resident Holder who is an individual will be included in computing the individual's income for purposes of the Tax Act, and may be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends received from taxable Canadian corporations, including the enhanced dividend tax credit rules applicable to dividends properly designated by the Corporation as "eligible dividends", as defined in the Tax Act.

Dividends received or deemed to be received on SASC Class A Shares or SASC Class B Shares by a Resident Holder that is a corporation will be included in computing the corporation's income for purposes of the Tax Act, and will generally be deductible in computing its taxable income. A Resident Holder that is a "private corporation" or a "subject corporation", as defined in the Tax Act, may be liable under Part IV of the Tax Act to pay a refundable tax of 33-1/3% of the dividends received or deemed to be received on the SASC Class A Shares or SASC Class B Shares to the extent such dividends are deductible in computing such corporation's taxable income.

In general, a disposition or deemed disposition of SASC Class A Shares or SASC Class B Shares by a Resident Holder may give rise to a capital gain (or capital loss) equal to the amount by which the proceeds of disposition exceed (or are less than) the aggregate of the Holder's adjusted cost base of such SASC Class A Shares or SASC Class B Shares, as the case may be, immediately before the disposition and any reasonable costs of disposition. The general tax consequences to a Resident Holder of realizing such a capital gain or capital loss are described below under "Holders Resident in Canada - Taxation of Capital Gains and Capital Losses".

*Resident Dissenting Holders*

A Resident Holder who validly exercises Dissent Rights (a "**Resident Dissenting Holder**") will be deemed to have transferred such holder's SASC Common Shares to the Corporation for a payment equal to the fair value of such shares. A Resident Dissenting Holder will generally be deemed to have received a dividend in respect of such SASC Common Shares equal to the amount by which such payment (excluding interest, if any, awarded by a court) exceeds the paid-up capital of the SASC Common Shares, and such deemed dividend will reduce the proceeds of disposition to such holder on the disposition of the SASC Common Shares. The general tax consequences to a Resident Dissenting Holder of realizing such a dividend or deemed dividend are similar to the treatment of dividends for SASC Class A Shares, as described above in "Holders Resident in Canada - Holding and Disposing of SASC Class A Shares or SASC Class B Shares".

A Resident Dissenting Holder will also realize a capital gain (or capital loss) to the extent that the proceeds of disposition of its SASC Common Shares, as reduced by the amount of any deemed dividend as discussed above and net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of such Dissent Shares to such Resident Dissenting Holder immediately before the disposition. The general tax consequences to a Resident Holder of realizing such a capital gain or capital loss are described below under "Holders Resident in Canada - Taxation of Capital Gains and Capital Losses".

Interest awarded by a court which is paid or payable to a Resident Dissenting Holder will be included in such Holder's income. A Resident Dissenting Holder that is throughout the relevant taxation year a "Canadian-controlled private corporation", as defined in the Tax Act, may be liable to pay an additional refundable tax of 6⅔% on its "aggregate investment income" for the year, which will include such interest.

**Resident Dissenting Holders should consult their own tax advisors for specific advice with respect to the tax consequences in their own particular circumstances of exercising their Dissent Rights.**

*Taxation of Capital Gains and Capital Losses*

One-half of any capital gain realized by a Resident Holder must be included as a taxable capital gain in computing the Resident Holder's income for the year, and one-half of any capital loss (an "**allowable capital loss**") realized by a Resident Holder may be deducted as an allowable capital loss by the Holder against taxable capital gains realized by the Holder for the year. An allowable capital loss in excess of taxable capital gains for the year of disposition generally may be carried back and deducted against net taxable capital gains for any of the three preceding taxation years or carried forward and deducted against net taxable capital gains in any subsequent taxation year in accordance with and subject to the rules contained in the Tax Act.

The amount of any capital loss realized on the disposition of SASC Common Shares, SASC Class A Shares or SASC Class B Shares by a Resident Holder that is a corporation, or certain partnerships or trusts of which the corporation is a member or beneficiary, may be reduced in certain circumstances in respect of dividends, if any, previously received or deemed to have been received on such shares to the extent and in the circumstances set out in the Tax Act.

A Resident Holder that is a "Canadian-controlled private corporation", as defined in the Tax Act, may be liable to pay an additional 6⅔% refundable tax on certain investment income, including amounts in respect of net taxable capital gains and dividends or deemed dividends not deductible in computing taxable income.

*Minimum Tax*

Capital gains realized and dividends received by a Resident Holder that is an individual or a trust, other than certain specified trusts, may give rise to minimum tax under the Tax Act. Resident Holders should consult their own tax advisors with respect to the application of minimum tax.

**Non-Resident Holders**

The following portion of this summary applies generally to Holders who (i) at all relevant times, for the purposes of the Tax Act and any relevant tax treaty, have not been and will not be deemed to be resident in Canada at any time while they hold the SASC Common Shares, SASC Class A Shares or SASC Class B Shares and (ii) do not use or hold the SASC Common Shares, SASC Class A Shares or SASC Class B Shares in carrying on a business in Canada (each, a "**Non-Resident Holder**"). Special rules, which are not discussed in this summary, may apply to a Non-Resident Holder that is an insurer carrying on business in Canada and elsewhere.

**Non-Resident Holders whose SASC Common Shares, SASC Class A Shares or SASC Class B Shares constitute taxable Canadian property should consult their own tax advisors with respect to the income tax consequences of the Arrangement applicable to them in their particular circumstances.**

*Exchange of SASC Common Shares for SASC Class A Shares and SASC Class B Shares*

Generally, a Non-Resident Holder who exchanges SASC Common Shares for SASC Class A Shares and SASC Class B Shares in the course of the reorganization of the capital of the Corporation pursuant to the Arrangement will not be subject to tax under the Tax Act on any capital gain realized on such exchange unless the SASC Common Shares are "taxable Canadian property" to the Non-Resident Holder at the time of the exchange and the SASC Common Shares are not "treaty-protected property", as defined in the Tax Act, of the Non-Resident Holder at the time of the exchange.

Provided that the SASC Common Shares are listed on a designated stock exchange for the purposes of the Tax Act (which includes the TSX), the SASC Common Shares will not constitute taxable Canadian property to a Non-Resident Holder unless at any time during the sixty (60) month period immediately preceding the exchange (i) the Non-Resident Holder, together with persons with whom the Non-Resident Holder does not deal at arm's length, has owned 25% or more of the issued shares of any class or series of the capital stock of the Corporation at that time, and (ii) more than 50% of the fair market value of the SASC Common Shares was derived directly or indirectly from one or any combination of real or immovable property situated in Canada, Canadian resource properties (as defined in the Tax Act), timber resource properties (as defined in the Tax Act) or an option, an interest or right in such property, whether or not such property exists. Under the Tax Proposals, the 25% ownership test will apply to shares of the Corporation owned by one or any combination of the Non-Resident Holder, persons with whom the Non-Resident Holder does not deal at arm's length, and partnerships whose members include, either directly or indirectly, the Non-Resident Holder or persons that do not deal at arm's length with the Non-Resident Holder. In addition, in some circumstances, SASC Common Shares may be deemed to be taxable Canadian property to the Non-Resident Holder for purposes of the Tax Act.

In the case of a Non-Resident Holder who is a resident of the United States and entitled to benefits under the provisions of the Canada-United States Income Tax Convention (1980), as amended, the SASC Common Shares of such Non-Resident Holder will generally constitute "treaty-protected property" for purposes of the Tax Act unless the value of the SASC Common Shares is derived principally from real property situated in Canada. For this purpose "real property" has the meaning that term has under the

laws of Canada and includes any option or similar right in respect thereof and usufruct of real property, rights to explore for or to exploit mineral deposits, sources and other natural resources and rights to amounts computed by reference to the amount or value of production from such resources.

A Non-Resident Holder's capital gain (or capital loss) in respect of SASC Common Shares that constitute or are deemed to constitute taxable Canadian property and that are not "treaty-protected property" as defined for purposes of the Tax Act will generally be computed in the manner described above under the heading "Holders Resident in Canada – Taxation of Capital Gains and Losses".

*Re-designation of SASC Class A Shares as Common Shares*

The re-designation of the SASC Class A Shares as Common Shares pursuant to the Arrangement does not constitute a substantive change to the attributes of the SASC Class A Shares and accordingly should not result, in and of itself, in a disposition of the SASC Class A Shares by Non-Resident Holders for purposes of the Tax Act.

*Holding and Disposing of SASC Class A Shares and SASC Class B Shares*

Subject to applicable international tax treaties, a dividend paid or deemed to be paid on the SASC Class A Shares or SASC Class B Shares to a Non-Resident Holder will generally be subject to Canadian withholding tax at a rate of 25% of the gross amount of such dividend. Such rate is generally reduced under the Canada-US tax treaty to 15% if the beneficial owner of such dividend is a resident of the United States who is a qualifying person for purposes of the Canada-US tax treaty. The rate of withholding tax is further reduced to 5% if the beneficial owner of such dividend is a United States resident company that is a qualifying person for purpose of the Canada-US tax treaty and that owns at least 10% of the voting stock of the Corporation.

Any capital gain realized by a Non-Resident Holder on a disposition or deemed disposition of SASC Class A Shares or SASC Class B Shares acquired pursuant to the Arrangement will generally not be subject to tax under the Tax Act unless the SASC Class A Shares or SASC Class B Shares are "taxable Canadian property" to the Non-Resident Holder and are not "treaty-protected property" of the Non-Resident Holder at the time of disposition.

Provided that the SASC Class A Shares and SASC Class B Shares are listed on a designated stock exchange for the purposes of the Tax Act (which includes the TSX), the SASC Class A Shares and SASC Class B Shares will not constitute taxable Canadian property to a Non-Resident Holder unless at any time during the sixty (60) month period immediately preceding the exchange (i) the Non-Resident Holder, together with persons with whom the Non-Resident Holder does not deal at arm's length, has owned 25% or more of the issued shares of any class or series of the capital stock of the Corporation at that time, and (ii) more than 50% of the fair market value of the SASC Class A Shares or SASC Class B Shares, as the case may be, was derived directly or indirectly from one or any combination of real or immovable property situated in Canada, Canadian resource properties (as defined in the Tax Act), timber resource properties (as defined in the Tax Act) or an option, an interest or right in such property, whether or not such property exists. Under the Tax Proposals, the 25% ownership test will apply to shares of the Corporation owned by one or any combination of the Non-Resident Holder, persons with whom the Non-Resident Holder does not deal at arm's length, and partnerships whose members include, either directly or indirectly, the Non-Resident Holder or persons that do not deal at arm's length with the Non-Resident Holder. In addition, in some circumstances, SASC Class A Shares and SASC Class B Shares may be deemed to be taxable Canadian property to the Non-Resident Holder for purposes of the Tax Act.

In the case of a Non-Resident Holder who is a resident of the United States and entitled to benefits under the provisions of the Canada-United States Income Tax Convention (1980), as amended, the SASC Class A Shares or SASC Class B Shares of such Non-Resident Holder will generally constitute "treaty-protected property" for purposes of the Tax Act unless the value of the SASC Class A Shares or SASC Class B Shares, as the case may be, is derived principally from real property situated in Canada. For this purpose "real property" has the meaning that term has under the laws of Canada and includes any option or similar right in respect thereof and usufruct of real property, rights to explore for or to exploit mineral deposits, sources and other natural resources and rights to amounts computed by reference to the amount or value of production from such resources.

A Non-Resident Holder's capital gain (or capital loss) in respect of SASC Class A Shares or SASC Class B Shares that constitute or are deemed to constitute taxable Canadian property and that are not "treaty-protected property" as defined for purposes of the Tax Act will generally be computed in the manner described above under the heading "Holders Resident in Canada – Taxation of Capital Gains and Losses".

Non-Resident Holders whose SASC Class B Shares may be taxable Canadian property and not "treaty-protected property" may be subject to reporting and withholding tax requirements under Section 116 of the Tax Act and should consult their own tax advisors.

*Non-Resident Dissenting Holders*

A Non-Resident Holder who validly exercises Dissent Rights (a "**Non-Resident Dissenting Holder**") and receives a cash payment from the Corporation in consideration for such Non-Resident Holder's SASC Common Shares will be considered to have disposed of such SASC Common Shares to the Corporation for a payment equal to the fair market value of such shares. A Non-Resident Dissenting Holder generally will be deemed to have received a dividend in respect of the SASC Common Shares equal to the amount by which such payment for those shares (less the amount of any interest awarded by the court) exceeds the paid-up capital, as that term is defined in the Tax Act, of the SASC Common Shares. A deemed dividend received by a Non-Resident Dissenting Holder will be subject to Canadian withholding tax as described under the heading "Non-Resident Holder - Holding and Disposing of SASC Class A Shares and SASC Class B Shares".

A Non-Resident Dissenting Holder will also realize a capital gain (or a capital loss) to the extent that the proceeds of disposition of its SASC Common Shares, as reduced by the amount of any deemed dividend as discussed above and net of any reasonable costs of disposition, exceeds (or is less than) the Non-Resident Dissenting Holder's adjusted cost base of such SASC Common Shares immediately before the disposition. Any capital gain realized by a Non-Resident Dissenting Holder on such a disposition of SASC Common Shares will generally not be subject to tax under the Tax Act unless the shares are "taxable Canadian property" to the Non-Resident Dissenting Holder and the shares are not "treaty-protected property" of the Non-Resident Dissenting Holder at the time of disposition.

A Non-Resident Holder's capital gain (or capital loss) in respect of its SASC Common Shares that constitute or are deemed to constitute taxable Canadian property and that are not "treaty-protected property" as defined for purposes of the Tax Act will generally be computed in the manner described above under the heading "Holders Resident in Canada – Taxation of Capital Gains and Losses".

Any interest awarded to a Non-Resident Dissenting Holder by a court will not be subject to Canadian withholding tax provided such Holder deals at arm's length with the Corporation for purposes of the Tax Act and such interest does not constitute "participating-debt interest" for purposes of the Tax Act.

**Non-Resident Dissenting Holders should consult their own tax advisors for specific advice with respect to the tax consequences in their own particular circumstances of exercising their Dissent Rights.**

## ELIGIBILITY FOR INVESTMENT

Based on the provisions of the Tax Act and the Tax Proposals, provided that the Corporation is a public corporation for purposes of the Tax Act at the time of closing of the Arrangement, the SASC Class A Shares and SASC Class B Shares acquired pursuant to the Arrangement will be "qualified investments" under the Tax Act at that time for a trust governed by a registered retirement savings plan ("**RRSP**"), registered retirement income fund ("**RRIF**"), registered disability savings plan, deferred profit sharing plan, registered education savings plan or a tax-free savings account ("**TFSA**"), all as defined in the Tax Act, subject to the specific provisions of such plans.

Notwithstanding the foregoing, if the SASC Class A Shares or SASC Class B Shares held by a TFSA, RRSP or RRIF are a "prohibited investment" under the Tax Act, the holder of the TFSA or the annuitant of the RRSP or RRIF, as the case may be, will be subject to a penalty tax as set out in the Tax Act. Generally, the SASC Class A Shares and SASC Class B Shares, as the case may be, will be considered to be a "prohibited investment" for a TFSA, RRSP or RRIF if the holder of the TFSA or the annuitant of the RRSP or RRIF, as the case may be: (i) does not deal at arm's length with the Corporation for purposes of the Tax Act; (ii) has a "significant interest", as defined in the Tax Act, in the Corporation; or (iii) has a "significant interest" in a corporation, partnership or trust with which the Corporation does not deal at arm's length for purposes of the Tax Act. A "significant interest" includes, but is not limited to, the ownership of 10% or more of any class of issued shares of a corporation. Proposed amendments to the Tax Act released on December 21, 2012 (the "**December 2012 Proposals**") propose changes to the definition of a "prohibited investment", including the removal of the conditions in (iii) above.

**Shareholders who intend to hold SASC Class A Shares or SASC Class B Shares in their TFSA, RRSP or RRIF should consult their own tax advisors having regard to their own particular circumstances, including with respect to the December 2012 Proposals.**

## OTHER INFORMATION

For information on Securities Authorized for Issuance Under Equity Compensation Plans as at the end of the Corporation's most recently completed year, please see the management information circular of the Corporation dated April 22, 2013 incorporated by reference into this Circular.

### Interest of Informed Persons in Material Transactions

Except as set out below, management of the Corporation is not aware of a material interest, direct or indirect, of any informed person of the Corporation (as defined in NI 51-102), or any associate or affiliate of any such person, in any transaction since the commencement of the Corporation's most recently completed financial year or in any proposed transaction which has materially affected or would materially affect the Corporation or any of its subsidiaries.

Ralph Fitch, Executive Chairman of the Corporation, and Richard Doran, Executive Vice-President of the Corporation, are also officers of HDG. In December 2012 and January 2013, the Corporation participated in private placements by HDG and acquired an aggregate of 16,077,000 common shares of High Desert representing 19.9% of HDG's then issued and outstanding shares. In addition, the Corporation was granted a pre-emptive right enabling it to maintain its percentage equity interest in HDG until December 28, 2015.

**Interests of Experts**

The following is a list of persons or companies whose profession or business gives authority to a statement made by the person or company named as having prepared or certified a part of that document or a report or valuation described herein or in a document incorporated by reference herein:

- PricewaterhouseCoopers LLP is the auditor of the Corporation and the auditor of HDG and has advised that they are independent of each of the Corporation and HDG within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of British Columbia.

- GMP Securities L.P. prepared a fairness opinion attached as Schedule L to this Circular.

- Jeffery W. Choquette, P.E., of Hard Rock Consulting, LLC, is responsible for supervising the preparation of the Escalones Technical Report incorporated by reference in this Circular.

- David Dreisinger, Ph.D., P.Eng., of Dreisinger Consulting Inc, is responsible for the preparation of one or more sections of the Escalones Technical Report incorporated by reference in this Circular. Mr. Dreisinger is the Corporation's Vice President of Metallurgy.

- Allan E. Armitage, Ph.D., P.Geol, and Duncan Studd, M.Sc., P. Geo., of GeoVector Management Inc., are responsible for the preparation of the Gold Springs Technical Report.

To the Corporation's knowledge, none of the persons referred to above and none of the corporations by which they are employed held securities representing more than 1% of all issued and outstanding SASC Common Shares or the HDG Shares as at the date of the statement, report or valuation in question.

## 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's discussion and analysis for the year ended December 31, 2012.

In addition, copies of the Corporation's audited financial statements and management's discussion and analysis for the year ended December 31, 2012 may be obtained upon request to the Chief Financial Officer of the Corporation. The Corporation may require the payment of a reasonable charge if the request is made by a person who is not a shareholder of the Corporation.

The Corporation's investor relations group responds to inquiries from shareholders and other interested parties.

## DIRECTOR'S APPROVAL

The directors of the Corporation have approved the contents and the sending of this Circular.

**BY ORDER OF THE BOARD**

(signed) *"Phillip Brodie-Hall"*

Vancouver, British Columbia
November 7, 2013

Phillip Brodie-Hall
President and Chief Executive Officer

## CONSENT OF THE FINANCIAL ADVISOR

We hereby consent to the inclusion of the text of our opinion dated October 21, 2013 as Schedule L to the Circular dated November 7, 2013. In providing our consent, we do not intend that any person other than the Board of Directors of South American Silver Corp. shall be entitled to rely upon our opinion.

Dated November 7, 2013.

(Signed) *"GMP Securities L.P."*

**GMP Securities L.P.**

**SCHEDULE A**
**CONTINUANCE RESOLUTION**

BE IT RESOLVED AS A SPECIAL RESOLUTION THAT:

1. the Corporation be authorized to undertake and complete the Continuance (as more particularly described in the Circular dated November 7, 2013 of the Corporation) from the federal jurisdiction of Canada to the Province of British Columbia, pursuant to Section 188 of the *Canada Business Corporations Act* and Section 302 of the *Business Corporations Act* (British Columbia), and any one director or officer of the Corporation be authorized to determine, execute and file the form of documents required in respect thereof, including any supplements or amendments thereto, and make all such applications as may be necessary in connection with the Continuance;

2. effective of the date of such Continuance into British Columbia, the Corporation adopt the Notice of Articles and New Articles substantially in the form presented at the Meeting in substitution for the existing articles and by-laws of the Corporation;

3. the board of directors of the Corporation may, without further notice or approval of the shareholders of the Corporation, decide not to proceed with the Continuance or otherwise give effect to this Continuance Resolution, at any time prior to the Continuance becoming effective; and

4. any one or more of the directors or officers of the Corporation be authorized and directed to perform all such acts, deeds and things and execute and file all instruments and documents necessary or desirable to give effect to the true intent of this resolution.

**SCHEDULE B**
**NOTICE OF ARTICLES**

**NOTICE OF ARTICLES**

**A. NAME OF COMPANY**

Set out the name of the company as set out in Item A of the Continuation Application.

SOUTH AMERICAN SILVER CORP.

**B. TRANSLATION OF COMPANY NAME**

Set out every translation of the company name that the company intends to use outside of Canada.

N/A

**C. DIRECTOR NAME(S) AND ADDRESS(ES)**

Set out the full name, delivery address and mailing address (if different) of every director of the company. The director may select to provide either (a) the delivery address and, if different, the mailing address for the office at which the individual can usually be served with records between 9 a.m. and 4 p.m. on business days or (b) the delivery address and, if different, the mailing address of the individual's residence. The delivery address must not be a post office box. Attach an additional sheet if more space is required.

| LAST NAME | FIRST NAME | MIDDLE NAME | DELIVERY ADDRESS INCLUDING PROVINCE/STATE, COUNTRY AND POSTAL/ ZIP CODE | MAILING ADDRESS INCLUDING PROVINCE/STATE, COUNTRY AND POSTAL/ ZIP CODE |
|---|---|---|---|---|
| See attached Schedule "A" | | | | |

**D. REGISTERED OFFICE ADDRESSES**

DELIVERY ADDRESS OF THE COMPANY'S REGISTERED OFFICE (INCLUDING BC and POSTAL CODE)

Suite 2300, Bentall 5, 550 Burrard Street, Vancouver, British Columbia V6C 2B5

MAILING ADDRESS OF THE COMPANY'S REGISTERED OFFICE (INCLUDING BC and POSTAL CODE)

Suite 2300, Bentall 5, 550 Burrard Street, Vancouver, British Columbia V6C 2B5

**E. RECORDS OFFICE ADDRESSES**

DELIVERY ADDRESS OF THE COMPANY'S RECORDS OFFICE (INCLUDING BC and POSTAL CODE)

Suite 2300, Bentall 5, 550 Burrard Street, Vancouver, British Columbia V6C 2B5

MAILING ADDRESS OF THE COMPANY'S RECORDS OFFICE (INCLUDING BC and POSTAL CODE)

Suite 2300, Bentall 5, 550 Burrard Street, Vancouver, British Columbia V6C 2B5

**F. AUTHORIZED SHARE STRUCTURE**

| | Maximum number of shares of this class or series of shares that the company is authorized to issue, or indicate there is no maximum number | Kind of shares of this class or series of shares | | Are there special rights or restrictions attached to the shares of this class or series of shares? |
|---|---|---|---|---|
| Identifying name of class or series of shares | MAXIMUM NUMBER OF SHARES AUTHORIZED OR NO MAXIMUM NUMBER | PAR VALUE OR WITHOUT PAR VALUE | TYPE OF CURRENCY | YES/NO |
| Common Shares | Unlimited | Without par value | | No |
| | | | | |

## Schedule "A" to Notice of Articles

| LAST NAME | FIRST NAME | MIDDLE NAME | DELIVERY ADDRESS INCLUDING PROVINCE/STATE, COUNTRY AND POSTAL/ ZIP CODE | MAILING ADDRESS INCLUDING PROVINCE/STATE, COUNTRY AND POSTAL/ ZIP CODE |
|---|---|---|---|---|
| FITCH, RALPH G. | | | 580 HORNBY STREET, SUITE 880<br>VANCOUVER, B.C. V6C 3B6 | 580 HORNBY STREET, SUITE 880<br>VANCOUVER, B.C. V6C 3B6 |
| CANTON, ANTONIO | | | 580 HORNBY STREET, SUITE 880<br>VANCOUVER, B.C. V6C 3B6 | 580 HORNBY STREET, SUITE 880<br>VANCOUVER, B.C. V6C 3B6 |
| HABER, PAUL | | | 580 HORNBY STREET, SUITE 880<br>VANCOUVER, B.C. V6C 3B6 | 580 HORNBY STREET, SUITE 880<br>VANCOUVER, B.C. V6C 3B6 |
| HARRIS, PETER | | | 580 HORNBY STREET, SUITE 880<br>VANCOUVER, B.C. V6C 3B6 | 580 HORNBY STREET, SUITE 880<br>VANCOUVER, B.C. V6C 3B6 |
| MIRONCHIK, ROMAN | | | 580 HORNBY STREET, SUITE 880<br>VANCOUVER, B.C. V6C 3B6 | 580 HORNBY STREET, SUITE 880<br>VANCOUVER, B.C. V6C 3B6 |
| WOODSIDE, TINA M. | | | 580 HORNBY STREET, SUITE 880<br>VANCOUVER, B.C. V6C 3B6 | 580 HORNBY STREET, SUITE 880<br>VANCOUVER, B.C. V6C 3B6 |
| SHEEHAN, PAUL | | | 580 HORNBY STREET, SUITE 880<br>VANCOUVER, B.C. V6C 3B6 | 580 HORNBY STREET, SUITE 880<br>VANCOUVER, B.C. V6C 3B6 |
| TEJA, MUQIT | | | 580 HORNBY STREET, SUITE 880<br>VANCOUVER, B.C. V6C 3B6 | 580 HORNBY STREET, SUITE 880<br>VANCOUVER, B.C. V6C 3B6 |

**SCHEDULE C**
**NEW ARTICLES**

Incorporation number: ●

**SOUTH AMERICAN SILVER CORP.**
(the "**Company**")

The Company has as its articles the following articles.

| Full name and signature of each incorporator | Date of signing |
|---|---|
| _____ | |

**ARTICLES**

## 1. Interpretation

### 1.1 Definitions

In these Articles, unless the context otherwise requires:

(1) "**appropriate person**" has the meaning assigned in the *Securities Transfer Act*;

(2) "**board of directors**", "**directors**" and "**board**" mean the directors or sole director of the Company for the time being;

(3) "***Business Corporations Act***" means the *Business Corporations Act* (British Columbia) from time to time in force and all amendments thereto and includes all regulations and amendments thereto made pursuant to that Act;

(4) "***Interpretation Act***" means the *Interpretation Act* (British Columbia) from time to time in force and all amendments thereto and includes all regulations and amendments thereto made pursuant to that Act;

(5) "**legal personal representative**" means the personal or other legal representative of a shareholder;

(6) "**protected purchaser**" has the meaning assigned in the *Securities Transfer Act*;

(7) "**registered address**" of a shareholder means the shareholder's address as recorded in the central securities register;

(8) "**seal**" means the seal of the Company, if any;

(9) "**securities legislation**" means statutes concerning the regulation of securities markets and trading in securities and the regulations, rules, forms and schedules under those statutes, all as amended from time to time, and the blanket rulings and orders, as amended from time to time, issued by the securities commissions or similar regulatory authorities appointed under or pursuant to those statutes; "**Canadian securities legislation**" means the securities legislation in any province or territory of Canada and includes the *Securities Act* (British Columbia); and "**U.S. securities legislation**" means the securities legislation in the federal jurisdiction of the United States and in any state of the United States and includes the Securities Act of 1933 and the Securities Exchange Act of 1934; and

(10) "***Securities Transfer Act***" means the *Securities Transfer Act* (British Columbia) from time to time in force and all amendments thereto and includes all regulations and amendments thereto made pursuant to that Act.

### 1.2 *Business Corporations Act* and *Interpretation Act* Definitions Applicable and Paramountcy

The definitions in the *Business Corporations Act* and the definitions and rules of construction in the *Interpretation Act*, with the necessary changes, so far as applicable, and unless the context requires otherwise, apply to these Articles as if they were an enactment. If there is a conflict between a definition in the *Business Corporations Act* and a definition or rule in the *Interpretation Act* relating to a term used in these Articles, the definition in the *Business Corporations Act* will prevail in relation to the use of the

term in these Articles. If there is a conflict between these Articles and the *Business Corporations Act*, the *Business Corporations Act* will prevail.

## 2. Shares and Share Certificates

### 2.1 Authorized Share Structure

The authorized share structure of the Company consists of shares of the class or classes and series, if any, described in the Notice of Articles of the Company.

### 2.2 Form of Share Certificate

Each share certificate issued by the Company must comply with, and be signed as required by, the *Business Corporations Act*.

### 2.3 Shareholder Entitled to Certificate or Acknowledgment

Unless the shares of which the shareholder is the registered owner are uncertificated shares, each shareholder is entitled, without charge, to (a) one share certificate representing the shares of each class or series of shares registered in the shareholder's name or (b) a non transferable written acknowledgment of the shareholder's right to obtain such a share certificate, provided that in respect of a share held jointly by several persons, the Company is not bound to issue more than one share certificate or acknowledgment and delivery of a share certificate or an acknowledgment to one of several joint shareholders or to a duly authorized agent of one of the joint shareholders will be sufficient delivery to all.

### 2.4 Delivery by Mail

Any share certificate or non-transferable written acknowledgment of a shareholder's right to obtain a share certificate may be sent to the shareholder by mail at the shareholder's registered address and neither the Company nor any director, officer or agent of the Company is liable for any loss to the shareholder because the share certificate or acknowledgement is lost in the mail or stolen.

### 2.5 Replacement of Worn Out or Defaced Certificate or Acknowledgement

If a share certificate or a non transferable written acknowledgment of the shareholder's right to obtain a share certificate is worn out or defaced, the Company must, on production to the Company of the share certificate or acknowledgment, as the case may be, and on such other terms, if any, as they think fit:

(1) order the share certificate or acknowledgment, as the case may be, to be cancelled; and

(2) issue a replacement share certificate or acknowledgment, as the case may be.

### 2.6 Replacement of Lost, Destroyed or Wrongfully Taken Certificate

If a person entitled to a share certificate claims that the share certificate has been lost, destroyed or wrongfully taken, the Company must issue a new share certificate, if that person:

(1) so requests before the Company has notice that the share certificate has been acquired by a protected purchaser;

(2) provides the Company with an indemnity bond sufficient in the Company's judgment to protect the Company from any loss that the Company may suffer by issuing a new certificate; and

(3) satisfies any other reasonable requirements imposed by the Company.

A person entitled to a share certificate may not assert against the Company a claim for a new share certificate where a share certificate has been lost, apparently destroyed or wrongfully taken if that person fails to notify the Company of that fact within a reasonable time after that person has notice of it and the Company registers a transfer of the shares represented by the certificate before receiving a notice of the loss, apparent destruction or wrongful taking of the share certificate.

**2.7 Recovery of New Share Certificate**

If, after the issue of a new share certificate, a protected purchaser of the original share certificate presents the original share certificate for the registration of transfer, then in addition to any rights on the indemnity bond, the Company may recover the new share certificate from a person to whom it was issued or any person taking under that person other than a protected purchaser.

**2.8 Splitting Share Certificates**

If a shareholder surrenders a share certificate to the Company with a written request that the Company issue in the shareholder's name two or more share certificates, each representing a specified number of shares and in the aggregate representing the same number of shares as represented by the share certificate so surrendered, the Company must cancel the surrendered share certificate and issue replacement share certificates in accordance with that request.

**2.9 Certificate Fee**

There must be paid to the Company, in relation to the issue of any share certificate under Articles 2.5, 2.6 or 2.8, the amount, if any and which must not exceed the amount prescribed under the *Business Corporations Act*, determined by the Company.

**2.10 Recognition of Trusts**

Except as required by law or statute or these Articles, no person will be recognized by the Company as holding any share upon any trust, and the Company is not bound by or compelled in any way to recognize (even when having notice thereof) any equitable, contingent, future or partial interest in any share or fraction of a share or (except as required by law or statute or these Articles or as ordered by a court of competent jurisdiction) any other rights in respect of any share except an absolute right to the entirety thereof in the shareholder.

**3. Issue of Shares**

**3.1 Directors Authorized**

Subject to the *Business Corporations Act* and the rights of the holders of issued shares of the Company, the Company may issue, allot, sell or otherwise dispose of the unissued shares, and issued shares held by the Company, at the times, to the persons, including directors, in the manner, on the terms and conditions and for the issue prices (including any premium at which shares with par value may be issued) that the

directors may determine. The issue price for a share with par value must be equal to or greater than the par value of the share.

### 3.2 Commissions and Discounts

The Company may at any time pay a reasonable commission or allow a reasonable discount to any person in consideration of that person purchasing or agreeing to purchase shares of the Company from the Company or any other person or procuring or agreeing to procure purchasers for shares of the Company.

### 3.3 Brokerage

The Company may pay such brokerage fee or other consideration as may be lawful for or in connection with the sale or placement of its securities.

### 3.4 Conditions of Issue

Except as provided for by the *Business Corporations Act*, no share may be issued until it is fully paid. A share is fully paid when:

(1) consideration is provided to the Company for the issue of the share by one or more of the following:

   (a) past services performed for the Company;

   (b) property;

   (c) money; and

(2) the value of the consideration received by the Company equals or exceeds the issue price set for the share under Article 3.1.

### 3.5 Share Purchase Warrants and Rights

Subject to the *Business Corporations Act*, the Company may issue share purchase warrants, options and rights upon such terms and conditions as the directors determine, which share purchase warrants, options and rights may be issued alone or in conjunction with debentures, debenture stock, bonds, shares or any other securities issued or created by the Company from time to time.

## 4. Share Registers

### 4.1 Central Securities Register

As required by and subject to the *Business Corporations Act*, the Company must maintain a central securities register. The directors may, subject to the *Business Corporations Act*, appoint an agent to maintain the central securities register. The directors may also appoint one or more agents, including the agent which keeps the central securities register, as transfer agent for its shares or any class or series of its shares, as the case may be, and the same or another agent as registrar for its shares or such class or series of its shares, as the case may be. The directors may terminate such appointment of any agent at any time and may appoint another agent in its place.

### 4.2 Closing Register

The Company must not at any time close its central securities register.

## 5. Share Transfers

### 5.1 Registering Transfers

Subject to the *Business Corporations Act*, a transfer of a share of the Company must not be registered unless the Company or the transfer agent or registrar for the class or series of share to be transferred has received:

(1) in the case of a share certificate that has been issued by the Company in respect of the share to be transferred, that share certificate and a written instrument of transfer (which may be on a separate document or endorsed on the share certificate) made by the shareholder or other appropriate person or by an agent who has actual authority to act on behalf of that person;

(2) in the case of a non-transferable written acknowledgment of the shareholder's right to obtain a share certificate that has been issued by the Company in respect of the share to be transferred, a written instrument of transfer that directs that the transfer of the shares be registered, made by the shareholder or other appropriate person or by an agent who has actual authority to act on behalf of that person;

(3) in the case of a share that is an uncertificated share, a written instrument of transfer that directs that the transfer of the share be registered, made by the shareholder or other appropriate person or by an agent who has actual authority to act on behalf of that person; and

(4) such other evidence, if any, as the Company or the transfer agent or registrar for the class or series of share to be transferred may require to prove the title of the transferor or the transferor's right to transfer the share, that the written instrument of transfer is genuine and authorized and that the transfer is rightful or to a protected purchaser.

### 5.2 Form of Instrument of Transfer

The instrument of transfer in respect of any share of the Company must be either in the form, if any, on the back of the Company's share certificates or in any other form that may be approved by the directors or the transfer agent for the class or series of shares to be transferred.

### 5.3 Transferor Remains Shareholder

Except to the extent that the *Business Corporations Act* otherwise provides, the transferor of shares is deemed to remain the holder of the shares until the name of the transferee is entered in a securities register of the Company in respect of the transfer.

### 5.4 Signing of Instrument of Transfer

If a shareholder, or his or her duly authorized attorney, signs an instrument of transfer in respect of shares registered in the name of the shareholder, the signed instrument of transfer constitutes a complete and sufficient authority to the Company and its directors, officers and agents to register the number of shares specified in the instrument of transfer or specified in any other manner, or, if no number is specified, all

the shares represented by the share certificates or set out in the written acknowledgments deposited with the instrument of transfer:

(1) in the name of the person named as transferee in that instrument of transfer; or

(2) if no person is named as transferee in that instrument of transfer, in the name of the person on whose behalf the instrument is deposited for the purpose of having the transfer registered.

### 5.5 Enquiry as to Title Not Required

Neither the Company nor any director, officer or agent of the Company is bound to inquire into the title of the person named in the instrument of transfer as transferee or, if no person is named as transferee in the instrument of transfer, of the person on whose behalf the instrument is deposited for the purpose of having the transfer registered or is liable for any claim related to registering the transfer by the shareholder or by any intermediate owner or holder of the shares, of any interest in the shares, of any share certificate representing such shares or of any written acknowledgment of a right to obtain a share certificate for such shares.

### 5.6 Transfer Fee

There must be paid to the Company, in relation to the registration of any transfer, the amount, if any, determined by the Company.

## 6. Transmission of Shares

### 6.1 Legal Personal Representative Recognized on Death

In the case of the death of a shareholder, the legal personal representative of the shareholder, or in the case of shares registered in the shareholder's name and the name of another person in joint tenancy, the surviving joint holder, will be the only person recognized by the Company as having any title to the shareholder's interest in the shares. Before recognizing a person as a legal personal representative of a shareholder, the directors may require the original grant of probate or letters of administration or a court certified copy of them or the original or a court certified or authenticated copy of the grant of representation, will, order or other instrument or other evidence of the death under which title to the shares or securities is claimed to vest.

### 6.2 Rights of Legal Personal Representative

The legal personal representative of a shareholder has the same rights, privileges and obligations that attach to the shares held by the shareholder, including the right to transfer the shares in accordance with these Articles, if appropriate evidence of appointment or incumbency within the meaning of s. 87 of the *Securities Transfer Act* has been deposited with the Company. This Article 6.2 does not apply in the case of the death of a shareholder with respect to shares registered in the shareholder's name and the name of another person in joint tenancy.

## 7. Purchase of Shares

### 7.1 Company Authorized to Purchase Shares

Subject to Article 7.2, the special rights and restrictions attached to the shares of any class or series and the *Business Corporations Act*, the Company may, if authorized by the directors, purchase or otherwise acquire any of its shares at the price and upon the terms specified in such resolution.

### 7.2 Purchase When Insolvent

The Company must not make a payment or provide any other consideration to purchase or otherwise acquire any of its shares if there are reasonable grounds for believing that:

(1) the Company is insolvent; or

(2) making the payment or providing the consideration would render the Company insolvent.

### 7.3 Sale and Voting of Purchased Shares

If the Company retains a share redeemed, purchased or otherwise acquired by it, the Company may sell, gift or otherwise dispose of the share, but, while such share is held by the Company, it:

(1) is not entitled to vote the share at a meeting of its shareholders;

(2) must not pay a dividend in respect of the share; and

(3) must not make any other distribution in respect of the share.

## 8. Borrowing Powers

The Company, if authorized by the directors, may:

(1) borrow money in the manner and amount, on the security, from the sources and on the terms and conditions that they consider appropriate;

(2) issue bonds, debentures and other debt obligations either outright or as security for any liability or obligation of the Company or any other person and at such discounts or premiums and on such other terms as they consider appropriate;

(3) guarantee the repayment of money by any other person or the performance of any obligation of any other person; and

(4) mortgage, charge, whether by way of specific or floating charge, grant a security interest in, or give other security on, the whole or any part of the present and future assets and undertaking of the Company.

## 9. Alterations

### 9.1 Alteration of Authorized Share Structure

Subject to Article 9.2 and the *Business Corporations Act*, the Company may:

(1) by special resolution:

(a) create one or more classes or series of shares or, if none of the shares of a class or series of shares are allotted or issued, eliminate that class or series of shares;

(b) increase, reduce or eliminate the maximum number of shares that the Company is authorized to issue out of any class or series of shares or establish a maximum number of shares that the Company is authorized to issue out of any class or series of shares for which no maximum is established;

(c) if the Company is authorized to issue shares of a class of shares with par value:

(i) decrease the par value of those shares; or

(ii) if none of the shares of that class of shares are allotted or issued, increase the par value of those shares;

(d) alter the identifying name of any of its shares; or

(e) otherwise alter its shares or authorized share structure when required or permitted to do so by the *Business Corporations Act*; or

(f) subdivide or consolidate all or any of its unissued, or fully paid issued, shares.

**9.2 Special Rights and Restrictions**

Subject to the *Business Corporations Act*, the Company may by special resolution:

(1) create special rights or restrictions for, and attach those special rights or restrictions to, the shares of any class or series of shares, whether or not any or all of those shares have been issued;

(2) vary or delete any special rights or restrictions attached to the shares of any class or series of shares, whether or not any or all of those shares have been issued; or

(3) change all or any of its unissued, or fully paid issued, shares with par value into shares without par value or any of its unissued shares without par value into shares with par value.

**9.3 Change of Name**

The Company may by a resolution of the directors authorize an alteration of its Notice of Articles in order to change its name or adopt or change any translation of that name.

**9.4 Other Alterations**

If the *Business Corporations Act* does not specify the type of resolution and these Articles do not specify another type of resolution, the Company may by special resolution alter these Articles.

## 10. Meetings of Shareholders

### 10.1 Annual General Meetings

Unless an annual general meeting is deferred or waived in accordance with the *Business Corporations Act*, the Company must hold its first annual general meeting within 18 months after the date on which it was incorporated or otherwise recognized, and after that must hold an annual general meeting at least once in each calendar year and not more than 15 months after the last annual reference date at such time and place as may be determined by the directors.

### 10.2 Resolution Instead of Annual General Meeting

If all the shareholders who are entitled to vote at an annual general meeting consent by a unanimous resolution under the *Business Corporations Act* to all of the business that is required to be transacted at that annual general meeting, the annual general meeting is deemed to have been held on the date of the unanimous resolution. The shareholders must, in any unanimous resolution passed under this Article 10.2, select as the Company's annual reference date a date that would be appropriate for the holding of the applicable annual general meeting.

### 10.3 Calling of Meetings of Shareholders

The directors may, whenever they think fit, call a meeting of shareholders.

### 10.4 Location of Meetings of Shareholders

Subject to the *Business Corporations Act*, a meeting of shareholders may be held outside of British Columbia as determined by a resolution of the directors.

### 10.5 Notice for Meetings of Shareholders

The Company must send notice of the date, time and location of any meeting of shareholders, in the manner provided in these Articles, or in such other manner, if any, as may be prescribed by ordinary resolution (whether previous notice of the resolution has been given or not), to each shareholder entitled to attend the meeting, to each director and to the auditor of the Company, unless these Articles otherwise provide, at least the following number of days before the meeting:

(1) if and for so long as the Company is a public company, 21 days;

(2) otherwise, 10 days.

### 10.6 Record Date for Notice

The directors may set a date as the record date for the purpose of determining shareholders entitled to notice of any meeting of shareholders. The record date must not precede the date on which the meeting is to be held by more than two months or, in the case of a general meeting requisitioned by shareholders under the *Business Corporations Act*, by more than four months. The record date must not precede the date on which the meeting is held by fewer than:

(1) if and for so long as the Company is a public company, 21 days;

(2) otherwise, 10 days.

If no record date is set, the record date is 5 p.m. on the day immediately preceding the first date on which the notice is sent or, if no notice is sent, the beginning of the meeting.

**10.7 Record Date for Voting**

The directors may set a date as the record date for the purpose of determining shareholders entitled to vote at any meeting of shareholders. The record date must not precede the date on which the meeting is to be held by more than two months or, in the case of a general meeting requisitioned by shareholders under the *Business Corporations Act*, by more than four months. If no record date is set, the record date is 5 p.m. on the day immediately preceding the first date on which the notice is sent or, if no notice is sent, the beginning of the meeting.

**10.8 Failure to Give Notice and Waiver of Notice**

The accidental omission to send notice of any meeting to, or the non-receipt of any notice by, any of the persons entitled to notice does not invalidate any proceedings at that meeting. Any person entitled to notice of a meeting of shareholders may, in writing or otherwise, waive or reduce the period of notice of such meeting.

**10.9 Notice of Special Business at Meetings of Shareholders**

If a meeting of shareholders is to consider special business within the meaning of Article 11.1, the notice of meeting must:

(1) state the general nature of the special business; and

(2) if the special business includes considering, approving, ratifying, adopting or authorizing any document or the signing of or giving of effect to any document, have attached to it a copy of the document or state that a copy of the document will be available for inspection by shareholders:

(a) at the Company's records office, or at such other reasonably accessible location in British Columbia as is specified in the notice; and

(b) during statutory business hours on any one or more specified days before the day set for the holding of the meeting.

**11. Proceedings at Meetings of Shareholders**

**11.1 Special Business**

At a meeting of shareholders, the following business is special business:

(1) at a meeting of shareholders that is not an annual general meeting, all business is special business except business relating to the conduct of or voting at the meeting;

(2) at an annual general meeting, all business is special business except for the following:

(a) business relating to the conduct of or voting at the meeting;

(b) consideration of any financial statements of the Company presented to the meeting;

(c) consideration of any reports of the directors or auditor;

(d) the setting or changing of the number of directors;

(e) the election or appointment of directors;

(f) the appointment of an auditor;

(g) business arising out of a report of the directors not requiring the passing of a special resolution or an exceptional resolution;

(h) any other business which, under these Articles or the *Business Corporations Act*, may be transacted at a meeting of shareholders without prior notice of the business being given to the shareholders.

**11.2 Special Majority**

The majority of votes required for the Company to pass a special resolution at a meeting of shareholders is two-thirds of the votes cast on the resolution.

**11.3 Quorum**

Subject to the special rights and restrictions attached to the shares of any class or series of shares, the quorum for the transaction of business at a meeting of shareholders is two persons who are, or who represent by proxy, shareholders who, in the aggregate, hold at least 5% of the issued shares entitled to be voted at the meeting.

**11.4 One Shareholder May Constitute Quorum**

If there is only one shareholder entitled to vote at a meeting of shareholders:

(1) the quorum is one person who is, or who represents by proxy, that shareholder, and

(2) that shareholder, present in person or by proxy, may constitute the meeting.

**11.5 Other Persons May Attend**

The directors, the president (if any), the secretary (if any), the assistant secretary (if any), any lawyer for the Company, the auditor of the Company and any other persons invited by the directors are entitled to attend any meeting of shareholders, but if any of those persons does attend a meeting of shareholders, that person is not to be counted in the quorum and is not entitled to vote at the meeting unless that person is a shareholder or proxy holder entitled to vote at the meeting.

**11.6 Requirement of Quorum**

No business, other than the election of a chair of the meeting and the adjournment of the meeting, may be transacted at any meeting of shareholders unless a quorum of shareholders entitled to vote is present at the commencement of the meeting, but such quorum need not be present throughout the meeting.

**11.7 Lack of Quorum**

If, within one-half hour from the time set for the holding of a meeting of shareholders, a quorum is not present:

(1) in the case of a general meeting requisitioned by shareholders, the meeting is dissolved, and

(2) in the case of any other meeting of shareholders, the meeting stands adjourned to the same day in the next week at the same time and place.

**11.8 Lack of Quorum at Succeeding Meeting**

If, at the meeting to which the meeting referred to in Article 11.7(2) was adjourned, a quorum is not present within one-half hour from the time set for the holding of the meeting, the person or persons present and being, or representing by proxy, one or more shareholders entitled to attend and vote at the meeting constitute a quorum.

**11.9 Chair**

The following individual is entitled to preside as chair at a meeting of shareholders:

(1) the chair of the board, if any;

(2) if the chair of the board is absent or unwilling to act as chair of the meeting, the president, if any; or

(3) a vice-president, if any.

**11.10 Selection of Alternate Chair**

If, at any meeting of shareholders, there is no chair of the board or president present within 15 minutes after the time set for holding the meeting, or if the chair of the board and the president are unwilling to act as chair of the meeting, or if the chair of the board and the president have advised the secretary, if any, or any director present at the meeting, that they will not be present at the meeting, the directors present must choose one of their number to be chair of the meeting or if all of the directors present decline to take the chair or fail to so choose or if no director is present, the shareholders entitled to vote at the meeting who are present in person or by proxy may choose any person present at the meeting to chair the meeting.

**11.11 Adjournments**

The chair of a meeting of shareholders may, and if so directed by the meeting must, adjourn the meeting from time to time and from place to place, but no business may be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.

**11.12 Notice of Adjourned Meeting**

It is not necessary to give any notice of an adjourned meeting or of the business to be transacted at an adjourned meeting of shareholders except that, when a meeting is adjourned for 30 days or more, notice of the adjourned meeting must be given as in the case of the original meeting.

**11.13 Decisions by Show of Hands or Poll**

Subject to the *Business Corporations Act*, every motion put to a vote at a meeting of shareholders will be decided on a show of hands unless a poll, before or on the declaration of the result of the vote by show of hands, is directed by the chair or demanded by at least one shareholder entitled to vote who is present in person or by proxy.

**11.14 Declaration of Result**

The chair of a meeting of shareholders must declare to the meeting the decision on every question in accordance with the result of the show of hands or the poll, as the case may be, and that decision must be entered in the minutes of the meeting. A declaration of the chair that a resolution is carried by the necessary majority or is defeated is, unless a poll is directed by the chair or demanded under Article 11.13, conclusive evidence without proof of the number or proportion of the votes recorded in favour of or against the resolution.

**11.15 Motion Need Not be Seconded**

No motion proposed at a meeting of shareholders need be seconded unless the chair of the meeting rules otherwise, and the chair of any meeting of shareholders is entitled to propose or second a motion.

**11.16 Manner of Taking Poll**

Subject to Article 11.17, if a poll is duly demanded at a meeting of shareholders:

(1) the poll must be taken:

(a) at the meeting, or within seven days after the date of the meeting, as the chair of the meeting directs; and

(b) in the manner, at the time and at the place that the chair of the meeting directs;

(2) the result of the poll is deemed to be the decision of the meeting at which the poll is demanded; and

(3) the demand for the poll may be withdrawn by the person who demanded it.

**11.17 Demand for Poll on Adjournment**

A poll demanded at a meeting of shareholders on a question of adjournment must be taken immediately at the meeting.

**11.18 Chair Must Resolve Dispute**

In the case of any dispute as to the admission or rejection of a vote given on a poll, the chair of the meeting must determine the dispute, and his or her determination made in good faith is final and conclusive.

**11.19 Casting of Votes**

On a poll, a shareholder entitled to more than one vote need not cast all the votes in the same way.

### 11.20 Demand for Poll

No poll may be demanded in respect of the vote by which a chair of a meeting of shareholders is elected.

### 11.21 Demand for Poll Not to Prevent Continuance of Meeting

The demand for a poll at a meeting of shareholders does not, unless the chair of the meeting so rules, prevent the continuation of a meeting for the transaction of any business other than the question on which a poll has been demanded.

### 11.22 Retention of Ballots and Proxies

The Company must, for at least three months after a meeting of shareholders, keep each ballot cast on a poll and each proxy voted at the meeting, and, during that period, make them available for inspection during normal business hours by any shareholder or proxyholder entitled to vote at the meeting. At the end of such three month period, the Company may destroy such ballots and proxies.

## 12. Votes of Shareholders

### 12.1 Number of Votes by Shareholder or by Shares

Subject to any special rights or restrictions attached to any shares and to the restrictions imposed on joint shareholders under Article 12.3:

(1) on a vote by show of hands, every person present who is a shareholder or proxy holder and entitled to vote on the matter has one vote; and

(2) on a poll, every shareholder entitled to vote on the matter has one vote in respect of each share entitled to be voted on the matter and held by that shareholder and may exercise that vote either in person or by proxy.

### 12.2 Votes of Persons in Representative Capacity

A person who is not a shareholder may vote at a meeting of shareholders, whether on a show of hands or on a poll, and may appoint a proxy holder to act at the meeting, if, before doing so, the person satisfies the chair of the meeting, or the directors, that the person is a legal personal representative or a trustee in bankruptcy for a shareholder who is entitled to vote at the meeting.

### 12.3 Votes by Joint Holders

If there are joint shareholders registered in respect of any share:

(1) any one of the joint shareholders may vote at any meeting, either personally or by proxy, in respect of the share as if that joint shareholder were solely entitled to it; or

(2) if more than one of the joint shareholders is present at any meeting, personally or by proxy, and more than one of them votes in respect of that share, then only the vote of the joint shareholder present whose name stands first on the central securities register in respect of the share will be counted.

### 12.4 Legal Personal Representatives as Joint Shareholders

Two or more legal personal representatives of a shareholder in whose sole name any share is registered are, for the purposes of Article 12.3, deemed to be joint shareholders.

### 12.5 Representative of a Corporate Shareholder

If a corporation, that is not a subsidiary of the Company, is a shareholder, that corporation may appoint a person to act as its representative at any meeting of shareholders of the Company, and:

(1) for that purpose, the instrument appointing a representative must:

(a) be received at the registered office of the Company or at any other place specified, in the notice calling the meeting, for the receipt of proxies, at least the number of business days specified in the notice for the receipt of proxies, or if no number of days is specified, two business days before the day set for the holding of the meeting; or

(b) be provided, at the meeting, to the chair of the meeting or to a person designated by the chair of the meeting;

(2) if a representative is appointed under this Article 12.5:

(a) the representative is entitled to exercise in respect of and at that meeting the same rights on behalf of the corporation that the representative represents as that corporation could exercise if it were a shareholder who is an individual, including, without limitation, the right to appoint a proxy holder; and

(b) the representative, if present at the meeting, is to be counted for the purpose of forming a quorum and is deemed to be a shareholder present in person at the meeting.

Evidence of the appointment of any such representative may be sent to the Company by written instrument, fax or any other method of transmitting legibly recorded messages.

### 12.6 When Proxy Holder Need Not Be Shareholder

A person must not be appointed as a proxy holder unless the person is a shareholder, although a person who is not a shareholder may be appointed as a proxy holder if:

(1) the person appointing the proxy holder is a corporation or a representative of a corporation appointed under Article 12.5;

(2) the Company has at the time of the meeting for which the proxy holder is to be appointed only one shareholder entitled to vote at the meeting;

(3) the shareholders present in person or by proxy at and entitled to vote at the meeting for which the proxy holder is to be appointed, by a resolution on which the proxy holder is not entitled to vote but in respect of which the proxy holder is to be counted in the quorum, permit the proxy holder to attend and vote at the meeting; or

(4) the Company is a public company, or is a pre-existing reporting company which has the Statutory Reporting Company Provisions as part of these Articles or to which the Statutory Reporting Company Provisions apply.

**12.7 Proxy Provisions Do Not Apply to All Companies**

If and for so long as the Company is a public company or a pre-existing reporting company which has the Statutory Reporting Company Provisions as part of its Articles or to which the Statutory Reporting Company Provisions apply, Articles 12.8 to 12.15 apply only insofar as they are not inconsistent with any Canadian securities legislation applicable to the Company or any U.S. securities legislation applicable to the Company or any rules of an exchange on which securities of the Company are listed.

**12.8 Appointment of Proxy Holders**

Every shareholder of the Company, including a corporation that is a shareholder but not a subsidiary of the Company, entitled to vote at a meeting of shareholders of the Company may, by proxy, appoint one or more (but not more than five) proxy holders to attend and act at the meeting in the manner, to the extent and with the powers conferred by the proxy.

**12.9 Alternate Proxy Holders**

A shareholder may appoint one or more alternate proxy holders to act in the place of an absent proxy holder.

**12.10 Deposit of Proxy**

A proxy for a meeting of shareholders must:

(1) be received at the registered office of the Company or at any other place specified, in the notice calling the meeting, for the receipt of proxies, at least the number of business days specified in the notice, or if no number of days is specified, two business days before the day set for the holding of the meeting; or

(2) unless the notice provides otherwise, be provided, at the meeting, to the chair of the meeting or to a person designated by the chair of the meeting.

A proxy may be sent to the Company by written instrument, fax or any other method of transmitting legibly recorded messages.

**12.11 Validity of Proxy Vote**

A vote given in accordance with the terms of a proxy is valid notwithstanding the death or incapacity of the shareholder giving the proxy and despite the revocation of the proxy or the revocation of the authority under which the proxy is given, unless notice in writing of that death, incapacity or revocation is received:

(1) at the registered office of the Company, at any time up to and including the last business day before the day set for the holding of the meeting at which the proxy is to be used; or

(2) by the chair of the meeting, before the vote is taken.

**12.12 Form of Proxy**

A proxy, whether for a specified meeting or otherwise, must be either in the following form or in any other form approved by the directors or the chair of the meeting:

[*name of company*]
(the "Company")

The undersigned, being a shareholder of the Company, hereby appoints [*name*] or, failing that person, [*name*], as proxy holder for the undersigned to attend, act and vote for and on behalf of the undersigned at the meeting of shareholders of the Company to be held on [*month, day, year*] and at any adjournment of that meeting.

Number of shares in respect of which this proxy is given (if no number is specified, then this proxy if given in respect of all shares registered in the name of the shareholder):

_____
Signed [*month, day, year*]

_____
[*Signature of shareholder*]

_____
[*Name of shareholder—printed*]

**12.13 Revocation of Proxy**

Subject to Article 12.14, every proxy may be revoked by an instrument in writing that is:

(1) received at the registered office of the Company at any time up to and including the last business day before the day set for the holding of the meeting at which the proxy is to be used; or

(2) provided, at the meeting, to the chair of the meeting.

**12.14 Revocation of Proxy Must Be Signed**

An instrument referred to in Article 12.13 must be signed as follows:

(1) if the shareholder for whom the proxy holder is appointed is an individual, the instrument must be signed by the shareholder or his or her legal personal representative or trustee in bankruptcy;

(2) if the shareholder for whom the proxy holder is appointed is a corporation, the instrument must be signed by the corporation or by a representative appointed for the corporation under Article 12.5.

**12.15 Chair May Determine Validity of Proxy**

The chair of any meeting of shareholders may determine whether or not a proxy deposited for use at the meeting, which may not strictly comply with the requirements of this Part 12 as to form, execution, accompanying documentation, time of filing or otherwise, shall be valid for use at such meeting and any such determination made in good faith shall be final, conclusive and binding upon such meeting.

### 12.16 Production of Evidence of Authority to Vote

The chair of any meeting of shareholders may, but need not, inquire into the authority of any person to vote at the meeting and may, but need not, demand from that person production of evidence as to the existence of the authority to vote.

## 13. Directors

### 13.1 First Directors; Number of Directors

The first directors are the persons designated as directors of the Company in the Notice of Articles that applies to the Company when it is recognized under the *Business Corporations Act*. The number of directors, excluding additional directors appointed under Article 14.8, is set at:

(1) if the Company is a public company, the greater of three and the most recently set of:

(a) the number of directors set by ordinary resolution (whether or not previous notice of the resolution was given); and

(b) the number of directors set under Article 14.4;

(2) if the Company is not a public company, the most recently set of:

(a) the number of directors set by ordinary resolution (whether or not previous notice of the resolution was given); and

(b) the number of directors set under Article 14.4.

### 13.2 Change in Number of Directors

If the number of directors is set under Articles 13.1(1)(a) or 13.1(2)(a), subject to Article 14.1:

(1) the shareholders may elect or appoint the directors needed to fill any vacancies in the board of directors up to that number;

(2) if the shareholders do not elect or appoint the directors needed to fill any vacancies in the board of directors up to that number contemporaneously with the setting of that number, then the directors may appoint, or the shareholders may elect or appoint, directors to fill those vacancies.

### 13.3 Directors' Acts Valid Despite Vacancy

An act or proceeding of the directors is not invalid merely because fewer than the number of directors set or otherwise required under these Articles is in office.

### 13.4 Qualifications of Directors

A director is not required to hold a share in the capital of the Company as qualification for his or her office but must be qualified as required by the *Business Corporations Act* to become, act or continue to act as a director.

### 13.5 Remuneration of Directors

The directors are entitled to the remuneration for acting as directors, if any, as the directors may from time to time determine. If the directors so decide, the remuneration of the directors, if any, will be determined by the shareholders. That remuneration may be in addition to any salary or other remuneration paid to any officer or employee of the Company as such, who is also a director.

### 13.6 Reimbursement of Expenses of Directors

The Company must reimburse each director for the reasonable expenses that he or she may incur in and about the business of the Company.

### 13.7 Special Remuneration for Directors

If any director performs any professional or other services for the Company that in the opinion of the directors are outside the ordinary duties of a director, or if any director is otherwise specially occupied in or about the Company's business, he or she may be paid remuneration fixed by the directors, or, at the option of that director, fixed by ordinary resolution, and such remuneration may be either in addition to, or in substitution for, any other remuneration that he or she may be entitled to receive.

### 13.8 Gratuity, Pension or Allowance on Retirement of Director

Unless otherwise determined by ordinary resolution, the directors on behalf of the Company may pay a gratuity or pension or allowance on retirement to any director who has held any salaried office or place of profit with the Company or to his or her spouse or dependants and may make contributions to any fund and pay premiums for the purchase or provision of any such gratuity, pension or allowance.

## 14. Election and Removal of Directors

### 14.1 Election at Annual General Meeting

(1) At each annual general meeting of the Company all the directors whose term of office expire at such annual general meeting shall cease to hold office immediately before the election of directors at such annual general meeting and the shareholders entitled to vote thereat shall elect to the board of directors, directors as otherwise permitted by any securities legislation in any province or territory of Canada or in the federal jurisdiction of the United States or in any states of the United States that is applicable to the Company and all regulations and rules made and promulgated under that legislation and all administrative policy statements, blanket orders and rulings, notices and other administrative directions issued by securities commissions or similar authorities appointed under that legislation as set out below. A retiring director shall be eligible for re election;

(2) Each director may be elected for a term of office of one or more years of office as may be specified by ordinary resolution at the time he is elected. In the absence of any such ordinary resolution, a director's term of office shall be one year of office. No director shall be elected for a term of office exceeding five years of office. The shareholders may, by resolution of not less than three-quarters of the votes cast on the resolution, vary the term of office of any director; and

(3) A director elected or appointed to fill a vacancy shall be elected or appointed for a term expiring immediately before the election of directors at the annual general meeting of the Company when the term of the director whose position he is filling would expire.

**14.2 Consent to be a Director**

No election, appointment or designation of an individual as a director is valid unless:

(1) that individual consents to be a director in the manner provided for in the *Business Corporations Act*;

(2) that individual is elected or appointed at a meeting at which the individual is present and the individual does not refuse, at the meeting, to be a director; or

(3) with respect to first directors, the designation is otherwise valid under the *Business Corporations Act*.

**14.3 Failure to Elect or Appoint Directors**

If:

(1) the Company fails to hold an annual general meeting, and all the shareholders who are entitled to vote at an annual general meeting fail to pass the unanimous resolution contemplated by Article 10.2, on or before the date by which the annual general meeting is required to be held under the *Business Corporations Act*; or

(2) the shareholders fail, at the annual general meeting or in the unanimous resolution contemplated by Article 10.2, to elect or appoint any directors;

then each director then in office continues to hold office until the earlier of:

(3) the date on which his or her successor is elected or appointed; and

(4) the date on which he or she otherwise ceases to hold office under the *Business Corporations Act* or these Articles.

**14.4 Places of Retiring Directors Not Filled**

If, at any meeting of shareholders at which there should be an election of directors, the places of any of the retiring directors are not filled by that election, those retiring directors who are not re-elected and who are asked by the newly elected directors to continue in office will, if willing to do so, continue in office to complete the number of directors for the time being set pursuant to these Articles until further new directors are elected at a meeting of shareholders convened for that purpose. If any such election or continuance of directors does not result in the election or continuance of the number of directors for the time being set pursuant to these Articles, the number of directors of the Company is deemed to be set at the number of directors actually elected or continued in office.

**14.5 Directors May Fill Casual Vacancies**

Any casual vacancy occurring in the board of directors may be filled by the directors.

**14.6 Remaining Directors' Power to Act**

The directors may act notwithstanding any vacancy in the board of directors, but if the Company has fewer directors in office than the number set pursuant to these Articles as the quorum of directors, the directors may only act for the purpose of appointing directors up to that number or of summoning a meeting of shareholders for the purpose of filling any vacancies on the board of directors or, subject to the *Business Corporations Act*, for any other purpose.

**14.7 Shareholders May Fill Vacancies**

If the Company has no directors or fewer directors in office than the number set pursuant to these Articles as the quorum of directors, the shareholders may elect or appoint directors to fill any vacancies on the board of directors.

**14.8 Additional Directors**

Notwithstanding Articles 13.1 and 13.2, between annual general meetings or unanimous resolutions contemplated by Article 10.2, the directors may appoint one or more additional directors, but the number of additional directors appointed under this Article 14.8 must not at any time exceed one-third of the number of the current directors who were elected or appointed as directors other than under this Article 14.8.

Any director so appointed ceases to hold office immediately before the next election or appointment of directors under Article 14.1(1), but is eligible for re election or re appointment.

**14.9 Ceasing to be a Director**

A director ceases to be a director when:

(1) the term of office of the director expires;

(2) the director dies;

(3) the director resigns as a director by notice in writing provided to the Company or a lawyer for the Company; or

(4) the director is removed from office pursuant to Articles 14.10 or 14.11.

**14.10 Removal of Director by Shareholders**

The Company may remove any director before the expiration of his or her term of office by a resolution of not less than three-quarters of the votes cast on such resolution. In that event, the shareholders may elect, or appoint by ordinary resolution, a director to fill the resulting vacancy. If the shareholders do not elect or appoint a director to fill the resulting vacancy contemporaneously with the removal, then the directors may appoint or the shareholders may elect, or appoint by ordinary resolution, a director to fill that vacancy.

**14.11 Removal of Director by Directors**

The directors may remove any director before the expiration of his or her term of office if the director is convicted of an indictable offence, or if the director ceases to be qualified to act as a director of a company and does not promptly resign, and the directors may appoint a director to fill the resulting vacancy.

**14.12 Advance Notice of Director Nominations**

Subject to the provisions of the *Business Corporations Act* and these Articles, a nominee will not be eligible for election as director of the Company unless such nomination is made in accordance with the following procedures.

(1) Subject to Section 14.12(2), nominations of persons for election as directors at a meeting of shareholders may be made only:

(a) by or at the direction of the board;

(b) pursuant to a proposal (as defined in the *Business Corporations Act*) or a requisition of a meeting of shareholders, in each case made in accordance with the *Business Corporations Act*; or

(c) by a nominating shareholder who delivers a nomination notice to the Company within the nomination window by personal delivery to the Company's registered office addressed to the Chief Executive Officer or by fax or email (at the fax number or email address as stipulated from time to time by the Company under its profile on SEDAR at www.sedar.com).

(2) The board may, prior to any meeting of shareholders, in its sole discretion, waive any requirement in this Section 14.12. Unless waived by the board, a nomination window will not be changed by any adjournment or postponement of a meeting of shareholders, or the announcement of any adjournment or postponement.

(3) For the purposes this Section 14.12, the following terms have the following meanings:

(a) "local time" means the local time at the Company's registered office;

(b) "meeting announcement date", in respect of a meeting of shareholders, means the date of the first public filing or announcement of the date of that meeting;

(c) "nomination notice" means a written notice that sets out:

(i) all information that would be required to be disclosed, under the *Business Corporations Act* and applicable securities laws, in a dissident proxy circular in connection with solicitations of proxies for the election of directors relating to a nominating shareholder (as if that nominating shareholder were a dissident soliciting proxies) and each person whom that nominating shareholder proposes to nominate for election as a director;

(ii) the class and number of shares of the Company held, directly or indirectly, by or on behalf of that nominating shareholder;

(iii) confirmation that the proposed nominees meet the qualifications of directors set out in the *Business Corporations Act*; and

(iv) confirmation as to whether each proposed nominee is independent for the purposes of National Instrument 52 110;

(d) "nominating shareholder", in respect of a meeting of shareholders, means a person who is a registered or beneficial holder of one or more shares of the Company carrying the right to vote on the election of directors at that meeting as of the record date for notice for that meeting, and as of the date on which the nomination notice is delivered to the Company; and

(e) "nomination window", in respect of a meeting of shareholders, means:

(i) in the case of an annual general meeting:

(A) if that meeting is called for a date that is fewer than 50 days following the meeting announcement date, the period starting at 9:00 a.m. (local time) on the meeting announcement date and ending at 5:00 p.m. (local time) on the 10th day following the meeting announcement date; and

(B) otherwise, the period starting at 9:00 a.m. (local time) on the date that is 65 days prior to the date of that meeting and ending at 5:00 p.m. (local time) on the date that is 30 days prior to the date of that meeting; or

(ii) in the case of a special meeting (which is not also an annual general meeting) called for the purpose of electing directors (whether or not called for other purposes), the period starting at 9:00 a.m. (local time) on the meeting announcement date and ending at 5:00 p.m. (local time) on the 15th day following the meeting announcement date.

## 15. Powers and Duties of Directors

### 15.1 Powers of Management

The directors must, subject to the *Business Corporations Act* and these Articles, manage or supervise the management of the business and affairs of the Company and have the authority to exercise all such powers of the Company as are not, by the *Business Corporations Act* or by these Articles, required to be exercised by the shareholders of the Company.

### 15.2 Appointment of Attorney of Company

The directors may from time to time, by power of attorney or other instrument, under seal if so required by law, appoint any person to be the attorney of the Company for such purposes, and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the directors under these Articles and excepting the power to fill vacancies in the board of directors, to remove a director, to change the membership of, or fill vacancies in, any committee of the directors, to appoint or remove

officers appointed by the directors and to declare dividends) and for such period, and with such remuneration and subject to such conditions as the directors may think fit. Any such power of attorney may contain such provisions for the protection or convenience of persons dealing with such attorney as the directors think fit. Any such attorney may be authorized by the directors to sub-delegate all or any of the powers, authorities and discretions for the time being vested in him or her.

### 15.3 Remuneration of Auditor

The directors may set the remuneration of the auditor of the Company.

## 16. Disclosure of Interest of Directors

### 16.1 Obligation to Account for Profits

A director or senior officer who holds a disclosable interest (as that term is used in the *Business Corporations Act*) in a contract or transaction into which the Company has entered or proposes to enter is liable to account to the Company for any profit that accrues to the director or senior officer under or as a result of the contract or transaction only if and to the extent provided in the *Business Corporations Act*.

### 16.2 Restrictions on Voting by Reason of Interest

A director who holds a disclosable interest in a contract or transaction into which the Company has entered or proposes to enter is not entitled to vote on any directors' resolution to approve that contract or transaction, unless all the directors have a disclosable interest in that contract or transaction, in which case any or all of those directors may vote on such resolution.

### 16.3 Interested Director Counted in Quorum

A director who holds a disclosable interest in a contract or transaction into which the Company has entered or proposes to enter and who is present at the meeting of directors at which the contract or transaction is considered for approval may be counted in the quorum at the meeting whether or not the director votes on any or all of the resolutions considered at the meeting.

### 16.4 Disclosure of Conflict of Interest or Property

A director or senior officer who holds any office or possesses any property, right or interest that could result, directly or indirectly, in the creation of a duty or interest that materially conflicts with that individual's duty or interest as a director or senior officer, must disclose the nature and extent of the conflict as required by the *Business Corporations Act*.

### 16.5 Director Holding Other Office in the Company

A director may hold any office or place of profit with the Company, other than the office of auditor of the Company, in addition to his or her office of director for the period and on the terms (as to remuneration or otherwise) that the directors may determine.

### 16.6 No Disqualification

No director or intended director is disqualified by his or her office from contracting with the Company either with regard to the holding of any office or place of profit the director holds with the Company or as

vendor, purchaser or otherwise, and no contract or transaction entered into by or on behalf of the Company in which a director is in any way interested is liable to be voided for that reason.

### 16.7 Professional Services by Director or Officer

Subject to the *Business Corporations Act*, a director or officer, or any person in which a director or officer has an interest, may act in a professional capacity for the Company, except as auditor of the Company, and the director or officer or such person is entitled to remuneration for professional services as if that director or officer were not a director or officer.

### 16.8 Director or Officer in Other Corporations

A director or officer may be or become a director, officer or employee of, or otherwise interested in, any person in which the Company may be interested as a shareholder or otherwise, and, subject to the *Business Corporations Act*, the director or officer is not accountable to the Company for any remuneration or other benefits received by him or her as director, officer or employee of, or from his or her interest in, such other person.

## 17. Proceedings of Directors

### 17.1 Meetings of Directors

The directors may meet together for the conduct of business, adjourn and otherwise regulate their meetings as they think fit, and meetings of the directors held at regular intervals may be held at the place, at the time and on the notice, if any, as the directors may from time to time determine.

### 17.2 Voting at Meetings

Questions arising at any meeting of directors are to be decided by a majority of votes and, in the case of an equality of votes, the chair of the meeting does not have a second or casting vote.

### 17.3 Chair of Meetings

The following individual is entitled to preside as chair at a meeting of directors:

(1) the chair of the board, if any;

(2) the Lead Director, if any

(3) in the absence of the chair of the board, the Lead Director  the president, if any, if the president is a director; or

(4) any other director chosen by the directors if:

  (a) none of the chair of the board, the Lead Director or the president, if a director, is present at the meeting within 15 minutes after the time set for holding the meeting;

  (b) none of the chair of the board, the Lead Director, or the president, if a director, is willing to chair the meeting; or

(c) the chair of the board, the Lead Director and the president, if a director, have advised the secretary, if any, or any other director, that they will not be present at the meeting.

**17.4 Meetings by Telephone or Other Communications Medium**

A director may participate in a meeting of the directors or of any committee of the directors in person or by telephone if all directors participating in the meeting, whether in person or by telephone or other communications medium, are able to communicate with each other. A director may participate in a meeting of the directors or of any committee of the directors by a communications medium other than telephone if all directors participating in the meeting, whether in person or by telephone or other communications medium, are able to communicate with each other and if all directors who wish to participate in the meeting agree to such participation. A director who participates in a meeting in a manner contemplated by this Article 17.4 is deemed for all purposes of the *Business Corporations Act* and these Articles to be present at the meeting and to have agreed to participate in that manner.

**17.5 Calling of Meetings**

Any two directors or the Chief Executive Officer or any other officer designated by the board may, and the secretary or an assistant secretary of the Company, if any, on the request of any two directors must, call a meeting of the directors at any time.

**17.6 Notice of Meetings**

Other than for meetings held at regular intervals as determined by the directors pursuant to Article 17.1, or as provided in Article 17.7, a minimum of 72 hours (excluding holidays) notice of each meeting of the directors, specifying the place, day and time of that meeting must be given to each of the directors by any method set out in Article 23.1 or orally or by telephone.

**17.7 When Notice Not Required**

It is not necessary to give notice of a meeting of the directors to a director if:

(1) the meeting is to be held immediately following a meeting of shareholders at which that director was elected or appointed, or is the meeting of the directors at which that director is appointed;

(2) the director has waived notice of the meeting.

**17.8 Meeting Valid Despite Failure to Give Notice**

The accidental omission to give notice of any meeting of directors to, or the non-receipt of any notice by, any director does not invalidate any proceedings at that meeting.

**17.9 Waiver of Notice of Meetings**

Any director may send to the Company a document signed by him or her waiving notice of any past, present or future meeting or meetings of the directors and may at any time withdraw that waiver with respect to meetings held after that withdrawal. After sending a waiver with respect to all future meetings and until that waiver is withdrawn, no notice of any meeting of the directors need be given to that director and, unless the director otherwise requires by notice in writing to the Company and all meetings of the

directors so held are deemed not to be improperly called or constituted by reason of notice not having been given to such director.

**17.10 Quorum**

The quorum necessary for the transaction of the business of the directors may be set by resolution of the directors and, if not so set, is a majority of the directors holding office at the relevant time.

**17.11 Validity of Acts Where Appointment Defective**

Subject to the *Business Corporations Act*, an act of a director or officer is not invalid merely because of an irregularity in the election or appointment or a defect in the qualification of that director or officer.

**17.12 Consent Resolutions in Writing**

A resolution of the directors or of any committee of the directors may be passed without a meeting:

(1) in all cases, if each of the directors entitled to vote on the resolution consents to it in writing; or

(2) in the case of a resolution to approve a contract or transaction in respect of which a director has disclosed that he or she has or may have a disclosable interest, if each of the other directors who are entitled to vote on the resolution consent to it in writing.

A consent in writing under this Article may be by signed document, fax, email or any other method of transmitting legibly recorded messages. A consent in writing may be in two or more counterparts which together are deemed to constitute one consent in writing. A resolution of the directors or of any committee of the directors passed in accordance with this Article 17.12 is effective on the date stated in the consent in writing or on the latest date stated on any counterpart and is deemed to be a proceeding at a meeting of directors or of the committee of the directors and to be as valid and effective as if it had been passed at a meeting of the directors or of the committee of the directors that satisfies all the requirements of the *Business Corporations Act* and all the requirements of these Articles relating to meetings of the directors or of a committee of the directors.

**18. Executive and Other Committees**

**18.1 Appointment and Powers of Executive Committee**

The directors may, by resolution, appoint an executive committee consisting of the director or directors that they consider appropriate, and this committee has, during the intervals between meetings of the board of directors, all of the directors' powers, except:

(1) the power to fill vacancies in the board of directors;

(2) the power to remove a director;

(3) the power to change the membership of, or fill vacancies in, any committee of the directors; and

(4) such other powers, if any, as may be set out in the resolution or any subsequent directors' resolution.

**18.2 Appointment and Powers of Other Committees**

The directors may, by resolution:

(1) appoint one or more committees (other than the executive committee) consisting of the director or directors that they consider appropriate;

(2) delegate to a committee appointed under paragraph (1) any of the directors' powers, except:

(a) the power to fill vacancies in the board of directors;

(b) the power to remove a director;

(c) the power to change the membership of, or fill vacancies in, any committee of the directors; and

(d) the power to appoint or remove officers appointed by the directors; and

(3) make any delegation referred to in paragraph (2) subject to the conditions set out in the resolution or any subsequent directors' resolution.

**18.3 Obligations of Committees**

Any committee appointed under Articles 18.1 or 18.2, in the exercise of the powers delegated to it, must:

(1) conform to any rules that may from time to time be imposed on it by the directors; and

(2) report every act or thing done in exercise of those powers at such times as the directors may require.

**18.4 Powers of Board**

The directors may, at any time, with respect to a committee appointed under Articles 18.1 or 18.2:

(1) revoke or alter the authority given to the committee, or override a decision made by the committee, except as to acts done before such revocation, alteration or overriding;

(2) terminate the appointment of, or change the membership of, the committee; and

(3) fill vacancies in the committee.

**18.5 Committee Meetings**

Subject to Article 18.3(1) and unless the directors otherwise provide in the resolution appointing the committee or in any subsequent resolution, with respect to a committee appointed under Articles 18.1 or 18.2:

(1) the committee may meet and adjourn as it thinks proper;

(2) the committee may elect a chair of its meetings but, if no chair of a meeting is elected, or if at a meeting the chair of the meeting is not present within 15 minutes after the time set for holding the

meeting, the directors present who are members of the committee may choose one of their number to chair the meeting;

(3) a majority of the members of the committee constitutes a quorum of the committee; and

(4) questions arising at any meeting of the committee are determined by a majority of votes of the members present, and in case of an equality of votes, the chair of the meeting does not have a second or casting vote.

**19. Lead Director and Officers**

**19.1 Directors May Appoint Lead Director and Officers**

The directors may, from time to time, appoint a lead director (the "Lead Director") and such officers, if any, as the directors determine and the directors may, at any time, terminate any such appointment.

**19.2 Functions, Duties and Powers of Lead Director and Officers**

The directors may, for the Lead Director and each officer:

(1) determine the functions and duties of the Lead Director or officer;

(2) delegate to the Lead Director or officer any of the powers exercisable by the directors on such terms and conditions and with such restrictions as the directors think fit; and

(3) revoke, withdraw, alter or vary all or any of the functions, duties and powers of the Lead Director or officer.

**19.3 Qualifications**

No officer may be appointed unless that officer is qualified in accordance with the *Business Corporations Act*. One person may hold more than one position as an officer of the Company. Any person appointed as the chair of the board or as the managing director must be a director. Any other officer need not be a director.

**19.4 Remuneration and Terms of Appointment**

All appointments of officers are to be made on the terms and conditions and at the remuneration (whether by way of salary, fee, commission, participation in profits or otherwise) that the directors think fit and are subject to termination at the pleasure of the directors, and an officer may in addition to such remuneration be entitled to receive, after he or she ceases to hold such office or leaves the employment of the Company, a pension or gratuity.

**20. Indemnification**

**20.1 Definitions**

In this Article 20:

(1) "eligible penalty" means a judgment, penalty or fine awarded or imposed in, or an amount paid in settlement of, an eligible proceeding;

(2) "eligible proceeding" means a legal proceeding or investigative action, whether current, threatened, pending or completed, in which a director, former director of the Company (an "eligible party") or any of the heirs and legal personal representatives of the eligible party, by reason of the eligible party being or having been a director of the Company:

(a) is or may be joined as a party; or

(b) is or may be liable for or in respect of a judgment, penalty or fine in, or expenses related to, the proceeding;

(3) "expenses" has the meaning set out in the *Business Corporations Act*.

**20.2 Mandatory Indemnification of Directors and Former Directors**

Subject to the *Business Corporations Act*, the Company must indemnify a director, former director of the Company and his or her heirs and legal personal representatives against all eligible penalties to which such person is or may be liable, and the Company must, after the final disposition of an eligible proceeding, pay the expenses actually and reasonably incurred by such person in respect of that proceeding. Each director is deemed to have contracted with the Company on the terms of the indemnity contained in this Article 20.2.

**20.3 Indemnification of Other Persons**

Subject to any restrictions in the *Business Corporations Act*, the Company may indemnify any person.

**20.4 Non-Compliance with *Business Corporations Act***

The failure of a director or officer of the Company to comply with the *Business Corporations Act* or these Articles does not invalidate any indemnity to which he or she is entitled under this Part.

**20.5 Company May Purchase Insurance**

The Company may purchase and maintain insurance for the benefit of any person (or his or her heirs or legal personal representatives) who:

(1) is or was a director, officer, employee or agent of the Company;

(2) is or was a director, officer, employee or agent of a corporation at a time when the corporation is or was an affiliate of the Company;

(3) at the request of the Company, is or was a director, officer, employee or agent of a corporation or of a partnership, trust, joint venture or other unincorporated entity;

(4) at the request of the Company, holds or held a position equivalent to that of a director or officer of a partnership, trust, joint venture or other unincorporated entity;

against any liability incurred by him or her as such director, officer, employee or agent or person who holds or held such equivalent position.

## 21. Dividends

### 21.1 Payment of Dividends Subject to Special Rights

The provisions of this Article 21 are subject to the rights, if any, of shareholders holding shares with special rights as to dividends.

### 21.2 Declaration of Dividends

Subject to the *Business Corporations Act*, the directors may from time to time declare and authorize payment of such dividends as they may deem advisable.

### 21.3 No Notice Required

The directors need not give notice to any shareholder of any declaration under Article 21.2.

### 21.4 Record Date

The directors may set a date as the record date for the purpose of determining shareholders entitled to receive payment of a dividend. The record date must not precede the date on which the dividend is to be paid by more than two months. If no record date is set, the record date is 5 p.m. on the date on which the directors pass the resolution declaring the dividend.

### 21.5 Manner of Paying Dividend

A resolution declaring a dividend may direct payment of the dividend wholly or partly by the distribution of specific assets or of fully paid shares or of bonds, debentures or other securities of the Company, or in any one or more of those ways.

### 21.6 Settlement of Difficulties

If any difficulty arises in regard to a distribution under Article 21.5, the directors may settle the difficulty as they deem advisable, and, in particular, may:

(1) set the value for distribution of specific assets;

(2) determine that cash payments in substitution for all or any part of the specific assets to which any shareholders are entitled may be made to any shareholders on the basis of the value so fixed in order to adjust the rights of all parties; and

(3) vest any such specific assets in trustees for the persons entitled to the dividend.

### 21.7 When Dividend Payable

Any dividend may be made payable on such date as is fixed by the directors.

### 21.8 Dividends to be Paid in Accordance with Number of Shares

All dividends on shares of any class or series of shares must be declared and paid according to the number of such shares held.

### 21.9 Receipt by Joint Shareholders

If several persons are joint shareholders of any share, any one of them may give an effective receipt for any dividend, bonus or other money payable in respect of the share.

### 21.10 Dividend Bears No Interest

No dividend bears interest against the Company.

### 21.11 Fractional Dividends

If a dividend to which a shareholder is entitled includes a fraction of the smallest monetary unit of the currency of the dividend, that fraction may be disregarded in making payment of the dividend and that payment represents full payment of the dividend.

### 21.12 Payment of Dividends

Any dividend or other distribution payable in cash in respect of shares may be paid by cheque, made payable to the order of the person to whom it is sent, and mailed to the address of the shareholder, or in the case of joint shareholders, to the address of the joint shareholder who is first named on the central securities register, or to the person and to the address the shareholder or joint shareholders may direct in writing. The mailing of such cheque will, to the extent of the sum represented by the cheque (plus the amount of the tax required by law to be deducted), discharge all liability for the dividend unless such cheque is not paid on presentation or the amount of tax so deducted is not paid to the appropriate taxing authority.

### 21.13 Capitalization of Surplus

Notwithstanding anything contained in these Articles, the directors may from time to time capitalize any surplus of the Company and may from time to time issue, as fully paid, shares or any bonds, debentures or other securities of the Company as a dividend representing the surplus or any part of the surplus.

## 22. Documents, Records and Reports

### 22.1 Recording of Financial Affairs

The directors must cause adequate accounting records to be kept to record properly the financial affairs and condition of the Company and to comply with the *Business Corporations Act*.

### 22.2 Inspection of Accounting Records

Unless the directors determine otherwise, or unless otherwise determined by ordinary resolution, no shareholder of the Company is entitled to inspect or obtain a copy of any accounting records of the Company.

## 23. Notices

### 23.1 Method of Giving Notice

Unless the *Business Corporations Act* or these Articles provides otherwise, a notice, statement, report or other record required or permitted by the *Business Corporations Act* or these Articles to be sent by or to a person may be sent by any one of the following methods:

(1) mail addressed to the person at the applicable address for that person as follows:

(a) for a record mailed to a shareholder, the shareholder's registered address;

(b) for a record mailed to a director or officer, the prescribed address for mailing shown for the director or officer in the records kept by the Company or the mailing address provided by the recipient for the sending of that record or records of that class;

(c) in any other case, the mailing address of the intended recipient;

(2) delivery at the applicable address for that person as follows, addressed to the person:

(a) for a record delivered to a shareholder, the shareholder's registered address;

(b) for a record delivered to a director or officer, the prescribed address for delivery shown for the director or officer in the records kept by the Company or the delivery address provided by the recipient for the sending of that record or records of that class;

(c) in any other case, the delivery address of the intended recipient;

(3) sending the record by fax to the fax number provided by the intended recipient for the sending of that record or records of that class;

(4) sending the record by email to the email address provided by the intended recipient for the sending of that record or records of that class;

(5) physical delivery to the intended recipient; or

(6) as otherwise permitted by any securities legislation in any province or territory of Canada or in the federal jurisdiction of the United States or in any states of the United States that is applicable to the Company and all regulations and rules made and promulgated under that legislation and all administrative policy statements, blanket orders and rulings, notices and other administrative directions issued by securities commissions or similar authorities appointed under that legislation.

### 23.2 Deemed Receipt of Mailing

A notice, statement, report or other record that is:

(1) mailed to a person by ordinary mail to the applicable address for that person referred to in Article 23.1 is deemed to be received by the person to whom it was mailed on the day (Saturdays, Sundays and holidays excepted) following the date of mailing;

(2) faxed to a person to the fax number provided by that person referred to in Article 23.1 is deemed to be received by the person to whom it was faxed on the day it was faxed; and

(3) emailed to a person to the email address provided by that person referred to in Article 23.1 is deemed to be received by the person to whom it was emailed on the day it was emailed.

**23.3 Certificate of Sending**

A certificate signed by the secretary, if any, or other officer of the Company or of any other corporation acting in that capacity on behalf of the Company stating that a notice, statement, report or other record was addressed as required by Article 23.1, prepaid and mailed or otherwise sent as permitted by Article 23.1 is conclusive evidence of that fact.

**23.4 Notice to Joint Shareholders**

A notice, statement, report or other record may be provided by the Company to the joint shareholders of a share by providing the notice to the joint shareholder first named in the central securities register in respect of the share.

**23.5 Notice to Trustees**

A notice, statement, report or other record may be provided by the Company to the persons entitled to a share in consequence of the death, bankruptcy or incapacity of a shareholder by:

(1) mailing the record, addressed to them:

(a) by name, by the title of the legal personal representative of the deceased or incapacitated shareholder, by the title of trustee of the bankrupt shareholder or by any similar description; and

(b) at the address, if any, supplied to the Company for that purpose by the persons claiming to be so entitled; or

(2) if an address referred to in paragraph (1)(b) has not been supplied to the Company, by giving the notice in a manner in which it might have been given if the death, bankruptcy or incapacity had not occurred.

**23.6 Undelivered Notices**

If on two consecutive occasions, a notice, statement, report or other record is sent to a shareholder pursuant to Article 23.1 and on each of those occasions any such record is returned because the shareholder cannot be located, the Company shall not be required to send any further records to the shareholder until the shareholder informs the Company in writing of his or her new address.

**24. Execution of Documents; Use of Seal**

**24.1 Execution of Documents**

The following persons (the "**Authorized Signatories**") are authorized to execute, deliver and certify documents on behalf of the Company, whether under seal or otherwise:

(1) any two directors;

(2) if the Company only has one director, that director alone;

(3) any officer, together with any director;

(4) any two officers; or

(5) any one or more directors, officers or other persons authorized by resolution of the board.

**24.2 Use of Seal**

Except as provided in Articles 24.3 and 24.4, the seal must not be impressed on any record except when that impression is attested by the signature or signatures of the required Authorized Signatories.

**24.3 Sealing Copies**

For the purpose of certifying under seal a certificate of incumbency of the directors or officers of the Company or a true copy of any resolution or other document, despite Article 24.2, the impression of the seal may be attested by the signature of any director or officer.

**24.4 Mechanical Reproduction of Seal**

The directors may authorize the seal to be impressed by third parties on share certificates or bonds, debentures or other securities of the Company as they may determine appropriate from time to time. To enable the seal to be impressed on any share certificates or bonds, debentures or other securities of the Company, whether in definitive or interim form, on which facsimiles of any of the signatures of the directors or officers of the Company are, in accordance with the *Business Corporations Act* or these Articles, printed or otherwise mechanically reproduced, there may be delivered to the person employed to engrave, lithograph or print such definitive or interim share certificates or bonds, debentures or other securities one or more unmounted dies reproducing the seal and the chair of the board or any senior officer together with the secretary, treasurer, secretary-treasurer, an assistant secretary, an assistant treasurer or an assistant secretary-treasurer may in writing authorize such person to cause the seal to be impressed on such definitive or interim share certificates or bonds, debentures or other securities by the use of such dies. Share certificates or bonds, debentures or other securities to which the seal has been so impressed are for all purposes deemed to be under and to bear the seal impressed on them.

**25. Prohibitions**

**25.1 Definitions**

In this Part 25:

(1) "security" has the meaning assigned in the *Securities Act* (British Columbia);

(2) "transfer restricted security" means:

(i) a share of the Company;

(ii) a security of the Company convertible into shares of the Company;

(iii) any other security of the Company which must be subject to restrictions on transfer in order for the Company to satisfy the requirement for restrictions on transfer under the "private issuer" exemption of Canadian securities legislation or under any other exemption from prospectus or registration requirements of Canadian securities legislation similar in scope and purpose to the "private issuer" exemption.

**25.2 Application**

Article 25.3 does not apply to the Company if and for so long as it is a public company or a pre-existing reporting company which has the Statutory Reporting Company Provisions as part of these Articles or to which the Statutory Reporting Company Provisions apply.

**25.3 Consent Required for Transfer of Shares or Transfer Restricted Securities**

No share or other transfer restricted security may be sold, transferred or otherwise disposed of without the consent of the directors and the directors are not required to give any reason for refusing to consent to any such sale, transfer or other disposition.

## SCHEDULE D
## DISSENT PROVISIONS OF THE CBCA

**Right to dissent**

**190.** (1) Subject to sections 191 and 241, a holder of shares of any class of a corporation may dissent if the corporation is subject to an order under paragraph 192(4)(d) that affects the holder or if the corporation resolves to

(a) amend its articles under section 173 or 174 to add, change or remove any provisions restricting or constraining the issue, transfer or ownership of shares of that class;

(b) amend its articles under section 173 to add, change or remove any restriction on the business or businesses that the corporation may carry on;

(c) amalgamate otherwise than under section 184;

(d) be continued under section 188;

(e) sell, lease or exchange all or substantially all its property under subsection 189(3); or

(f) carry out a going-private transaction or a squeeze-out transaction.

**Further right**

(2) A holder of shares of any class or series of shares entitled to vote under section 176 may dissent if the corporation resolves to amend its articles in a manner described in that section.

**If one class of shares**

(2.1) The right to dissent described in subsection (2) applies even if there is only one class of shares.

**Payment for shares**

(3) In addition to any other right the shareholder may have, but subject to subsection (26), a shareholder who complies with this section is entitled, when the action approved by the resolution from which the shareholder dissents or an order made under subsection 192(4) becomes effective, to be paid by the corporation the fair value of the shares in respect of which the shareholder dissents, determined as of the close of business on the day before the resolution was adopted or the order was made.

**No partial dissent**

(4) A dissenting shareholder may only claim under this section with respect to all the shares of a class held on behalf of any one beneficial owner and registered in the name of the dissenting shareholder.

**Objection**

(5) A dissenting shareholder shall send to the corporation, at or before any meeting of shareholders at which a resolution referred to in subsection (1) or (2) is to be voted on, a written objection to the resolution, unless the corporation did not give notice to the shareholder of the purpose of the meeting and of their right to dissent.

**Notice of resolution**

(6) The corporation shall, within ten days after the shareholders adopt the resolution, send to each shareholder who has filed the objection referred to in subsection (5) notice that the resolution has been adopted, but such notice is not required to be sent to any shareholder who voted for the resolution or who has withdrawn their objection.

**Demand for payment**

(7) A dissenting shareholder shall, within twenty days after receiving a notice under subsection (6) or, if the shareholder does not receive such notice, within twenty days after learning that the resolution has been adopted, send to the corporation a written notice containing

(a) the shareholder's name and address;

(b) the number and class of shares in respect of which the shareholder dissents; and

(c) a demand for payment of the fair value of such shares.

**Share certificate**

(8) A dissenting shareholder shall, within thirty days after sending a notice under subsection (7), send the certificates representing the shares in respect of which the shareholder dissents to the corporation or its transfer agent.

**Forfeiture**

(9) A dissenting shareholder who fails to comply with subsection (8) has no right to make a claim under this section.

**Endorsing certificate**

(10) A corporation or its transfer agent shall endorse on any share certificate received under subsection (8) a notice that the holder is a dissenting shareholder under this section and shall forthwith return the share certificates to the dissenting shareholder.

**Suspension of rights**

(11) On sending a notice under subsection (7), a dissenting shareholder ceases to have any rights as a shareholder other than to be paid the fair value of their shares as determined under this section except where

(a) the shareholder withdraws that notice before the corporation makes an offer under subsection (12),

(b) the corporation fails to make an offer in accordance with subsection (12) and the shareholder withdraws the notice, or

(c) the directors revoke a resolution to amend the articles under subsection 173(2) or 174(5), terminate an amalgamation agreement under subsection 183(6) or an application for continuance under subsection 188(6), or abandon a sale, lease or exchange under subsection 189(9),

in which case the shareholder's rights are reinstated as of the date the notice was sent.

**Offer to pay**

(12) A corporation shall, not later than seven days after the later of the day on which the action approved by the resolution is effective or the day the corporation received the notice referred to in subsection (7), send to each dissenting shareholder who has sent such notice

(a) a written offer to pay for their shares in an amount considered by the directors of the corporation to be the fair value, accompanied by a statement showing how the fair value was determined; or

(b) if subsection (26) applies, a notification that it is unable lawfully to pay dissenting shareholders for their shares.

**Same terms**

(13) Every offer made under subsection (12) for shares of the same class or series shall be on the same terms.

**Payment**

(14) Subject to subsection (26), a corporation shall pay for the shares of a dissenting shareholder within ten days after an offer made under subsection (12) has been accepted, but any such offer lapses if the corporation does not receive an acceptance thereof within thirty days after the offer has been made.

**Corporation may apply to court**

(15) Where a corporation fails to make an offer under subsection (12), or if a dissenting shareholder fails to accept an offer, the corporation may, within fifty days after the action approved by the resolution is effective or within such further period as a court may allow, apply to a court to fix a fair value for the shares of any dissenting shareholder.

**Shareholder application to court**

(16) If a corporation fails to apply to a court under subsection (15), a dissenting shareholder may apply to a court for the same purpose within a further period of twenty days or within such further period as a court may allow.

**Venue**

(17) An application under subsection (15) or (16) shall be made to a court having jurisdiction in the place where the corporation has its registered office or in the province where the dissenting shareholder resides if the corporation carries on business in that province.

**No security for costs**

(18) A dissenting shareholder is not required to give security for costs in an application made under subsection (15) or (16).

**Parties**

(19) On an application to a court under subsection (15) or (16),

(a) all dissenting shareholders whose shares have not been purchased by the corporation shall be joined as parties and are bound by the decision of the court; and

(b) the corporation shall notify each affected dissenting shareholder of the date, place and consequences of the application and of their right to appear and be heard in person or by counsel.

**Powers of court**

(20) On an application to a court under subsection (15) or (16), the court may determine whether any other person is a dissenting shareholder who should be joined as a party, and the court shall then fix a fair value for the shares of all dissenting shareholders.

**Appraisers**

(21) A court may in its discretion appoint one or more appraisers to assist the court to fix a fair value for the shares of the dissenting shareholders.

**Final order**

(22) The final order of a court shall be rendered against the corporation in favour of each dissenting shareholder and for the amount of the shares as fixed by the court.

**Interest**

(23) A court may in its discretion allow a reasonable rate of interest on the amount payable to each dissenting shareholder from the date the action approved by the resolution is effective until the date of payment.

**Notice that subsection (26) applies**

(24) If subsection (26) applies, the corporation shall, within ten days after the pronouncement of an order under subsection (22), notify each dissenting shareholder that it is unable lawfully to pay dissenting shareholders for their shares.

**Effect where subsection (26) applies**

(25) If subsection (26) applies, a dissenting shareholder, by written notice delivered to the corporation within thirty days after receiving a notice under subsection (24), may

(a) withdraw their notice of dissent, in which case the corporation is deemed to consent to the withdrawal and the shareholder is reinstated to their full rights as a shareholder; or

(b) retain a status as a claimant against the corporation, to be paid as soon as the corporation is lawfully able to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of the corporation but in priority to its shareholders.

**Limitation**

(26) A corporation shall not make a payment to a dissenting shareholder under this section if there are reasonable grounds for believing that:

(a) the corporation is or would after the payment be unable to pay its liabilities as they become due; or

(b) the realizable value of the corporation's assets would thereby be less than the aggregate of its liabilities.

R.S., 1985, c. C-44, s. 190; 1994, c. 24, s. 23; 2001, c. 14, ss. 94, 134(F), 135(E); 2011, c. 21, s. 60(F).

**SCHEDULE E**
**ARRANGEMENT RESOLUTION**

RESOLVED, AS A SPECIAL RESOLUTION, that:

1. The arrangement (the "**Arrangement**") under Division 5 of Part 9 of the *Business Corporations Act* (British Columbia) (the "**BCBCA**") involving South American Silver Corp. ("**SASC**"), as more particularly described and set forth in the management information circular (the "**SASC Circular**") of SASC dated November 7, 2013 accompanying the notice of meeting (as the Arrangement may be amended, modified or supplemented in accordance with the arrangement agreement dated October 21, 2013 (the "**Arrangement Agreement**") between SASC, High Desert Gold Corporation ("**HDG**") and MK Acquisition Corp.) is hereby authorized, approved and adopted.

2. The plan of arrangement of SASC implementing the Arrangement (as it has been or may be amended, modified or supplemented in accordance with the Arrangement Agreement and its terms (the "**Plan of Arrangement**")), the full text of which is set out in an appendix to the SASC Circular, is hereby authorized, approved and adopted.

3. The Arrangement Agreement, the actions of the directors of SASC in approving the Arrangement and the actions of the officers of SASC in executing and delivering the Arrangement Agreement and any amendments thereto are hereby ratified and approved.

4. Notwithstanding that this resolution has been passed (and the Arrangement adopted) by the shareholders of SASC or that the Arrangement has been approved by the Supreme Court of British Columbia, the directors of SASC are hereby authorized and empowered, without notice to or approval of the holders of common shares of SASC, (a) to amend, modify or supplement the Arrangement Agreement or the Plan of Arrangement to the extent permitted by the Arrangement Agreement and the Plan of Arrangement, and (b) subject to the terms of the Arrangement Agreement, not to proceed with the Arrangement and related transactions.

5. Any one or more officers or directors of SASC is hereby authorized and directed for and on behalf of and in the name of SASC to execute or cause to be executed and to deliver or cause to be delivered, whether under the corporate seal of SASC or not, all such agreements, forms, waivers, notices, certificates, confirmations and such other documents and instruments and to perform or cause to be performed all such other acts and things as such person determines may be necessary or desirable or useful to give full effect to the foregoing resolution and the matters authorized thereby, such determination to be conclusively evidenced by the execution and delivery of such document or instrument or the doing of any such act or thing.

**SCHEDULE F**
**PLAN OF ARRANGEMENT**

**UNDER DIVISION 5 OF PART 9 OF THE**
***BUSINESS CORPORATIONS ACT* (BRITISH COLUMBIA)**

## ARTICLE 1

## DEFINITIONS AND INTERPRETATION

### 1.1 Definitions

In this Plan of Arrangement:

(a) "**Arrangement**" means the arrangement under the provisions of Division 5 of Part 9 of the BCBCA, on the terms and subject to the conditions set forth in this Plan of Arrangement, subject to any amendment or supplement made hereto in accordance herewith and the Arrangement Agreement or made at the direction of the Court in the Final Order;

(b) "**Arrangement Agreement**" means the arrangement agreement dated as of October 21, 2013, between HDG, SASC and Newco, including the schedules attached thereto, as the same may be amended, amended and restated, or supplemented prior to the Effective Date, entered into in connection with the Arrangement;

(c) "**BCBCA**" means the *Business Corporations Act*, S.B.C. 2002, c.57;

(d) "**Business Day**" means any day which is not a Saturday, Sunday or a day on which banks are not open for business in Vancouver, British Columbia;

(e) "**Court**" means the Supreme Court of British Columbia;

(f) "**Depositary**" means CST Trust Company, in its capacity as depositary for the HDG Shares and the SASC Shares, as the case may be, under the Arrangement;

(g) "**Dissent Procedures**" means the procedures set forth in Section 190 of the CBCA required to be taken by a registered holder of HDG Shares or SASC Shares to exercise the right of dissent in respect of such HDG Shares or SASC Shares in connection with the Arrangement, as modified by Article 4, the Interim Order and the Final Order;

(h) "**Dissent Rights**" means the rights of dissent in respect of the Arrangement described in Article 4;

(i) "**Dissenting Shareholder**" means a HDG Dissenting Shareholder or a SASC Dissenting Shareholder, as the case may be;

(j) "**Effective Date**" means the date that is five Business Days after the last of the conditions precedent to the completion of the Arrangement have been satisfied or waived or such earlier or later date as is agreed to by HDG and SASC;

(k) "**Effective Time**" means 12:01 a.m. (Vancouver time) on the Effective Date, or such other time on the Effective Date as may be agreed to in writing by HDG and SASC;

(l) "**Final Order**" means the final order of the Court approving the Arrangement under section 291 of the BCBCA as such order may be affirmed, amended, modified, supplemented or varied by the Court at any time prior to the Effective Date (with the consent of the parties, acting reasonably) or, if appealed then, unless such appeal is withdrawn or denied, as affirmed or amended on appeal;

(m) "**HDG**" means High Desert Gold Corporation, a corporation existing under the laws of Canada, but which will be continued as a company under the laws of the Province of British Columbia prior to the Effective Date;

(n) "**HDG Arrangement Resolution**" means the resolution approved by the HDG Shareholders substantially in the form and content set out in Schedule D to the Arrangement Agreement;

(o) "**HDG Circular**" means the management information circular of HDG, including all schedules attached thereto, and the notice of meeting and proxy form to be sent by HDG to the HDG Shareholders soliciting their approval of the HDG Arrangement Resolution;

(p) "**HDG Dissenting Shareholder**" means a registered HDG Shareholder that has duly exercised his, her or its Dissent Rights in strict compliance with the requirements set out in the Interim Order;

(q) "**HDG Letter of Transmittal**" means the letter of transmittal sent by HDG to the HDG Shareholders providing for the delivery of certificates representing their HDG Shares to the Depositary;

(r) "**HDG Meeting**" means the special meeting of HDG Shareholders and any adjournment or postponement thereof to be held to consider and, if deemed advisable, approve the HDG Arrangement Resolution;

(s) "**HDG Shareholder**" means at any time the registered holder at that time of HDG Shares;

(t) "**HDG Shares**" means the common shares in the capital of HDG;

(u) "**HDG Warrantholder**" means at any time the registered holders at that time of HDG Warrants;

(v) "**HDG Warrants**" means the warrants to purchase HDG Shares outstanding immediately prior to the Effective Time;

(w) "**Interim Order**" means the interim court order of the Court providing for, among other things, the calling and holding of the HDG Meeting and the calling and holding of the SASC Meeting, as the same may be amended, modified, supplemented or varied by the Court (with the consent of the parties, acting reasonably);

(x) "**Newco**" means MK Acquisition Corp., a company incorporated under the laws of the Province of British Columbia;

(y) "**Plan of Arrangement**" means this plan of arrangement as amended and supplemented from time to time in accordance herewith, the Arrangement Agreement and any order of the Court;

(z) "**Purchaser**" means Newco or such other affiliate(s) of SASC, in SASC's sole discretion, which exercises the Liquidation Call Right, the Redemption Call Right or the Retraction Call Right, each as defined in the special rights and restrictions attached to the SASC Class B Shares;

(aa) "**SASC**" means South American Silver Corp., a corporation existing under the laws of Canada, but which will be continued as a company under the laws of the Province of British Columbia prior to the Effective Date;

(bb) "**SASC Arrangement Resolution**" means the resolution approved by the SASC Shareholders substantially in the form and content set out in Schedule E to the Arrangement Agreement;

(cc) "**SASC Circular**" means the management information circular of SASC, including all schedules attached thereto, and the notice of meeting and proxy form to be sent by SASC to the SASC Shareholders soliciting their approval of the SASC Arrangement Resolution;

(dd) "**SASC Class A Shares**" means the Class A Shares in the capital of SASC as they will exist at the Effective Time;

(ee) "**SASC Class B Shares**" means the Class B Shares in the capital of SASC as they will exist at the Effective Time;

(ff) "**SASC Common Shares**" means the SASC Shares issued and outstanding immediately prior to the Effective Time;

(gg) "**SASC Dissenting Shareholder**" means a registered SASC Shareholder that has duly exercised his, her or its Dissent Rights in strict compliance with the requirements set out in the Interim Order;

(hh) "**SASC Letter of Transmittal**" means the letter of transmittal sent by SASC to the SASC Shareholders providing for the delivery of certificates representing their SASC Common Shares to the Depositary;

(ii) "**SASC Meeting**" means the special meeting of SASC Shareholders and any adjournment or postponement thereof to be held to consider and, if deemed advisable, approve the SASC Arrangement Resolution;

(jj) "**SASC Shareholder**" means at any time the registered holder at that time of SASC Shares;

(kk) "**SASC Shares**" means the shares in the capital of SASC and includes the SASC Common Shares prior to the Effective Time and the SASC Class A Shares and the SASC Class B Shares commencing at the Effective Time;

(ll) "**Share Exchange Ratio**" has the meaning given to it in Section 3.1(d); and

(mm) "**Tax Act**" means the *Income Tax Act* (Canada), as amended.

**1.2 Headings and References**

The division of this Plan of Arrangement into Articles and Sections and the insertion of headings are for convenience of reference only and do not affect the construction or interpretation of this Plan of Arrangement. Unless otherwise specified, references to sections are to sections of this Plan of Arrangement.

**1.3 Number, etc.**

Unless the context otherwise requires, words importing the singular number only will include the plural and vice versa; words importing the use of any gender will include all genders; and words importing persons will include firms and corporations and vice versa.

**1.4 Date of any Action**

In the event that any date on which any action is required to be taken hereunder by any of the parties is not a Business Day, such action will be required to be taken on the next succeeding Business Day.

**1.5 Statutory References**

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

## ARTICLE 2
## ARRANGEMENT AGREEMENT

**2.1 Arrangement Agreement**

This Plan of Arrangement is made pursuant to and is subject to the provisions of the Arrangement Agreement. At the Effective Time, without any further act or formality, the Arrangement will be binding upon SASC, HDG, Newco, the SASC Shareholders, the HDG Shareholders and the HDG Warrantholders. Without limitation, the Purchaser will have the Liquidation Call Right, the Redemption Call Right and the Retraction Call Right as set out in the special rights and restrictions attached to the SASC Class B Shares as set out in Exhibit 1 to this Plan of Arrangement and all holders of SASC Class B Shares will be bound thereby and, upon the exercise thereof by the Purchaser and payment of the applicable purchase price for each such share, each holder of SASC Class B Shares shall be deemed to have transferred all of the SASC Class B Shares held by that holder to the Purchaser.

## ARTICLE 3
## THE ARRANGEMENT

**3.1 The Arrangement**

Commencing at the Effective Time, the following will occur and will be deemed to occur in the following sequence without any further authorization, act or formality by SASC, HDG or any other person:

(a) each SASC Common Share held by a SASC Dissenting Shareholder will be, and will be deemed to be, transferred by the holder thereof, free from any claims, to SASC and thereupon each such SASC Dissenting Shareholder shall have the rights set out in Article 4 and such holder's name will be removed from the central securities register of SASC in respect of such share at such time;

(b) there will be a reorganization of the capital of SASC as follows:

(i) the Notice of Articles and Articles of SASC will be altered to create and authorize the issuance of (in addition to the shares that SASC is authorized to issue immediately before the Effective Time) an unlimited number of SASC Class A Shares and up to 127,328,790 SASC Class B Shares, and to attach the special rights and restrictions to each class of shares of SASC so they will be as set out in Exhibit 1 to this Plan of Arrangement;

(ii) each issued and outstanding SASC Common Share, other than any SASC Common Shares held by a SASC Dissenting Shareholder, will be and will be deemed to be disposed of by the holder, free from any claims, in exchange for one SASC Class A Share and one SASC Class B Share receivable from SASC and in respect of each such SASC Common Share:

(A) each such SASC Shareholder shall cease to be the holder of such SASC Common Share and shall become the holder of a SASC Class A Share and a SASC Class B Share on the Effective Date concurrently with the exchange referred to in this Section 3.1(b)(ii); and

(B) all SASC Common Shares shall be cancelled;

(c) each HDG Share held by a HDG Dissenting Shareholder will be, and will be deemed to be, transferred by the holder thereof, free from any claims, to HDG and thereupon each HDG Dissenting Shareholder shall have the rights set out in Article 4 and such holder's name will be removed from the central securities register of HDG in respect of such share at such time;

(d) each of the issued and outstanding HDG Shares, other than any HDG Shares held by a HDG Dissenting Shareholder, shall be irrevocably transferred to SASC, free from any claims, in exchange for 0.275 of a SASC Class A Share (the "**Share Exchange Ratio**") and in respect of each such HDG Share:

(i) each such former HDG Shareholder shall cease to be the holder of HDG Shares so transferred on the Effective Date concurrently with the transfer referred to in this Section 3.1(d) and such holder's name shall be removed from the central securities register of HDG in respect of such share at such time; and

(ii) SASC shall become the sole legal and beneficial holder of the HDG Shares so transferred (free from any claim) on the Effective Date and shall be entered in the central securities register of HDG as the holder thereof;

(e) each of the issued and outstanding HDG Warrants will be exchanged for a warrant to acquire (on the same terms and conditions as were applicable to such HDG Warrants immediately before the Effective Time under the terms thereof), the number (rounded

down to the nearest whole number) of SASC Class A Shares equal to the product of: (A) the number of HDG Shares subject to such HDG Warrant immediately prior to the Effective Time and (B) the Share Exchange Ratio. The exercise price per SASC Class A Share subject to any such exchanged SASC Warrant shall be the amount (rounded up to the nearest one-hundredth of a cent) equal to the quotient of (A) the exercise price per HDG Share subject to the HDG Warrant immediately before the Effective Time divided by (B) the Share Exchange Ratio; and

(f) the Notice of Articles and Articles of SASC will be altered to cancel the SASC Common Shares, none of which will be issued and outstanding at such time, and to redesignate the SASC Class A Shares as "Common Shares".

**3.2 No Fractional Shares**

Following the Effective Time, if the aggregate number of SASC Class A Shares to which a HDG Shareholder would otherwise be entitled would include a fractional share, then the number of SASC Class A Shares that such HDG Shareholder is entitled to receive shall be rounded down to the next whole number and such HDG Shareholder will not receive cash or any other compensation in lieu of such fractional share.

## ARTICLE 4
## RIGHTS OF DISSENT

**4.1 Grant of Rights of Dissent to SASC Shareholders**

Each SASC Shareholder may exercise a right of dissent (the "**Dissent Right**") with respect to the SASC Common Shares held by it pursuant to and in the manner set forth in the Interim Order. SASC Dissenting Shareholders who:

(a) are ultimately entitled to be paid by SASC fair value for their SASC Common Shares in respect of which they duly exercised the Dissent Right shall be deemed to have transferred such SASC Common Shares, free of any liens, claims or encumbrances, to SASC in accordance with Section 3.1(a); or

(b) are ultimately not entitled, for any reason, to be paid by SASC fair value for their SASC Common Shares in respect of which they duly exercised the Dissent Right, shall be deemed to have participated in the Arrangement in respect of those SASC Common Shares on the same basis as a non-dissenting SASC Shareholder, and shall be entitled to receive only the SASC Class A Shares and SASC Class B Shares that such non-dissenting SASC Shareholder is entitled to receive, on the basis set forth in Section 3.1(b)(ii) and, for greater certainty, will be considered to have exchanged such SASC Common Shares pursuant to, and at the same time as SASC Common Shares were exchanged pursuant to, Section3.1(b)(ii).

**4.2 Grant of Rights of Dissent to HDG Shareholders**

Each HDG Shareholder may exercise a right of dissent (the "**Dissent Right**") with respect to the HDG Shares held by it pursuant to and in the manner set forth in the Interim Order. HDG Dissenting Shareholders who:

(a) are ultimately entitled to be paid by HDG fair value for their HDG Shares in respect of which they duly exercised the Dissent Right shall be deemed to have transferred such HDG Shares, free of any liens, claims or encumbrances, to HDG in accordance with Section 3.1(c); or

(b) are ultimately not entitled, for any reason, to be paid by HDG fair value for their HDG Shares in respect of which they duly exercised the Dissent Right, shall be deemed to have participated in the Arrangement in respect of those HDG Shares on the same basis as a non-dissenting HDG Shareholder, and shall be entitled to receive only the SASC Class A Shares that such non-dissenting HDG Shareholder is entitled to receive, on the basis set forth in Section 3.1(d) and, for greater certainty, will be considered to have exchanged such HDG Shares pursuant to, and at the same time as HDG Shares were exchanged pursuant to, Section 3.1(d).

**4.3 General Dissent Provisions**

(a) In no event shall SASC or any other person be required to recognize a SASC Dissenting Shareholder as a registered or beneficial owner of SASC Shares at or after the Effective Time, and at the Effective Time the names of such SASC Dissenting Shareholders shall be deleted from the central securities register of SASC as at the Effective Time.

(b) In no event shall SASC, HDG or any other person be required to recognize a HDG Dissenting Shareholder as a registered or beneficial owner of HDG Shares at or after the Effective Time, and at the Effective Time the names of such HDG Dissenting Shareholders shall be deleted from the central securities register of HDG as at the Effective Time.

(c) For greater certainty, in addition to any other restrictions in the Interim Order, no person shall be entitled to exercise Dissent Rights with respect to SASC Common Shares in respect of which a person has voted in favour of the SASC Arrangement Resolution and no person shall be entitled to exercise Dissent Rights with respect to HDG Shares in respect of which a person has voted in favour of the HDG Arrangement Resolution.

## ARTICLE 5
## DELIVERY OF SASC CERTIFICATES

**5.1 SASC Shareholders Right to SASC Class A Shares and SASC Class B Shares**

(a) SASC will, as soon as practicable following the later of the Effective Date and the date of deposit with the Depositary of a duly completed SASC Letter of Transmittal and the certificates representing the SASC Common Shares or other documentation as provided in the SASC Letter of Transmittal, cause the Depository to:

(i) forward or cause to be forwarded by first class mail (postage prepaid) to the SASC Shareholder at the address specified in the SASC Letter of Transmittal; or

(ii) if requested by the SASC Shareholder in the SASC Letter of Transmittal, to make available at the Depositary for pick-up by the SASC Shareholder; or

(iii) if the SASC Letter of Transmittal neither specifies an address nor contains a request as described in (ii), to forward or cause to be forwarded by first class mail

(postage prepaid) to the SASC Shareholder at the address of such holder as shown on the share register maintained by or on behalf of SASC,

certificates representing the number of SASC Class A Shares and SASC Class B Shares issuable to such SASC Shareholder as determined in accordance with the provisions hereof.

(b) Each SASC Shareholder entitled in accordance with Section 3.1(b)(ii) to receive SASC Class A Shares and SASC Class B Shares will be deemed to be the registered holder for all purposes as of the Effective Date of the number of SASC Class A Shares and SASC Class B Shares to which it is entitled. All dividends paid or other distributions made on or after the Effective Date on or in respect of any SASC Class A Shares or SASC Class B Shares which the SASC Shareholder is entitled to receive pursuant to this Plan of Arrangement, but for which a certificate has not yet been delivered to such SASC Shareholder in accordance with Section 5.1(a), will be paid or made to such SASC Shareholder when such certificate is delivered to a person in accordance with Section 5.1(a).

(c) After the Effective Date, any certificate formerly representing SASC Common Shares will represent only the right to receive SASC Class A Shares and SASC Class B Shares pursuant to Section 3.1(b)(ii) or to be paid the fair value for the SASC Common Shares pursuant to Section 4.1 and any dividends or other distributions to which the SASC Shareholder is entitled under Section 5.1(b) and any such certificate formerly representing SASC Common Shares not duly surrendered on or prior to the sixth anniversary of the Effective Date will cease to represent a claim or interest of any kind or nature, including a claim for dividends or other distributions under Section 5.1(b), against SASC. On such date, all SASC Shares to which the former holder of such certificates was entitled will be deemed to have been surrendered to SASC.

**5.2 Former HDG Shareholders Right to SASC Class A Shares**

(a) SASC will, as soon as practicable following the later of the Effective Date and the date of deposit with the Depositary of a duly completed HDG Letter of Transmittal and the certificates representing the HDG Shares or other documentation as provided in the HDG Letter of Transmittal, cause the Depository to:

(i) forward or cause to be forwarded by first class mail (postage prepaid) to the former HDG Shareholder at the address specified in the HDG Letter of Transmittal; or

(ii) if requested by the former HDG Shareholder in the HDG Letter of Transmittal, to make available at the Depositary for pick-up by the former HDG Shareholder; or

(iii) if the HDG Letter of Transmittal neither specifies an address nor contains a request as described in (ii), to forward or cause to be forwarded by first class mail (postage prepaid) to the former HDG Shareholder at the address of such holder as shown on the share register maintained by or on behalf of HDG,

certificates representing the number of SASC Class A Shares issuable to such former HDG Shareholder as determined in accordance with the provisions hereof.

(b) Each former HDG Shareholder entitled in accordance with Section 3.1(d) to receive SASC Class A Shares will be deemed to be the registered holder for all purposes as of the Effective Date of the number of SASC Class A Shares to which such former HDG Shareholder is entitled. All dividends paid or other distributions made on or after the Effective Date on or in respect of any SASC Class A Shares which a former HDG Shareholder is entitled to receive pursuant to this Plan of Arrangement, but for which a certificate has not yet been delivered to such former HDG Shareholder in accordance with Section 5.2(a), will be paid or made to such former HDG Shareholder when such certificate is delivered to a person in accordance with Section 5.2(a).

(c) After the Effective Date, any certificate formerly representing HDG Shares will represent only the right to receive SASC Class A Shares pursuant to Section 3.1(d) or to be paid the fair value for the HDG Shares pursuant to Section 4.2 and any dividends or other distributions to which the former HDG Shareholder is entitled under Section 5.2(b) and any such certificate formerly representing HDG Shares not duly surrendered on or prior to the sixth anniversary of the Effective Date will cease to represent a claim or interest of any kind or nature, including a claim for dividends or other distributions under Section 5.2(b), against SASC by a former HDG Shareholder. On such date, all SASC Class A Shares to which the former holder of such certificates was entitled will be deemed to have been surrendered to SASC.

**5.3 Illegality of Delivery of SASC Shares**

Notwithstanding the foregoing, if it appears to SASC that it would be contrary to applicable law to issue securities of SASC pursuant to the Arrangement to a person that is not a resident of Canada, the securities of SASC that otherwise would be issued to that person will be issued and delivered to the Depositary for sale by the Depositary on behalf of that person. The SASC Shares delivered to the Depositary will be pooled and sold as soon as practicable after the Effective Date, on such dates and at such prices as the Depositary determines in its sole discretion. The Depositary will not be obligated to seek or obtain a minimum price for any of the SASC Shares sold. Each such person will receive a *pro rata* share of the cash proceeds from the sale of the SASC Shares, as the case may be, sold by the Depositary (less commissions, other reasonable expenses incurred in connection with the sale and any amount withheld in respect of Canadian taxes) in lieu of the SASC Shares. The net proceeds will be remitted in the same manner as set forth in this Article 5. None of HDG, SASC or the Depositary will be liable for any loss arising out of any such sales.

**5.4 Withholding Rights**

HDG, SASC, Newco and the Depositary will be entitled to deduct and withhold from any consideration deliverable or otherwise payable to any HDG Shareholder or SASC Shareholder such amounts as HDG, SASC or the Depositary is required or permitted to deduct and withhold with respect to such payment under the Tax Act or any provision of any applicable federal, provincial, state, local or foreign tax law or treaty, in each case, as amended. To the extent that amounts are so withheld, such withheld amounts will be treated for all purposes hereof as having been paid to the HDG Shareholder or SASC Shareholder, as the case may be, in respect of which such deduction and withholding was made, provided that such withheld amounts are actually remitted to the appropriate taxing authority. The Depositary is authorized, as agent for the HDG Shareholders and SASC Shareholders, to sell such portion of the SASC Shares otherwise deliverable to applicable HDG Shareholders or SASC Shareholders as is necessary to provide sufficient funds to SASC, HDG or the Depositary, as the case may be to enable them to comply with such deduction or withholding requirement, and SASC, HDG or the Depositary will

notify the applicable HDG Shareholder or SASC Shareholder and remit any unapplied consideration including any unapplied balance of the net proceeds of such sale.

**5.5 Lost Certificates**

If any certificate which prior to the Effective Date represented outstanding HDG Shares or SASC Common Shares which were exchanged pursuant to Section 3.1 has been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming such certificate to be lost, stolen or destroyed, the Depositary will issue in exchange for such lost, stolen or destroyed certificate, certificates representing SASC Shares deliverable in respect thereof as determined in accordance with Section 3.1. When seeking such certificate in exchange for any lost, stolen or destroyed certificate, the person to whom certificates representing securities of SASC are to be issued will, as a condition precedent to the issuance thereof, give a bond satisfactory to SASC and its transfer agent, in such sum as SASC may direct or otherwise indemnify SASC and its transfer agent in a manner satisfactory to SASC and its transfer agent against any claim that may be made against SASC or its transfer agent with respect to the certificate alleged to have been lost, stolen or destroyed.

## ARTICLE 6
## AMENDMENT

**6.1 Amendment of Plan of Arrangement**

(a) HDG and SASC reserve the right to amend, modify and/or supplement this Plan of Arrangement at any time and from time to time prior to the Effective Time, provided that any amendment, modification or supplement must be contained in a written document which is filed with the Court and, if made following the HDG Meeting or SASC Meeting, approved by the Court and communicated to HDG Shareholders and SASC Shareholders in the manner required by the Court (if so required).

(b) Any amendment, modification or supplement to this Plan of Arrangement may be proposed by HDG and SASC, jointly, at any time prior to or at the HDG Meeting or SASC Meeting with or without any other prior notice or communication and, if so proposed and accepted by the persons voting at the HDG Meeting or SASC Meeting, will become part of this Plan of Arrangement for all purposes.

(c) Any amendment, modification or supplement to this Plan of Arrangement which is approved or directed by the Court following the HDG Meeting and SASC Meeting will be effective only if it is consented to by HDG and SASC (acting reasonably).

(d) This Plan of Arrangement may be withdrawn prior to the Effective Date in accordance with the terms of the Arrangement Agreement.

(e) Notwithstanding the foregoing provisions of this Section 6.1, no amendment, modification or supplement to this Plan of Arrangement may be made prior to the Effective Date except in accordance with the terms of the Arrangement Agreement.

**EXHIBIT 1**
**SHARE CONDITIONS**

**Special Rights and Restrictions attached to SASC Class A Shares and SASC Class B Non-Voting Shares at the Effective Time as contemplated in Section 3.1(b)**.

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## 26. Special Rights and Restrictions attached to the Class A Shares

The Class A Common Shares without par value each in the authorized share structure of the Company ("Class A Shares") have attached to them the special rights and restrictions set out in this Part 26.

### 26.1 Voting Rights

Except as required by law or by these Articles, the holders of the Class A Shares, as such, are entitled to receive notice of and to attend at general meetings of shareholders of the Company and are entitled to one vote for each Class A Share held.

### 26.2 Dividends

Except as otherwise provided in these Articles the holders of the Class A Shares, as such, are entitled to receive on the date fixed for payment of them, and the Company will pay, such dividends as the directors may in their sole and absolute discretion declare from time to time.

The directors may, in their sole and absolute discretion, at any time:

(1) declare and pay, or set apart for payment, a dividend on the Class A Shares independently of any dividend on, and without also declaring or paying or setting apart for payment any dividend (whether or not of a similar amount or similar kind) on, any one or more other classes of shares in the Company; and

(2) declare and pay, or set apart for payment, dividends on shares of any one or more classes of shares in the Company other than the Class A Shares independently of any dividend on, and without also declaring or paying or setting apart for payment any dividend (whether or not of a similar amount or similar kind) on, the Class A Shares.

### 26.3 Winding Up

In the event of the liquidation or dissolution of the Company, or of any distribution of property and assets of the Company among its shareholders for the purpose of winding up its affairs, each of the holders of the Class A Shares, as such, will:

(1) subject to the rights of any class of shares in the Company entitled to receive property and assets of the Company upon such a distribution in priority to the holders of the Class A Shares, and

(2) subject to the rights of the holders of the Class B Shares,

share *pari passu* with the other holders of the Class A Shares, as such, on a share for share basis, in all remaining property and assets of the Company.

## 27. Special Rights and Restrictions attached to the Class B Non-Voting Shares

The Class B Non-Voting Shares without par value in the authorized share structure of the Company shall have attached to them the special rights and restrictions as set out in this Part 27.

### 27.1 Interpretation

In this Part 27 of the Articles of the Company, the following terms have the following meanings:

"**affiliate**" has the meaning ascribed thereto in the Securities Act;

"**Arrangement**" means the arrangement under Section 288 of the BCBCA on the terms and subject to the conditions set out in the Plan of Arrangement as it may be amended, varied, modified or supplemented from time to time in accordance with the terms thereof;

"**Arrangement Agreement**" means the arrangement agreement dated as of October 21, 2013 between the Company, HDG and Newco as it may be amended, varied, modified or supplemented from time to time in accordance with the terms thereof;

"**BCBCA**" means the *Business Corporations Act* (British Columbia) and the regulations made thereunder, as promulgated or amended from time to time;

"**Board of Directors**" means the Board of Directors of the Company;

"**Business Day**" means any day, other than a Saturday, a Sunday or a statutory or civic holiday in Vancouver, British Columbia;

"**Class A Shares**" means the Class A Common Shares without par value in the authorized share structure of the Company, to be redesignated as "**Common Shares**" pursuant to the Plan of Arrangement;

"**Class B Shares**" mean the Class B Non-Voting Shares without par value in the authorized share structure of the Company;

"**Class B Share Total Entitlement**" in the aggregate in respect of all issued and outstanding Class B Shares means:

(a) nil, until the Final Award is issued or a Settlement Agreement is entered into and either:

(i) the full Malku Khota Award or Settlement Amount is received by SASL or any of its affiliates, or

(ii) SASL determines, in its absolute discretion, that enforcement actions in respect of the collection of such Malku Khota Award or Settlement Amount are sufficiently exhausted and should cease;

(b) nil, if the Final Award is issued and SASL is not awarded any relief payable in cash to it or any of its affiliates, or if a Settlement Agreement is entered into and no cash is payable thereunder to SASL or any of its affiliates; or

(c) an amount equal to 85% of the amount, if any, by which the Malku Khota Award or Settlement Amount exceeds the Malku Khota Arbitration Expenses, if the Final Award is issued in favour of SASL or a Settlement Agreement is entered into and either:

(i) the full Malku Khota Award or Settlement Amount is received by SASL or any of its affiliates, or

(ii) SASL determines, in its absolute discretion, that enforcement actions in respect of the collection of such Malku Khota Award or Settlement Amount are sufficiently exhausted and should cease;

"**Class B Share Entitlement**" in respect of any Class B Share at any time means the amount equal to (a) the Class B Share Total Entitlement divided by (b) the number of Class B Shares issued and outstanding at that time;

"**Class B Share Voting Event**" means a matter in respect of which holders of Class B Shares are entitled to vote as shareholders of the Company as set out in Section 27.8 and Section 27.9;

"**Company**" means South American Silver Corp., a company continued under the laws of British Columbia;

"**Court**" means the Supreme Court of British Columbia;

"**Effective Date**" means the date agreed to by the Company and HDG in writing as the effective date of the Arrangement;

"**Final Award**" means the last award issued in the Malku Khota Arbitration Proceedings by the arbitral tribunal which disposes of all, or all remaining, claims in the Malku Khota Arbitration Proceedings, terminates the arbitral tribunal's mandate and is no longer subject to appeal or annulment in the arbitral seat;

"**Governmental Entity**" means any (a) supranational, multinational, federal, national, provincial, state, regional, municipal, local or other government, governmental or public department, ministry, central bank, court, tribunal, arbitral body, office, Crown corporation, commission, commissioner, board, bureau or agency, domestic or foreign, (b) subdivision, agent, commission, board, or authority of any of the foregoing, or (c) quasi-governmental or private body, including any tribunal, commission, stock exchange (including the Toronto Stock Exchange), regulatory agency or self-regulatory organization exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing;

"**HDG**" means High Desert Gold Corporation, a company continued under the laws of British Columbia;

"**holder**" means, when used in reference to the Class B Shares, a holder of Class B Shares shown from time to time in the central securities register of the Company in respect of the Class B Shares;

"**Liquidation Amount**" has the meaning ascribed thereto in Section 27.4(1);

"**Liquidation Date**" has the meaning ascribed thereto in Section 27.4(1);

"**Liquidation Call Purchase Price**" has the meaning ascribed thereto in Section 27.4(4);

"**Liquidation Call Right**" has the meaning ascribed thereto in Section 27.4(4);

"**Malku Khota Arbitration Expenses**" means all costs and expenses incurred by SASL and its affiliates in connection with the Malku Khota Arbitration Proceedings including, without limitation:

(a) the third party funder's portion of the Malku Khota Award or Settlement Amount;

(b) legal fees including lead counsel success fees, accounting expenses, advisory fees and consulting fees, payable, incurred or paid by SASL or any of its affiliates in respect of the Malku Khota Arbitration Proceedings;

(c) all applicable taxes, interest and penalties, of any nature or kind, on or in respect of the Malku Khota Award or Settlement Amount payable by SASL or any of its affiliates; and

(d) all applicable taxes, interest and penalties, of any nature or kind, on or in respect of the payment of an amount equal to the Malku Khota Award or Settlement Amount to the Company and any affiliate of the Company,

all as determined by the Board of Directors of the Company in its discretion acting on advice, if required, from legal counsel, accountants, or any other Person the Board of Directors deems to be qualified to advise on such calculation, distribution, costs and expenses;

"**Malku Khota Arbitration Proceedings**" means the international arbitration proceedings commenced by SASL against the Plurinational State of Bolivia under the Arbitration Rules of the *United Nations Commission on International Trade Law* pursuant to the Agreement between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the Republic of Bolivia for the Promotion and Protection of Investments, seeking compensation from the Plurinational State of Bolivia for the expropriation of the mining concessions held by Compañia Minera Malku Khota S.A., a wholly-owned subsidiary of SASL, without any compensation and for any other violations of the applicable treaty or international law;

"**Malku Khota Award or Settlement Amount**" means the aggregate amount of any cash settlement or award in favor of SASL or its affiliates in connection with any final and binding resolutions of the Malku Khota Arbitration Proceedings, including interest and other amounts no matter how determined, and for greater certainty any non-cash settlement or award will not constitute any part of the Malku Khota Award or Settlement Amount for purposes of these Articles;

"**Newco**" means MK Acquisition Corp., a company existing under the BCBCA and its successors and assigns;

"**Person**" includes an individual, firm, limited or general partnership, limited liability company, limited liability partnership, trust, joint venture, venture capital fund, association, body corporate, unincorporated organization, trustee, executor, administrator, legal representative, government (including any Governmental Entity) or any other entity, whether or not having legal status;

"**Plan of Arrangement**" means the plan of arrangement substantially in the form and content of the plan of arrangement attached to the Arrangement Agreement, as amended, varied, modified or supplemented in accordance with the terms thereof or of the Arrangement Agreement or at the direction of the Court;

"**Purchase Price**" has the meaning ascribed thereto in Section 27.6(3);

"**Purchaser**" means Newco or such other affiliate(s) of the Company, in the Company's sole discretion, which exercises the Liquidation Call Right, the Redemption Call Right or the Retraction Call Right;

"**Purchaser Call Notice**" has the meaning ascribed thereto in Section 27.6(3);

"**Redemption Call Purchase Price**" has the meaning ascribed thereto in Section 27.5(4);

"**Redemption Call Right**" has the meaning ascribed thereto in Section 27.5(4);

"**Redemption Date**" means the date that is 60 days after the earliest of the following dates:

(a) where SASL enters into a Settlement Agreement, the date which is the later of:

(i) the date the full amount of the Malku Khota Award or Settlement Amount is received by SASL or any of its affiliates; or

(ii) the date on which SASL determines, in its absolute discretion, that enforcement actions in respect of the collection of such Malku Khota Award or Settlement Amount are sufficiently exhausted and should cease;

(b) where the Final Award is issued and SASL or its affiliates is awarded relief payable in cash, the date which is the later of:

(i) the date the full amount of the Malku Khota Award or Settlement Amount is received by SASL or any of its affiliates; or

(ii) the date on which SASL determines, in its absolute discretion, that enforcement actions in respect of the collection of such Malku Khota Award or Settlement Amount are sufficiently exhausted and should cease;

(c) the date on which the Final Award is issued and no relief payable in cash is awarded to SASL;

(d) the date on which SASL enters into a Settlement Agreement pursuant to which no cash settlement or award will be payable to SASL; and

(e) the date the Malku Khota Arbitration Proceedings are otherwise terminated and the limitation period for SASL to file a challenge or appeal in respect of such termination has expired;

"**Redemption Price**" has the meaning ascribed thereto in Section 27.5(1);

"**Retracted Shares**" has the meaning ascribed thereto in Section 27.6(1);

"**Retraction Call Right**" has the meaning ascribed thereto in Section 27.6(1);

"**Retraction Date**" has the meaning ascribed thereto in Section 27.6(1);

"**Retraction Price**" has the meaning ascribed thereto in Section 27.6(1);

"**Retraction Request**" has the meaning ascribed thereto in Section 27.6(1);

"**Retraction Right Trigger Date**" means, provided that the Final Award is issued or a Settlement Agreement is entered into, the date that is 60 days after the later of:

(a) the date the full amount of the Malku Khota Award or Settlement Amount is received by SASL or any of its affiliates; or

(b) the date on which SASL determines, in its absolute discretion, that enforcement actions in respect of the collection of such Malku Khota Award or Settlement Amount are sufficiently exhausted and should cease;

**"SASL"** means South American Silver Limited, a wholly-owned Bermudian subsidiary of the Company, and its successors and assigns;

"**Securities Act**" means the *Securities Act* (British Columbia) and the rules, regulations and policies made thereunder, as now in effect and as they may be amended from time to time prior to the Effective Date;

"**Settlement Agreement**" means a final and binding settlement agreement entered into by SASL, or by SASL and any of its affiliates, with the Plurinational State of Bolivia, or any other party, in respect of the subject matter of the Malku Khota Arbitration Proceedings; and

"**Transfer Agent**" means CST Trust Company or such other Person as may from time to time be appointed by the Company as the registrar and transfer agent for the Class B Shares.

**27.2 Sole Discretion and Decision Making**

(1) SASL shall have sole discretion and decision making authority over when and whether to pursue any particular course of action in respect of the Malku Khota Arbitration Proceedings, including without limitation:

(a) the taking of any action with respect to the Malku Khota Arbitration Proceedings, and

(b) the negotiation or entering into of a Settlement Agreement and upon what terms and conditions, including the receipt of non-cash consideration pursuant thereto.

(2) Nothing in the special rights and restrictions attaching to the Class B Shares as set out in this Part 27 shall:

(a) obligate the Company or SASL to pursue any course of action in respect of the Malku Khota Arbitration Proceedings,

(b) obligate the Company to cause SASL to pursue any course of action in respect of the Malku Khota Arbitration Proceedings,

(c) prohibit the Company or SASL from taking any action in respect of the Malku Khota Arbitration Proceedings, or

(d) prohibit the Company from causing SASL to take any action in respect of the Malku Khota Arbitration Proceedings.

(3) The Company, SASL, their affiliates and their directors and officers shall not be liable to the holders of Class B Shares for any decision made with respect to the Malku Khota Arbitration Proceedings in good faith.

**Section 27.3 Certain Restrictions and Covenants**

If SASL enters into a Settlement Agreement or the Final Award is issued, the Company will use its reasonable best efforts to cause SASL and any other relevant affiliate of the Company to promptly pay, transfer, distribute, assign or convey the proceeds of the Malku Khota Award or Settlement Amount to the

Company or an affiliate of the Company within a reasonable amount of time after receipt of the Malku Khota Award or Settlement Amount in cash and to take all action and to do all things necessary, proper or advisable under the applicable laws in the most expeditious manner practicable in that regard.

**Section 27.4 Liquidation**

(1) Subject to Section 27.4(7), in the event of the liquidation, dissolution or winding-up of the Company or any other distribution of the assets of the Company among its shareholders for the purpose of winding-up its affairs, each holder of a Class B Share, as such, shall be entitled, subject to applicable law, to receive from the Company *pari passu* on a share-for-share basis with the other holders of Class B Shares on the effective date of such liquidation, dissolution or winding-up (the "**Liquidation Date**") an amount in cash (the "**Liquidation Amount**") for each Class B Share held equal to the total of the Class B Share Entitlement, if any, as of the last Business Day prior to the Liquidation Date.

(2) On or promptly after the Liquidation Date, and subject to Section 27.4(7) or the exercise by the Purchaser of the Liquidation Call Right, the Company shall cause to be paid or delivered to the holders of the Class B Shares the Liquidation Amount, if any, for each such Class B Share upon presentation and surrender of the certificates representing such Class B Shares, together with such other documents and instruments as may be required to effect a transfer of Class B Shares under the BCBCA and the Articles of the Company and such additional documents and instruments as the Transfer Agent may reasonably require, at the registered office of the Company or at any office of the Transfer Agent as may be specified by the Company by notice to the holders of the Class B Shares. Payment of the total Liquidation Amount for such Class B Shares shall be made by delivery to each holder, at the address of the holder recorded in the register of shareholders of the Company for the Class B Shares or by holding for pick-up by the holder at the registered office of the Company or at any office of the Transfer Agent as may be specified by the Company by notice to the holders of the Class B Shares, a cheque of the Company payable at par at any branch of the bankers of the Company in an amount equal to the total Liquidation Amount for such Class B Shares, less any amounts withheld on account of tax required to be deducted and withheld therefrom. On and after the Liquidation Date, the holders of the Class B Shares shall cease to be holders of such Class B Shares and shall not be entitled to exercise any of the rights of holders in respect thereof, other than the right to receive the total Liquidation Amount for their Class B Shares, unless payment of the total Liquidation Amount for such Class B Shares shall not be made upon presentation and surrender of share certificates in accordance with the foregoing provisions, in which case the rights of the holders shall remain unaffected until the total Liquidation Amount for such Class B Shares has been paid in the manner herein provided. The Company shall have the right at any time after the Liquidation Date to deposit or cause to be deposited the total Liquidation Amount in respect of the Class B Shares represented by certificates that have not at the Liquidation Date been surrendered by the holders thereof in a custodial account with any chartered bank or trust company in Canada. Upon such deposit being made, the rights of the holders of Class B Shares after such deposit shall be limited to receiving the total Liquidation Amount (in each case less any amounts withheld on account of tax required to be deducted and withheld therefrom) for such Class B Shares so deposited, against presentation and surrender of the said certificates held by them, respectively, in accordance with the foregoing provisions.

(3) Other than pursuant to Section 27.4(1), the holders of the Class B Shares, as such, shall not be entitled to share in any distribution of the assets of the Company.

(4) Subject to Section 27.4(7), the Purchaser shall have an overriding right (the "**Liquidation Call Right**"), in the event of and notwithstanding any proposed liquidation, dissolution or winding-up of the Company or any other distribution of the assets of the Company among its shareholders for the purpose of winding up its affairs, to purchase from all but not less than all of the holders of Class B Shares on the Liquidation Date all but not less than all of the Class B Shares held by each such holder, on payment by the Purchaser to each such holder of an amount per Class B Share (the "**Liquidation Call Purchase Price**") equal to the Liquidation Amount per Class B Share. In the event of the exercise of the Liquidation Call Right, each holder of Class B Shares shall be obligated to sell all of the Class B Shares held by that holder to the Purchaser as of the Liquidation Date on payment by the Purchaser to such holder of the Liquidation Call Purchase Price for each such share, and if the Purchaser pays the Liquidation Call Purchase Price in respect of such holder's Class B Shares, such holder will be deemed to have transferred their Class B Shares to the Purchaser and the Company shall have no obligation to pay any amount on account of the Liquidation Amount in respect of such shares so purchased by the Purchaser.

(5) To exercise the Liquidation Call Right, the Purchaser must notify the Transfer Agent, as agent for the holders of Class B Shares, and the Company of its intention to exercise such right at least 30 days before the Liquidation Date in the case of a voluntary liquidation, dissolution or winding up of the Company, and at least five Business Days before the Liquidation Date in the case of an involuntary liquidation, dissolution or winding-up of the Company. The Company will cause the Transfer Agent to notify the holders of the Class B Shares as to whether or not the Purchaser has exercised the Liquidation Call Right forthwith after the expiry of the period during which such right may be exercised. If the Purchaser exercises its Liquidation Call Right, the Purchaser will on the Liquidation Date purchase, and each of the holders of Class B Shares will sell and be deemed to sell, all of the Class B Shares then outstanding for a price per Class B Share equal to the Liquidation Call Purchase Price.

(6) For the purposes of completing the purchase of the Class B Shares pursuant to the Liquidation Call Right, the Purchaser shall cause to be delivered to such holder a cheque of the Purchaser payable at par at any branch of the bankers of the Purchaser in an amount equal to the Liquidation Call Purchase Price, less any amounts withheld on account of tax required to be deducted and withheld therefrom. Provided that the total Liquidation Call Purchase Price has been paid or delivered to the holders of the Class B Shares, on and after the Liquidation Date the rights of each holder of Class B Shares will be limited receiving such holder's total Liquidation Call Purchase Price payable by the Purchaser upon presentation and surrender by the holder of certificates representing the Class B Shares held by such holder. Upon surrender to the Transfer Agent of a certificate or certificates representing Class B Shares, together with such other documents and instruments as may be required to effect a transfer of Class B Shares under the BCBCA and the Articles of the Company and such additional documents and instruments as the Transfer Agent may reasonably require, the holder of such surrendered certificate or certificates shall be entitled to receive in exchange therefor, and the Company will cause the Purchaser to pay or deliver to such holder, the total Liquidation Call Purchase Price to which the holder is entitled less any amounts withheld on account of tax required to be deducted and withheld therefrom. If the Purchaser does not exercise the Liquidation Call Right and pay the Liquidation Call Purchase Price in the manner described above, on the Liquidation Date, the holders of the Class B Shares will be entitled to receive in exchange therefor the total Liquidation Amount otherwise payable by the Company in connection with the liquidation, dissolution or winding-up of the Company pursuant to Section 27.4(1).

(7) Notwithstanding any other provision of this Section 27.4, until

(a) the Final Award is issued or a Settlement Agreement is entered into and (i) the Malku Khota Award or Settlement Amount is received by SASL or any of its affiliates or (ii) SASL determines, in its absolute discretion, that enforcement actions in respect of the Malku Khota Award or Settlement Amount are sufficiently exhausted and should cease, or

(b) the Malku Khota Arbitration Proceedings are otherwise terminated,

as a condition to any liquidation, dissolution or winding-up of the Company or any other distribution of the assets of the Company among its shareholders for the purpose of winding-up its affairs, each holder of a Class B Share will be issued, in such manner as determined by the Company in its sole discretion, in exchange for each Class B Share a right to their proportionate share of the Malku Khota Award or Settlement Amount, as determined in accordance with the Class B Share Entitlement herein.

**Section 27.5 Redemption of Class B Shares by the Company**

(1) Subject to applicable law, and provided the Purchaser has not exercised the Redemption Call Right, the Company shall on the Redemption Date redeem all but not less than all of the then outstanding Class B Shares for an amount (the "**Redemption Price**") per Class B Share equal to the total of the Class B Share Entitlement, if any, as of the last Business Day prior to the Redemption Date.

(2) In any case of a redemption of Class B Shares under this Section 27.5, the Company shall, at least 30 days before the Redemption Date, send or cause to be sent to each holder of Class B Shares a notice in writing of the redemption by the Company or the purchase by the Purchaser under the Redemption Call Right, as the case may be, of the Class B Shares held by such holder. Every notice in respect of a redemption of Class B Shares under this Section 27.5 must set out the Redemption Price or the Redemption Call Purchase Price, as the case may be, the Redemption Date and, if applicable, particulars of the Redemption Call Right.

(3) On or after the Redemption Date and subject to the exercise by the Purchaser of the Redemption Call Right, the Company shall cause to be delivered to the holders of the Class B Shares to be redeemed the Redemption Price for each such Class B Share, upon presentation and surrender at the registered office of the Company or at any office of the Transfer Agent as may be specified by the Company in such notice of the certificates representing such Class B Shares, together with such other documents and instruments as may be required to effect a transfer of Class B Shares under the BCBCA and the Articles of the Company and such additional documents and instruments as the Transfer Agent may reasonably require. Payment of the total Redemption Price for such Class B Shares shall be made by delivery to each holder, at the address of the holder recorded in the central securities register of the Company or by holding for pick-up by the holder at the registered office of the Company or at any office of the Transfer Agent as may be specified by the Company in such notice a cheque of the Company payable at par at any branch of the bankers of the Company in an amount equal to the total Redemption Price for such shares less any amounts withheld on account of tax required to be deducted and withheld therefrom. On and after the Redemption Date, the holders of the Class B Shares called for redemption shall cease to be holders of such Class B Shares and shall not be entitled to exercise any of the rights of holders in respect thereof, other than the right to receive the total Redemption Price for such shares, unless payment of the total Redemption Price for such Class B Shares shall not be made

upon presentation and surrender of certificates in accordance with the foregoing provisions, in which case the rights of the holders shall remain unaffected until the total Redemption Price has been paid in the manner hereinbefore provided. The Company shall have the right at any time after the sending of notice of its intention to redeem the Class B Shares as aforesaid to deposit or cause to be deposited the total Redemption Price (except as provided otherwise in this Section 27.5(3)) in respect of the Class B Shares so called for redemption, or of such of the said Class B Shares represented by certificates that have not at the date of such deposit been surrendered by the holders thereof in connection with such redemption, in a custodial account with any chartered bank or trust company in Canada named in such notice, less any amounts withheld on account of tax required to be deducted and withheld therefrom. Upon the later of such deposit being made and the Redemption Date, the Class B Shares in respect whereof such deposit shall have been made shall be redeemed and the rights of the holders thereof after such deposit or Redemption Date, as the case may be, shall be limited to receiving the total Redemption Price for such Class B Shares so deposited, against presentation and surrender of the said certificates held by them, respectively, in accordance with the foregoing provisions.

(4) The Purchaser shall have the overriding right (the "**Redemption Call Right**"), notwithstanding any proposed redemption of Class B Shares by the Company pursuant to this Section 27.5, to purchase from all but not less than all of the holders of Class B Shares on the applicable Redemption Date all but not less than all of the Class B Shares held by each such holder on payment by the Purchaser to each such holder of an amount (the "**Redemption Call Purchase Price**") per Class B Share equal to the total of the Class B Share Entitlement as of the last Business Day prior to the Redemption Date. If the Purchaser exercises the Redemption Call Right, each holder of Class B Shares shall be obligated to sell all of the Class B Shares held by that holder to the Purchaser on the applicable Redemption Date on payment by the Purchaser to such holder of the Redemption Call Purchase Price for each such share, and to the extent the Purchaser pays the Redemption Call Purchase Price in respect of such holder's Class B Shares, such holder will be deemed to have transferred their Class B Shares to the Purchaser and the Company shall have no obligation to redeem, or to pay any amount (including dividends) in respect of such shares so purchased by the Purchaser.

(5) To exercise the Redemption Call Right, the Purchaser must notify the Transfer Agent, as agent for the holders of Class B Shares, and the Company of its intention to exercise such right at least 30 days before the applicable Redemption Date. The Company will cause the Transfer Agent to notify the holders of the Class B Shares as to whether or not the Purchaser has exercised the Redemption Call Right forthwith after the expiry of the period during which such right may be exercised. If the Purchaser exercises its Redemption Call Right, the Purchaser will on the applicable Redemption Date purchase, and each of the holders of Class B Shares will sell, the number of Class B Shares that were to have been redeemed pursuant to this Section 27.5 for a price per Class B Share equal to the Redemption Call Purchase Price.

(6) For the purposes of completing the purchase of the Class B Shares pursuant to the Redemption Call Right, the Purchaser shall deliver or cause to be delivered to such holder a cheque of the Purchaser payable at par at any branch of the bankers of the Purchaser in an amount equal to the Redemption Call Purchase Price, less any amounts withheld on account of tax required to be deducted and withheld therefrom. Provided that the total Redemption Call Purchase Price has been paid or delivered to such holders on and after the applicable Redemption Date the rights of each holder of Class B Shares (other than the Purchaser) will be limited to receiving such holder's total Redemption Call Purchase Price payable by the Purchaser upon presentation and surrender by the holder of certificates representing the Class B Shares held by such holder. Upon surrender to the Transfer Agent of a certificate or certificates representing Class B Shares, together with

such other documents and instruments as may be required to effect a transfer of Class B Shares under the Act and the Articles of the Company and such additional documents and instruments as the Transfer Agent may reasonably require, the holder of such surrendered certificate or certificates shall be entitled to receive in exchange therefor, and the Company will cause the Purchaser to pay or deliver or cause to be delivered to such holder by way of cheque, an amount equal to the Redemption Call Purchase Price for each Class B Share held by such holder, less any amounts withheld on account of tax required to be deducted and withheld therefrom. If the Purchaser does not exercise the Redemption Call Right in the manner described above, on the applicable Redemption Date the holders of the Class B Shares will be entitled to receive in exchange therefor the Redemption Price otherwise payable by the Company in connection with the redemption of the Class B Shares pursuant to Section 27.5(1).

**Section 27.6 Retraction of Class B Shares by the Holders**

(1) A holder of Class B Shares shall be entitled at any time after the Retraction Right Trigger Date, subject to the exercise by the Purchaser of the Retraction Call Right and otherwise upon compliance with the provisions of this Section 27.6, to require the Company to redeem any or all of the Class B Shares registered in the name of such holder for an amount (the "**Retraction Price**") for each Class B Share held equal to the Class B Share Entitlement as of the last Business Day prior to the Retraction Date. To effect such redemption, the holder shall present and surrender at the registered office of the Company or at any office of the Transfer Agent the certificate or certificates representing the Class B Shares which the holder desires to have the Company redeem, together with such other documents and instruments as may be required to effect a transfer of Class B Shares under the BCBCA and the Articles of the Company and such additional documents and instruments as the Transfer Agent may reasonably require, and together with a duly executed statement (the "**Retraction Request**") in the form of Schedule A hereto or in such other form as may be acceptable to the Company:

(a) specifying that the holder desires to have all or any number specified therein of the Class B Shares represented by such certificate or certificates (the "**Retracted Shares**") redeemed by the Company;

(b) stating the Business Day on which the holder desires to have the Company redeem the Retracted Shares (the "**Retraction Date**"), provided that the Retraction Date shall be not less than 10 Business Days nor more than 20 Business Days after the date on which the Retraction Request is received by the Company and further provided that, in the event that no such Business Day is specified by the holder in the Retraction Request, the Retraction Date shall be deemed to be the 20th Business Day after the date on which the Retraction Request is received by the Company; and

(c) acknowledging the overriding right (the "**Retraction Call Right**") of the Purchaser to purchase all but not less than all the Retracted Shares directly from the holder and that the Retraction Request shall be deemed to be a revocable offer by the holder to sell the Retracted Shares to the Purchaser in accordance with the Retraction Call Right on the terms and conditions set out in Section 27.6(2) below.

(2) Subject to the exercise by the Purchaser of the Retraction Call Right, upon receipt by the Company or the Transfer Agent in the manner specified in Section 27.6(1) hereof of a certificate or certificates representing the number of Retracted Shares, together with a Retraction Request, and provided that the Retraction Request is not revoked by the holder in the manner specified in Section 27.6(7), the Company shall redeem the Retracted Shares effective at the close of business

on the Retraction Date and shall cause to be delivered to such holder the total Retraction Price with respect to such shares. If only a part of the Class B Shares represented by any certificate is redeemed (or purchased by the Purchaser pursuant to the Retraction Call Right), a new certificate for the balance of such Class B Shares shall be issued to the holder at the expense of the Company.

(3) Upon receipt by the Company of a Retraction Request, the Company shall immediately notify the Purchaser thereof and shall provide to the Purchaser a copy of the Retraction Request. In order to exercise the Retraction Call Right, the Purchaser must notify the Company of its determination to do so (the "**Purchaser Call Notice**") within five Business Days of notification to the Purchaser by the Company of the receipt by the Company of the Retraction Request. If the Purchaser does not so notify the Company within such five Business Day period, the Company will notify the holder as soon as possible thereafter that the Purchaser will not exercise the Retraction Call Right. If the Purchaser delivers the Purchaser Call Notice within such five Business Day period, and provided that the Retraction Request is not revoked by the holder in the manner specified in Section 27.6(7), the Retraction Request shall thereupon be considered only to be an offer by the holder to sell the Retracted Shares to the Purchaser in accordance with the Retraction Call Right. In such event, the Company shall not redeem the Retracted Shares and the Purchaser shall purchase from such holder and such holder shall sell to the Purchaser on the Retraction Date the Retracted Shares for a purchase price (the "**Purchase Price**") per share equal to the Retraction Price per share. Provided that the Purchaser has complied with Section 27.6(4), the closing of the purchase and sale of the Retracted Shares pursuant to the Retraction Call Right shall be deemed to have occurred as at the close of business on the Retraction Date and, for greater certainty, no redemption by the Company of such Retracted Shares shall take place on the Retraction Date. In the event that the Purchaser does not deliver a the Purchaser Call Notice within such five Business Day period, and provided that the Retraction Request is not revoked by the holder in the manner specified in Section 27.6(7), the Company shall redeem the Retracted Shares on the Retraction Date and in the manner otherwise contemplated in this Section 27.6.

(4) The Company or the Purchaser, as the case may be, shall deliver or cause the Transfer Agent to deliver to the relevant holder, at the address of the holder recorded in the central securities register of the Company for the Class B Shares or at the address specified in the holder's Retraction Request or by holding for pick up by the holder at the registered office of the Company or at any office of the Transfer Agent as may be specified by the Company by notice to the holders of Class B Shares, a cheque payable at par at any branch of the bankers of the Company or the Purchaser, as applicable, representing the total Retraction Price or Purchase Price, as the case may be, less any amounts withheld on account of tax required to be deducted and withheld therefrom, and such payment or delivery by or on behalf of the Company or the Purchaser, as the case may be, or by the Transfer Agent shall be deemed to be payment of and shall satisfy and discharge all liability for the total Retraction Price or total Purchase Price, as the case may be, to the extent that the same is represented by such cheques (plus any tax deducted and withheld therefrom and remitted to the proper tax authority), and the holder will be deemed to have transferred their Class B Shares to the Purchaser without any further action on the part of such holder.

(5) On and after the close of business on the Retraction Date, the holder of the Retracted Shares shall cease to be a holder of such Retracted Shares and shall not be entitled to exercise any of the rights of a holder in respect thereof, other than the right to receive the total Retraction Price or total Purchase Price, as the case may be, for such Retracted Shares, unless upon presentation and surrender of certificates in accordance with the foregoing provisions, payment of the total Retraction Price or the total Purchase Price, as the case may be, shall not be made as provided in

Section 27.6(4), in which case the rights of such holder shall remain unaffected until the total Retraction Price or the total Purchase Price, as the case may be, has been paid in the manner hereinbefore provided.

(6) Notwithstanding any other provision of this Section 27.6, the Company shall not be obligated to redeem Retracted Shares specified by a holder in a Retraction Request to the extent that such redemption of Retracted Shares would be contrary to solvency requirements or other provisions of applicable law. If the Company believes that on any Retraction Date it would not be permitted by any of such provisions to redeem the Retracted Shares tendered for redemption on such date, and provided that the Purchaser shall not have exercised the Retraction Call Right with respect to the Retracted Shares, the Company shall only be obligated to redeem Retracted Shares specified by a holder in a Retraction Request to the extent of the maximum number that may be so redeemed (rounded down to a whole number of shares) as would not be contrary to such provisions and shall notify the holder at least five Business Days prior to the Retraction Date as to the number of Retracted Shares which will not be redeemed by the Company. In any case in which the redemption by the Company of Retracted Shares would be contrary to solvency requirements or other provisions of applicable law, the Company shall redeem Retracted Shares in accordance with Section 27.6(2) on a pro rata basis and shall issue to each holder of Retracted Shares a new certificate, at the expense of the Company, representing the Retracted Shares not redeemed by the Company pursuant to Section 27.6(2) hereof. Provided that the Retraction Request is not revoked by the holder in the manner specified in Section 27.6(7), the holder of any such Retracted Shares not redeemed by the Company pursuant to Section 27.6(2) as a result of solvency requirements or other provisions of applicable law shall be deemed, by giving the Retraction Request, to offer to sell to the Purchaser, and the Purchaser will be required to purchase, such remaining Retracted Shares from such holder on the Retraction Date or as soon as practicable thereafter on payment by the Purchaser to such holder of the Purchase Price for each such Retracted Share.

(7) A holder of Retracted Shares may, by notice in writing given by the holder to the Company before the close of business on the Business Day immediately preceding the Retraction Date, withdraw its Retraction Request, in which event such Retraction Request shall be null and void and, for greater certainty, the revocable offer constituted by the Retraction Request to sell the Retracted Shares to the Purchaser shall be deemed to have been revoked.

**Section 27.7 Purchase for Cancellation**

Subject to applicable law, the Company may at any time and from time to time purchase for cancellation all or any part of the outstanding Class B Shares at any price by tender to all the holders of record of Class B Shares then outstanding. If in response to an invitation for tenders under the provisions of this Section 27.7, more Class B Shares are tendered at a price or prices acceptable to the Company than the Company is prepared to purchase, the Class B Shares to be purchased by the Company shall be purchased as nearly as may be pro rata according to the number of shares tendered by each holder who submits a tender to the Company, provided that when shares are tendered at different prices, the pro rating shall be effected (disregarding fractions) only with respect to the shares tendered at the price at which more shares were tendered than the Company is prepared to purchase after the Company has purchased all the shares tendered at lower prices. If part only of the Class B Shares represented by any certificate shall be purchased, a new certificate for the balance of such shares shall be issued at the expense of the Company.

**Section 27.8 Voting Rights**

Except as required by applicable law and by this Section 27.8 and Section 27.9, the holders of the Class B Shares shall not be entitled as such to receive notice of or to attend any meeting of the shareholders of the Company or to vote at any such meeting. The holders of the Class B Shares shall, however, be entitled to notice of meetings of the shareholders called for the purpose of authorizing the dissolution of the Company or the sale, lease or exchange of all or substantially all of the property of the Company other than in the ordinary course of business of the Company.

**Section 27.9 Amendment and Approval**

(1) The special rights and restrictions attaching to the Class B Shares may be added to, varied or deleted, but only with the approval of the holders of the Class B Shares given as herein specified. Notwithstanding the foregoing, the Board of Directors may amend the special rights and restrictions attaching to the Class B Shares where such amendments are necessary or desirable in connection with a listing of Class B Shares and the Board of Directors has determined in good faith that such amendments are not materially prejudicial to the rights or interests of the holders of Class B Shares.

(2) Any approval given by the holders of the Class B Shares to add to, vary or delete any special right or restriction attaching to the Class B Shares or any other matter requiring the approval or consent of the holders of the Class B Shares shall be deemed to have been sufficiently given if it shall have been given in accordance with applicable law subject to a minimum requirement that such approval be evidenced by resolution passed by not less than 66-2/3% of the votes cast on such resolution at a meeting of holders of Class B Shares duly called and held at which the holders of at least 5% of the outstanding Class B Shares at that time are present or represented by proxy; provided that if at any such meeting the holders of at least 5% of the outstanding Class B Shares at that time are not present or represented by proxy within one-half hour after the time appointed for such meeting, then the meeting shall be adjourned to the same day in the next week at the same time and place. At such adjourned meeting the holders of Class B Shares present or represented by proxy thereat may transact the business for which the meeting was originally called and a resolution passed thereat by the affirmative vote of not less than 66-2/3% of the votes cast on such resolution at such meeting shall constitute the approval or consent of the holders of the Class B Shares.

**Section 27.10 Legend; Call Rights**

(1) The certificates evidencing the Class B Shares shall contain or have affixed thereto a legend in form and on terms approved by the Board of Directors, with respect to the special rights and restrictions attached to the Class B Shares as set out in this Part 27 and the provisions of the Plan of Arrangement relating to the Liquidation Call Right, the Redemption Call Right and the Retraction Call Right.

(2) Each holder of a Class B Share, whether of record or beneficial, by virtue of becoming and being such a holder shall be deemed to acknowledge each of the Liquidation Call Right, the Redemption Call Right and the Retraction Call Right, in each case, in favour of the Purchaser, and the overriding nature thereof in connection with the liquidation, dissolution or winding-up of the Company or the redemption or retraction of Class B Shares, as the case may be, and to be bound thereby in favour of the Purchaser as therein provided.

(3) The Company, the Purchaser and the Transfer Agent shall be entitled to deduct and withhold from any dividend or consideration otherwise payable to any holder of Class B Shares such amounts as the Company, the Purchaser or the Transfer Agent determines are required or permitted to be deducted and withheld with respect to such payment under the *Income Tax Act* (Canada) or any provision of provincial, territorial, state, local or foreign tax law, in each case, as amended. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes hereof as having been paid to the holder of the Class B Shares in respect of which such deduction and withholding was made, provided that such withheld amounts are actually remitted to the appropriate taxing authority. To the extent that the amount so required or permitted to be deducted or withheld from any payment to a holder exceeds the cash portion of the consideration otherwise payable to the holder, the Company, the Purchaser and the Transfer Agent are hereby authorized to sell or otherwise dispose of such portion of the consideration on behalf of the holder of the Class B Shares as is necessary to provide sufficient funds to the Company, the Purchaser or the Transfer Agent, as the case may be, to enable it to comply with such deduction or withholding requirement and the Company, the Purchaser or the Transfer Agent shall notify the holder thereof and remit any unapplied balance of the net proceeds of such sale.

**Section 27.11 Notices**

(1) Any notice, request or other communication to be given to the Company by a holder of Class B Shares shall be in writing and shall be valid and effective if given by mail (postage prepaid) or by telecopy or by delivery to the registered office of the Company and addressed to the attention of the Secretary of the Company. Any such notice, request or other communication, if given by mail, telecopy or delivery, shall only be deemed to have been given and received upon actual receipt thereof by the Company.

(2) Any presentation and surrender by a holder of Class B Shares to the Company or the Transfer Agent of certificates representing Class B Shares in connection with the liquidation, dissolution or winding-up of the Company or the redemption or retraction of Class B Shares shall be made by registered mail (postage prepaid) or by delivery to the registered office of the Company or to such office of the Transfer Agent as may be specified by the Company, in each case, addressed to the attention of the Secretary of the Company. Any such presentation and surrender of certificates shall only be deemed to have been made and to be effective upon actual receipt thereof by the Company or the Transfer Agent, as the case may be. Any such presentation and surrender of certificates made by registered mail shall be at the sole risk of the holder mailing the same.

(3) Any notice, request or other communication to be given to a holder of Class B Shares by or on behalf of the Company shall be in writing and shall be valid and effective if given by mail (postage prepaid) or by delivery to the address of the holder recorded in the central securities register of the Company or, in the event of the address of any such holder not being so recorded, then at the last known address of such holder. Any such notice, request or other communication, if given by mail, shall be deemed to have been given and received on the third Business Day following the date of mailing and, if given by delivery, shall be deemed to have been given and received on the date of delivery. Accidental failure or omission to give any notice, request or other communication to one or more holders of Class B Shares shall not invalidate or otherwise alter or affect any action or proceeding to be taken by the Company pursuant thereto.

## SCHEDULE A
## RETRACTION REQUEST

## [TO BE PRINTED ON CLASS B SHARE CERTIFICATES]

This notice is given pursuant to Section 27.6 of the special rights and restrictions (the "**Share Provisions**") attached to the Class B Shares without par value in the authorized share structure of South American Silver Corp. (the "**Company**") represented by this certificate and all capitalized words and expressions used in this notice that are defined in the Share Provisions have the meanings ascribed to such words and expressions in such Share Provisions.

The undersigned hereby notifies the Company that, provided that the Retraction Call Right referred to below has not been exercised, the undersigned desires to have the Company redeem in accordance with Section 27.6 of the Share Provisions:

□ all share(s) represented by this certificate; or

□ _____share(s) only represented by this certificate.

The undersigned hereby notifies the Company that the Retraction Date shall be _____.

NOTE: The Retraction Date must be a Business Day and must not be less than 10 Business Days nor more than 20 Business Days after the date upon which this notice is received by the Company. If no such Business Day is specified above, the Retraction Date shall be deemed to be the 20th Business Day after the date on which this notice is received by the Company.

The undersigned acknowledges the overriding Retraction Call Right of the Purchaser to purchase all but not less than all the Retracted Shares from the undersigned and that this notice is and shall be deemed to be a revocable offer by the undersigned to sell the Retracted Shares to the Purchaser in accordance with the Retraction Call Right on the Retraction Date for the Purchase Price and on the other terms and conditions set out in Section 27.6(3) of the Share Provisions. This Retraction Request, and this offer to sell the Retracted Shares to the Purchaser, may be revoked and withdrawn by the undersigned only by notice in writing given to the Company at any time before the close of business on the Business Day immediately preceding the Retraction Date.

The undersigned hereby represents and warrants to the Company and the Purchaser that the undersigned:

(select one)

□ is a resident of Canada for the purposes of the *Income Tax Act* (Canada).

□ is a non-resident of Canada for purposes of the *Income Tax Act* (Canada).

**The undersigned acknowledges that in the absence of an indication that the undersigned is a resident of Canada, withholding on account of Canadian tax may be made from amounts payable to the undersigned on the redemption or purchase of the Retracted Shares.**

The undersigned hereby represents and warrants to the Company and the Purchaser that the undersigned has good title to, and owns, the share(s) represented by this certificate to be acquired by the Company or the Purchaser, as the case may be, free and clear of all liens, claims and encumbrances.

| _____ | _____ | _____ |
|---|---|---|
| (Date) | (Signature of Shareholder) | (Guarantee of Signature) |

□ Please check box if any cheque(s) resulting from the retraction or purchase of the Retracted Shares are to be held for pick-up by the shareholder from the Transfer Agent, failing which such cheque(s) will be mailed to the last address of the shareholder as it appears on the central securities register.

NOTE: This panel must be completed and this certificate, together with such additional documents and payments (including, without limitation, any applicable taxes) as the Transfer Agent may require, must be deposited with the Transfer Agent. Any cheque(s) resulting from such retraction or purchase will be delivered to such shareholder as indicated above, unless the form appearing immediately below is duly completed.

Date: _____

Name of Person in Whose Name Securities or Cheque(s)

Are to be Registered, Issued or Delivered (please print): _____

Street Address or P.O. Box:_____

City, Province and Postal Code:_____

Signature of Shareholder:_____

Signature Guaranteed by:_____

NOTE: If this Retraction Request is for less than all of the shares represented by this certificate, a certificate representing the remaining share(s) of the Company represented by this certificate will be issued and registered in the name of the shareholder as it appears on the central securities register of the Company, unless an acceptable Share Transfer Power is duly completed in respect of such share(s).

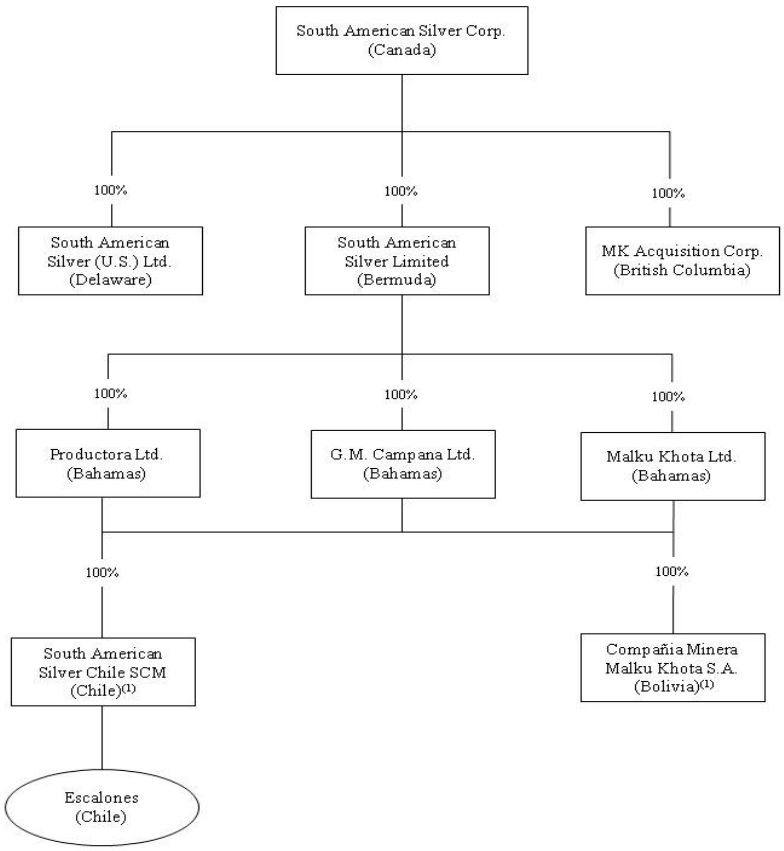
**SCHEDULE G**
**INFORMATION CONCERNING SOUTH AMERICAN SILVER CORP.**

South American Silver Corp. (the "**Corporation**") was incorporated under the *Canada Business Corporations Act* by articles of incorporation dated September 28, 2006. By articles of amendment dated February 7, 2007, the Corporation split its issued and authorized common shares (the "**Common Shares**") on a 4.3-for-1 basis. All references to share amounts herein have been restated to give effect to the 4.3-for-1 share split.

The Corporation's head office is located at 650 West Georgia Street, Suite 2100, PO Box 11590, Vancouver, BC V6B 4N8. The Corporation's registered office is Suite 1400, 700-2nd Street S.W., Calgary, Alberta, T2P 4V5.

**Intercorporate Relationships**

The following is a diagram of the intercorporate relationships among the Corporation and its subsidiaries indicating the percentage of votes attaching to all voting securities of the subsidiary beneficially owned, controlled or directed by the Corporation and where the subsidiary was incorporated or continued.



(1) All of the subsidiaries of the Corporation are 100% owned by the Corporation and its subsidiaries. Local laws in Chile require that companies incorporated in Chile have at least two shareholders. Similarly, local laws in Bolivia require that companies incorporated in Bolivia have at least three shareholders. Accordingly, the issued shares of these subsidiaries are held as follows:

| Subsidiary | Shareholders |
|---|---|
| South American Silver Chile SCM | Productora Ltd. (1,499 shares)<br>G.M. Campana Ltd. (one share) |
| Compañia Minera Malku Khota S.A. | Malku Khota Ltd. (48 shares)<br>GM Campana Ltd. (one share)<br>Productora Ltd. (one share) |

The Corporation is a growth focused mineral exploration company creating value through the exploration and development of the large scale Escalones copper-gold project located in the world renowned Chilean copper belt, the active pursuit of new opportunities, and the realization of value from the Malku Khota project in Bolivia.

The Corporation's approach to business combines the team's track record of world-class discoveries and successful project development and integrates a focus on strong community relations and corporate social responsibility. Management has over 100 years of combined experience in the global exploration and mining industry with much of that focused in Bolivia, Chile, Peru and Argentina.

The Corporation's Common Shares trade on the Toronto Stock Exchange under the symbol SAC and in the US in the OTCQX International Market as SOHAF.

**Escalones**

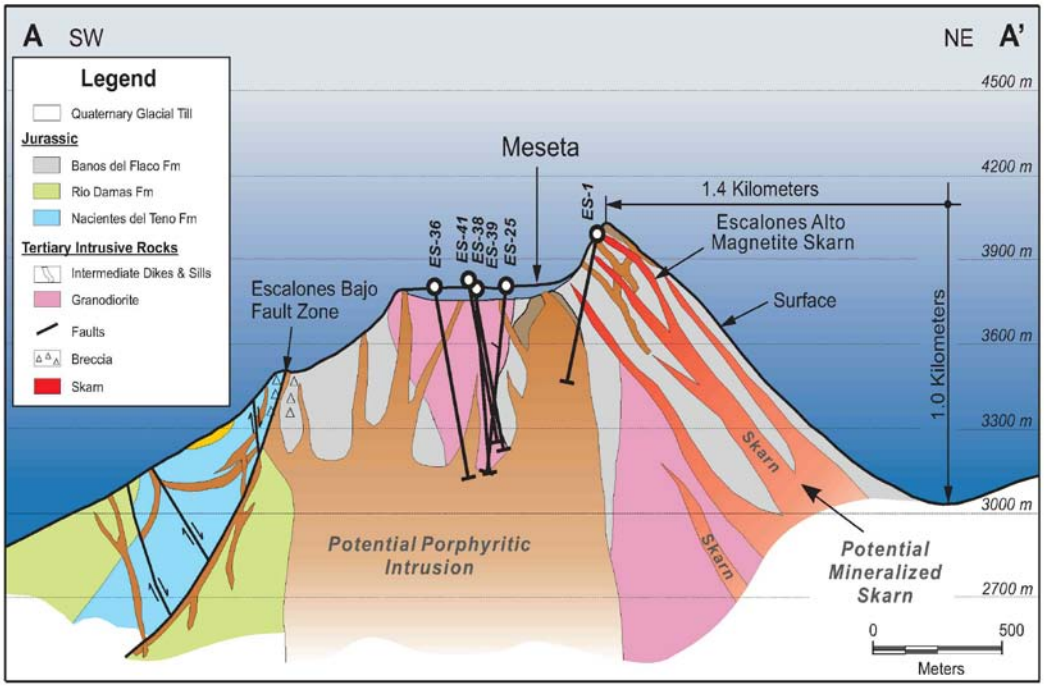
The Escalones deposit was discovered in the late 1990's by members of the current executive team at South American Silver, including Ralph Fitch, Executive Chairman, and Felipe Malbran, Vice President of Exploration.


The property lies within the well-known central Chilean porphyry copper belt that runs north-south through Chile in the central Andes Mountains. It is located approximately 100 km southeast of Santiago and 35 kilometers due east of El Teniente, the world's largest underground copper mine. The project has excellent infrastructure including road access and a gas pipeline that crosses the 70 square kilometer property

The Escalones project hosts a four-square-kilometer area of hydrothermal alteration with coincident geophysical anomalies that has demonstrated significant grades of copper, gold and silver in replacement-style "skarn" mineralization hosted in limestones

and in porphyry related mineralization.

The exposed mineralization at Escalones occurs in limestones and interbedded shales that have been intruded by andesite and dacite porphyry bodies which are key ore hosts at El Teniente. Copper mineralization occurs primarily as chalcopyrite, as well as copper oxides near surface. The hydrothermal alteration exposed at surface includes intense zones of quartz-sericite, potassic, and calc-silicate alteration assemblages.




Escalones Geological Cross Section

The 2013 drilling season ran from November of 2012 to May, 2013. A total of 9,070 metres of drilling were completed. An updated resource estimate was announced on June 28, 2013.

Highlights of the estimate include:

- An Indicated resource of 232.6 million tonnes of mineralized material containing 1.6 billion lbs. of copper, 498,012 oz. of gold, 4.9 million oz. of silver, and 31.9 million lbs. of molybdenum, at a grade of 0.31% copper, 0.07 g/t gold, 0.66 g/t silver and 0.006% molybdenum

- An Inferred resource of 527.7 million tonnes of mineralized material containing 3.9 billion lbs. of copper, 609,437 oz. of gold, and 14.4 million oz. of silver, 79.5 million lbs. of molybdenum at a grade of 0.34% copper, 0.04 g/t gold, 0.85 g/t silver and 0.007% molybdenum

- A significant increase in pounds of copper and molybdenum and ounces of gold above assumed economic cut-off of 0.25% copper equivalent (CuEq*), compared to the initial resource dated December 19, 2011.

- Upgrading of approximately a third of the resource to Indicated from Inferred.

| Year | 2011 | 2013 | |
|---|---|---|---|
| **Resource Classification** | **Inferred** | **Inferred** | **Indicated** |
| Pounds of Copper (Million lbs) | 3,835 | 3,992 | 1,578 |
| Ounces of Gold (thousand ounces) | 610 | 609 | 498 |
| Ounces of Silver (Million ounces) | 16.8 | 14.4 | 4.9 |
| Pounds of molybdenum (Million lbs) | 56.9 | 79.5 | 31.9 |

The Escalones deposit remains open to expansion laterally and down dip. Interpretation of ZTEM resistivity and aeromagnetic surveys show several large areas of untested conductivity and magnetic anomalies which may represent areas of potential additional mineralization.

A program of metallurgical testing on Escalones material was completed. The program is focused on the recovery of the copper, gold, silver and molybdenum by conventional flotation and conventional sulphuric acid leaching. The program also includes testing using the Corporation's patented chloride acid leach technology developed at Malku Khota in Bolivia to evaluate whether this technology can be used to recover the gallium and indium that occur in some of the Escalones mineralization.

The standard sulphuric acid leach metallurgical test achieved average copper extraction of 77% from mixed copper oxide/sulphide mineralization. Copper flotation was also successful and rougher/cleaner flotation testing of the porphyry material achieved 25-34% copper concentrate grades at high recovery. Further metallurgical testing is underway.

*Escalones Technical Report*

A technical report dated June 28, 2013 in respect of Escalones (the "**Escalones Technical Report**") was prepared by Jeffery W. Choquette, P.E., of Hard Rock Consulting, LLC, and David Dreisinger, Ph.D., P.Eng., of Dreisinger Consulting Inc,, each a "Qualified Person" as such term is defined in National Instrument 43-101. The Escalones Technical Report has been filed on SEDAR and can be found at www.SEDAR.com under the Corporation's profile. The following summary is reproduced from the Escalones Technical Report, which is incorporated by reference into the Circular.

(a) Summary

(A) Property Description and Ownership

The Escalones Property (the "**Property**") is located within the Santiago Metropolitan Region, in Central Chile, approximately 97 km southeast of Santiago and nine km west of the border between Chile and Argentina. A gas pipeline and associated service road pass through the western part of the Property and provide easy access from Santiago.

The total property position controlled by South American Silver Corp (SASC) consists of 9,389 hectares, of which 4,689 hectares are exploitation concessions that are the subject of an option agreement dated February 26, 2004 entered into by South American Silver Chile SCM ("**SCM**"), with Juan Luis Boezio Sepulveda, as amended (the "**Boezio Option**"). The remaining 4,700 ha are held 100% by SCM and are exploration concessions. The exploitation and exploration concessions can be maintained indefinitely by paying annual dues in March of each year of approximately US$8.02 and US$1.60 per hectare respectively.

(B) Geology and Mineralization

The Escalones Property lies within the Miocene to Pliocene age Pelambres-El Teniente Porphyry copper belt, which hosts the world's largest underground copper mine at El Teniente, as well as other large copper deposits at Los Bronces-Andina, Pelambres (Katsura, 2006) and Bajo La Alumbrera in Argentina. Exploration at Escalones has demonstrated that copper mineralization occurs in two forms, (1) as skarn and structurally controlled mineralization hosted by altered sediments and intrusive dykes and sills, and (2) as porphyry style disseminated and stockwork mineralization hosted by an underlying intrusive granodiorite-diorite stock. Rock geochemistry from surface and drill hole samples shows anomalous levels of gold, silver and molybdenum that are spatially associated with the copper mineralization. This spatial relationship may also be due to separate pulses of mineralization or zoning within a much larger porphyry system.

The principal mineralization observed at Escalones consists of metasomatic replacement or skarn-type mineralization hosted by calcareous sediments overlying and adjacent to an intrusive porphyry system. High grade copper ores (>10% copper) were historically mined (Katsura, 2006) at Escalones from exposures of magnetite skarn at Escalones Alto and prospects along Escalones Bajo. Previous drilling has demonstrated that high grade magnetite skarn extends to the east and south from outcroppings at Escalones Alto. Drill intercepts of skarn, up to 113 m, exhibit grades of >1.0% copper with localized intervals grading up to 3.6 g/t gold. Individual narrower drill intervals of 40-75 m contain grades averaging 1.7% copper and values up to 0.48 g/t for gold.

(C) Status of Exploration

In addition to the skarn mineralization, the drilling has encountered copper mineralization as disseminated and stockworks hosted in a sequence of non-calcareous pelitic hornfels, which underlies the skarn, and as disseminated and stockworks hosted by a variety of intrusive rocks, including andesite sills and dykes, and the granodiorite stock. In the Escalones Bajo area, anomalous rock geochemistry in road cuts indicate a stockwork style of mineralization. Porphyry style mineralization was first intersected in drill hole ES-25 in the granodiorite beneath the Meseta, between Escalones Alto and Escalones Bajo. Drilling results show 293 m grading 0.36% copper and 0.09 g/t gold within the granodiorite. It is believed that both the porphyry and skarn mineralization targets in the project area are genetically related components to a larger porphyry system. The drill program in 2012 and 2013 focused on drilling to find the extent of the porphyry mineralization so that it could be added to the resource.

SP, IP, magnetic and ZTEM geophysical surveys have produced several anomalies indicating the presence of buried sulfide mineralization, which has been supported by drilling. The analysis of the ZTEM conductivity data suggests that in addition to the mineralization drilled to date, there may be additional sulphide and secondary mineralization located in a broad zone extending for several kilometres located east of the Meseta paralleling the Arguelles valley as seen in drill hole ES-35. Interpretation of magnetic data shows anomalies that appear to be related to extensions of the skarn mineralization for several kilometres to the north-east, east and southeast of Escalones Alto, towards the Rio Arguelles.

Drilling in 2012-2013 completed 9,070m in 18 holes for a total of 24,939m in 53 diamond drill holes drilled at Escalones. The program included re-opening access roads and the project camp, interpretation of the ZTEM geophysics, environmental work and the drilling.

Interpretation of both the resistivity and magnetic results of the ZTEM survey suggest that both the magnetite skarn and associated sulfide bodies are much larger than indicated by present drilling and that there is considerable potential for a significant expansion of the skarn resource and a new

sulphide/secondary sulphide/oxide resource that lies stratigraphically above the skarn striking parallel to the Arguelles valley.

(D) Mineral Resource Estimate

The resource estimate was completed and reported in a news release issued on June 28th, 2013 (filed on SEDAR). The resource included indicated and inferred resources as shown below:

- Indicated resource of 1.9 billion pounds CuEq* at a CuEq* grade of 0.38%
- Inferred resource of 4.7 billion pounds CuEq* at a CuEq* grade of 0.40%
- The deposit includes a higher grade portion particularly within the skarn using a 0.35% CuEq* cut-off
- Indicated resource of 235 million pounds CuEq* at a CuEq grade of 0.65%
- Inferred resource of 2.0 billion pounds CuEq* at a CuEq grade of 0.58%

*Copper Equivalent (CuEq*) calculations reflect gross metal content using approximate 3 year average metals prices as of June 25th, 2013 of $3.71/lb copper (cu), $1549/oz gold (Au), $30.29/oz silver (Ag), and $14.02/lb molybdenum (Mo) and have not been adjusted for metallurgical recoveries. An economic cut-off grade of 0.25% copper equivalent was assumed for this report. Contained metal values may vary from calculated values due to rounding.

The Escalones mineral resource estimate is based on 53 diamond drill holes (24,939 meters) and 15,880 associated assay values collected through June 28, 2013. The resource estimate is categorized as indicated and inferred as defined by the CIM guidelines for resource reporting. Mineral resources are not mineral reserves and do not have not demonstrated economic viability. There is no certainty that all or any part of the mineral resources will be converted into mineral reserves after economic considerations are applied. The Mineral Resource Estimate reported for the Escalones Property is presented in the table below.

***Mineral Resource Estimate***

| Classification | CuEq% Cutoff | Tonnes * 1,000 | Cu % | Cu lbs * 1,000 | Au g/t | Au Oz | Ag g/t | Ag oz | Mo % | Mo lbs | CuEq% [1] | CuEq lbs * 1,000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Indicated | 0.15 | 405,242 | 0.243 | 2,170,281 | 0.052 | 673,999 | 0.528 | 6,879,224 | 0.006 | 51,308,289 | 0.302 | 2,701,842 |
| **Indicated** | **0.25** | **232,561** | **0.308** | **1,578,329** | **0.067** | **498,012** | **0.661** | **4,938,667** | **0.006** | **31,908,650** | **0.380** | **1,947,232** |
| Indicated | 0.35 | 107,885 | 0.393 | 935,279 | 0.082 | 284,745 | 0.877 | 3,041,487 | 0.006 | 14,730,116 | 0.477 | 1,134,703 |
| Indicated | 0.45 | 43,319 | 0.507 | 484,661 | 0.092 | 127,714 | 1.329 | 1,850,716 | 0.006 | 5,665,736 | 0.602 | 574,524 |
| Indicated | 0.55 | 19,395 | 0.634 | 271,048 | 0.098 | 60,973 | 1.948 | 1,214,926 | 0.005 | 2,341,742 | 0.737 | 315,284 |
| Indicated | 0.75 | 6,141 | 0.860 | 116,456 | 0.107 | 21,198 | 2.760 | 544,871 | 0.005 | 722,393 | 0.979 | 132,489 |
| Indicated | 1.00 | 1,974 | 1.120 | 48,753 | 0.127 | 8,091 | 3.294 | 209,076 | 0.004 | 163,188 | 1.251 | 54,456 |
| Inferred | 0.15 | 1,023,299 | 0.253 | 5,712,479 | 0.028 | 931,176 | 0.624 | 20,520,258 | 0.006 | 132,275,704 | 0.300 | 6,768,823 |
| **Inferred** | **0.25** | **527,667** | **0.343** | **3,992,410** | **0.036** | **609,437** | **0.849** | **14,397,830** | **0.007** | **79,488,676** | **0.401** | **4,664,903** |
| Inferred | 0.35 | 233,140 | 0.463 | 2,378,257 | 0.047 | 349,019 | 1.205 | 9,029,026 | 0.008 | 40,503,161 | 0.535 | 2,750,819 |
| Inferred | 0.45 | 129,938 | 0.572 | 1,638,097 | 0.049 | 203,645 | 1.471 | 6,146,340 | 0.008 | 22,270,448 | 0.648 | 1,857,501 |
| Inferred | 0.55 | 73,690 | 0.688 | 1,117,424 | 0.051 | 120,870 | 1.622 | 3,841,986 | 0.007 | 11,658,186 | 0.765 | 1,243,336 |
| Inferred | 0.75 | 24,609 | 0.950 | 515,222 | 0.057 | 45,400 | 1.875 | 1,483,881 | 0.006 | 3,224,734 | 1.029 | 558,488 |
| Inferred | 1.00 | 8,622 | 1.300 | 247,098 | 0.055 | 15,342 | 1.792 | 496,792 | 0.003 | 661,249 | 1.368 | 260,062 |

1) Copper Equivalent (CuEq *) calculations reflect gross metal content using approximate 3 year average metals prices as of June 25th, 2013 of $3.71/lb copper (cu), $1549/oz gold (Au), $30.29/oz silver (Ag), and $14.02/lb molybdenum (Mo) and have not been adjusted for metallurgical recoveries. An economic cut-off grade of 0.25% copper equivalent was assumed for this report. Contained metal values may vary from calculated values due to rounding.

2) Mineral resources are not reserves and do not have demonstrated economic viability. The estimate of mineral resources may be materially affected by environmental, permitting, legal, title, taxation, sociopolitical, marketing or other relevant issues and are subject to the findings of a full feasibility study.

3) The quantity and grade of reported inferred mineral resources are uncertain in nature and there has been insufficient exploration to define these inferred resources as an indicated or measured mineral resource and it is uncertain if further exploration will result in upgrading them to an indicated or measured mineral resource category.

(E) Conclusions and Recommendations

HRC recommends that exploration, environmental and engineering studies be continued on the property with the intent to demonstrate the economic viability of the deposit. The size of the budget depends on the rate at which the Corporation wishes to progress, however a sensible next step might include 20-50 drill holes with associated geology and geochemistry, together with additional metallurgy and early stage engineering studies (PEA), together with the needed environmental studies and permits required to do this.

The budget for this program would include:

- Drilling, 10,000-20,000 meters - US$2,500,000 - US$5,000,000
- Road and trenches - US$400,000
- Geochemistry, ~7,000-15,000 samples - US$250,000 – US$550,000
- Geological/Engineering personnel - US$200,000
- Metallurgy - US$200,000
- Engineering studies – US$300,000
- Environmental studies and permitting– US$200,000
- Other costs – US$200,000

Total: US$4,250,000 to US$7,050,000

**Directors and Officers**

The following table sets forth the name, province or state and country of residence, position held with the Corporation, principal occupation and shareholdings of each of the directors and executive officers of the Corporation as of the date hereof. Directors of the Corporation hold office until the next annual meeting of shareholders or until their successors are duly elected or appointed.

| **Name and Province/State and Country of Residence** | **Position held with the Corporation** | **Principal Occupation** | **Director Since** | **Number of Voting Securities Owned** [(4)] |
|---|---|---|---|---|
| Ralph G. Fitch<br>Colorado, United States | Executive Chairman and Director | Officer of the Corporation and President, Chief Executive Officer and Chairman, High Desert Gold Corporation (mineral exploration company) | September 28, 2006 (Incorporation) | 3,207,066 |

| Name and Province/State and Country of Residence | Position held with the Corporation | Principal Occupation | Director Since | Number of Voting Securities Owned [4] |
|---|---|---|---|---|
| Antonio Canton[2][3] Gingins, Switzerland | Director | Independent Consultant for international companies in marketing, finance and real estate | June 4, 2010 | Nil |
| Paul Haber [1][3] Ontario, Canada | Director | Managing Director, Haber and Co. Ltd. (consulting company) | December 1, 2006 | 137,838 |
| Peter Harris[1][2] British Columbia, Canada | Director | Independent Consulting Engineer | June 8, 2010 | 60,000 |
| Roman Mironchik[1][3] London, United Kingdom | Director | Managing Director, Izurium Capital (private equity firm) | May 24, 2012 | Nil |
| Paul Sheehan Hong Kong | Director | Chief Executive Officer, Thaddeus Capital Limited (hedge fund) | August 27, 2013 | Nil |
| Muqit Teja London, U.K. | Director | Director, Zamadini Advisors Ltd. (financial advisory services) | July 9, 2013 | Nil |
| Tina Woodside [2] Ontario, Canada | Director | Partner, Gowling Lafleur Henderson LLP (law firm) | September 28, 2006 (Incorporation) | 248,971 |
| Philip Brodie-Hall British Columbia, Canada | President and Chief Executive Officer | Officer of the Corporation | - | 355,991 |
| Matias Herrero British Columbia, Canada | Chief Financial Officer | Officer of the Corporation | - | Nil |
| Richard Doran Colorado, United States | Executive Vice-President and Secretary | Officer of the Corporation, Executive Vice-President and Secretary, High Desert Gold Corporation (mineral exploration company) | - | 959,625 |
| Felipe Malbran Santiago, Chile | Executive Vice-President of Exploration | Officer of the Corporation | - | 1,652,219 |
| David B. Dreisinger British Columbia, Canada | Vice-President of Metallurgy | Professor, University of British Columbia (educational institution) | - | 24,088 |

Notes:
(1) Member of the Audit Committee.
(2) Member of the Compensation Committee.
(3) Member of the Corporate Governance and Nominating Committee.
(4) The information as to the number of Common Shares beneficially owned, directly or indirectly, or over which control or direction is exercised, by the directors and executive officers, but which are not registered in their names and not being within the knowledge of the Corporation, has been furnished by such directors and officers.

## Risk Factors

There are certain risks associated with owning SASC Common Shares that holders should carefully consider. For a description of the risk factors applicable to the Corporation and owning SASC Common Shares, please refer to the AIF and management's discussion and analysis of financial condition and results of operations available under the Corporation's profile on SEDAR and incorporated herein by reference. Additional risks and uncertainties not presently known to the Corporation or that the Corporation currently considers immaterial may also impair its business, operations and future prospects and cause the price of the SASC Common Shares to decline. If any of such risks actually occur, the business of the Corporation may be harmed and its financial condition and results of operations may suffer significantly. In that event, the trading price of the SASC Common Shares could decline, and holders of SASC Common Shares may lose all or part of their investment.

## Additional Information

See also the documents available under the Corporation's profile at www.sedar.com and incorporated by reference into the Circular, which are listed on page 6 of the Circular, for more information about the Corporation.

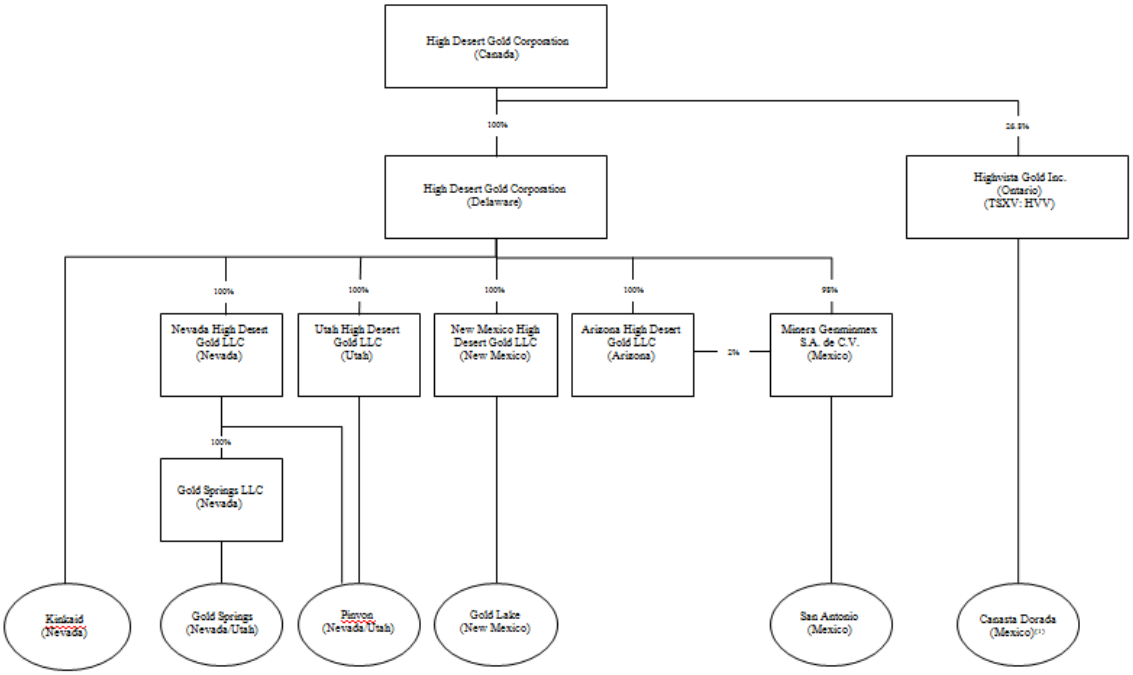
**SCHEDULE H**
**INFORMATION CONCERNING HIGH DESERT GOLD CORPORATION**

High Desert Gold Corporation ("HDG") was incorporated pursuant to the *Canada Business Corporations Act* by articles of incorporation dated April 10, 2007. By articles of amendment dated October 9, 2007, HDG split its issued and outstanding common shares (the "HDG Shares") on a 60-for-1 basis.

HDG's registered office is Suite 1400, 700-2nd Street S.W., Calgary, Alberta, T2P 4V5. The head office is located at Suite 880, 580 Hornby Street, Vancouver, B.C., V6C 3B6.

## Intercorporate Relationships

The following is a diagram of the intercorporate relationships among HDG and its subsidiaries as of November 7, 2013 indicating the percentage of votes attaching to all voting securities of the subsidiary beneficially owned, controlled or directed by HDG and where the subsidiary was incorporated or continued.




(1) Held through wholly-owned subsidiaries of Highvista Gold Inc..

## Description of the Business

High Desert Gold Corporation is a mineral exploration company that acquires and explores mineral properties, primarily gold, copper and silver, in North America. HDG's material property is the 100% owned Gold Springs gold project situated along the border between Utah and Nevada. HDG also has a 100% interest in the San Antonio project in Sonora, Mexico and a 26.8% equity interest in Highvista Gold Inc. that owns the Canasta Dorada property in Sonora, Mexico. HDG holds additional exploration properties in Nevada (Pinyon and Kinkaid) and New Mexico (Gold Lake).

*Gold Springs (Nevada/Utah, United States)*

The Gold Springs project is 100% owned by HDG. Gold Springs is a volcanic hosted epithermal gold target within Nevada and Utah. Eighteen high priority targets containing rock chip samples of +1 gpt Au have been identified as well as additional geological targets.

HDG completed 56 drill holes at Gold Springs in 2012 and has completed an additional 55 holes in the 2013 drill program. HDG announced the latest resource update at Gold Springs on March 28, 2013 through the completion of an updated inferred resource estimate for the Jumbo Zone and an initial inferred resource estimate for the Grey Eagle Zone. These two targets represent only two of the eighteen outcropping targets identified so far in the 74 sq. km Gold Springs District.

The ZTEM geophysical survey, completed in 2011, indicates that the gold-silver bearing geological/geophysical setting that has been drilled at the Jumbo may continue for approximately 8 kilometres along strike, much of which remains untested.

(a) The Inferred Resource (March 28, 2013):

| | | **Gold** | | **Silver** | | **(AuEq*)** | |
|---|---|---|---|---|---|---|---|
| **Cut-off Grade (AuEq* g/t)** | **Tonnes** | **Grade (g/t)** | **Troy Ounces** | **Grade (g/t)** | **Troy Ounces** | **Grade (g/t)** | **Troy Ounces** |
| **0.3 g/t** | 19,373,085 | 0.48 | 301,756 | 10.4 | 6,476,149 | 0.67 | 415,254 |
| **0.6 g/t** | 7,401,016 | 0.81 | 193,145 | 14.4 | 3,422,896 | 1.06 | 253,119 |

*All references to gold equivalent (AuEq) calculations reflect gross metal content using metal prices of $1,600/oz gold (Au), and $28/oz silver (Ag), and have not been adjusted for metallurgical recoveries. This equates to a 57.14 Au/Ag ratio.

The Qualified Person for the March 2013 resource estimate at Gold Springs is Dr. A. Armitage, PGeol, of GeoVector Management Inc. Dr. Armitage is independent of HDG and prepared the technical information regarding the resource estimate.

Highlights from the March 28, 2013 Inferred Resource included the following:

- The newly defined inferred resource of 415,254 oz. AuEq*averaging 0.67 g/t AuEq* is based on an AuEq* cutoff of 0.3 g/t. If the cutoff is increased to 0.6 g/t AuEq* then the resource grade increases to 1.06 g/t AuEq* for a total of 253,119 oz. AuEq*. The gold-silver mineralization at both the Jumbo and Grey Eagle Zones are believed to continue laterally and to depth as the drilling to date has typically only penetrated the top 150 metres vertically below the surface.

- The mineralization typically projects to the surface. There is little or no cover in the majority of the resource area.

(b) The 2013 Program

Subsequent to the completion of the March 28, 2013 resource estimate, new drilling continued to expand the resource areas and confirm the positive metallurgy.

The average gold extraction in the Grey Eagle target (Nevada) was 78.8% (range: 74%-83%) for fine to medium grained material ($P_{80}$ 0.07 to 0.24 inches) and 88.5% (range: 88%-89%) for Jumbo (Utah) (P80 0.03 to 0.14 inches). Gold grades for test samples ranged between 0.15 g/t and 5.3 g/t. Silver extractions for these same samples were much more variable and lower as was expected. There is a significant difference in silver extraction between Grey Eagle and Jumbo with much higher extractions coming from Jumbo. The average silver extraction from Grey Eagle was 19% and from Jumbo was 53.5%. Further testing will be needed to determine why these are different. Tests on these same samples using pulverized material ($P_{80}$ of 0.075mm) gave silver extractions in the range of 10%-60% for Grey Eagle and 71%-99% for Jumbo.

During 2013 drilling was carried out at both the Jumbo and Grey Eagle, with 12 holes completed at the Jumbo and 43 completed at Grey Eagle. A number of press releases were issued covering the results of this drilling program. The major outcome of the drilling was a significant expansion of the footprint of the mineralization beyond the boundaries used for the March 28, 2013 resource estimate.

At the Jumbo target there were two noteworthy developments in 2013. Firstly, hole J-13-007 indicated that mineralization continues beyond the eastern margin of the Jumbo resource block of 341,683 gold equivalent ounces ("AuEq") announced on March 28, 2013 and secondly, that a new zone of strong mineralization was found south of the Jumbo resource area in the Shark's Mouth target, which is located within the larger "Jumbo Trend" that now stretches for approximately 8 km in a north-south direction. This mineralization included an interval within J-13-005 averaging 1.8 g/t AuEq* over 26 metres. The hole was lost while still in mineralization due to intersecting a void. J-13-005 (inclination -45o) was drilled from the same drill pad as J-13-006 (inclination -65o) which included similar mineralization within a wider 57 metre intersection averaging 0.9 g/t AuEq*. The Shark's Mouth area is located near the intersection of the north-south Jumbo Trend with the east-west structures and veins of the Shark's Mouth Zone.

| Drill Hole | Azimuth | Dip | from (m) | to (m) | length (m) | gold (g/t) | silver (g/t) | AuEq* (g/t) |
|---|---|---|---|---|---|---|---|---|
| J-13-005 lost in an open void at 57.9 metres | | | | | | | | |
| J-13-005 | 335 | -45 | 32 | 57.9 | 25.9 | 0.97 | 45.2 | 1.76 |
| J-13-005 and 006 were drilled from the same pad | | | | | | | | |
| J-13-006 | 335 | -65 | 56.4 | 67.1 | 10.7 | 1.1 | 36.4 | 1.74 |
| J-13-006 | | | 32 | 67.1 | 35.1 | 0.65 | 30 | 1.18 |
| J-13-006 | | | 32 | 89.9 | 57.9 | 0.5 | 22.6 | 0.89 |

*(AuEq) calculations reflect gross metal content using a metal price ratio of 57.14 Au/Ag and have not been adjusted for metallurgical recoveries.

At the Grey Eagle target, the best results obtained from the first six holes of the 2013 drill program were within GE-13-05, the hole furthest to the SW, confirming the extension to the Grey Eagle mineralized zone in that direction. GE-13-05 included an interval of 20 metres averaging 2.84 g/t AuEq* within 61 metres averaging 1.07 g/t AuEq* and the hold ended in mineralization.

The following table lists results from these first six holes drilled in the Grey Eagle target in the 2013 drill program.

| Drill Hole | Azimuth | Dip | from (m) | to (m) | length (m) | gold (g/t) | silver (g/t) | AuEq* (g/t) | |
|---|---|---|---|---|---|---|---|---|---|
| GE-13-01 | 120 | -45 | 80.8 | 82.3 | 1.5 | 2.32 | 13.90 | 2.56 | highest 1.5m interval |
| GE-13-01 | | | 76.2 | 93.0 | 16.8 | 0.85 | 13.49 | 1.17 | |

| Drill Hole | Azimuth | Dip | from (m) | to (m) | length (m) | gold (g/t) | silver (g/t) | AuEq* (g/t) | |
|---|---|---|---|---|---|---|---|---|---|
| GE-13-01 | | | 44.2 | 93.0 | 48.8 | 0.42 | 6.45 | 0.53 | |
| | GE-13-01 and GE-13-02 are from the same collar | | | | | | | | |
| GE-13-02 | 120 | -65 | 59.4 | 61.0 | 1.5 | 2.26 | 15.40 | 2.53 | highest 1.5m interval |
| GE-13-02 | | | 41.1 | 99.1 | 57.9 | 0.81 | 10.18 | 0.99 | |
| GE-13-02 | | | 30.5 | 102.1 | 71.6 | 0.68 | 8.50 | 0.83 | |
| GE-13-03 | 120 | -45 | 71.6 | 73.2 | 1.5 | 3.01 | 20.10 | 3.36 | highest 1.5m interval |
| GE-13-03 | | | 57.9 | 76.2 | 18.3 | 0.89 | 6.68 | 1.01 | |
| GE-13-03 | | | 57.9 | 79.2 | 21.3 | 0.84 | 6.59 | 0.96 | |
| GE-13-03 | | | 57.9 | 106.7 | 48.8 | 0.67 | 7.59 | 0.80 | |
| GE-13-03 | | | 54.9 | 112.8 | 57.9 | 0.59 | 6.83 | 0.71 | |
| | GE-13-03 and GE-13-04 are from the same collar | | | | | | | | |
| GE-13-04 | 120 | -65 | 56.4 | 57.9 | 1.5 | 2.28 | 7.30 | 2.41 | highest 1.5m interval |
| GE-13-04 | | | 47.2 | 64.0 | 16.8 | 0.84 | 5.24 | 0.93 | |
| GE-13-04 | | | 44.2 | 68.6 | 24.4 | 0.63 | 4.11 | 0.70 | |
| GE-13-04 | | | 44.2 | 123.4 | 79.2 | 0.31 | 4.49 | 0.38 | |
| GE-13-05 | 120 | -45 | 138.7 | 140.2 | 1.5 | 8.57 | 23.00 | 8.98 | highest 1.5m interval |
| GE-13-05 | | | 132.6 | 144.8 | 12.2 | 3.64 | 27.53 | 4.12 | |
| GE-13-05 | | | 129.5 | 149.4 | 19.8 | 2.49 | 19.78 | 2.84 | |
| GE-13-05 | | | 88.4 | 149.4 | 61.0 | 0.92 | 8.67 | 1.07 | Hole ended in mineralization |
| | GE-13-05 and GE-13-06 are from the same collar | | | | | | | | |
| GE-13-06 | 120 | -65 | 135.6 | 137.1 | 1.5 | 4.98 | 24.40 | 5.40 | highest 1.5m interval |
| GE-13-06 | | | 128.0 | 140.2 | 12.2 | 1.74 | 21.64 | 2.12 | |
| GE-13-06 | | | 125.0 | 153.9 | 29.0 | 0.91 | 12.81 | 1.13 | |
| GE-13-06 | | | 102.1 | 153.9 | 51.8 | 0.58 | 8.28 | 0.73 | |
| GE-13-06 | | | 102.1 | 175.3 | 73.2 | 0.43 | 6.45 | 0.55 | |

(The true width of these intercepts is not known but is believed to be between 80-95 % of the length.)

*(AuEq) calculations reflect gross metal content using a metal price ratio of 57.14 Au/Ag and have not been adjusted for metallurgical recoveries.

Results from the next series of five holes drilled along the Grey Eagle Trend continued to expand the mineralized zone both to depth and to the southwest. The Grey Eagle Zone starts at the surface in the east and dips at approximately 50 degrees to the northwest. Mineralization at Grey Eagle has been drilled over a strike length of 670 metres, including the North, Main and South Zones and the indications are that it is continuing strongly to the southwest.

Results from three of the holes (GE-13-008, GE-13-009 and GE-13-021) in the centre of the Main Zone at Grey Eagle expand the mineralized zone down dip and further to the northwest of previously reported holes GE-13-003 and 004. These holes show excellent continuity of good grade from near surface to a depth of 140 metres (see tables below). GE-13-021, a near vertical hole, located northwest of the GE-13-

009 drill intercept, intersected a vertical column of 111 metres grading 0.6 g/t AuEq* starting 36 metres below the surface. These three holes are located approximately 150 metres southwest of the original discovery holes, GE-12-001 and 002, which included the near surface intersection of 21 m of 5.6 g/t gold within 63 m of 2.1 g/t gold. A summary of these three drill holes is shown in the following table:

| Drill Hole | Length** (m) | AuEq* (g/t) |
|---|---|---|
| GE-13-008 | 38.1 | 0.9 |
| | 65.5 | 0.7 |
| GE-13-009 | 22.9 | 2.1 |
| | 39.6 | 1.5 |
| | 77.7 | 0.9 |
| GE-13-021 | 19.8 | 1.0 |
| | 111.3 | 0.6 |

Approximately 150 metres further southwest from GE-13-008 and GE-13-009, hole GE-13-023 intersected mineralization at approximately 100 metres below surface and represents the down-dip extension of the mineralized zone. Hole GE-13-024 on the same drill section intersected 3.1 g/t AuEq* over 7.6m within 50 metres of 0.6 g/t AuEq*. The hole ended in mineralization.

| Drill Hole | Length** (m) | AuEq* (g/t) |
|---|---|---|
| GE-13-023 | 54.9 | 1.1 |
| | 71.6 | 0.9 |
| GE-13-024 | 7.6 | 3.1 |
| | 50.3 | 0.6 |

Results from six more drill holes from the Main Zone at Grey Eagle, one from the North Zone and two from the down-faulted South Zone were reported in September 2013. The Main Zone is the best understood and demonstrates the most consistent mineralization found to date at Grey Eagle. The Main Zone is approximately 300 metres long with a width of 150- 200 metres which is open to expansion to the west.

| Drill Hole | Length** (m) | AuEq* (g/t) |
|---|---|---|
| GE-13-033 | 86.9 | 1.06 |
| including | | |
| GE-13-033 | 38.1 | 1.98 |
| and two vein intervals | | |
| GE-13-033 | 9.1 | 3.21 |
| GE-13-033 | 7.6 | 3.00 |

| Drill Hole | Length** (m) | AuEq* (g/t) |
|---|---|---|
| GE-13-032 was drilled from the same collar as GE-13-033 | | |
| GE-13-032 | 48.8 | 0.64 |
| including | | |
| GE-13-032 | 13.7 | 1.43 |
| and two vein intervals | | |
| GE-13-032 | 1.5 | 6.94 |
| GE-13-032 | 4.6 | 3.47 |
| | | |
| GE-13-030 | 80.8 | 0.70 |
| including | | |
| GE-13-030 | 29.0 | 1.29 |
| and a vein interval | | |
| GE-13-030 | 1.5 | 3.69 |
| | | |
| GE-13-031 was drilled from the same collar as GE-13-032 | | |
| GE-13-031 | 42.7 | 0.53 |
| including | | |
| GE-13-031 | 24.4 | 0.72 |
| | | |
| GE-13-029 | 82.3 | 0.60 |
| including | | |
| GE-13-029 | 12.2 | 1.06 |
| and | | |
| GE-13-029 | 33.5 | 0.92 |
| and two vein intervals | | |
| GE-13-029 | 3.0 | 3.51 |
| GE-13-029 | 3.0 | 4.02 |
| | | |
| GE-13-028 was drilled from the same collar as GE-13-029 | | |
| GE-13-028 | 45.7 | 0.65 |
| including | | |
| GE-13-028 | 24.4 | 1.02 |
| and a vein interval | | |
| GE-13-028 | 3.0 | 3.46 |

(c) Gold Springs Technical Report

A technical report dated May 1, 2013 entitled "Amended Technical Report on the Gold Springs Property, Utah/Nevada, USA" (the "**Gold Springs Technical Report**") was prepared for HDG by Allan Armitage and Duncan Studd of GeoVector Management Inc., each a "Qualified Person" as such term is defined in National Instrument 43-101. The Gold Springs Technical Report has been filed on SEDAR and can be

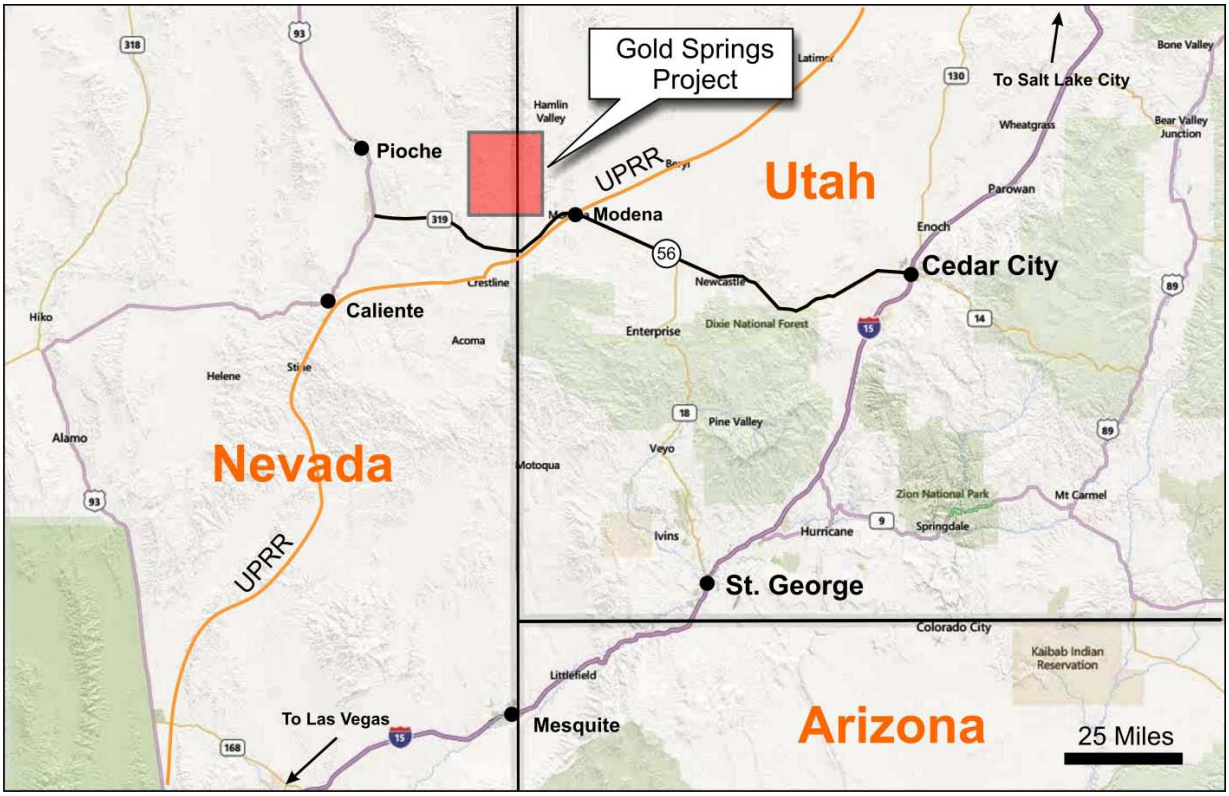
found at www.SEDAR.com under HDG's profile. The following summary is reproduced from the Gold Springs Technical Report, which is incorporated by reference into the Circular.

(A) Summary

The Gold Springs Project, located in western Iron County, Utah and eastern Lincoln County, Nevada and consists of 695 unpatented lode claims 13 patented lode claims and 2 state of Utah leases covering approximately 14,162 acres (5,731 ha). Gold mineralization is hosted by complex sheeted veins, breccias and stockwork vein systems that are laterally extensive and locally form resistant ledges and ribs that protrude up to 10 metres above the surrounding ground surface. The veins contain quartz, adularia, and bladed calcite with minor sulfides (<2%) and represent a low sulfidation, epithermal gold-silver vein systems. Trace element geochemistry for As (arsenic) and Sb (antimony) show relatively low values similar to other quartz-adularia epithermal vein systems such as the K-2 deposit in Washington and the Midas deposit in northern Nevada. The Gold Springs project is held by High Desert Gold Corporation ("HDG" or "High Desert Gold") through its wholly owned subsidiary Gold Springs LLC.

High Desert Gold Corporation has completed rock chip sampling, preliminary mapping, soil sampling, stream sediment sampling, and a property-wide aero-magnetic and ZTEM geophysical survey. The combination of the geological and geophysical work has identified 18 target areas for gold mineralization located within the project area. Each of these targets exhibits strong gold and silver signature and represents areas that justify drill testing. During the 2012 field season HDG completed 24 drill holes along the Jumbo Trend which include the specific target areas at Jumbo (9 drill holes), North Jumbo (1 drill hole), Sharks Mouth (5 drill holes), State Section (6 drill holes), and Etna (3 drill holes). Drilling in 2012 also tested targets at Silica Hill (3 drill holes), Tin Can (3 drill holes), Pope (2 drill holes), Fluorite (3 drill holes) and the Grey Eagle (21 drill holes). Prior to 2012 HDG had completed drilling on the Jumbo (10 drill holes), Thor (3 drill holes), Grey Eagle (10 drill holes), Homestead (5 drill holes) and Midnight (2 drill holes) targets. Previous work by other exploration companies completed drill holes on the Jumbo (18 drill holes), Etna (5 drill holes) and North Jennie (1 drill hole) targets. In each instance, the drilling demonstrated that gold mineralization is present in these areas. The combination of surface geochemical sampling and drilling results completed on the project to date shows the potential for significant gold mineralization in the Gold Springs project area as high-grade veins (>3.0 g/t gold) and areas of broad lower-grade mineralization (<1.0 g/t gold). HDG completed an initial inferred resource on the Jumbo target area that indicates an inferred 9,392,155 tonnes @ 0.57 g/t Au and 12.9 g/t Ag for a total of 173,115 troy ounces of gold and 3,880,745 troy ounces of silver and a total of 233,344 troy ounces gold equivalent (AuEq) at a grade of 0.77 g/t (Gold equivalent (AuEq) calculations reflect gross metal content using the following metal prices of $1,020/oz gold (Au), and $15.80/oz silver (Ag), and have not been adjusted for metallurgical recoveries). This resource was updated after the 2012 season to an inferred resource within the Jumbo and Grey Eagle areas of 19,373,085 tonnes @ 0.48 g/t Au and 10.4 g/t Ag for a total of 301,756 troy ounces of gold and 6,476,149 troy ounces of silver. This equates to a gold equivalent (AuEq) grade of 0.67 g/t and a total of 415,254 AuEq ounces(Gold equivalent (AuEq) calculations reflect gross metal content using the following metal prices of $1,600/oz gold (Au), and $28/oz silver (Ag), and have not been adjusted for metallurgical recoveries). This mineralization remains open along strike and at depth within both the Jumbo and Grey Eagle target areas.

(B) Gold Springs Project Location:




*Gold Springs Project location and the Great Basin in Utah/Nevada, USA*

The Gold Springs project area has a long history of gold exploration and production dating back to the 1870's. Early mining efforts between 1897 and 1942 focused on the high-grade veins mined by underground methods and did not pursue the substantial widths of lower grade gold mineralization hosted in the breccia and stockwork zones that are the current targets for exploration on the property. Areas of bulk mineable gold mineralization are identified in the Jumbo target area over a strike length of 900 metres, within the total outcropping strike length of the Jumbo system that extends more than 1,000 metres along strike and is part of the larger Jumbo Trend that extends for over 10 kilometres. The Jumbo area had previously been drill tested by Energex Resources, Inc. ("Energex") (1985 and 1988) and Astral Mining Corporation (2006) ("Astral"). HDG has focused its work to better define and expand the Jumbo and Grey Eagle targets for mineralization on the property, in addition to developing a number of other potentially significant areas of gold mineralization throughout the current project area.

View of drill roads at the Jumbo vein system:

*View looking towards the drill roads along the east side of the Jumbo vein system area*

Additional detailed geological work is recommended for the Gold Springs property, which would focus on collecting geologic information from detailed mapping, geochemical sampling of rock chips and analyzing the geophysical data, followed by a rotary drill program. Future drill programs should continue to use standard and blank samples inserted into the drill samples submitted to the labs at a rate of no less than 5%. The primary focus of the 2013 program will be to continue to expand the gold resources at the Jumbo and Grey Eagle targets. In addition, ongoing geological mapping, structural analyses, and geochemical sampling will focus on developing other target areas for drilling and expanding the current gold resources at Gold Springs. It is estimated that this continuing exploration at the Gold Springs property will require an expenditure of approximately US$3,482,500.

*Pinyon (Nevada/Utah, United States)*

High Desert Gold announced in 2012 the acquisition of the Pinyon Project in Nevada through the staking of 182 Federal Lode claims covering approximately 1,500 hectares. The property is located adjacent to the Gold Springs Project. The Pinyon Project is 100% owned by HDG. The Pinyon Project was located as a result of follow-up investigations from the airborne ZTEM geophysical program conducted in 2011. The Pinyon Project has many similar characteristics to the Gold Springs Project, with numerous low-sulfidation, epithermal veins and stockwork zones exposed in a large area of altered volcanic rocks.

HDG has traced gold bearing outcrop and float samples within the Pinyon claims for a distance of 5,700 metres with one zone of outcropping veins and altered andesite exposure covering an area of 1,500 x 700 metres, samples from which include a 3 metre chip sample assaying 1.972 g/t gold and 10.5g/t silver and a float sample of 5.826 g/t gold.

Rock chip sampling, reported by HDG via news release on March 19, 2012, has produced results ranging from <5 ppb to 12.246 ppm gold including:

| Sample # | Description | Gold (gpt) | Silver (gpt) |
|---|---|---|---|
| 33480 | 3 meter chip | 1.972 | 10.5 |
| 33479 | Float | 5.826 | 24.0 |
| 33475 | 3 metre chip | 1.033 | 6.0 |
| 33328 | Float | 1.757 | 2.2 |
| 33289 | 0.2 metre chip | 12.246 | 81.7 |
| 54273 | 0.7 metre chip | 3.73 | 3.8 |
| 33291 | 0.3 metre chip | 2.669 | 5.3 |
| 33296 | Float | 3.151 | 2.2 |
| 33295 | Float | 1.292 | 5.4 |

*San Antonio (Mexico)*

Since 2005, HDG has staked a number of properties in the northern State of Sonora, Mexico. In addition to Canasta Dorada and associated properties transferred to Highvista Gold Inc., HDG also has a 100% interest in San Antonio. The San Antonio property was the focus of both historic small-scale underground mining at the turn of the century and a small surface excavation which was completed within the past 20 years. The surface excavation consists of a cut approximately 110 metres long, 5-10 metres wide and 10-30 metres deep. The material from the excavation was placed on heaps for leaching with the higher grade material trucked offsite for processing. Bulk sampling by HDG of the material on one of the old leach pads returned average values of 1.8 g/t gold and 35.3 g/t silver. Bulk sampling of a smaller pad, which does not appear to have been subjected to leaching, returned average values of 3.1 g/t gold and 40.4 g/t silver.

While the Sonora Gold Belt is recognized as a world-class gold and silver mining region, there has been little to no modern exploration within 80 km. of HDG's San Antonio gold project.

HDG sampling indicates that the mineralized zone is over one kilometre long. The zone is not continuously exposed due to alluvial and thin volcanic cover. However, HDG has located a small window within the volcanic cover 650 metres along strike from the trench which exposes weakly silicified and iron stained carbonates returning values of 0.352 g/t gold, 5 g/t silver, 0.16% lead and 0.27% zinc, indicating that the mineralized system continues under the volcanic cover.

A total of 187 samples have been collected from the HDG property position. Values range from 0.05 to 100 g/t gold and from 0.08 to 492 g/t silver.

HDG holds four concessions which cover a total of 4,230 ha.

Results of an initial drill program announced by HDG via news release on May 11, 2011 included:

| From (m) | To (m) | Thickness (m) | Gold (g/t) | Silver (g/t) |
|---|---|---|---|---|
| 0.0 | 25.8 | 25.8 | 1.394 | 11.1 |
| including | | | | |
| 13.7 | 24.3 | 10.6 | 3.029 | 22.3 |
| includes | | | | |
| 19.8 | 24.3 | 4.5 | 5.722 | 24.4 |

*Other Properties (United States)*

In addition to the properties described above, HDG holds the Gold Lake property in New Mexico and the Kinkaid property in Nevada, both of which are early stage exploration properties. The Gold Lake property is a prophyry copper-molybdenum- gold target and the Kinkaid property is a gold-copper system. In 2008 HDG completed a 6 hole 2,100 meter drill hole program at Gold Lake and in July 2008, HDG completed its initial evaluation of the Kinkaid property as part of an ongoing reconnaissance program. In 2013 HDG wrote off the deferred costs associated with Gold Lake amounting to $1,627,717.

*Qualified Person*

Except as noted above, the Qualified Person for the information contained above on the Gold Springs, San Antonio, Pinyon, Gold Lake and Kinkaid properties is Randall Moore, HDG's Executive Vice President of Exploration.

*Investment in Highvista Gold Inc. - Canasta Dorada (Mexico)*

During 2011, HDG completed a series of transactions which resulted in the exchange of all of its interests in the Canasta Dorada property in Mexico for shares of Highvista Gold Inc. (TSXV: HVV-V). HDG's 26.8% interest consists of 10,683,125 shares of Highvista Gold Inc. 5,875,719 (55%) of these shares remain subject to a TSXV escrow agreement with 1,602,469 (15%) of the shares being released on March 6, 2014 and 4,273,250 (40%) of the shares being released on October 6, 2014.

The Canasta Dorada property is located in the northwest corner of the State of Sonora, Mexico, near the town of Caborca, in the province extending from southern California through northern Sonora along the Mojave-Sonora Megashear. Mines in this well-established trend known as the Sonora Gold Belt, include Mesquite, Picacho and Padre-Madre in the Yuma area of extreme southwestern Arizona and southeast California, and La Cholla, La Herradura, and Chanate in the Caborca region of northwest Sonora, Mexico. The property is approximately 28 kilometres north of Caborca, approximately 285 km north of Hermosillo, and is approximately 190 km southwest of Tucson, Arizona.

Exploration and discoveries of gold mineralization throughout northwest Sonora has increased since 1990. Many of the new deposits currently being mined exploit low grade, micron size, disseminated mineralization along a northwest-trending zone characterized by traces of the Mojave-Sonora megashear,

a broad northwest-striking structural zone, and northeast regional thrusts and associated tear faults in the northwestern portion of the zone. Deposit types include veins and breccias, discontinuous quartz veins, carbonate sedimentary-hosted deposits and several structurally controlled deposits. Mineralization is hosted by a wide range of rock units, including Proterozoic gneiss, Paleozoic sedimentary rocks, Late Jurassic granitic rocks and Cretaceous clastic and carbonate units. Recent erosion of pre-existing terrains and alluvial deposits have resulted in locally extensive Late Tertiary placer gold deposits near Caborca.

**Risk Factors**

There are certain risks associated with owning HDG Shares that holders should carefully consider. The risks and uncertainties below are not the only risks and uncertainties facing HDG. Additional risks and uncertainties not presently known to HDG or that HDG currently considers immaterial may also impair the business, operations and future prospects of HDG and cause the price of the HDG Shares to decline. If any of the following risks actually occur, the business of HDG may be harmed and its financial condition and results of operations may suffer significantly. In that event, the trading price of the HDG Shares could decline, and holders of HDG Shares may lose all or part of their investment. In addition to the risks described in the HDG documents incorporated herein by reference, holders of HDG Shares should carefully consider each of, and the cumulative effect of all of, the following risk factors.

*Exploration for mineral resources involves a high degree of risk*

The cost of conducting programs may be substantial and the likelihood of success is difficult to assess. HDG attempts to mitigate its exploration risk by maintaining a diversified portfolio that includes several metal commodity targets in a number of favorable geologic and political environments. Beyond exploration risk, management is faced with a number of other risk factors. The more significant ones include:

*Additional Funding*

HDG currently has no revenues from operations. If HDG's exploration programs are successful, additional funds will be required in order to complete the development of its properties. The only sources of future funds presently available to HDG are the sale of additional equity capital, the sale of portfolio investments, selling or leasing HDG's interest in a property or the entering into joint venture arrangements or other strategic alliances in which the funding sources could become entitled to an interest in the properties or the projects. HDG's capital resources are largely determined by the strength of the junior resource markets and by the status of HDG's projects in relation to these markets, and its ability to compete for investor support of its projects. There is no assurance that HDG will be successful in raising additional funds in the future. If HDG does not have the necessary capital to meet its obligations under its contractual obligations, HDG may have to forfeit its interest in properties or prospects earned or assumed under such contracts. In addition, if HDG does not have sufficient funds to pursue its exploration programs, the viability of HDG could be jeopardized.

*Exploration Stage Operations*

HDG's operations are subject to all of the risks normally incident to the exploration for and the development of mineral properties. The mineral exploration business is very speculative. All of HDG's properties are still at an early stage of exploration. Mineral exploration and exploitation involves a high degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to avoid. Few properties that are explored are ultimately developed into producing mines. Unusual or unexpected formations, formation pressures, fires, power outages, labour disruptions, flooding, explosions, tailings impoundment failures, cave-ins, landslides and the inability to obtain adequate

machinery, equipment or labour are some of the risks involved in mineral exploration and exploitation activities. HDG has relied on and may continue to rely on consultants and others for mineral exploration and exploitation expertise. Substantial expenditures are required to establish mineral reserves and resources through drilling, to develop metallurgical processes to extract the metal from the material processed and to develop the mining and processing facilities and infrastructure at any site chosen for mining. There can be no assurance that commercial quantities of ore will be discovered. There is also no assurance that even if commercial quantities of ore are discovered, that the properties will be brought into commercial production or that the funds required to exploit mineral reserves and resources discovered by HDG will be obtained on a timely basis or at all. The commercial viability of a mineral deposit once discovered is also dependent on a number of factors, some of which are the particular attributes of the deposit, such as size, grade and proximity to infrastructure, as well as metal prices. Most of the above factors are beyond the control of HDG. There can be no assurance that HDG's mineral exploration activities will be successful. In the event that such commercial viability is never attained, HDG may seek to transfer its property interests or otherwise realize value or may even be required to abandon its business and fail as a "going concern".

The recoverability of the carrying value of its mineral properties and HDG's continued existence is dependent, in part, upon the preservation of its interest in its properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of HDG to obtain financing or, alternatively, upon HDG's ability to dispose of its interests on an advantageous basis.

A portion of HDG's interests in the Gold Springs project and at San Antonio are subject to option agreements which require HDG to make periodic payments over a varying number of years to maintain its interest. HDG can cancel these agreements at any time without completing the remaining payments and without further obligation.

*Exploration and Operation Risks*

In common with other enterprises undertaking business in the mining sector, HDG's mineral exploration and project development activities are subject to conditions beyond its control. The success of HDG will be dependent on many factors including: the discovery and/or acquisition of mineral reserves and mineral resources; the successful conclusions to feasibility and other mining studies; access to adequate capital for project development and sustaining capital; design and construction of efficient mining and processing facilities within capital expenditure budgets; the securing and maintaining of title to properties; obtaining permits, consents and approvals necessary for the conduct of exploration and potential mining operations; complying with the terms and conditions of all permits, consents and approvals during the course of exploration and mining activities; access to competent operational management and prudent financial administration, including the availability and reliability of appropriately qualified employees, contractors and consultants; the ability to procure major equipment items and key consumables in a timely and cost-effective manner; the ability to access full power supply; and the ability to access appropriate road and port networks for shipment of any mineral production. There can be no assurance that HDG will ever be able to develop any of its mineral properties at all or on time or on budget. Should any of these events occur, it would have a material adverse effect on HDG's business, financial condition, results of operations and prospects.

HDG has implemented comprehensive safety and environmental measures designed to comply with or exceed government regulations and ensure safe, reliable and efficient operations in all phases of its operations.

*Permits and Government Regulation*

HDG's properties are located in the United States and Mexico and as such the operations of HDG require licenses and permits from various governmental authorities in those jurisdictions to carry out exploration and development at its projects. Obtaining permits can be a complex, time-consuming process. There can be no assurance that HDG will be able to obtain the necessary licences and permits on acceptable terms, in a timely manner or at all. The costs and delays associated with obtaining permits and complying with these permits and applicable laws and regulations could stop or materially delay or restrict HDG from continuing or proceeding with existing or future operations or projects. Any failure to comply with permits and applicable laws and regulations, even if inadvertent, could result in the interruption or closure of operations or material fines, penalties or other liabilities. In addition, the requirements applicable to sustain existing permits and licenses may change or become more stringent over time and there is no assurance that HDG will have the resources or expertise to meet its obligations under such licenses and permits.

*Uncertainty of Resource Estimates*

HDG announced the results of the updated resource estimate on the Gold Springs project in March 2013. The mineral resources disclosed are estimates only and no assurance can be given that the anticipated tonnages and grades will be achieved or that the indicated level of recovery will be realized. Mineral resources are not mineral reserves and do not have demonstrated economic viability. Until they are categorized as "mineral reserves", the known mineralization at Gold Springs is not determined to be economic ore.

The mining and exploration business relies upon the accuracy of determinations as to whether a given deposit has significant mineral reserves and resources. Mineral reserve and resource estimates are based on limited sampling, and inherently carry the uncertainty that samples may not be representative. Such estimates necessarily include presumptions of continuity of mineralization which may not actually be present. Mineral reserve and resource estimates may require revision (either upward or downward) based on actual production experience. Market fluctuations in the price of metals, as well as increased production costs or reduced recovery rates, may render certain mineral resources uneconomic. Inaccurate estimates may result in a misallocation of resources such that an excess amount could be allocated to a less than economic deposit or, conversely, failure to develop a significant deposit. Greater assurance will require completion of final comprehensive feasibility studies that conclude a potential mine at the Gold Springs project is likely to be economic, but such studies remain subject to the same risks and uncertainties.

*Environmental Risk*

HDG seeks to operate within environmental protection standards that meet or exceed existing requirements in the countries in which HDG operates. Present or future laws and regulations, however, may affect HDG's operations. HDG's activities are subject to environmental laws and regulations which may materially adversely affect its future operations. These laws and regulations control the exploration and development of mineral properties and their effects on the environment, including air and water quality, mine reclamation, waste handling and disposal, the protection of different species of plant and animal life, and the preservation of lands. These laws and regulations will require HDG to acquire permits and other authorizations for certain activities. There can be no assurance that HDG will be able to acquire such necessary permits or authorizations on a timely basis, if at all.

HDG cannot predict what environmental legislation or regulations will be enacted or adopted in the future or how future laws and regulations will be administered or interpreted. Compliance with more stringent

laws and regulations, as well as potentially more vigorous enforcement policies or regulatory agencies or stricter interpretation of existing laws, may materially adversely affect HDG's future operations.

Mineral exploration and development in the United States are subject to various U.S. federal and state and local laws and regulations relating to the protection of the environment. These laws impose high standards on the mining industry to monitor the discharge of waste water and report the results of such monitoring to regulatory authorities, to reduce or eliminate certain effects on or into land, water or air, to progressively rehabilitate mine properties, to manage hazardous wastes and materials and to reduce the risk of worker accidents. A violation of these laws may result in the imposition of substantial fines and other penalties. There can be no assurance that HDG will be able to meet all the regulatory requirements in a timely manner or without significant expense or that the regulatory requirements will not change to prohibit HDG from proceeding with certain exploration and development.

In Mexico, HDG's activities are subject to regulation by the *Secretaría de Medio Ambiente, Recursos Naturales y Pesca* ("SEMARNAP"), Mexico's environmental protection agency. Regulations require that an environmental impact statement, known in Mexico as a *Manifesto Impacto Ambiental*, be prepared by a third-party contractor for submittal to SEMARNAP. Studies required to support the *Manifesto Impacto Ambiental* include a detailed analysis of the following areas: soil, water, vegetation, wildlife, cultural resources and socio-economic impacts. HDG must also provide proof of local community support for a project to gain final *Manifesto Impacto Ambiental* approval.

*Metal Price Risk*

HDG's portfolio of properties has exposure to gold, copper, and silver. The prices of these metals greatly affect the value of HDG and the potential value of its properties and investments. This is due, at least in part, to the underlying value of HDG's assets at different metals prices. The prices of mineral commodities have fluctuated widely in recent years. Current and future price declines could cause commercial production to be impracticable. HDG's revenues and earnings also could be affected by the prices of other commodities such as fuel and other consumable items, although to a lesser extent than by the price of gold, copper or silver. The prices of these commodities are affected by numerous factors beyond HDG's control.

*Foreign Political Risk*

HDG's San Antonio property is located in Mexico and, as such, a portion of HDG's business is exposed to various degrees of political, economic and other risks and uncertainties. HDG's operations and investments may be affected by local political and economic developments, including expropriation, nationalization, invalidation of governmental orders, permits or agreements pertaining to property rights, political unrest, labour disputes, limitations on repatriation of earnings, limitations on foreign ownership, inability to obtain or delays in obtaining necessary mining permits, opposition to mining from local, environmental or other non-governmental organizations, government participation, royalties, duties, rates of exchange, high rates of inflation, price controls, exchange controls, currency fluctuations, taxation and changes in laws, regulations or policies as well as by laws and policies of Canada affecting foreign trade, investment and taxation. In the past, Mexico has been subject to political instability, changes and uncertainties, which may cause changes to existing governmental regulations affecting mineral exploration and mining activities. HDG's operations and properties are subject to a variety of Mexican governmental regulations including, among others: environmental and water rights and the Mexican mining law. Mexican regulators have broad authority to shut down and/or levy fines against operations that do not comply with regulations or standards. HDG's mineral exploration and development activities in Mexico may be adversely affected in varying degrees by changing government regulations relating to the mining industry or shifts in political conditions that increase the costs related to HDG's activities or

maintaining its properties. Operations may also be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, expropriation of property, environmental legislation and mine safety. Mexico's status as a developing country may make it more difficult for HDG to obtain any required financing for its projects.

**Employees**

HDG has 5 full-time and 7 part-time employees and makes use of a variable number of consultants as required for operations. HDG is subject to applicable labour laws and regulations in the countries of employment. None of HDG's employees is covered by a collective agreement.

**Community Affairs**

HDG's success depends on how well it manages the economic, environmental and social impacts of its operations on the communities surrounding its properties. Through local representatives in both the United States and Mexico, HDG has cultivated good working relationships with the local communities surrounding its properties. Mining, by its nature, has an impact on the environment. HDG has systems in place to educate the local communities about the effects on the local environment from our exploration activities, and to monitor and manage the potential effects on the environment.

**Environmental Policy**

The environmental policy of HDG provides that HDG is committed to balancing good stewardship in the protection of the environment with the need for economic growth. In particular, it is HDG's policy: to measure, maintain and improve HDG's compliance with environmental laws and regulations; to place a high priority on environmental considerations in planning, exploring, constructing, operating and closing facilities; to place primary responsibility for compliance with environmental laws with operations management; in the absence of any regulation, to recognize and cost-effectively manage environmental risks in a manner that protects the environment and HDG's economic future; to promote employee involvement in implementing its policy; and to encourage employee reporting of suspected environmental problems. HDG ensures that all personnel and consultants working for HDG are aware of the importance of preserving the environment, that HDG's exploration activities are designed to have as small an impact as is practical while still achieving the exploration goal and that HDG only carry out activities that are condoned by the authorities in each area in which HDG operates.

**Dividend Policy**

Although HDG has not declared or paid dividends on any shares since incorporation and does not anticipate to declare or pay dividends in the foreseeable future, the board of directors of HDG may declare from time to time such cash dividends out of the monies legally available for dividends as the board of directors considers advisable. Any future determination to pay dividends will be at the discretion of the board of directors and will depend on the capital requirements of HDG, results of operations and such other factors as the board of directors considers relevant.

**Description of Capital Structure**

HDG's authorized capital currently consists of an unlimited number of HDG Shares and an unlimited number of preference shares issuable in series. As of November 7, 2013, HDG has 86,840,900 HDG Shares and no preferred shares outstanding. As at November 7, 2013, HDG also has 6,120,000 warrants, 5,115,000 stock options and 140,000 compensation warrants issued and outstanding. The material

provisions of the HDG Shares, preference shares, warrants, stock options and compensation warrants are summarized below.

*HDG Shares*

Each HDG Share is entitled to one vote at meetings of the shareholders of HDG and to receive dividends if, as and when declared by the board of directors, subject to the rights of holders of shares of any class ranking prior to the HDG Shares with respect to the payment of dividends. Dividends, which the board of directors determines to declare and pay, shall be declared and paid in equal amounts per share on the HDG Shares at the time outstanding without preference or distinction. Subject to the rights of holders of shares of any class ranking prior to the HDG Shares, holders of HDG Shares are entitled to receive on a *pro rata* basis the remaining property or assets of HDG in the event of any liquidation, dissolution or winding-up of HDG.

*Preference Shares*

The preference shares may at any time and from time to time be issued in one or more series. The board of directors will, by resolution duly passed before the first issue of preference shares of a series, amend the articles of HDG to fix the number of preference shares in, and to determine the designation of, and the special rights and restrictions to be attached to, the preference shares of that series. Except as provided in the special rights and restrictions attaching to any series of the preference shares, while any other share in the capital of HDG is outstanding and held by a person other than HDG or a subsidiary of HDG, the holders of any series of preference shares will not as such be entitled to receive notice of, attend or vote at any meeting of the shareholders of HDG. Holders of preference shares will be entitled to: (1) preference with respect to payment of dividends on such shares over the HDG Shares and over any other shares ranking junior to the preference shares with respect to payment of dividends, and (2) in the event of liquidation, dissolution or winding-up of HDG, preference with respect to distribution of the property or assets of HDG over the HDG Shares and over any other shares ranking junior to the preference shares with respect to the repayment of capital paid up on and the payment of unpaid dividends accrued on the preference shares.

*Warrants*

On December 28, 2012, HDG completed a private placement financing through the issuance of 4,120,000 units at a price of Cdn. $0.20 per unit, with each unit comprised of one HDG Share and one share purchase warrant. Each warrant entitles the holder to purchase one additional HDG Share at a price of Cdn. $0.23 per share until December 28, 2015.

On January 31, 2013, HDG completed a private placement financing through the issuance of 2,000,000 units at a price of Cdn. $0.20 per unit, with each unit comprised of one HDG Share and one share purchase warrant. Each warrant entitles the holder to purchase one additional HDG Share at a price of Cdn. $0.23 per share until January 31, 2016. In the event that the HDG Shares trade on the TSX Venture Exchange at a price of not less than Cdn. $0.35 for a period of 10 consecutive trading days, HDG is entitled to accelerate the exercise period of these warrants.

*Stock Options*

The following table provides details on options of HDG that are outstanding as at the date hereof:

| No. of Options | Exercise Price (CDN$) | Expiration Date |
|---|---|---|
| 200,000 | 0.29 | March 29, 2014 |
| 200,000 | 0.18 | October 22, 2015 |
| 770,000 | 0.495 | April 15, 2016 |
| 950,000 | 0.29 | March 29, 2017 |
| 3,340,000 | 0.18 | October 22, 2018 |

(a) Stock Option Plan

HDG has established a stock option plan (the "Stock Option Plan") for the benefit of full-time and part-time employees, officers, directors and consultants of HDG and its affiliates. The purpose of the Stock Option Plan is to attract, retain and motivate directors, officers, employees and consultants by providing them with the opportunity, through the exercise of share options, to acquire a proprietary interest in HDG.

Subject to the requirements of the Stock Option Plan, the board of directors has the authority to select those directors, officers, employees and consultants to whom options will be granted, the number of options to be granted to each person and the price at which common shares may be purchased.

The key features of the Stock Option Plan are as follows:

- The eligible participants are full-time and part-time employees, officers and directors of, or consultants to, HDG or its affiliates designated from time to time by the directors.

- The fixed maximum percentage of common shares issuable under the Stock Option Plan is 10% of the issued and outstanding common shares from time to time. The Stock Option Plan automatically "reloads" after the exercise of an option provided that the number of common shares issuable under the Stock Option Plan does not then exceed the maximum percentage of 10%.

- The aggregate number of common shares that may be reserved for issuance pursuant the Stock Option Plan options cannot exceed 5% of the issued shares of HDG (determined at the date the option was granted) to any one individual in a 12 month period, unless HDG has obtained the requisite disinterested shareholder approval.

- The number of options granted to any one consultant in a 12 month period cannot exceed 2% of the issued shares of HDG, calculated at the date the option was granted to the consultant.

- The aggregate number of options granted to persons employed to provide Investor Relations Activities (as defined in the rules of the TSX Venture Exchange) cannot exceed 2% of the issued shares of HDG in any 12 month period, calculated at the date the option was granted.

- Unless disinterested shareholder approval is obtained, the Stock Option Plan, together with all of HDG's other previously established and outstanding stock option plans or grants, do not permit at any time the grant to insiders (as a group), within a 12 month period, of an aggregate number of

options exceeding 10% of the outstanding HDG Shares calculated at the date an option is granted to any insider.

- The directors determine the exercise price of each option at the time the option is granted, provided that such price is not lower than the "market price" of the common shares at the time the option is granted. "Market price" means the last closing price of the common shares on the TSX Venture Exchange, or another stock exchange where the majority of the trading volume and value of the common shares occurs.

- Unless otherwise determined by the board of directors, each option becomes exercisable as to 33⅓% on a cumulative basis, at the end of each of the first, second and third years following the date of grant.

- Options may be exercised through a broker-assisted mechanism where the participant's broker sells, through a stock exchange or market on which HDG's common shares are listed or quoted, all or a portion the common shares to be issued on exercise of the option and delivers to HDG the aggregate exercise price for such options plus any withholding taxes and source deductions payable by HDG upon the exercise of such options.

- The period of time during which a particular option may be exercised is determined by the board of directors, subject to any Employment Contract or Consulting Contract (both as hereinafter defined), provided that no such option term shall exceed 10 years.

- If an option expiration date falls within a "black-out period" (a period during which certain persons cannot trade common shares pursuant to a policy of HDG respecting restrictions on trading), or immediately following a black-out period, the expiration date is automatically extended to the date which is the tenth business day after the end of the black-out period.

- Options may terminate prior to expiry of the option term in the following circumstances:

    - on death of an optionee, options held as at the date of death are immediately exercisable until the earlier of 12 months from such date and expiry of the option term; and

    - if an optionee ceases to be a director, officer, employee and consultant of HDG for any reason other than death, including receipt of notice from HDG of the termination of his, her or its Employment Contract or Consulting Contract (as defined below), options held as at the date termination are exercisable until the earlier of 60 days following such date and expiry of the option term,

  subject however to any contract between HDG and any employee relating to, or entered into in connection with, the employment of the employee or between HDG and any director with respect to his or her directorship or resignation therefrom (an "Employment Contract"), any contract between HDG and consultant relating to, or entered into in connection with, services to be provided to HDG (a "Consulting Contract") or any other agreement to which HDG is a party with respect to the rights of such person upon termination or change in control of HDG.

- Options and rights related thereto held by an optionee are not assignable or transferable except on the death of the optionee.

- If there is a take-over bid (within the meaning of the *Securities Act* (Ontario)) made for all or any of the issued and outstanding common shares, then all options outstanding become exercisable

immediately prior to the take-up and payment for common shares under such bid in order to permit common shares issuable under such options to be tendered to such bid.

- If there is a consolidation, merger, statutory amalgamation or arrangement involving HDG, separation of the business into two or more entities or sale of all or substantially all of the assets of HDG to another entity, the optionees will receive, on exercise of their options, the consideration they would have received had they exercised their options immediately prior to such event. In such event and in the event of a securities exchange take-over bid, the board of directors may, in certain circumstances, require optionees to surrender their options if replacement options are provided.

- The board of directors may from time to time in its absolute discretion amend, modify and change the provisions of the Stock Option Plan or any options granted pursuant to the Stock Option Plan, provided that any amendment, modification or change to the provisions of the Stock Option Plan or any options granted pursuant to the Stock Option Plan shall:

    - not adversely alter or impair any option previously granted;

    - be subject to any regulatory approvals, where required, including the approval of the TSX Venture Exchange, where required; and

    - be subject to shareholder approval in accordance with the rules of the TSX Venture Exchange for amendments to the following provisions of the Stock Option Plan:

        - persons eligible to be granted options under the Stock Option Plan;

        - the maximum percentage of HDG Shares that may be reserved under the Stock Option Plan for issuance pursuant to the exercise of options;

        - the limitations under the Stock Option Plan on the number of options that may be granted to any one person or any category of persons;

        - the method for determining the exercise price of options;

        - the maximum term of options; and

        - the expiry and termination provisions applicable to options; and

    - not be subject to shareholder approval in the following circumstances:

        - amendments to fix typographical errors; and

        - amendments to clarify existing provisions of the Stock Option Plan that do not have the effect of altering the scope, nature and intent of such provisions.

- The board of directors may discontinue the Stock Option Plan at any time without consent of the participants under the Stock Option Plan provided that such discontinuance shall not adversely alter or impair any option previously granted.

*Compensation Warrants*

As at November 7, 2013, HDG had 140,000 compensation warrants issued and outstanding. The compensation warrants were issued to the agents as part of the private placement offering of HDG and give the agents the right to acquire an aggregate of 140,000 units upon payment of the exercise price of CDN$0.20 per unit until January 31, 2015. Each unit is comprised of one HDG Share and one Warrant, with each Warrant entitling the holder to purchase one additional HDG Share upon payment of the exercise price of CDN$0.23 per share until January 31, 2016.

## Market For Securities

The HDG Shares are listed on the TSX Venture Exchange under the symbol "HDG". The below trading information chart chronicles the monthly trading history of the HDG Shares on the TSXV during the past 12 months.

| Month | High | Low | Close | Share Volume |
|---|---|---|---|---|
| | (Canadian dollars per share) | | | |
| November 2012 | 0.195 | 0.11 | 0.12 | 2,030,825 |
| December 2012 | 0.155 | 0.11 | 0.155 | 1,368,531 |
| January 2013 | 0.175 | 0.14 | 0.16 | 1,019,192 |
| February 2013 | 0.155 | 0.12 | 0.12 | 1,154,903 |
| March 2013 | 0.145 | 0.12 | 0.135 | 604,383 |
| April 2013 | 0.125 | 0.09 | 0.095 | 832,761 |
| May 2013 | 0.11 | 0.085 | 0.095 | 1,656,321 |
| June 2013 | 0.105 | 0.07 | 0.095 | 1,474,050 |
| July 2013 | 0.095 | 0.065 | 0.075 | 2,292,150 |
| August 2013 | 0.10 | 0.07 | 0.08 | 1,737,294 |
| September 2013 | 0.09 | 0.055 | 0.055 | 2,416,520 |
| October 2013 | 0.085 | 0.04 | 0.06 | 4,370,214 |
| November 1 to 4, 2013 | 0.065 | 0.05 | 0.065 | 927,500 |

## Directors and Officers

*Name, Occupation and Security Holding*

The following table sets forth the name, province or state, country of residence, position held with HDG, principal occupation within the five preceding years and shareholdings of each of the directors and executive officers of HDG. Directors of HDG hold office until the next annual meeting of shareholders or until their successors are duly elected or appointed.

| Name and Municipality of Residence | Position held with HDG | Principal Occupation | Director Since | Number of Voting Securities Owned [3] |
|---|---|---|---|---|
| Ralph G. Fitch<br>Colorado, United States | President, Chief Executive Officer and Chairman | Officer of HDG, Executive Chairman, South American Silver Corp. (mineral exploration company) | April 10, 2007 (Incorporation) | 2,835,000 |
| Paul Haber [1][2]<br>Ontario, Canada | Director | Managing Director, Haber and Co. Ltd. (consulting company) | June 25, 2007 | 20,000 |

| Name and Municipality of Residence | Position held with HDG | Principal Occupation | Director Since | Number of Voting Securities Owned [3] |
|---|---|---|---|---|
| Joshua H. Kingsmill<br>Ontario, Canada | Director | Investment Advisor, BMO Nesbitt Burns (investment bank) | February 21, 2013 | Nil |
| John W. Paul [1][2]<br>Colorado, United States | Director | Retired. Former Legal Department Manager, Chevron Munaigas Inc. (oil and gas company) | June 25, 2007 | 11,000 |
| Tina M. Woodside [1][2]<br>Ontario, Canada | Director | Partner, Gowling Lafleur Henderson LLP (law firm) | April 10, 2007 (Incorporation) | 70,000 |
| William Filtness<br>British Columbia, Canada | Chief Financial Officer | Officer of HDG and President of KCT Consulting Inc. (consulting company) | - | 630,000 |
| Richard Doran<br>Colorado, United States | Executive Vice-President and Secretary | Officer of HDG, Executive Vice-President and Secretary, South American Silver Corp. | - | 895,000 |
| Randall Moore<br>Oregon, United States | Executive Vice-President of Exploration | Officer of HDG | - | 1,107,450 |

**Notes:**
(1) Member of the Audit Committee.
(2) Member of the Compensation Committee.
(3) The information as to the number of HDG Shares beneficially owned, directly or indirectly, or over which control or direction is exercised, by the directors and executive officers, but which are not registered in their names and not being within the knowledge of HDG, has been furnished by such directors and officers.

Each of the directors and officers has been engaged in the principal occupation set out above during the past five years or in a similar capacity with a predecessor organization, except for Joshua H. Kingsmill who, from January 2008 to December 2010 was an investment banker with Blackmont Capital Inc. (investment bank).

As at November 7, 2013, the directors and executive officers of HDG and its subsidiaries as a group, beneficially owned, directly or indirectly, or exercised control or direction over approximately 5,568,450 HDG Shares, being approximately 6.4% of the issued and outstanding HDG Shares.

*Cease Trade Orders, Bankruptcies, Penalties or Sanctions*

The following information has been furnished by the directors and executive officers of HDG.

No director or executive officer of HDG is, as at the date hereof or has been, within the 10 years before the date hereof, a director, chief executive officer or chief financial officer of any company (including HDG), that:

- was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or

- was subject to a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days that

was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Except as set out further below, no director or executive officer of HDG or shareholder holding a sufficient number of securities of HDG to affect materially the control of HDG:

- is, as at the date hereof, or has been within the 10 years before the date hereof, a director or executive officer of any company (including your company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

- has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

On October 13, 2006, NEMI Northern Energy & Mining Inc. ("NEMI") (of which William D. Filtness was Chief Financial Officer from 2003 to 2007) voluntarily sought and obtained protection under the Companies' Creditors Arrangement Act ("CCAA") pursuant to an Order of the Supreme Court of British Columbia ("Court"). On November 29, 2006, NEMI successfully closed an asset combination transaction with Hillsborough Resources Limited and Anglo Coal Canada Inc., following which NEMI filed with the Court a closing certificate which resulted in NEMI's full emergence from CCAA protection.

No director or executive officer of HDG or shareholder holding a sufficient number of securities of HDG to affect materially the control of HDG, has been subject to:

- any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

- any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

*Conflicts of Interest*

Certain of the directors and officers of HDG and its subsidiaries are also directors, officers and shareholders of other companies and conflicts may arise between their duties as directors or officers of HDG and its subsidiaries and as directors, officers or shareholders of other companies. All such possible conflicts are required to be disclosed in accordance with the requirements of the *Canada Business Corporations Act* and HDG's Code of Business Conduct and Ethics and those concerned are required to govern themselves in accordance with the obligations imposed upon them by law and such code.

**Indebtedness of Directors and Officers**

During the most recently completed financial year and as at the date hereof, no director, proposed nominee for election as a director, officer, employee or associate of any such persons has been or is indebted to HDG.

**Interest of Management and Others in Material Transactions**

Except as set out below, no director, executive officer or principal shareholder of HDG, and no associate or affiliate of the foregoing persons, has or has had any material interest, direct or indirect, in any transaction within the past three years or in any proposed transaction that has materially affected or will materially affect HDG or any of its subsidiaries.

Messrs. Fitch and Doran, who are officer of HDG are also officers of South American Silver Corp. In December 2012 and January 2013, South American Silver Corp. participated in private placements by HDG and acquired an aggregate of 16,077,000 HDG Shares representing 19.9% of HDG's issued and outstanding shares. In addition, South American Silver Corp. was granted a pre-emptive right enabling it to maintain its percentage equity interest in HDG until December 28, 2015.

**Legal Proceedings**

HDG is not subject to any legal proceedings material to HDG to which HDG or any of its subsidiaries is a party or of which any of HDG's properties is the subject matter and no such proceedings are known to HDG to be contemplated.

**Transfer Agent and Registrar**

The transfer agent and registrar for HDG's HDG Shares is CST Trust Company, 320 Bay Street, P.O. Box 1, Toronto, Ontario M5H 4A6. The register of transfers of HDG's HDG Shares is located in Toronto, Ontario.

**Material Contracts**

Except for the Arrangement Agreement and contracts entered into in the ordinary course of business and not required to be filed under Section 12.2 of National Instrument 51-102 – Continuous Disclosure Obligations, the HDG has not entered into any contracts which are regarded as material and which were entered into by HDG within the most recently completed financial year or before the most recently completed financial year and still in effect.

**Additional Information**

Additional information relating to HDG may be found on SEDAR at www.SEDAR.com, including those documents incorporated by reference into the Circular, which are listed on page 6 of the Circular.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of HDG's securities and securities authorized for issuance under equity compensation plans, is contained in HDG's information circular for its most recent annual meeting of security holders involving the election of directors.

Additional financial information is provided in HDG's financial statements and management's discussion and analysis for its most recently completed financial year and interim period.

**SCHEDULE I**
**PRO FORMA FINANCIAL STATEMENTS**

# SOUTH AMERICAN SILVER CORP.

## PRO-FORMA CONSOLIDATED FINANCIAL STATEMENTS
## JUNE 30, 2013
## (Unaudited – Expressed in U.S. Dollars)

**SOUTH AMERICAN SILVER CORP.**
**PRO-FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
**As at June 30, 2013**
(Unaudited – Expressed in U.S. Dollars)

| | South American Silver Corp. $ | High Desert Gold Corporation $ | Notes | Pro-forma Adjustments $ | Pro-forma Consolidated $ |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| **Current assets** | | | | | |
| Cash and cash equivalents | 14,614,136 | 3,095,113 | (c) | (630,000) | 17,079,249 |
| Receivables and prepaids | 589,085 | 175,603 | | - | 764,688 |
| Value added tax credits | - | 21,495 | | - | 21,495 |
| | 15,203,221 | 3,292,211 | | (630,000) | 17,865,432 |
| **Non-current assets** | | | | | |
| Equity investment – High Desert Gold Corporation | 1,452,171 | - | (c) | (359,192) | - |
| | | | (c) | (1,092,979) | |
| Equipment | 132,646 | 159,659 | | - | 292,305 |
| Drilling advance | 327,367 | - | | - | 327,367 |
| Investment in Highvista Gold Inc. | - | 1,182,737 | (c) | (1,182,737) | 534,156 |
| | | | (c) | 534,156 | |
| Mining claims and deferred exploration costs | 13,256,522 | 8,179,832 | (c) | (8,179,832) | 17,085,932 |
| | | | (c) | 3,829,410 | |
| Other deferred costs – Malku Khota | 18,504,000 | - | | - | 18,504,000 |
| | 33,672,706 | 9,522,228 | | (6,451,174) | 36,743,760 |
| **Total assets** | 48,875,927 | 12,814,439 | | (7,081,174) | 54,609,192 |
| **Liabilities** | | | | | |
| **Current liabilities** | | | | | |
| Accounts payable and accrued liabilities | 1,016,011 | 384,746 | | - | 1,400,757 |
| Taxes payable | - | 299,088 | | - | 299,088 |
| Value added tax payable | - | 265,215 | | - | 265,215 |
| Derivative liability | - | 189,241 | (c) | (189,241) | - |
| | 1,016,011 | 1,138,290 | | (189,241) | 1,965,060 |
| **Non-current liabilities** | | | | | |
| Class B shares | - | - | (b) | 19,540,904 | 19,540,904 |
| | - | - | | 19,540,904 | 19,540,904 |
| **Total liabilities** | 1,016,011 | 1,138,290 | | 19,351,663 | 21,505,964 |
| **Equity attributable to shareholders** | | | | | |
| Share capital – Class A | 98,925,930 | 15,287,906 | (a) | 465,354 | 84,204,430 |
| | | | (b) | (19,540,904) | |
| | | | (c) | (15,753,260) | |
| | | | (c) | 4,819,404 | |
| Contributed surplus | 11,197,012 | 12,804,972 | (a) | 1,037,809 | 11,521,016 |
| | | | (c) | (13,842,781) | |
| | | | (c) | 324,004 | |
| Accumulated other comprehensive income | 627,319 | - | | - | 627,319 |
| Deficit | (62,890,345) | (17,919,892) | (c) | (150,000) | (63,249,537) |
| | | | (c) | (359,192) | |
| | | | (c) | 18,069,892 | |
| Total equity attributable to shareholders | 47,859,916 | 10,172,986 | | (24,929,674) | 33,103,228 |
| Non-controlling interest attributable to outside shareholders | - | 1,503,163 | (a) | (1,503,163) | - |
| **Total equity** | 47,859,916 | 11,676,149 | | (26,432,837) | 33,103,228 |
| **Total liabilities and equity** | 48,875,927 | 12,814,439 | | (7,081,174) | 54,609,192 |

The accompanying notes are an integral part of these pro-forma consolidated financial statements

**SOUTH AMERICAN SILVER CORP.**
**PRO-FORMA CONSOLIDATED STATEMENT OF LOSS AND COMPREHENSIVE LOSS**
**For the six months ended June 30, 2013**
(Unaudited – Expressed in U.S. Dollars)

| | South American Silver Corp. $ | High Desert Gold Corporation $ | Notes | Pro-forma Adjustments $ | Pro-forma Consolidated $ |
|---|---|---|---|---|---|
| **General and administrative expenses** | | | | | |
| Arbitration costs | 332,457 | - | | - | 332,457 |
| Consulting | 45,398 | 39,300 | | - | 84,698 |
| Depreciation and amortization | 43,924 | 21,457 | | - | 65,381 |
| Directors' fees | 109,000 | 59,042 | | - | 168,042 |
| Filing and transfer agent fees | 56,246 | 31,641 | | - | 87,887 |
| Office and administration | 354,351 | 87,943 | | - | 442,294 |
| Professional fees | 486,144 | 216,146 | | - | 702,290 |
| Reconnaissance and sundry exploration | 17,645 | 7,677 | | - | 25,322 |
| Shareholder information and investor relations | 127,675 | 203,799 | | - | 331,474 |
| Share-based payments | 200,785 | 23,068 | | - | 223,853 |
| Wages and benefits | 1,063,648 | 158,750 | | - | 1,222,398 |
| Write-down of mining claims | - | 1,627,717 | | - | 1,627,717 |
| | (2,837,273) | (2,476,540) | | - | (5,313,813) |
| **Other income (expenses)** | | | | | |
| Change in fair value of derivative liability | - | 682,676 | (c) | (682,676) | - |
| Equity loss of Highvista Gold Inc. | - | (416,140) | | - | (416,140) |
| Equity loss of High Desert Gold Corporation | (449,538) | - | (c) | 449,538 | - |
| Interest and other income | 78,417 | 22,145 | | - | 100,562 |
| Foreign currency loss | (29,312) | (71,128) | | - | (100,440) |
| Impairment of investment in High Desert Gold Corporation | (1,001,867) | - | (c) | 1,001,867 | - |
| Loss on sale of equipment | (577) | - | | - | (577) |
| | (1,402,877) | 217,553 | | 768,729 | (416,595) |
| **Net loss for the period** | (4,240,150) | (2,258,987) | | 768,729 | (5,730,408) |
| **Other comprehensive loss** | | | | | |
| Currency translation differences | (502,428) | - | | - | (502,428) |
| **Total comprehensive loss** | (4,742,578) | (2,258,987) | | 768,729 | (6,232,836) |
| Net loss attributable to: | | | | | |
| - Shareholders | (4,240,150) | (2,246,257) | | 755,999 | (5,730,408) |
| - Non-controlling interests | - | (12,730) | (a) | 12,730 | - |
| | (4,240,150) | (2,258,987) | | 768,729 | (5,730,408) |
| **Basic and diluted net loss per share** | (0.04) | (0.03) | | | (0.04) |
| **Weighted average number of shares outstanding** | 114,973,549 | 80,368,366 | | | 134,433,622 |

The accompanying notes are an integral part of these pro-forma consolidated financial statements

**SOUTH AMERICAN SILVER CORP.**
**PRO-FORMA CONSOLIDATED STATEMENT OF LOSS AND COMPREHENSIVE LOSS**
**For the year ended December 31, 2012**
(Unaudited – Expressed in U.S. Dollars)

| | South American Silver Corp. $ | High Desert Gold Corporation $ | Notes | Pro-forma Adjustments $ | Pro-forma Consolidated $ |
|---|---|---|---|---|---|
| **General and administrative expenses** | | | | | |
| Arbitration costs | 523,419 | - | | - | 523,419 |
| Consulting | 143,880 | 95,027 | | - | 238,907 |
| Depreciation and amortization | 180,223 | 34,399 | | - | 214,622 |
| Directors' fees | 357,316 | 60,000 | | - | 417,316 |
| Filing and transfer agent fees | 126,728 | 47,051 | | - | 173,779 |
| Office and administration | 1,076,991 | 178,187 | | - | 1,255,178 |
| Professional fees | 1,538,947 | 293,082 | | - | 1,832,029 |
| Reconnaissance and sundry exploration | 30,740 | 8,331 | | - | 39,071 |
| Shareholder information and investor relations | 1,905,174 | 426,938 | | - | 2,332,112 |
| Share-based payments | 1,885,025 | 196,653 | | - | 2,081,678 |
| Wages and benefits | 2,164,161 | 332,419 | | - | 2,496,580 |
| Write-down of mining claims | - | 243,886 | | - | 243,886 |
| | (9,932,604) | (1,915,973) | | - | (11,848,577) |
| **Other income (expenses)** | | | | | |
| Change in fair value of derivative liability | - | 501,742 | (c) | (501,742) | - |
| Equity loss of Highvista Gold Inc. | - | (237,594) | | - | (237,594) |
| Interest and other income | 249,794 | 43,553 | | - | 293,347 |
| Foreign currency loss | (104,546) | (42,603) | | - | (147,149) |
| Loss on sale of equipment | (59,836) | - | | - | (59,836) |
| | 85,412 | 265,098 | | (501,742) | (151,232) |
| **Net loss for the year** | (9,847,192) | (1,650,875) | | (501,742) | (11,999,809) |
| **Other comprehensive income** | | | | | |
| Currency translation differences | 431,812 | - | | - | 431,812 |
| **Total comprehensive loss** | (9,415,380) | (1,650,875) | | (501,742) | (11,567,997) |
| Net loss attributable to: | | | | | |
| - Shareholders | (9,847,192) | (1,613,051) | | (539,566) | (11,999,809) |
| - Non-controlling interests | - | (37,824) | (a) | 37,824 | - |
| | (9,847,192) | (1,650,875) | | (501,742) | (11,999,809) |
| **Basic and diluted net loss per share** | (0.09) | (0.03) | | | (0.09) |
| **Weighted average number of shares outstanding** | 111,240,866 | 55,793,938 | | | 130,700,939 |

The accompanying notes are an integral part of these pro-forma consolidated financial statements

## 1. BASIS OF PRESENTATION

On October 21, 2013, South American Silver Corp. ("SASC" or the "Company") and High Desert Gold Corporation ("HDGC") announced that SASC, HDGC and MK Acquisition Corp. entered into an arrangement agreement pursuant to which SASC will acquire all of the issued and outstanding common shares of HDGC that it does not already own in an all-share transaction by way of a plan of arrangement (the "Arrangement"). HDGC shareholders (other than SASC) will receive 0.275 of a SASC Class A share for each HDGC share they hold. SASC currently owns 16,077,000 common shares of HDGC (18.5% on an undiluted basis). Upon completion of the Arrangement, SASC shareholders and HDGC shareholders will own approximately 85.6% and 14.4%, respectively, of the Class A shares (to be redesignated as common shares) of the post-Arrangement entity. As part of the Arrangement, immediately prior to the acquisition of HDGC, SASC will exchange all of its issued common shares for Class A shares and Class B shares. The Class B shares will entitle the holders collectively to 85% of the net cash proceeds received from any award or settlement in connection with the ongoing dispute with Bolivia related to its expropriation of the Malku Khota Project. Completion of the Arrangement is subject to a number of conditions, including the receipt of the requisite approval of the shareholders of HDGC and the shareholders of SASC, the approval of the Supreme Court of British Columbia and stock exchange approval.

These unaudited pro-forma consolidated financial statements have been prepared to give effect to the assumptions and adjustments as set out in Note 2. The unaudited pro-forma consolidated financial statements have been compiled using the accounting policies (as set out in the audited consolidated financial statements of SASC for the year ended December 31, 2012 and the unaudited condensed interim consolidated financial statements of SASC for the six months ended June 30, 2013, which are incorporated by reference), including adoption of a new accounting policy to measure a distribution to shareholders at the fair value of assets to be distributed.

These unaudited pro-forma consolidated financial statements have been compiled from and include:

(a) An unaudited pro-forma consolidated statement of financial position combining (i) the unaudited consolidated statement of financial position of SASC as at June 30, 2013 with (ii) the unaudited consolidated statement of financial position of HDGC as at June 30, 2013, giving effect to the assumptions and adjustments as if they occurred on June 30, 2013.

(b) An unaudited pro-forma consolidated interim statement of loss and comprehensive loss combining (i) the unaudited consolidated interim statement of loss and comprehensive loss of SASC for the six months ended June 30, 2013 with (ii) the unaudited consolidated interim statement of loss and comprehensive loss of HDGC for the six months ended June 30, 2013 giving effect to the assumptions and adjustments as if it occurred on January 1, 2012.

(c) An unaudited pro-forma consolidated statement of loss and comprehensive loss combining (i) the audited consolidated statement of loss and comprehensive loss of SASC for the year ended December 31, 2012 with (ii) the audited consolidated statement of loss and comprehensive loss of HDGC for the year ended December 31, 2012 giving effect to the assumptions and adjustments as if it occurred on January 1, 2012.

The unaudited pro-forma consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto of SASC and HDGC described above. Any potential synergies that may be realized and integration costs that may be incurred upon completion of the transactions have been excluded from the unaudited pro-forma consolidated financial statements. The unaudited pro-forma financial information is not indicative of the results of operations that may be obtained in the future.

## 2. PRO-FORMA TRANSACTIONS AND ADJUSTMENTS

For purposes of these pro-forma consolidated financial statements, all Cdn. $ amounts have been translated into U.S. dollars using an exchange rate of 0.9712 which is the closing rate on October 21, 2013. The pro-forma consolidated financial statements reflect the following assumptions and adjustments:

(a) Subsequent to June 30, 2013, HDGC acquired Pilot Gold Inc.'s ("PGI") remaining interest in the Gold Springs project by purchasing the remaining membership interest in Gold Springs LLC, the company holding the Gold Springs project, for consideration of 6,058,667 common shares of

HDGC at a fair value of Cdn. $0.08 per share for a total fair value of $465,354. The difference between the book value of PGI's non-controlling interest in HDGC ($1,503,163) and the fair value of the consideration paid ($465,354) was transferred to contributed surplus ($1,037,809).

(b) SASC common shares will be exchanged for Class A and Class B shares. Each shareholder of SASC as at the date of the Arrangement will receive one Class A and one Class B share. The Class B shareholders will be entitled to receive 85% of the net cash proceeds (after costs, including applicable taxes, and third party funder's portion of any award) in cash from any arbitration award or settlement arising from the Bolivian government's 2012 expropriation of the Malku Khota Project with the balance of net proceeds remaining with SASC for the benefit of all shareholders. The Class B shares will be non-voting and non-participating in regards to dividend and liquidation rights. Each outstanding SASC option and warrant will be exercisable to acquire one SASC Class A share and one SASC Class B share instead of a common share at the same exercise price.

The Class B shares are determined to have a fair value of Cdn. $0.175 per Class B share. The estimated fair value of a Class B share was based on the closing price of a SASC common share on October 21, 2013 (Cdn. $0.43) and the estimated relative value of the Malku Khota project. The fair value of a Class A share was estimated by taking the closing trading price of a SASC common share on October 21, 2013 (Cdn. $0.43) less the estimated fair value of a Class B share (Cdn. $0.175) for an estimated fair value of Cdn. $0.255 per Class A share.

Shareholders are advised that the Class A and Class B share prices estimated herein are calculated for the purpose of the pro-forma consolidated financial statements and shall not be construed by the shareholders as an indicative tax value of the Class A or B shares for income tax purposes. As the final proportion cannot be determined prior to the closing of the Arrangement, the Company will advise holders on its website shortly after the closing of the Arrangement as to its views on such division of adjusted cost base of the common shares into Class A and Class B shares. In order to comply with the requirements of the Income Tax Act (Canada), such allocation will, in general terms, reflect the Company's estimate of fair market values for certain property determined at the time of the Arrangement and may well not be reflective of the relative trading price of the Class A shares and the Class B shares after the Arrangement. As well, the Company's views on the allocation of adjusted cost base are not binding on the Canada Revenue Agency or a court.

The Class B shares are financial instruments, not equity instruments. Accordingly, the Class B shares are included as non-current liabilities.

(c) The Arrangement will be accounted for as an asset acquisition. HDGC shareholders will receive 0.275 of a SASC Class A Share for each HDGC common share held. Taking into consideration the 16,077,000 common shares of HDGC currently held by SASC, SASC will be deemed to have issued 19,460,073 Class A shares at the estimated fair value of Cdn. $0.255 per Class A share to acquire the assets and liabilities of HDGC.

Immediately prior to the Arrangement, the fair value of the equity investment in HDGC held by SASC will be fair valued at $1,092,979. The fair value of the 16,077,000 common shares of HDGC currently held by SASC is determined using the closing price of HDGC common shares on October 21, 2013 (Cdn. $0.07). A loss of $359,192 will be recognized in deficit.

All outstanding HDGC options and warrants will be exercisable to acquire SASC Class A shares with the number of SASC Class A shares and exercise price proportionately adjusted to reflect the consideration to be received by the HDGC shareholders pursuant to the Arrangement. The warrant derivative liabilities in HDGC will be eliminated as HDGC will no longer have any warrants outstanding. The warrants outstanding in SASC are equity instruments for accounting purposes, not financial instruments (derivative liabilities).

The fair value of the 1,501,500 options deemed granted ($187,372) was estimated using the Black-Scholes option-pricing model. Weighted average assumptions used in the pricing model were as follows: stock price at grant date – Cdn. $0.255; exercise price - Cdn. $0.900; risk-free interest rate – 1.42%; expected life – 4.41 years; expected volatility – 100%; expected forfeitures – nil%; and expected dividends – nil.

(Unaudited – Expressed in U.S. Dollars)

The fair value of the 1,721,500 warrants deemed issued ($136,632) was estimated using the Black-Scholes option-pricing model. Weighted average assumptions used in the pricing model were as follows: stock price at issuance date - Cdn. $0.255; exercise price - Cdn. $0.834; risk-free interest rate – 1.12%; expected life – 2.51 years; expected volatility – 100%; expected forfeitures – nil%; and expected dividends – nil.

Transaction costs associated with the Arrangement are estimated to be $630,000 comprised of professional fees ($550,000), filing and transfer agent fees ($40,000) and other miscellaneous costs ($40,000). Transaction costs incurred by SASC ($480,000) are included in the consideration paid to acquire HDGC and transaction costs incurred by HDGC ($150,000) are expensed pre-Arrangement.

The purchase price has been allocated as follows:

| | $ |
|---|---|
| Cash and cash equivalents | 2,945,113 |
| Receivables and prepaids | 175,603 |
| Value added tax credits | 21,495 |
| Equipment | 159,659 |
| Investment in Highvista Gold Inc. | 534,156 |
| Mining claims and deferred exploration costs | 3,829,410 |
| Accounts payable and accrued liabilities | (384,746) |
| Taxes payable | (299,088) |
| Value added tax payable | (265,215) |
| Net assets acquired | 6,716,387 |
| Fair value of 19,460,073 Class A shares deemed issued by SASC | 4,819,404 |
| Equity investment in HDGC de-recognized by SASC | 1,092,979 |
| Fair value of 1,501,500 stock options deemed granted by SASC | 187,372 |
| Fair value of 1,721,500 warrants deemed issued by SASC | 136,632 |
| Transaction costs incurred by SASC | 480,000 |
| Aggregate fair value of consideration paid | 6,716,387 |

## 3. PRO-FORMA SHARE CAPITAL AND CONTRIBUTED SURPLUS

Share capital and contributed surplus as at June 30, 2013 in the unaudited pro-forma consolidated financial statements are comprised of the following:

| | Number of Shares # | Share Capital – Class A $ | Contributed Surplus $ |
|---|---|---|---|
| Share capital of SASC as at June 30, 2013 | 114,973,549 | 98,925,930 | 11,197,012 |
| Share capital of HDGC as at June 30, 2013 | 80,782,233 | 15,287,906 | 12,804,972 |
| HDGC shares issued to acquire PGI's remaining interest in the Gold Springs project | 6,058,667 | 465,354 | 1,037,809 |
| SASC shares split into Class A and Class B shares | - | (19,540,904) | - |
| SASC shares deemed issued to acquire HDGC | 19,460,073 | 4,819,404 | - |
| Fair value of stock options deemed granted by SASC | - | - | 187,372 |
| Fair value of warrants deemed issued by SASC | - | - | 136,632 |
| Elimination of share capital and contributed surplus of HDGC | (86,840,900) | (15,753,260) | (13,842,781) |
| | 134,433,622 | 84,204,430 | 11,521,016 |

(Unaudited – Expressed in U.S. Dollars)

## 4. PRO-FORMA BASIC AND DILUTED LOSS PER SHARE

| | Six months ended June 30, 2013 | Year ended December 31, 2012 |
|---|---|---|
| Weighted average number of shares outstanding of SASC | 114,973,549 | 111,240,866 |
| Pro-forma shares issued | 19,460,073 | 19,460,073 |
| Pro-forma weighted average number of shares outstanding | 134,433,622 | 130,700,939 |
| Pro-forma net loss | $ (5,730,408) | $ (11,999,809) |
| Pro-forma adjusted basic and diluted loss per share | $ (0.04) | $ (0.09) |

**SCHEDULE J**
**INTERIM ORDER**



Form 35 (Rules 8-4(1), 13-1(3) and 17-1(2))

No. S-138191
VANCOUVER REGISTRY

**IN THE SUPREME COURT OF BRITISH COLUMBIA**

IN THE MATTER OF SECTION 288 OF THE BUSINESS CORPORATIONS ACT (BRITISH COLUMBIA), S.B.C. 2002, C. 57, AS AMENDED

AND

IN THE MATTER OF AN ARRANGEMENT INVOLVING SOUTH AMERICAN SILVER CORP., HIGH DESERT GOLD CORPORATION, THEIR SECURITYHOLDERS AND MK ACQUISITION CORP.

Re: SOUTH AMERICAN SILVER CORP., HIGH DESERT GOLD CORPORATION AND MK ACQUISITION CORP., PETITIONERS

**ORDER MADE AFTER APPLICATION**
**(INTERIM ORDER)**

| | | |
|---|---|---|
| BEFORE MR. JUSTICE BETTON | ) | WEDNESDAY, THE 6TH DAY OF |
| | ) | |
| | ) | NOVEMBER, 2013 |

ON THE APPLICATION of the Petitioners, South American Silver Corp., High Desert Gold Corporation and MK Acquisition Corp. (the "**Petitioners**"), without notice, coming on for hearing at Vancouver, British Columbia on November 6, 2013 and on hearing counsel for the Petitioners, **Martin Palleson**;

THIS COURT ORDERS that:

1. The Petitioners, South American Silver Corp. ("**SASC**") and High Desert Gold Corporation ("**HDG**"), each be permitted to convene, hold and conduct a special meeting (a "**Meeting**" and, collectively, the "**Meetings**") of the registered holders (the "**SASC Shareholders**") of common shares of SASC (the "**SASC Common Shares**") and the registered holders (the "**HDG Shareholders**") of common shares of HDG (the "**HDG Shares**"), respectively, *inter alia*:

   (a) To consider and, if deemed advisable, pass with or without variation, resolutions (the "**Arrangement Resolutions**"): (i) authorizing, approving and adopting, with or without amendment, an arrangement (the "**Arrangement**") and the plan of arrangement implementing the Arrangement (the "**Plan of Arrangement**") substantially in the form attached as Schedule "F" to the management information circular of SASC (the "**SASC Circular**") which is attached as Exhibit "A" to Affidavit #1 of Phillip Brodie-Hall sworn November 4, 2013 (the "SASC

**Affidavit**"), involving the Petitioners and the securityholders of SASC and HDG; and

(b) transact such other business as may properly come before the Meetings or any adjournments thereof.

2. The Meetings shall each be called, held and conducted on December 9, 2013, in accordance with the provisions of the *Canada Business Corporations Act*, S.C. 1994, c. 24, as amended, (the "**CBCA**"), the Articles of SASC and HDG, as applicable, the SASC Circular, the Circular of HDG (the "**HDG Circular**") which is attached as Exhibit "A" to Affidavit #1 of William D. Filtness sworn November 4, 2013 (the "**HDG Affidavit**"), and applicable securities laws, or such other date as may be permitted under this Interim Order, and subject to the terms of this Interim Order and any further Order of this Court, and the rulings and directions of the Chairs of the Meetings, such rulings and directions not to be inconsistent with this Interim Order, and to the extent of any inconsistency or discrepancy between this Interim Order and the terms of any instrument creating or governing or collateral to the securities of SASC or HDG or to which such securities are collateral, or the Articles of SASC or HDG, this Interim Order shall govern.

AMENDMENTS

3. The Petitioners are authorized to make, in the manner contemplated by and subject to the arrangement agreement among the Petitioners dated October 21, 2013 (the "**Arrangement Agreement**"), such amendments, revisions or supplements to the Arrangement Agreement, Arrangement, Plan of Arrangement, notices of special meeting for the Meetings or the SASC Circular or the HDG Circular as they may determine without any additional notice to the SASC Shareholders or the HDG Shareholders or any further Order of this Court. The Arrangement Agreement, Arrangement and Plan of Arrangement, as so amended, revised or supplemented shall be the Arrangement Agreement, Arrangement and Plan of Arrangement that are the subject of the Arrangement Resolution.

ADJOURNMENTS AND POSTPONEMENTS

4. Notwithstanding the provisions of the CBCA and the Articles of SASC and HDG, the Board of Directors of SASC or HDG by resolution shall be entitled to adjourn or postpone one or both of the Meetings on one or more occasions without the necessity of first convening a Meeting or the Meetings or first obtaining any vote of the SASC Shareholders or the HDG Shareholders respecting the adjournment or postponement and without the need for approval of the Court, subject to the Arrangement Agreement. Notice of any such adjournment shall be given by press release, news release, newspaper advertisement, or by notice sent to the SASC Shareholders or HDG Shareholders by one of the methods specified in paragraph 6 of this Interim Order, as determined to be the most appropriate method of communication by the Board of Directors of SASC or HDG, as applicable. The Record Date (as defined herein) shall not change in respect of any adjournments or postponements of a Meeting or the Meetings.

RECORD DATE

5. The record date (the "**Record Date**") for determining SASC Shareholders and the HDG Shareholders entitled to receive notice of and attend at the Meetings is the close of business on November 4, 2013 or such other date as the Board of Directors of SASC or HDG, as applicable, may determine and disclose to the SASC Shareholders or the HDG Shareholders, as applicable, in the manner they see fit.

NOTICE OF THE MEETINGS

6. The following information:

   (a) Notice of a Meeting for such Meeting, as applicable;

   (b) the SASC Circular or the HDG Circular, as applicable;

   (c) the Plan of Arrangement;

   (d) Notice of Application for Final Order (the "**Notice of Application**");

   (e) a letter of transmittal; and

   (f) a form of proxy for use by the SASC Shareholders or the HDG Shareholders, as applicable;

   (collectively, "**Meeting Materials**"), and this Interim Order (collectively with Meeting Materials, the "**Mailed Materials**") in substantially the same form contained as Exhibits to the SASC Affidavit or the HDG Affidavit, as applicable, with such amendments and inclusions thereto as counsel for the Petitioners may deem necessary or desirable, provided that such amendments and inclusions are not inconsistent with the terms of this Interim Order, shall be sent to:

   (I) the SASC Shareholders and the HDG Shareholders as they appear on the securities registers of SASC and HDG on the Record Date, such Mailed Materials to be sent at least twenty-one (21) days prior to the date of the Meetings, by one of the following methods:

      (i) by prepaid ordinary or air-mail addressed to the SASC Shareholder or the HDG Shareholders, as applicable, at his, her, or its address as it appears on the applicable securities registers of such Petitioners as at the Record Date;

      (ii) by delivery in person or by delivery to the addresses specified in paragraph (i) above; or

      (iii) by email or facsimile transmission to any SASC Shareholder or HDG Shareholder who identifies himself, herself or itself to the satisfaction of

SASC or HDG, as applicable, acting through its representatives, who requests such email or facsimile transmission;

(II) the directors and auditors of SASC and HDG by mailing the applicable Mailed Materials by prepaid ordinary mail, or by email or facsimile transmission, to such persons at least twenty-one (21) days prior to the date of the Meetings; and

(III) in the case of non-registered holders of SASC Shares or HDG Shares, by providing copies of the applicable Mailed Materials to intermediaries and registered nominees for sending to beneficial owners in accordance with National Instrument 54-101 – *Communications with Beneficial Owners of Securities of a Reporting Issuer* of the Canadian Securities Administrators at least four (4) business days prior to the twenty-first (21st) day prior to the date of the applicable Meeting;

and that service of the Notice of Application as herein described, shall constitute good and sufficient service of such Notice of Application upon all who may wish to appear in these proceedings, and no other service need be made.

7. Delivery of the Mailed Materials as ordered herein shall constitute compliance with the requirements of the CBCA and the Petitioners shall not be required to send to SASC securityholders or HDG securityholders any other or additional statement pursuant to the provisions of the CBCA.

8. The Notice of Application and SASC Circular in substantially the form attached as Exhibits "D" and "A" to the SASC Affidavit, with such amendments and inclusions thereto as counsel for the Petitioners may deem necessary or desirable, provided that such amendments and inclusions are not inconsistent with the terms of this Interim Order (the "**SASC Notice Materials**"), shall be mailed by prepaid ordinary mail, facsimile or e-mail to the registered holders of common share purchase options of SASC (the "**SASC Optionholders**") and common share purchase warrants of SASC (the "**SASC Warrantholders**") on or around twenty-one (21) days prior to the date of the Meetings at their addresses as they appear on the books of SASC on the Record Date. The service of the Notice of Application as herein described shall constitute good and sufficient service of such Notice of Application.

9. The Notice of Application and HDG Circular in substantially the form attached as Exhibits "D" and "A" to the HDG Affidavit, with such amendments and inclusions thereto as counsel for the Petitioners may deem necessary or desirable, provided that such amendments and inclusions are not inconsistent with the terms of this Interim Order (the "**HDG Notice Materials**"), shall be mailed by prepaid ordinary mail, facsimile or e-mail to the registered holders of common share purchase options of HDG (the "**HDG Optionholders**") and common share purchase warrants of HDG ("**HDG Warrantholders**") on or around twenty-one (21) days prior to the date of the Meetings at their addresses as they appear on the books of HDG on the Record Date. The service of the Notice of Application as herein described shall constitute good and sufficient service of such Notice of Application.

10. The accidental delay, failure or omission to give notice of the Meetings or the Notice of Application or to deliver the Mailed Materials, the SASC Notice Materials or the HDG Notice Materials, or the non-receipt of such notices or materials by, or any failure or omission to give such notice or deliver materials as a result of events beyond the reasonable control of the Petitioners (including, without limitation, any inability to use postal services) to any one or more of the persons specified herein shall not constitute a breach of this Interim Order, or in relation to notice to the securityholders of the Petitioners, a defect in the calling of one or both of the Meetings, and shall not invalidate any resolution passed or proceeding taken at one or both of the Meetings, but if any such failure or omission is brought to the attention of the Petitioners then they shall use reasonable best efforts to rectify it by the method and in the time most reasonably practicable in the circumstances.

11. The Petitioners be at liberty to give notice of this application to persons outside the jurisdiction of this Court in the manner specified herein.

12. The form of Notice of Application in substantially the form attached as Exhibit "D" to the SASC Affidavit is acceptable and shall constitute compliance with Rule 8-1(4) of the *Supreme Court Civil Rules*.

DEEMED RECEIPT OF NOTICE

13. The Meeting Materials, SASC Notice Materials and HDG Notice Materials shall be deemed, for the purposes of this Interim Order, to have been received:

    (a) in the case of mailing, the day, Saturdays and holidays excepted, following the date of mailing;

    (b) in the case of delivery in person, the day following personal delivery or the day following delivery to the person's address in paragraph 6 above; and

    (c) in the case of any means of transmitted, recorded or electronic communication, when dispatched or delivered for dispatch.

UPDATING MEETING MATERIALS

14. Notice of any amendments, updates or supplement to any of the information provided in the Meeting Materials, the SASC Notice Materials or the HDG Notice Materials may be communicated to the securityholders of the Petitioners by press release, news release, newspaper advertisement or by notice sent to the securityholders by any of the means set forth in paragraph 6 herein, as determined to be the most appropriate method of communication by the Board of Directors of the applicable Petitioner.

CONDUCT OF THE MEETINGS

15. The respective Chairs of the Meetings shall be an officer or director of the applicable Petitioner or such other person as may be appointed by the SASC Shareholders or the HDG Shareholders, as applicable, for that purpose.

16. The respective Chairs of the Meetings are at liberty to call on the assistance of legal counsel at any time and from time to time, as the Chairs of the Meetings may deem necessary or appropriate, during the Meetings, and such legal counsel is entitled to attend the Meetings for this purpose.

17. The only persons entitled to attend or speak at the Meetings shall be the SASC Shareholders or the HDG Shareholders, their proxyholders, the auditors of SASC or HDG, the officers and directors of SASC or HDG, employees and agents of SASC's or HDG's transfer agent, employees and agents of the solicitation agent, the professional and legal advisors to the Petitioners, and such other persons with the permission of the applicable Chair of such Meetings.

18. The Meetings may be adjourned for any reason upon the approval of the applicable Chair of such Meeting, and if a Meeting is adjourned, it shall be reconvened at a place and time to be designated by the Chair of that Meeting to a date which is not more than 30 days thereafter except for the reason of a lack of quorum.

QUORUM AND VOTING

19. The quorum at the SASC Meeting will be at least two persons present at the opening of the SASC Meeting who are entitled to vote thereat either as shareholders or proxyholders, representing collectively not less than 5% of the outstanding shares of SASC entitled to be voted at the SASC Meeting.

20. The quorum at the HDG Meeting will be at least two persons present at the opening of the HDG Meeting who are entitled to vote thereat either as shareholders or proxyholders, representing collectively not less than 5% of the outstanding shares of HDG entitled to vote at the HDG Meeting.

21. If no quorum for a Meeting is present within one-half hour from the time set for the holding of that Meeting, that Meeting shall stand adjourned to the same day in the next week at the same time and place and, if such day is a non-business day, the next business day following such day at the same time and place, and if at such adjourned meeting a quorum is not present within one-half hour from the time set for the holding of that Meeting, the SASC Shareholders or the HDG Shareholders present, or represented by proxy, and being one or more SASC Shareholders or HDG Shareholders, as applicable, entitled to vote at that Meeting, shall constitute a quorum.

22. Each SASC Shareholder and each HDG Shareholder shall be entitled to one vote for each SASC Share or HDG Share held by such registered holder, as applicable.

23. The requisite and sole approval for the SASC Arrangement Resolution shall be the affirmative vote of at least 66-2/3% of the votes cast on that arrangement resolution by the SASC Shareholders present in person or represented by proxy at that Meeting, voting as a single class.

24. The requisite approvals for the HDG Arrangement Resolution shall be the affirmative vote of at least 66-2/3% of the votes cast on that arrangement resolution by the HDG

Shareholders present in person or represented by proxy at that Meeting, voting as a single class, and the affirmative vote of a simple majority of the votes cast on that arrangement resolution by the HDG Shareholders present or represented by proxy at that Meeting, other than certain persons (SASC and directors and senior officers of SASC) excluded pursuant to Multilateral Instrument 61-101- Protection of Minority Security Holders in Special Transactions- of the Ontario Securities Commission and the Autorite des marches financiers of Quebec.

25. The only persons entitled to vote at the Meetings or any adjournment(s) thereof either in person or by proxy shall be the SASC Shareholders or the HDG Shareholders, as applicable, as at the close of business on the Record Date.

SCRUTINEERS

26. A representative of SASC's or HDG's registrar and transfer agent (or any agent thereof), as applicable, is authorized to act as a scrutineer for the Meetings.

SOLICITATION OF PROXIES

27. SASC or HDG, as applicable, is authorized to use the form of proxy in connection with the Meetings in substantially the same form contained in Exhibit "B" to the SASC Affidavit or the HDG Affidavit, as applicable, and SASC or HDG may in their discretion waive generally the time limits for deposit of proxies if such Petitioners deem it reasonable to do so. SASC and HDG are authorized, at their expense, to solicit proxies, directly and through their officers, directors and employees, and through such agents or representatives as they may retain for that purpose, and by mail or such other forms of personal or electronic communication as they may determine.

28. The procedure for the use of proxies at the Meetings shall be as set out in the Meeting Materials.

DISSENT RIGHTS

29. Each SASC Shareholder and HDG Shareholder shall be accorded the rights of dissent with respect to the SASC Arrangement Resolution or the HDG Arrangement Resolution approving the Arrangement, as applicable, as set out in Section 190 of the CBCA, as modified by the Plan of Arrangement and this Interim Order provided that written objection to the applicable Arrangement Resolution must be received by SASC or HDG c/o Gowling Lafleur Henderson LLP, Suite 2300, Bentall 5, 550 Burrard Street, Box 30, Vancouver, British Columbia V6C 2B5 (Attention: Martin L. Palleson) before the applicable Meeting or provided to SASC or HDG at the applicable Meeting.

APPLICATION FOR THE FINAL ORDER

30. Unless the Petitioners determine to abandon the Arrangement, upon the approval, with or without variation, by the SASC Shareholders and the HDG Shareholders of the SASC Arrangement Resolution and the HDG Arrangement Resolution, in the manner set forth

in this Interim Order, the Petitioners may apply to this Court for an order (being the Final Order):

(a) pursuant to sections 291(4)(c) of the *Business Corporations Act*, S.B.C. c.57, as amended (the "**BCBCA**"), declaring that the Arrangement, including the terms and conditions thereof and the issuances, exchanges and/or adjustments of securities contemplated therein, is fair and reasonable to the securityholders of SASC and HDG;

(b) pursuant to sections 291(4)(a) and 291(4)(b)(i) of the BCBCA, approving the Arrangement, including the terms and conditions thereof and the issuances, exchanges and/or adjustments of securities contemplated therein; and

(c) pursuant to section 297 of the BCBCA, that the Arrangement shall be binding on the Petitioners and their securityholders as and from the Effective Time of the Arrangement.

and that the application for the Final Order (the "**Final Application**") shall be set down for hearing before a Judge at the Courthouse at 800 Smithe Street, Vancouver, British Columbia, on December 19, 2013 or such other date and time as the Petitioners may decide, and that the Petitioners shall be at liberty to proceed with the Final Application on that date.

31. Any securityholder of the Petitioners, any director or auditor of the Petitioners, or any other interested party with leave of the Court may appear and make submissions at the Final Application provided that such person first file a Response to Petition, in the form prescribed by the *Supreme Court Civil Rules* and deliver a copy of the filed Response to Petition, together with a copy of all material on which such person intends to rely at the Final Application, including an outline of such person's proposed submissions, to the solicitors for the Petitioners at its address for delivery as set out in the Petition, on or before 4:00 p.m. (Pacific Daylight Time) on December 12, 2013, or as the Court may otherwise direct.

32. The only persons entitled to notice of any further proceedings herein, including any hearing to sanction and approve the Arrangement, and to appear and be heard thereon, shall be the solicitors for the Petitioners and those persons who have delivered a Response to Petition in accordance with this Interim Order.

33. Subject to other provisions in this Interim Order, no material other than that contained in the Mailed Materials, the SASC Notice Materials or the HDG Notice Materials need be served on any persons in respect of these proceedings and, in particular, service of the Petition herein and the accompanying affidavits and additional affidavits as may be filed is hereby dispensed with.

34. If the Final Application is adjourned, only those persons who have filed and delivered a Response to Petition in accordance with this Order need to be served and provided with notice of the adjourned date and any filed materials.

35. The Petitioners shall be entitled, at any time, to apply to vary this Order.

36. The provisions of Rule 16-1 and Rule 8-1 are hereby dispensed with for the purposes of any further application to be made pursuant to this Petition.

37. The Petitioner shall be at liberty to apply for such further orders as may be appropriate.

38. To the extent of any inconsistency or discrepancy between this Interim Order and the SASC Circular, the HDG Circular, the CBCA, the BCBCA, applicable securities laws or the Articles of SASC or HDG, this Interim Order shall prevail.

THE FOLLOWING PARTIES APPROVE THE FORM OF THIS ORDER AND CONSENT TO EACH OF THE ORDERS, IF ANY, THAT ARE INDICATED ABOVE AS BEING BY CONSENT:

By the Court

Counsel for the Petitioners, South American Silver Corp., High Desert Corporation, MK Acquisitions Corp.

REGISTRAR

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No. _____
VANCOUVER REGISTRY

**IN THE SUPREME COURT OF BRITISH COLUMBIA**

IN THE MATTER OF SECTION 288 OF THE BUSINESS CORPORATIONS ACT (BRITISH COLUMBIA), S.B.C. 2002, C. 57, AS AMENDED

AND

IN THE MATTER OF AN ARRANGEMENT INVOLVING SOUTH AMERICAN SILVER CORP., HIGH DESERT GOLD CORPORATION, THEIR SECURITYHOLDERS AND MK ACQUISITIONS CORP.

SOUTH AMERICAN SILVER CORP.,
HIGH DESERT GOLD CORPORATION AND MK ACQUISITION CORP.

PETITIONERS

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**ORDER MADE AFTER APPLICATION**
**(INTERIM ORDER)**

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**Martin Palleson**
Gowling Lafleur Henderson LLP
Barristers & Solicitors
550 Burrard Street, Suite 2300, Bentall 5
Vancouver, BC
V6C 2B5 Canada

Facsimile: 604-683-3558

## SCHEDULE K
## APPLICATION FOR FINAL ORDER

### NOTICE OF APPLICATION

TAKE NOTICE that the Petition of South American Silver Corp. ("**SASC**"), High Desert Gold Corporation ("**HDG**") and MK Acquisition Corp. (collectively, the "**Petitioners**") dated November 4, 2013, for approval of a plan of arrangement (the "**Arrangement**") pursuant to the *Business Corporations Act* (British Columbia), S.B.C. 2002, c. 57, as amended, and for a determination that the terms and conditions of the Arrangement, and the exchange of securities and other matters contemplated therein, are fair and reasonable to the shareholders of SASC and shareholders and warrant holders of HDG (collectively, the "**Securityholders**"), and that the Arrangement be binding upon the Petitioners and the Securityholders upon taking effect, will be heard at the courthouse at 800 Smithe Street, Vancouver, BC V6Z 2E1 on December 19, 2013 at 9:45 a.m. or as soon thereafter as counsel may be heard (the "**Final Order**").

AND NOTICE IS FURTHER GIVEN that by an Order Made After Application of the Supreme Court of British Columbia, pronounced November 6, 2013, the Court has given directions as to the calling of special meetings of the registered holders of common shares of both SASC and HDG for the purpose of, among other things, considering and voting upon the Arrangement and approving the Arrangement.

AND NOTICE IS FURTHER GIVEN that the Final Order approving the Arrangement as procedurally and substantively fair and reasonable to the Securityholders will, if made, serve as the basis of an exemption from the registration requirement of the United States Securities Act of 1933, as amended, pursuant to Section 3(a)(10) thereof with respect to securities issued and exchanged under the Arrangement.

IF YOU WISH TO BE HEARD, any securityholder of the Petitioners desiring to support or oppose the application has the right to appear (either in person or by counsel) and make submissions at the hearing of the application for the Final Order, subject to filing a Response to Petition and delivering a copy of the filed Response to Petition together with a copy of any additional affidavits and other materials on which the person intends to rely at the hearing for the Final Order on or before 4:00 p.m. (Pacific Daylight Time) on December 12, 2013, to the solicitors for the Petitioners at:

Gowling Lafleur Henderson LLP
550 Burrard Street, Suite 2300
Vancouver, B.C. V6C 2B5
Attention: Martin L. Palleson

ANY OTHER INTERESTED PARTY WHO WISHES TO BE HEARD may, with leave of the Court, appear to support or oppose the application and/or make submissions at the hearing of the application for the Final Order, subject to filing a Response to Petition and delivering a copy of the filed Response to Petition together with a copy of any additional affidavits and other materials on which the person intends to rely at the hearing for the Final Order on or before 4:00 p.m. (Pacific Daylight Time) on December 12, 2013, to the solicitors for the Petitioners at:

Gowling Lafleur Henderson LLP
550 Burrard Street, Suite 2300
Vancouver, B.C. V6C 2B5
Attention: Martin L. Palleson

IF YOU WISH TO BE NOTIFIED OF ANY ADJOURNMENT OF THE FINAL ORDER APPLICATION, YOU MUST GIVE NOTICE OF YOUR INTENTION by filing and delivering a Response to Petition, as aforesaid.

AT THE HEARING OF THE FINAL ORDER APPLICATION, the Court may approve the Arrangement as presented, or may approve it subject to such terms and conditions as the Court deems fit.

IF YOU DO NOT FILE A RESPONSE TO PETITION and attend either in person or by counsel at the time of such hearing, the Court may approve the Arrangement, as presented, or may approve it subject to such terms and conditions as the Court shall deem fit, all without any further notice to you. If the Arrangement is approved, it will significantly affect the rights of the Securityholders.

**SCHEDULE L**
**FAIRNESS OPINION**


21 October, 2013

The Board of Directors of
South American Silver Corp.
650 West Georgia Street
Suite 2100
PO Box 11590
Vancouver, BC
V6B 4N8
CANADA

Dear Sirs:

GMP Securities L.P. ("**GMP**") understands that South American Silver Corp. ("**SASC**") intends to acquire all of the issued and outstanding common shares of High Desert Gold Corporation ("**HDGC**") in a transaction, to be effected by way of a plan of arrangement governed under the laws of Canada, Division 5 of Part 9 of the *Business Corporations Act*, S.B.C. 2002, c.57, as amended (the "**Arrangement**"), pursuant to the terms of an arrangement agreement dated 21 October, 2013 between SASC and HDGC (the "**Arrangement Agreement**").

*The Arrangement*

Pursuant to the Arrangement, SASC will acquire the entire issued share capital of HDGC that it does not already own, with HDGC shareholders receiving consideration of 0.275 class A common shares of SASC in exchange for each common share of HDGC they hold. As part of the Arrangement, each common share of SASC as of the Effective Date of the Arrangement will be exchanged for one Class A common share and one Class B share immediately prior to the completion of the acquisition of the common shares of HDGC. The newly created Class B shares of SASC will entitle the holders thereof to receive, in the aggregate, 85% of the net cash proceeds from any award or settlement received by SASC or any of its affiliates in connection with the ongoing dispute with the Government of Bolivia related to its expropriation of the Malku Khota Project.

The Arrangement is subject to the satisfaction or waiver of certain conditions precedent, including, without limitation:

- approval by at least $66^2/_3$ per cent of the votes cast in person or by way of proxy at a meeting of holders of SASC common shares;
- approval by at least $66^2/_3$ per cent of the votes cast in person or by way of proxy at a meeting of holders of HDGC common shares;
- the receipt by HDGC of minority approval in accordance with MI 61-101; and

- all required court, regulatory, stock exchange and other approvals.

*GMP's Engagement*

The board of directors of SASC (the "**Board**") formally retained GMP to act as its financial advisor in respect of the Arrangement pursuant to an engagement letter (the "**Engagement Letter**") dated 17 April, 2013 to deliver, at the request of the Board, an opinion (the "**Opinion**") as to whether the consideration to be paid to the shareholders of HDGC in connection with the Arrangement is fair, from a financial point of view, to the shareholders of SASC.

Pursuant to the Engagement Letter, for its role as a financial advisor to the Company, GMP will receive fees from the Company. In addition, GMP is to be reimbursed for all reasonable legal and out-of-pocket expenses. The fees payable to GMP are payable on the delivery of the Opinion. No portion of the fees payable to GMP is contingent upon the conclusions reached by GMP herein or the successful completion of the Arrangement. The fee received by GMP in connection with the Engagement Letter is not material to GMP. In addition, GMP and its affiliates and their respective directors, officers, partners, employees, agents and controlling persons are to be indemnified by SASC under certain circumstances from and against certain potential liabilities arising out of the performance of professional services rendered to SASC. GMP may in the future, in the ordinary course of business, seek to perform financial advisory services or corporate finance services for SASC and its associates from time to time.

GMP has not been engaged to prepare, and has not prepared, a valuation or appraisal of SASC, HDGC, or any of the respective assets, securities or liabilities thereof (whether on a stand alone basis or as a combined entity), and the Opinion should not be construed as such. Furthermore, the Opinion is not, and should not be construed as, advice as to the price at which the common shares of SASC (before or after the announcement or completion of the Arrangement) may trade at any future date. GMP was similarly not engaged to review any legal, tax or accounting aspects of the Arrangement, and accordingly, expresses no view thereon. We have assumed, with your agreement, that the Arrangement is not a "related party transaction" for SASC as defined in Multilateral Instrument 61-101 ("**MI 61-101**") and, accordingly, the Arrangement is not subject to the valuation requirements under MI 61-101.

*Credentials of GMP*

GMP is a wholly-owned subsidiary of GMP Capital Inc., which is a publicly traded investment banking firm listed on the Toronto Stock Exchange with offices in Toronto, Calgary, Montreal, New York, London, Perth and Sydney. GMP is a leading independent Canadian investment dealer focused on investment banking and institutional equities for corporate clients and institutional investors. As part of its investment banking activities, GMP is regularly engaged in the valuation of securities and the preparation of fairness opinions in connection with mergers and acquisitions, public offerings and private placements of listed and unlisted securities and regularly engages in market-making, underwriting and secondary trading of securities in connection with a variety of transactions. GMP is not in the business of providing auditing services and is not controlled by a financial institution.

The Opinion expressed herein represents the opinion of GMP, and the form and content hereof have been approved for release by a group of professionals of GMP, each of whom is experienced in merger, acquisition, divestiture, restructurings, valuation and fairness opinion matters.

This Opinion has been prepared in accordance with the Disclosure Standards for Formal Valuations and Fairness Opinions of the Investment Industry Regulatory Organization of Canada ("**IIROC**"), but IIROC has not been involved in the preparation or review of this fairness opinion or expressed any view thereon.

*Independence of GMP*

None of GMP, its affiliates or associates, is an insider, associate or affiliate (as such terms are defined in the *Securities Act* (Ontario)) of SASC or HDGC or of any of their respective subsidiaries, associates or affiliates. GMP has been retained by SASC to provide financial advisory services pursuant to the terms of the Engagement Letter, which includes the delivery of the Opinion to the Board in respect of the Arrangement.

GMP may, in the ordinary course of its business, provide financial advisory or investment banking services to SASC and/or HDGC or any of their respective affiliates from time to time. In addition, in the ordinary course of its business, GMP acts as a trader and dealer, both as principal and agent, in major financial markets and, as such, may have, today, or in the future, positions in the securities of SASC and/or HDGC or their respective affiliates or associates and, from time to time, may have executed or may execute transactions on behalf of SASC or HDGC or other clients for which it received or may receive compensation. In addition, as an investment dealer, GMP conducts research on securities and may, in the ordinary course of its business, provide research reports and investment advice to its clients on investment matters, including with respect to SASC and/or HDGC or their respective affiliates or associates.

*Scope of Review*

GMP has acted as financial advisor to the Board in respect of the Arrangement and certain related matters. In this context and for the purpose of preparing the Opinion, we have analyzed financial, operational and other information relating to SASC and HDGC, including information derived from meetings and discussions with the management of SASC. GMP has not conducted any independent investigations to verify the accuracy and completeness thereof.

In connection with rendering the Opinion, we have reviewed and relied upon, or carried out, among other things, the following:

a) reviewed the Arrangement Agreement as it relates to financial matters;

b) reviewed and analyzed certain publicly available financial statements, technical information, regulatory announcements and other information of SASC and HDGC;

c) reviewed various equity research reports and industry sources regarding SASC and HDGC;

d) reviewed certain internal financial models, analyses, forecasts and projections prepared by the management of SASC relating to: (i) its business, (ii) the business of HDGC, and (iii) the business of the merged entity ("**Management Analysis**");

e) performed a comparison of the consideration to be paid to the shareholders of HDGC and the implied exchange ratio ("**Exchange Ratio**") to the recent levels at which the common shares of SASC and HDGC have traded;

f) performed a comparison of the Exchange Ratio to the various financial, operational, trading and technical measures on a relative basis based on Management Analysis;

g) discussed with the management of SASC concerning SASC's current business plan, its financial condition and its future business prospects as a standalone and merged entity;

h) reviewed the officers' certificate addressed to GMP executed by senior officers of SASC dated the date hereof and setting out representations as to certain factual matters and the completeness and accuracy of the information upon which the Opinion is based (the "**Officers' Certificate**"); and

i) considered such other corporate, industry and financial market information, and conducted such investigations and analyses as GMP considered necessary or appropriate in the circumstances.

In its assessment, GMP looked at several methodologies, analyses and techniques and used a blended approach to determine its opinion on the Arrangement. GMP based the Opinion upon a number of quantitative and qualitative factors.

GMP has not, to the best of its knowledge, been denied access by SASC to any information requested. GMP did not meet with the auditors or technical consultants of SASC or HDGC and has assumed the accuracy and fair presentation of the audited comparative consolidated financial statements and technical reports of both entities.

*Assumptions and Limitations*

With SASC's approval and as provided for in the Engagement Letter, GMP has relied upon and has assumed the completeness, accuracy and fair presentation of all financial and other information, data, advice, opinions, materials and representations obtained by GMP from public sources, as well as information which was provided to GMP by any of SASC, its subsidiaries, or the respective directors, officers, associates, affiliates, consultants, representatives or advisors thereof (whether verbal or written) (collectively referred to as the "**Information**") and the Opinion is conditional upon such completeness, accuracy and fairness. Subject to the exercise of professional judgment and except as expressly described herein, GMP has not attempted to verify independently the accuracy or completeness of any such Information. Senior officers of SASC have represented to GMP, in the Officers' Certificate delivered as at the date hereof, among other things, that the Information is complete, true and correct as at the date the Information was provided to GMP and did not, and does not, contain any material misrepresentation, and that, since the date of the Information, there has been no material change, financial or otherwise, in the position of SASC, or in its respective assets, liabilities (contingent

or otherwise), business, operations or prospects and there has been no change in any material fact or no new material fact which is of a nature as to render the Information or any part of the Information untrue or misleading in any material respect or which could reasonably be expected to have a material effect on the Opinion.

With respect to information regarding strategic plans, financial forecasts, projections, models, estimates and/or budgets provided to GMP and used in GMP's analysis, we note that projecting future results of any company is inherently subject to uncertainty. We have assumed, however, that such forecasts, projections, estimates and/or budgets were prepared using the assumptions identified therein, which, in the opinion of management of SASC and HDGC, are, or were at the time and continue to be, reasonable in the circumstances.

The Arrangement is subject to a number of conditions outside the control of SASC and HDGC and GMP has assumed any and all conditions precedent, contractual or otherwise, to the completion of the Arrangement can be satisfied in due course, and all consents, permissions, exemptions or orders of relevant regulatory authorities will be obtained, without adverse conditions or qualification, and that the Arrangement can proceed (legally and otherwise) as currently planned and scheduled and without material additional cost to SASC or HDGC or liability of SASC or HDGC to third parties. GMP has further assumed that, other than as publically disclosed, neither SASC nor HDGC will incur any material liability or obligation, or lose any material rights, as a result of the completion of the Arrangement and that the procedures being followed to implement the Arrangement are valid and effective, and in accordance with applicable laws and that the disclosure of SASC, HDGC and/or the Arrangement in any disclosure documents will be accurate and will comply with the requirements of applicable laws. In rendering the Opinion, GMP expresses no view as to the likelihood that any conditions respecting the Arrangement will be satisfied or waived or that the Arrangement will be completed on a timely basis.

The Opinion is rendered as of 21 October 2013 on the basis of securities markets, economic, financial and general business conditions prevailing as at the date hereof, and the condition and prospects, financial and otherwise, of SASC and HDGC as they were reflected in the Information and as they were represented to GMP in discussions with the management, officers and directors of SASC. In rendering the Opinion, GMP has assumed that there are no undisclosed material facts or material misrepresentation relating to SASC and HDGC, or their businesses, operations, capital or future prospects. Any changes therein may affect the Opinion and, although GMP reserves the right to change or withdraw the Opinion in such event, we disclaim any obligation to advise any person of any change that may come to our attention or to update the Opinion after today. Without limiting the foregoing, in the event that there is any material change in any fact or matter affecting the Opinion after the date hereof, GMP reserves the right to change, modify or withdraw the Opinion.

The Opinion has been provided solely for the use of the Board for the purposes of considering the Arrangement and may not be used by any other person or relied upon by any other person or for any other purpose. The Opinion does not constitute a recommendation to the Board or to any shareholder of SASC as to whether shareholders of SASC should vote in favour of the Arrangement. The Opinion is not to be reproduced, disseminated, quoted from or referred to (in whole or in part) without the express written consent of GMP, except that we consent to the

inclusion in any information circular of the Opinion in its entirety and to any accompanying disclosure that we approve in advance. GMP considered the Arrangement from a financial point of view of SASC and did not consider any other circumstances or views.

GMP believes that the analyses and factors considered in arriving at the Opinion must be considered as a whole and is not amenable to partial analyses or summary description and that selecting portions of the analyses and the factors considered, without considering all factors and analyses together, could create a misleading view of the process employed and the conclusions reached. Any attempt to do so could lead to undue emphasis on any particular factor or analysis. In arriving at the Opinion, GMP has not attributed any particular weight to any specific analyses or factor, but rather based the Opinion on a number of qualitative and quantitative factors deemed appropriate by GMP based on GMP's experience in rendering such opinions.

In our analyses and in connection with the preparation of the Opinion, GMP has made numerous assumptions with respect to industry performance, general business, market and economic conditions and other matters, many of which are beyond the control of any party involved in the Arrangement. While, in the opinion of GMP, the assumptions used in preparing the Opinion are reasonable in the current circumstances, some or all of these assumptions may prove to be incorrect.

***Conclusion and Fairness Opinion***

Based upon our analysis and subject to all of the foregoing and such other matters as we have considered relevant, GMP is of the opinion that, as of the date hereof, the consideration to be paid by SASC to the shareholders of HDGC pursuant to the Arrangement is fair, from a financial point of view, to the shareholders of SASC. The Opinion has been provided solely for the use of the Board for the purposes of considering the Arrangement and may not be used or relied upon by any other person or for any other purpose without the express prior written consent of GMP.

Yours very truly,

GMP Securities L.P.

**GMP SECURITIES L.P.**

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