SouthGobi Resources Ltd.

NOTICE OF ANNUAL MEETING

OF SHAREHOLDERS

and

MANAGEMENT PROXY CIRCULAR

to be held on May 17, 2011

DATED: March 24, 2011

SOUTHGOBI RESOURCES LTD.
654 – 999 Canada Place
Vancouver, BC V6C 3E1
Telephone: 604-681-6799 Fax: 604-682-2060

Notice of the annual meeting of Shareholders to be held on May 17, 2011

NOTICE IS HEREBY GIVEN that the annual meeting of the Shareholders of **SOUTHGOBI RESOURCES LTD.** (the “Company”) will be held at the Terminal City Club, 837 West Hastings Street, Vancouver, British Columbia, on Tuesday, May 17, 2011, at 9:00 a.m. local time (the “Meeting”) for the following purposes:

1. to receive the report of the Board of Directors (the “Directors”);
2. to receive the Company’s audited financial statements for the financial year ended December 31, 2010 and the auditors’ report thereon;
3. to appoint auditors for the Company for the ensuing year and to authorize the Directors to fix the auditors’ remuneration;
4. to elect Directors for the ensuing year;
5. to approve the electronic delivery of Annual and Interim Reports to shareholders resident in Hong Kong; and
6. to approve amendments to the Company’s Equity Incentive Plan to a) require shareholder approval for any amendment which reduces the exercise price or extends the expiry date of the option period in respect of any options; and b) increase the number of shares available under the share purchase plan from 200,000 to 500,000.

The Company will transact such other business as may properly come before the Meeting or any adjournment thereof.

The Directors have fixed March 18, 2011 as the record date for the determination of shareholders entitled to notice of, and to vote at, the Meeting and at any adjournment thereof.

A Management Proxy Circular, a Form of Proxy, an Annual Report containing the audited consolidated Financial Statements of the Company for the year ended December 31, 2010, the auditor’s report thereon, Management’s Discussion and Analysis (“MD&A”) and certain other documents accompany this Notice. The Management Proxy Circular contains details of matters to be considered at the Meeting.

A Shareholder who is unable to attend the Meeting in person and who wishes to ensure that such shareholder’s shares will be voted at the Meeting is requested to complete, date and sign the enclosed Form of Proxy and deliver it by facsimile, by hand or by mail in accordance with the instructions set out in the form of proxy and in the Management Proxy Circular. Instructions on how to vote over the Internet are also set out in the Management Proxy Circular.

DATED at Vancouver, British Columbia, this 24th day of March, 2011.

BY ORDER OF THE BOARD OF DIRECTORS

“*Beverly A. Bartlett*”

Beverly A. Bartlett
Vice President and Corporate Secretary

SOUTHGOBI RESOURCES LTD.
654 – 999 Canada Place
Vancouver, BC V6C 3E1
Telephone No: 604-681-6799 Fax No: 604-682-2060

MANAGEMENT PROXY CIRCULAR

This Management Proxy Circular is furnished to the holders of common shares ("shareholders") of SouthGobi Resources Ltd. (the "Company") (TSX:SGQ) (HKEx:1878) by management of the Company in connection with the solicitation of proxies to be voted at the annual meeting of shareholders (the "Meeting") to be held at 9:00 a.m. on Tuesday, May 17, 2011 at the Terminal City Club, 837 West Hastings Street, Vancouver, British Columbia, and at any adjournment thereof, for the purposes set forth in the Notice of Meeting that accompanies this Management Proxy Circular. Unless otherwise stated, this Management Proxy Circular contains information as at March 24, 2011.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

APPOINTMENT AND REVOCATION OF PROXIES

A Form of Proxy pertaining to the Meeting is enclosed. The individuals named in the enclosed Form of Proxy are directors and/or officers of the Company. **A shareholder wishing to appoint some other person (who need not be a shareholder) to represent such shareholder at the Meeting has the right to do so, either by inserting such person's name in the blank space provided on the Form of Proxy or by completing another Form of Proxy.**

An appointment of a proxyholder or alternate proxyholders will not be valid unless a Form of Proxy making the appointment, signed by the shareholder or by an attorney of the shareholder authorized in writing, is deposited with CIBC Mellon Trust Company:

a) by facsimile to 1-416-368-2502 or 1-866-781-3111;

b) by mail to P.O. Box 721, Agincourt, Ontario, M1S 0A1 Attn: Proxy Department;

c) by hand to The Oceanic Plaza, Suite 1600 - 1066 Hastings Street, Vancouver, British Columbia, V6E 3X1 or 320 Bay Street, Banking Hall Level, Toronto, Ontario, M5H 4A6; or

d) by Internet voting as described below;

and in each case must be received by CIBC Mellon Trust Company not less than 48 hours (excluding Saturdays, Sundays and statutory holidays) before the Meeting or any adjournment thereof at which the instrument of proxy is to be used.

In order to vote by Internet, have the Form of Proxy you received available and access the website at www.eproxyvoting.com/southgobi. You will be prompted to enter the 13-digit Control Number which is located in a box on the backside of the proxy. The cut-off time for voting over the Internet is 72 hours before the meeting (excluding Saturdays and Sundays) or any adjournment thereof.

If your shares are held in street name for your account, your broker or other nominee will advise you whether you may vote through the Internet. A number of banks and brokerage firms participate in programs that permit stockholders to direct their votes through the Internet.

In addition to revocation in any other manner permitted by law, a shareholder who has given a proxy may revoke it:

a) by depositing an instrument in writing executed by the shareholder or by the shareholder's attorney authorized in writing:

    i) at the registered office of the Company at any time up to and including the last business day preceding the day of the Meeting or any adjournment thereof at which the proxy is to be used; or

    ii) with the chairman of the Meeting on the day of the Meeting or any adjournment thereof; or

b) if the shareholder has given the proxy by Internet, at any time not later than 72 hours before the Meeting (excluding Saturdays, Sundays and statutory holidays) or an adjournment thereof at which the Form of Proxy is to be used, by accessing the Internet voting website at www.eproxyvoting.com/southgobi and following the instructions to change or revoke a proxy.

A revocation of a proxy does not affect any matter on which a vote has been taken before the revocation. Please note that if you vote and subsequently change your voting preferences you may vote again prior to the voting cut-off of 8:00 p.m. (EDT) on May 13, 2011. When you vote again, your latest vote will be recognized as your only valid vote, and all previous votes which you have recorded will be disregarded and considered as revoked.

VOTING OF PROXIES

Shares represented by properly executed Forms of Proxy in favour of the persons designated on the enclosed Form of Proxy will be voted or withheld from voting in accordance with instructions made on the proxy form in any ballot that may be called for. Where a shareholder specifies a choice as to any matter to be acted upon, the shares will be voted accordingly. **In the absence of such instructions, such shares will be voted in favour of the matters specified in the Form of Proxy.**

The enclosed Form of Proxy confers discretionary authority upon the nominees therein with respect to:

a) each matter or group of matters identified therein for which a choice is not specified;

b) any amendment to or variation of any matter identified therein; and

c) any other matter that properly comes before the Meeting.

At the time of printing of this Management Proxy Circular, the management of the Company knows of no such amendments, variations or other matters that may come before the Meeting, but if any amendment, variation or other matter properly comes before the Meeting, each nominee named in the accompanying Form of Proxy intends to vote thereon in accordance with the nominee's best judgment.

SOLICITATION OF PROXIES

The enclosed Form of Proxy is solicited by and on behalf of management of the Company.

This Management Proxy Circular, the accompanying Notice of Meeting and the enclosed Form of Proxy are to be mailed to shareholders on or about April 21, 2011.

All expenses incurred in connection with the preparation, printing and mailing of this Management Proxy Circular and the solicitation of proxies for use at the Meeting will be borne by the Company. In addition to solicitation by mail, the officers, directors and regular employees of the Company may, without additional compensation, other than reimbursement for out-of-pocket expenses, solicit proxies personally or by telephone.

No person is authorized to give any information or to make any representations other than those contained in this Management Proxy Circular and, if given or made, such information or representations must not be relied upon as having been authorized to be given or made.

VOTING SHARES AND RECORD DATE

Voting Shares

The Company has an authorized share capital consisting of an unlimited number of common shares without par value ("Common Shares") and an unlimited number of preferred shares without par value ("Preferred Shares"). As of March 24, 2011, 183,726,811 Common Shares were issued and outstanding as fully paid and non-assessable shares and no Preferred Shares were issued and outstanding. Each outstanding Common Share is entitled to one vote.

Record Date

A holder of record of Common Shares on the securities register of the Company at the close of business on March 18, 2011 (the "Record Date") who either attends the Meeting personally or deposits a properly completed Form of Proxy in the manner and subject to the provisions described above will be entitled to vote or to have such shares voted at the Meeting, except to the extent that the shareholder has transferred the ownership of any such shares after the Record Date and the transferee produces a properly endorsed share certificate for or otherwise establishes ownership of any of the transferred shares and makes a demand to the Company no later than 10 days before the Meeting that the transferee's name be included in the list of shareholders in respect thereof.

VOTING BY NON-REGISTERED SHAREHOLDERS

Only registered shareholders of the Company or the persons they appoint as their proxies are permitted to vote at the Meeting. Most shareholders of the Company are "non-registered" shareholders ("Non-Registered Shareholders") because the shares they own are not registered in their names but are instead registered in the name of the brokerage firm, bank or trust Company through which they purchased the shares. Shares beneficially owned by a Non-Registered Shareholder are registered either: (i) in the name of an intermediary (an "Intermediary") that the Non-Registered Shareholder deals with in respect of the shares of the Company (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 (ii) in the name of a clearing agency (such as The Canadian Depository for Securities

Limited) of which the Intermediary is a participant. In accordance with applicable securities law requirements, the Company will have distributed copies of the Notice of Meeting, this Management Proxy Circular, the Form of Proxy and the Supplemental Return Form (collectively, the "Meeting Materials") to the clearing agencies and Intermediaries for distribution to Non-Registered Shareholders.

Intermediaries are required to forward the Meeting Materials to Non-Registered Shareholders unless a Non-Registered Shareholder has waived the right to receive them. Intermediaries often use service companies to forward the Meeting Materials to Non-Registered Shareholders. Generally, Non-Registered Shareholders who have not waived the right to receive Meeting Materials will either be given:

a) a voting instruction form which is not signed by the Intermediary and which, when properly completed and signed by the Non-Registered Shareholder and returned to the Intermediary or its service corporation, will constitute voting instructions (often called a "voting instruction form") which the Intermediary must follow. Typically, the voting instruction form will consist of a one page pre-printed form. Sometimes, instead of the one page pre-printed form, the voting instruction form will consist of a regular printed proxy form accompanied by a page of instructions which contains a removable label with a bar-code and other information. In order for the form of proxy to validly constitute a voting instruction form, the Non-Registered Shareholder must remove the label from the instructions and affix it to the form of proxy, properly complete and sign the form of proxy and submit it to the Intermediary or its service corporation in accordance with the instructions of the Intermediary or its service corporation; or

b) a form of proxy which has already been signed by the Intermediary (typically by a facsimile, stamped signature), which is restricted as to the number of shares beneficially owned by the Non-Registered Shareholder but which is otherwise not completed by the Intermediary. Because the Intermediary has already signed the Form of Proxy, this Form of Proxy is not required to be signed by the Non-Registered Shareholder when submitting the proxy. In this case, the Non-Registered Shareholder who wishes to submit a proxy should properly complete the Form of Proxy and deposit it with the Company, c/o CIBC Mellon Trust Corporation, PO Box 721, Agincourt, Ontario, M1S 0A1.

In either case, the purpose of these procedures is to permit Non-Registered Shareholders to direct the voting of the shares of the Company they beneficially own. Should a Non-Registered Shareholder who receives one of the above forms wish to vote at the Meeting in person (or have another person attend and vote on behalf of the Non-Registered Shareholder), the Non-Registered Shareholder should strike out the persons named in the form of proxy and insert the Non-Registered Shareholder or such other person's name in the blank space provided. In either case, Non-Registered Shareholders should carefully follow the instructions of their Intermediary, including those regarding when and where the proxy or voting instruction form is to be delivered.

A Non-Registered Shareholder may revoke a form of proxy or voting instruction form given to an Intermediary by contacting the Intermediary through which the Non-Registered Shareholder's Common Shares of the Company are held and following the instructions of the intermediary respecting the revocation of proxies. In order to ensure that an Intermediary acts upon a revocation of a proxy form or voting instruction form, the written notice should be received by the Intermediary well in advance of the Meeting.

PRINCIPAL HOLDERS OF VOTING SHARES

The following table sets forth information as of March 24, 2011, with respect to:

a) all persons known by the Company's directors and executive officers to beneficially own, or control or direct, directly or indirectly, 10% or more of the Common Shares issued and outstanding on a non-diluted basis; and

b) share ownership by the current directors and executive officers of the Company as a group.

Name or Group and Municipality of Residence	Type of Ownership	Number of Issued Shares Owned(1)	% of Shares Outstanding
Ivanhoe Mines Ltd. Vancouver, B.C., Canada	Direct	104,807,155	57%
China Investment Corporation(2) Beijing, China	Indirect	25,017,908	14%
Directors & Executive Officers as a Group(3)	Direct/Indirect	51,576/5,000	0.03%

NOTES:

(1) The information as to Common Shares beneficially owned or controlled or directed that is not within the knowledge of the Company, its directors or officers, has been furnished by the respective shareholders or has been extracted from the register of shareholdings maintained by the Company.

(2) China Investment Corporation holds its Common Shares through Land Breeze II S.à-r.l.

(3) Common shares held by the directors and executive officers as a group do not include 3,761,000 common shares issuable upon the exercise of incentive stock options held, in aggregate, by the directors and executive officers.

DIRECTORS AND OFFICERS INSURANCE

The Company has purchased Directors' and officers' liability insurance with aggregate coverage in the amount of US$100 million. The aggregate premium for the insurance coverage was US$228,775. The coverage has a deductible of US$100,000 or US$50,000 depending on the type of claim.

COMPENSATION DISCUSSION AND ANALYSIS

Objectives of the Compensation Program

The Company's executive compensation program is administered by the Compensation and Benefits Committee (the "Compensation Committee"). The members of the Compensation Committee are all independent directors. Following review and approval by the Compensation Committee, recommendations relating to executive compensation are reported to, and approved by, the Board of Directors of the Company (the "Board").

In determining its recommendations to the Board, the Compensation Committee has the following objectives:

- to provide a strong incentive for management to contribute to the achievement of the Company's short-term and long-term goals;
- to ensure that the interests of the Company's executive officers and shareholders are aligned;

- to enable the Company to attract, retain and motivate executive officers of the highest caliber in light of the strong competition in the Company's industry for qualified personnel; and
- to provide fair, transparent, and defensible compensation.

Although compensation is generally tied to performance goals, the Compensation Committee and the Board maintain a degree of flexibility in making recommendations and compensation decisions.

How We Make Compensation Decisions

The Compensation Committee oversees and sets the general guidelines and principles for the Company's executive compensation policies. It assesses individual performance of the Company's executive officers and makes recommendations relating to compensation to the Board. Based on these recommendations, the Board makes decisions concerning the nature and scope of the compensation to be paid to the Company's executive officers. The Compensation Committee bases its recommendations to the Board on its compensation philosophy, market analysis for compensation paid by a peer comparator group, advice from third-party consultants and the Committee's assessment of individual performance based on an objective set of performance goals. The Company's total compensation package is made up of three elements: salary, bonus and equity incentives.

The Compensation Committee meets quarterly to deal with any compensation issues or more frequently as needed to address specific issues in respect of executive compensation. The Chairman of the Compensation Committee meets with the Chief Executive Officer ("CEO") at least annually to discuss management's corporate goals for the forthcoming year, and to complete the annual review of the CEO's performance. The Compensation Committee works with the CEO to evaluate the performance and set the compensation for the other NEOs (as defined below), including proposed salary adjustments, any bonus awards and the award of any stock options.

Report on the Company's Compensation practices

In August 2010, the Company's compensation consultants, Roger Gurr and Associates of Vancouver, Canada (the "Gurr Associates") completed a review of the compensation rewards for executives, management and directors (the "2010 Gurr Report"). The purpose of the 2010 Gurr Report was to review, analyze and recommend changes to the Company's compensation practices and pay grades for executives and selected management positions. Gurr Associates reviewed marketplace trends and analyzed executive compensation pay grades and practices for comparable coal producers. The 2010 Gurr Report used a comparative group consisting of 8 Australian and 10 North American coal producing companies with similar market caps and asset size compared to the Company. The peer comparator group of coal producers recognized the Company's increases in commercial coal production, enhanced market capitalization and its China focus. Gurr Associates concluded that the Company's current compensation structure was appropriate for its stage of development. Gurr Associates received Cdn$43,848 in fees for completing the 2010 Gurr Report.

2010 CEO and CFO Objectives

The Company sets annual performance objectives for its CEO and Chief Financial Officer ("CFO") to establish benchmarks by which to measure individual performance year over year.

In 2010, Mr. Molyneux's objectives involved, among other things, increasing SGQ's profile in China and amongst investment banks, supporting the Company's Hong Kong listing, maintaining good relations with the Mongolian government, the conversion of half the CIC debenture, the evaluation of possible merger and acquisition transactions, creating a new board reporting system and preparing a business plan for the Company.

In 2010, Mr. Krepiakevich's objectives related to, among other things, commissioning and completing the 2010 Gurr Report, standardizing corporate policies and procedures throughout the corporate group, coordinating the publication of the Company's continuous disclosure filings, supporting the Company's Hong Kong listing, initiating quarterly conference calls, preparing revised financial forecasts throughout the year and supporting the preparation of the business plan.

Elements of Total Compensation

For the purpose of this compensation discussion and analysis, the Company is providing disclosure with respect to its CEO, CFO and three highest paid executive officers as of December 31, 2010 (collectively the "Named Executive Officers" or "NEOs"). For 2010, the NEOs are: Alex Molyneux, President and CEO; Terry Krepiakevich, CFO; Curtis Church, COO; Tony Pearson, Vice President, Corporate Development; and Layton Croft, Vice President, External Affairs and Investor Relations. Mr. Church was promoted from Vice President, Mining Operations to COO in March 2011.

Base Salary

Base salary is paid in cash as a fixed amount of compensation for performing day-to-day responsibilities. The base salaries of the Company's executive officers are determined through negotiation of each executive officer's employment contract with increases typically based on an objective assessment of each individual's performance experience based on performance goals and other factors the Company believes to be relevant. These include prevailing industry demand for personnel having comparable skills and performing similar duties, the compensation the individual could reasonably expect to receive from a competitor, and the Company's ability to pay. The 2010 Gurr Report concluded that the Company's 2010 salaries were within the mid-point salary range for the Company's peer comparator group and within the median level of the peer comparator group.

Mr. Molyneux, the Company's CEO and President, had his salary set at US$500,000 per annum in 2010, based on a review of market comparables, retention considerations, and the increased responsibilities of executives following the Company's successful listing on the Hong Kong Stock Exchange. For 2011, Mr. Molyneux's salary remains at US$500,000.

The 2010 salary for Mr. Krepiakevich, the Company's CFO, was set at Cdn$300,000 based on a review of market comparables, retention considerations, and the increased responsibilities of executives following the Company's successful listing on the Hong Kong Stock Exchange. For 2011, Mr. Krepiakevich's salary remains at Cdn$300,000.

The 2011 salaries for Messrs. Molyneux and Krepiakevich reflect the fulfillment of substantially all of their performance goals for 2010.

The 2010 salary for Mr. Pearson, the Company's Vice President, Corporate Development was set at US$250,000 based on his substantial M&A and banking experience. For 2011, Mr.

Pearson's salary was increased to US$265,000 to reflect his increased and integral role in the Company's M&A activity.

The 2010 salary for Mr. Church, the Company's Chief Operating Officer was US$255,000 based on his extensive mine operating experience. For 2011, Mr. Church's salary was increased to US$265,000 to reflect his increased responsibility for the expansion of the Ovoot Tolgoi mine in a safe and cost effective manner.

The 2010 salary for Mr. Croft, the Company's former Vice President, External Affairs and Investor Relations was US$265,000 based on his substantial experience in Mongolia. In January 2011, Mr. Croft left the Company to pursue other business opportunities.

Bonus Compensation

Bonus awards are earned for achieving short-term goals and other strategic objectives based on a variety of factors, including the individual's performance and contributions, improvements in job proficiency, retention risks and concerns, succession requirements, and compensation changes in the market. Generally the more senior the executive, the more performance measurement is weighted to overall corporate objectives. The 2010 Gurr Report made recommendations for the annual bonus plan based upon a strategy of providing total cash compensation (salary plus bonus) above the median and towards the top quartile of the comparator group.

Mr. Molyneux was awarded a bonus for 2010 of US$300,000 and Mr. Krepiakevich was awarded a bonus of Cdn$180,000, reflecting the fulfillment of substantially all of their 2010 performance goals, and their management of significant operational challenges experienced by the Company during 2010.

Mr. Pearson was awarded a bonus of US$130,000 for his increased role in the successful execution of the Company's M&A strategies and plans, including the Company's successful investment in Aspire Mining Ltd.

Mr. Church received a bonus of US$100,000 to reflect his assumption of additional operational responsibilities during 2010.

Mr. Croft was awarded a bonus of US$25,000 for his work in the Mongolian community and governmental relations.

Equity Incentives

An equity incentive component in the form of options is a key part of the executives' overall compensation package, reflecting the Company's belief that stock options offer an effective mechanism for incentivizing management and aligning the interests of executive officers with those of shareholders. Since incentive stock options are not granted at a discount to the prevailing market price of the Company's Common Shares, the incentive stock options granted to the Company's executive officers accrete value only when the market price of such shares increases, thereby linking equity-based executive compensation to shareholder returns. The 2010 Gurr Report concluded that incentive stock options continue to be a significant element of executive compensation for the Company's peer comparator group. Gurr Associates recommended that the Company continue its practice of awarding options to reward and motivate executives to continue their efforts to create shareholder value.

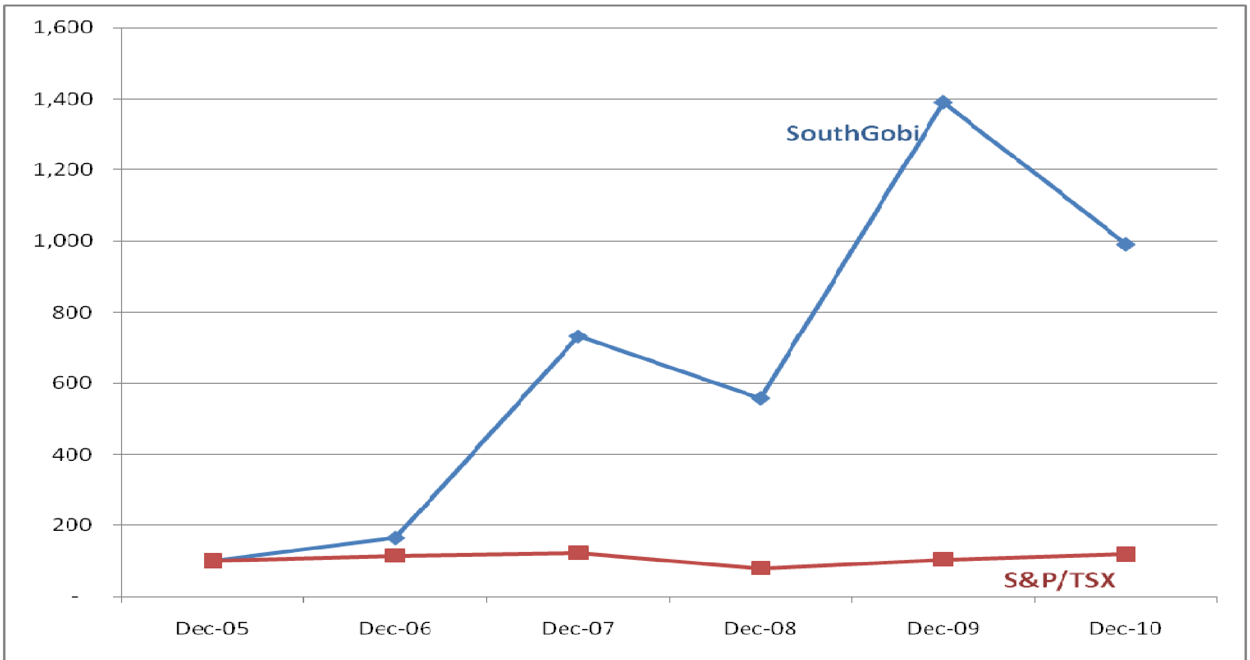
Generally the grant of stock options is made on an annual basis. In granting stock options, the Compensation Committee considers a number of factors. These include the dilutive effect of stock options on existing shareholders, individual and corporate performance factors, the Compensation Committee's evaluation of each officer's ability to influence long-term success of the Company, retention considerations and performance motivation. The Compensation Committee also considers each executive's existing stock option position.

In August 2010, Mr. Molyneux received 325,000 options, Mr. Krepiakevich received 150,000 options, Mr. Church received 200,000 options, Mr. Pearson received 250,000 options and Mr. Croft received 250,000 options (which were subsequently cancelled when he left the Company in January 2011).

Each option is exercisable for a five year term and vests 33% on the first anniversary of the date of grant, 33% on the second anniversary of the date of grant, and 34% on the third anniversary of the date of grant. The options are all exercisable at a price of Cdn$12.58 with the exception of options held by Mr. Pearson which were granted in February 2010 and are exercisable at a price of Cdn$15.09.

Performance Graph

The following graph and table compares the cumulative shareholder return on a Cdn$100 investment in Common Shares of the Company to a similar investment in companies comprising the S&P/TSX Composite Index, including dividend reinvestment, for the period from December 31, 2005 to December 31, 2010.



	Dec-05	Dec-06	Dec-07	Dec-08	Dec-09	Dec-10
SouthGobi Resources	100	164	732	558	1,390	990
S&P/TSX Composite Index	100	115	123	80	104	119

NOTES:

The common shares of the Company were listed on the TSX Venture Exchange until December 3, 2009, after which time the common shares were listed on The Toronto Stock Exchange.

The trend in overall compensation paid to the Company's executive officers over the past five years has not directly tracked the performance of the market price of the Company's common shares, or the S&P/TSX Composite Index. Given the Company's stage of development, the current share price is not a significant factor in cash compensation consideration. The value of long term incentive compensation in the form of stock options will be influenced by the Company's share price performance.

Other Compensation

The aggregate "other compensation" received by each Named Executive Officer is disclosed in the Summary Compensation Table below. The rational result in the payment of "other compensation" is described in this section. The Company does not provide its executive officers with a pension plan.

Summary Compensation Table

The following executive compensation disclosure for each NEO is provided as of December 31, 2010, December 31, 2009 and December 31, 2008:

Summary Compensation Table (US$)

Name and principal position	Year	Salary ($)(1)	Share-based awards ($)	Option-based awards ($)(10)	Non-equity incentive plan compensation ($)		Pension value ($)	All other compensation ($)(2)	Total compensation ($)
					Annual incentive plans	Long-term incentive plans			
Alexander Molyneux, (3) President and Chief Executive Officer	2010	$502,047	-	$1,883,108	$300,000	-	$1,545	-	$2,686,700
	2009	$238,355	-	$2,567,899	$315,000	-	$1,161	-	$3,122,415
	2008	-	-	-	-	-	-	-	-
Terry Krepiakevich,(4) Chief Financial Officer	2010	$297,899	-	$869,127	$180,972	-	$2,100	-	$1,350,098
	2009	$211,298	-	$563,214	$215,000	-	$2,119	-	$991,631
	2008	$187,480	-	$963,092	$49,179	-	$2,049	-	$1,201,800
Curtis Church, Chief Operating Officer	2010	$190,052	-	$1,158,836	$100,000	-	-	$89,381(7)	$1,538,269
	2009	$177,633	-	$337,928	$48,000	-	-	$50,518(8)	$614,079
	2008	$161,216	-	$732,003	-	-	-	-	$893,219

Name and principal position	Year	Salary ($)[(1)]	Share-based awards ($)	Option-based awards ($)[(10)]	Non-equity incentive plan compensation ($)		Pension value ($)	All other compensation ($)[(2)]	Total compensation ($)
					Annual incentive plans	Long-term incentive plans			
Tony Pearson[(5)], Vice President, Corporate Development	2010	$201,148	-	$1,507,326	$130,000	-	-	-	$1,838,474
	2009	-	-	-	-	-	-	-	-
	2008	-	-	-	-	-	-	-	-
Layton Croft,[(6)] Former Vice President, External Affairs and Investor Relations	2010	$87,471	-	$1,448,545	$25,000	-	-	$64,515[(9)]	$1,625,531
	2009	-	-	-	-	-	-	-	-
	2008	-	-	-	-	-	-	-	-

NOTES:

(1) The salaries for the Named Executives Officers are paid in either Canadian, Mongolian, or Hong Kong currencies. For the purpose of reporting the salaries in the Summary Compensation Table in U.S. currency, the salaries paid to the Named Executive Officers are converted using the exchange rate on the date an amount was paid.

(2) For the purpose of reporting all other compensation in the Summary Compensation Table in U.S. currency, foreign currency amounts were converted using the Bank of Canada rates on the date an amount was paid.

(3) Mr. Molyneux's salary was paid in Hong Kong dollars. Upon conversion to U.S. funds, and based on the average exchange rate for the year, the amount totalled $502,047.

(4) The Company permits employees that end a calendar year with more than ten (10) unused vacation days to choose to receive payment for the unused vacation days, or to carry the days forward to be used in the 2011 calendar year. In 2010, Mr. Krepiakevich elected to receive payment in lieu of carrying forward unused vacation days.

(5) Mr. Pearson joined the Company on February 8, 2010.

(6) Mr. Croft joined the Company on July 1, 2010 and resigned on January 21, 2011 at which time 250,000 unvested options at $12.58 were cancelled.

(7) Includes US$21,316 for school fees, US$37,527 housing allowance, US$473 for tax advice and US$30,066 for family travel expenses.

(8) Includes US$20,245 for school fees, US$23,213 housing allowance and US$7,060 for family travel expenses.

(9) Includes US$30,057 for relocation expenses, US$7,728 for school fees, US$20,030 for housing allowance and US$2,572 for storage fees and US$4,129 for immigration matters.

(10) This column includes the option grants made by the Company to the Named Executive Officers in 2010, 2009 and 2008. The Company uses the Black-Scholes option-pricing model for determining fair value of stock options issued at the grant date. The Company has chosen to use the Black-Scholes model because it is an accepted industry standard and is appropriate for the Company's financial reporting requirements to securities regulatory authorities. The practice of the Company is to grant all option based awards in Canadian currency, and then convert the grant date fair value amount to U.S. currency for reporting the value of the grants in the Company's financials. The conversion rate for each grant is the noon Bank of Canada rate on the date the grant is made. The conversion rates used for the purpose of converting the grants to the Named Executive Officers in the Summary Compensation Chart from Canadian currency to U.S. currency in 2010 are:

Name	Option Grant	Grant Date	Conversion Rate	Grant Date Fair Value (US$)	Grant Date Fair Value (Cdn$)
Alexander Molyneux, President and Chief Executive Officer	325,000	August 13, 2010	0.9614	$1,883,108	$1,958,715
Terry Krepiakevich, Chief Financial Officer	150,000	August 13, 2010	0.9614	$869,127	$904,022
Curtis Church, Chief Operating Officer	200,000	August 13, 2010	0.9614	$1,158,836	$1,205,363
Tony Pearson,(4) Vice President, Corporate Development	200,000 50,000	February 8, 2010 August 13, 2010	0.9353 0.9614	$1,507,326 $289,709	$1,611,597 $301,341
Layton Croft, (5) Former Vice President, External Affairs and Investor Relations	250,000	August 13, 2010	0.9614	$11,448,545	$1,506,704

The conversion rates used for the purpose of converting the grants to the Named Executive Officers in the Summary Compensation Chart from Canadian currency to U.S. currency in 2009 are:

Name	Option Grant	Grant Date	Conversion Rate	Grant Date Fair Value (US$)	Grant Date Fair Value (Cdn$)
Alexander Molyneux, President and Chief Executive Officer	625,000	February 6, 2009	0.8072	$2,567,899	$3,181,243
Terry Krepiakevich, Chief Financial Officer	75,000	August 5, 2009	0.9328	$563,214	$603,789
Curtis Church, Chief Operating Officer	45,000	August 5, 2009	0.9328	$337,928	$591,507

The conversion rates used for the purpose of converting the grants to the Named Executive Officers in the Summary Compensation Chart from Canadian currency to U.S. currency in 2008 are:

Name	Option Grant	Grant Date	Conversion Rate	Grant Date Fair Value (US$)	Grant Date Fair Value (Cdn$)
Terry Krepiakevich, Chief Financial Officer	100,000 75,000	August 27, 2008 November 27, 2008	0.9537 0.8111	$746,006 $217,086	$782,223 $267,644
Curtis Church, Chief Operating Officer	100,000 50,000	January 7, 2008 November 27, 2008	0.9929 0.8111	$587,279 $144,724	$591,507 $178,429

Incentive Plan Awards

Outstanding share-based awards and option-based awards as at December 31, 2010

	Option-based Awards				Share-based Awards	
Name	**Number of securities underlying unexercised options (#)**	**Option exercise price (Cdn$)**	**Option expiration date**	**Value of unexercised in-the-money options (US$)(1) (2)**	**Number of shares or units of shares that have not vested (#)**	**Market or payout value of share-based awards that have not vested (US$)**
Alexander Molyneux, President & Chief Executive Officer	325,000 625,000	$12.58 $7.94	August 13, 2015 August 13, 2015	$2,664,310	Nil	Nil
Terry Krepiakevich,(3) Chief Financial Officer	150,000 75,000 75,000 100,000	$12.58 $12.99 $5.10 $15.07	Aug. 13, 2015 Aug. 5, 2014 Nov. 27, 2013 Aug 27, 2013	$533,867	Nil	Nil
Curtis Church, Chief Operating Officer	200,000 45,000 50,000 100,000	$12.58 $12.99 $5.10 $7.16	Aug. 13, 2015 Aug. 5, 2014 Nov. 27, 2013 October 18, 2012	$860,622	Nil	Nil
Tony Pearson, Vice President, Corporate Development	50,000 200,000	$12.58 $15.09	Aug. 13, 2015 Feb. 8, 2015	Nil	Nil	Nil
Layton Croft,(4) Former Vice President, External Affairs & Investor Relations	250,000	$12.58	August 13, 2015	Nil	Nil	Nil

NOTES:

(1) The "Value of unexercised in-the-money options" is calculated on the basis of the difference between the closing price of the common shares on the TSX on December 31, 2010 (Cdn$12.18) and the Exercise Price of the options.

(2) The value of unexercised in- the-money options as of December 31, 2010, has been converted from Canadian currency to U.S. Currency at a rate of $1.0054, which is the Bank of Canada noon buying rate on December 31, 2010.

(3) Mr. Krepiakevich exercised 68,000 options on March 25, 2010, 32,000 options on March 29, 2010 and 50,000 options on September 14, 2010 all at an exercise price of Cdn$2.10.

(4) Mr. Croft resigned from the Company January 21, 2011 at which time 268,000 unvested options at $12.99 were cancelled.

Incentive Plan Awards – value vested or earned during 2010

Name	**Option-based awards — Value vested during the year (US$)(1)**	**Share-based awards — Value vested during the year (US$)**	**Non-equity incentive plan compensation — Value earned during the year (US$)**
Alexander Molyneux, President and Chief Executive Officer	$1,046,367	Nil	Nil
Terry Krepiakevich, Chief Financial Officer	$164,508	Nil	Nil

Name	Option-based awards — Value vested during the year (US$)[1]	Share-based awards — Value vested during the year (US$)	Non-equity incentive plan compensation — Value earned during the year (US$)
Curtis Church, Chief Operating Officer	$482,779	Nil	Nil
Tony Pearson, Vice President, Corporate Development	Nil	Nil	Nil
Layton Croft, Former Vice President, External Affairs & Investor Relations	Nil	Nil	Nil

NOTES:

(1) Value vested during the year represents the aggregate dollar value that would have been realized if a Named Executive Officer had exercised each of his options that vested in 2010 on the date of such vesting. The value vested during the year is converted from Canadian currency to U.S. Currency based on the Bank of Canada noon rate at the date of vesting of each option.

PENSION PLAN BENEFITS

The Company does not have any pension, retirement or deferred compensation plans, including defined contribution plans.

TERMINATION AND CHANGE OF CONTROL BENEFITS

Termination and Change of Control Benefits for Messrs. Molyneux, Krepiakevich and Pearson

The following terms governing termination and change of control apply to: Mr. Molyneux, Mr. Krepiakevich and Mr. Pearson:

(a) in the case of termination for cause for Messrs. Molyneux and Krepiakevich, the Company must pay salaries earned to the date of termination, and unless otherwise determined by the Board, all unvested options will be cancelled and vested options will be exercisable for six months following the date of termination. For Mr. Pearson, the Company must pay salaries earned to the date of termination, unless otherwise determined by the Board, all options will be cancelled the day following the date of termination;

(b) in the case of termination without cause, the Company must pay six months of salaries in a lump sum, and unless otherwise determined by the Board cause all of the unvested options to vest immediately and remain exercisable for the period ending the earlier of six months from the date of termination and the expiry date of the particular option;

(c) in the case of termination or resignation for good reason (including constructive dismissal) within twelve months of a change of control, the Company must pay twelve months of salaries in a lump sum and unless otherwise determined by the Board cause all of the unvested options to vest immediately and remain exercisable for the period ending the earlier of six months from the date of termination and the expiry date of the particular option; and

(d) in the case of voluntary resignation, the employee must give the Company at least three months notice of resignation, the Company must continue to pay salary and benefits to the employee in the normal course during the notice period and unless otherwise determined by the Board all vested options shall remain exercisable for the period ending the earlier of six months from the date of termination and the expiry date of the particular option, and all unvested options immediately terminate.

Termination and Change of Control Scenarios for Messrs. Molyneux, Krepiakevich and Pearson:

Mr. Molyneux

The following is an estimate of incremental payments to Mr. Molyneux in the above scenarios (a) to (d), based on his annual salary as at December 31, 2010, and the value of his options as at December 31, 2010:

(a) no further salaries and no acceleration of unvested options, for a total of NIL;

(b) lump sum of Cdn$248,650 (US$250,000 converted at 0.9946, the Bank of Canada noon buying rate on December 31, 2010) and accelerated stock options with an aggregate in-the-money value of Cdn$2,650,000 (US$2,664,310 converted at 1.0054, the Bank of Canada noon buying rate on December 31, 2010), for a total of US$2,914,310;

(c) lump sum of Cdn$497,300 (US$500,000 converted at 0.9946, the Bank of Canada noon buying rate on December 31, 2010) and accelerated stock options with an aggregate in-the-money value of Cdn$2,650,000 (US$2,664,310 converted at 1.0054, the Bank of Canada noon buying rate on December 31, 2010), for a total of US$3,164,310; and

(d) salary in the normal course for three months of Cdn$124,325 (US$125,000 converted at 0.9946, the Bank of Canada noon buying rate on December 31, 2010), benefits of US$1,963, and no acceleration of unvested options, for a total of US$126,963.

Mr. Krepiakevich

The following is an estimate of incremental payments to Mr. Krepiakevich in the above scenarios (a) to (d), based on his annual salary as at December 31, 2010, and the value of his options as at December 31, 2010:

(a) no further salaries and no acceleration of unvested options, for a total of NIL;

(b) lump sum of Cdn$150,000 (US$150,810 converted at 1.0054, the Bank of Canada noon buying rate on December 31, 2010) and accelerated stock options with an aggregate in-the-money value of Cdn$531,000 (US$533,867 converted at 1.0054, the Bank of Canada noon buying rate on December 31, 2010), for a total of US$684,677;

(c) lump sum of Cdn$300,000 (US$301,620 converted at 1.0054, the Bank of Canada noon buying rate on December 31, 2010) and accelerated stock options with an aggregate in-the-money value of Cdn$531,000 (US$533,867 converted at 1.0054, the Bank of Canada noon buying rate on December 31, 2010), for a total of US$835,487; and

(d) salary in the normal course for three months of Cdn$75,000 (US$75,405 converted at 1.0054, the Bank of Canada noon buying rate on December 31, 2010), benefits of US$4,684, and no acceleration of unvested options, for a total of US$80,089.

Mr. Pearson

The following is an estimate of incremental payments to Mr. Pearson in the above scenarios (a) to (d), based on his annual salary as at December 31, 2010, and the value of his options as at December 31, 2010:

(a) no further salaries and no acceleration of unvested options, for a total of NIL;

(b) lump sum of Cdn$124,325 (US$125,000 converted at 0.9946, the Bank of Canada noon buying rate on December 31, 2010) and accelerated stock options with an aggregate in-the-money value of Cdn$Nil (US$Nil), for a total of US$125,000;

(c) lump sum of Cdn$248,650 (US$250,000 converted at 0.9946, the Bank of Canada noon buying rate on December 31, 2010) and accelerated stock options with an aggregate in-the-money value of Cdn$Nil (US$Nil), for a total of US$250,000; and

(d) salary in the normal course for three months of Cdn$62,163 (US$62,500 converted at 0.9946, the Bank of Canada noon buying rate on December 31, 2010), benefits of US$4,007, and no acceleration of unvested options, for a total of US$66,507.

Termination Scenarios for Mr. Church

Under Mr. Church's employment contract:

(a) In the case of termination with cause, the Company may terminate the agreement summarily and without notice, payment in lieu of notice, severance payments, benefits or damages unless otherwise determined by the Board and, no option will be exercisable following the date of termination;

(b) in the case of termination without cause the Company must provide two months working notice or pay two months salaries in a lump sum. Had this scenario occurred on December 31, 2010, Mr. Church would receive salary in the normal course of Cdn$42,271 (US$42,500 converted at 0.9946, the Bank of Canada noon buying rate on December 31, 2010);

(c) Mr. Church's contract does not contain change of control benefits.

(d) in the case of voluntary resignation, Mr. Church must give the Company at least two months notice of resignation, the Company must continue to pay salary and benefits to the employee in the normal course during the notice period. Had this occurred on December 31, 2010, Mr. Church would be paid salary in the normal course for two months of Cdn$42,271 (US$42,500 converted at 0.9946, the Bank of Canada noon buying rate on December 31, 2010) and benefits of US$2,672 for a total of US$44,943.

Mr. Croft left the Company to pursue other business opportunities in January of 2011 and did not receive any compensation upon his departure.

COMPENSATION OF DIRECTORS

Each non-management director receives a Directors' fee of Cdn$25,000 per annum. Mr. Lebel, in the capacity of Lead Director, receives an additional fee of Cdn$60,000 per annum. Mr. Deepwell in the capacity of Chairman of the Audit Committee receives an additional fee of Cdn$40,000 per annum. The Chairs of the Compensation and Benefits Committee and the Corporate Governance and Nominating Committee each receive an additional fee of

Cdn$25,000 per annum for acting in such capacity. Each non-management director receives a fee of Cdn$1,500 for each Board meeting and each Committee meeting attended in person and, Cdn$600 for each conference call meeting in which they participate. Each non-management director receives an annual grant of incentive stock options. The 2010 option grant was for 35,000 stock options that vest on August 13, 2011, and have an exercise price of Cdn$12.58 per share. All Directors are entitled to be reimbursed for actual expenses reasonably incurred in the performance of their duties as Directors.

Director Compensation Table for Fiscal 2010

(US$)

Name(1)	Fees Earned ($)(2) (4)	Share-based awards ($)	Option-based awards ($)(7)	Non-equity incentive plan compensation ($)	Pension value ($)(5)	All other compensation ($)	Total ($)
Peter Meredith	Nil(3)	Nil	$531,054	Nil	Nil	Nil	$531,054
John Macken	Nil(3)	Nil	$185,869	Nil	Nil	Nil	$185,869
Pierre Lebel	$104,385	Nil	$185,869	Nil	$2,028	Nil	$292,282
André Deepwell	$85,838	Nil	$185,869	Nil	$2,100	Nil	$273,807
R. Edward Flood	$34,180	Nil	$185,869	Nil	$505	Nil	$220,553
R. Stuart Angus	$65,155	Nil	$185,869	Nil	$2,028	Nil	$253,052
Robert Hanson	$56,708	Nil	$185,869	Nil	$44	Nil	$242,621
W. Gordon Lancaster(6)	$30,387	Nil	$796,579	Nil	$1,378	Nil	$828,344

NOTES:

(1) Information with respect to Mr. Molyneux has been included in the Summary Compensation Table for NEOs, and is not reported in the Director Compensation section of this Information Circular.

(2) Management directors (Messrs. Meredith, Molyneux and Macken) do not receive any fees.

(3) The Company does not pay fees to Messrs. Macken or Meredith for their duties as directors because Mr. Macken is the President of Ivanhoe Mines Ltd. and Mr. Meredith is Deputy Chairman of Ivanhoe Mines Ltd., a major shareholder of the Company.

(4) The fees earned have been converted from Canadian currency to U.S. currency based on the Bank of Canada noon rate on the date the fees were paid.

(5) Canada Pension Plan.

(6) Mr. Lancaster joined the Board of Directors on May 11, 2010.

(7) This column includes the option grants made by the Company to the directors in 2010. The Company uses the Black-Scholes option-pricing model for determining fair value of stock options issued at the grant date. The Company has chosen to use the Black-Scholes model because it is an accepted industry standard and is appropriate for the Company's financial reporting requirements to securities regulatory authorities. The practice of the Company is to grant all option based awards in Canadian currency, and then convert the grant date fair value amount to U.S. currency for reporting the value of the grants in the Company's financials. The conversion rate for each grant is the noon bank of Canada rate on the date the grant is made. The conversion rates used for the purpose of converting the grants to the directors in the Director Compensation Table from Canadian currency to U.S. currency are:

Name	Option Grant(1)	Grant Date	Conversion Rate	Grant Date Fair Value (US$)	Grant Date Fair Value (Cdn$)
Peter Meredith	100,000	August 13, 2010	0.9614	$531,054	$552,374
John Macken	35,000	August 13, 2010	0.9614	$185,869	$193,331

Name	Option Grant[1]	Grant Date	Conversion Rate	Grant Date Fair Value (US$)	Grant Date Fair Value (Cdn$)
Pierre Lebel	35,000	August 13, 2010	0.9614	$185,869	$193,331
André Deepwell	35,000	August 13, 2010	0.9614	$185,869	$193,331
R. Edward Flood	35,000	August 13, 2010	0.9614	$185,869	$193,331
Robert Hanson	35,000	August 13, 2010	0.9614	$185,869	$193,331
R. Stuart Angus	35,000	August 13,2010	0.9614	$185,869	$193,331
W. Gordon Lancaster	150,000	August 13, 2010	0.9614	$796,579	$828,562

NOTES:

(1) These options vest 100% on August 13, 2011.

Outstanding Share-based awards, option-based awards and non-equity incentive plan compensation as at December 31, 2010

	Option-based Awards				Share-based Awards	
Name[1]	Number of securities underlying unexercised options (#)	Option exercise price (Cdn$)	Option expiration date	Value of unexercised in-the-money options (US$) [6] [7]	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (US$)
Peter Meredith[2]	100,000 75,000 75,000 100,000 335,000	$12.58 $12.99 $5.10 $15.07 $6.00	August 13, 2015 August 5, 2014 Nov. 27, 2013 Aug. 27, 2013 June 22, 2012	$2,615,347	Nil	Nil
John Macken	35,000 36,000 40,000 50,000 250,000	$12.58 $12.99 $5.10 $15.07 $6.00	August 13, 2015 August 5, 2014 Nov. 27, 2013 Aug. 27, 2013 June 22, 2012	$1,838,072	Nil	Nil
Pierre Lebel	35,000 35,000 20,000 25,000 75,000 35,000	$12.58 $10.21 $5.10 $13.80 $6.00 $2.10	August 13, 2015 May 6, 2014 Nov. 27, 2013 May 21, 2013 June 22, 2012 June 19, 2011	$1,032,395	Nil	Nil
André Deepwell	35,000 35,000 20,000 25,000 50,000 35,000	$12.58 $10.21 $5.10 $13.80 $6.00 $2.10	August 13, 2015 May 6, 2014 Nov. 27, 2013 May 21, 2013 June 22, 2012 June 19, 2011	$877,061	Nil	Nil
R. Edward Flood[3]	35,000 35,000 20,000 25,000 33,334 16,667	$12.58 $10.21 $5.10 $13.80 $6.00 $4.81	August 13, 2015 May 6, 2014 Nov. 27, 2013 May 21, 2013 June 22, 2012 April 17, 2012	$542,303	Nil	Nil

Name(1)	Option-based Awards				Share-based Awards	
	Number of securities underlying unexercised options (#)	Option exercise price (Cdn$)	Option expiration date	Value of unexercised in-the-money options (US$) (6) (7)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (US$)
Robert Hanson(4)	35,000 35,000 20,000 25,000	$12.58 $10.21 $5.10 $13.80	August 13, 2015 May 6, 2014 Nov. 27, 2013 May 21, 2013	$211,687	Nil	Nil
R. Stuart Angus(5)	35,000 35,000 20,000 25,000	$12.58 $10.21 $5.10 $13.80	August 13, 2015 May 6, 2014 Nov. 27, 2013 May 21, 2013	$211,687	Nil	Nil
W. Gordon Lancaster	150,000	$12.58	August 13, 2015	Nil	Nil	Nil

NOTES:

(1) Information with respect to Mr. Molyneux has been included in the Summary Compensation Table for NEOs, and is not reported in the Director Compensation section of this Information Circular.

(2) Mr. Meredith exercised 80,000 options on June 29, 2010 at an exercise price of Cdn$6.00.

(3) Mr. Flood exercised 16,667 options on April 1, 2010 at an exercise price of Cdn$4.81 and he exercised 33,334 options on April 1, 2010 at an exercise price of Cdn$6.00.

(4) Mr. Hanson exercised 45,400 options on March 25, 2010; 53,600 options on March 29, 2010; 3,000 options on March 30, 2010; 23,000 options on March 31, 2010 and 25,000 options on April 1, 2010, all at an exercise price of Cdn$2.30.

(5) Mr. Angus exercised 120,000 options on December 9, 2010, at an exercise price of Cdn$2.30.

(6) The “Value of unexercised in-the-money options” is calculated on the basis of the difference between the closing price of the common shares on the Toronto Stock Exchange on December 31, 2010 and the Exercise Price of the options.

(7) The value of unexercised in-the-money options as of December 31, 2010, has been converted from Canadian currency to U.S. Currency at a rate of $1.0054, which is the Bank of Canada noon buying rate on December 31, 2010.

Incentive Plan Awards – value vested or earned during 2010

Name(1)	Option-based awards — Value vested during the year (US$)(2)	Share-based awards — Value vested during the year (US$)	Non-equity incentive plan compensation — Value earned during the year (US$)
Peter Meredith	$164,508	Nil	Nil
John Macken	$87,634	Nil	Nil
Pierre Lebel	$70,847	Nil	Nil
André Deepwell	$70,847	Nil	Nil
R. Edward Flood	$70,847	Nil	Nil
Robert Hanson	$70,847	Nil	Nil
R. Stuart Angus	$70,847	Nil	Nil
W. Gordon Lancaster	Nil	Nil	Nil

NOTES:

(1) Information with respect to Mr. Molyneux has been included in the Summary Compensation Table for NEOs, and is not reported in the Director Compensation section of this Information Circular.

(2) Value vested during the year represents the aggregate dollar value that would have been realized if a director had exercised each of his options that vested in 2010 on the date of such vesting. The value vested during the year is converted from Canadian currency to U.S. Currency based on the Bank of Canada noon rate at the date of vesting of each option.

EMPLOYEES' AND DIRECTORS' EQUITY INCENTIVE PLAN

Proposed Amendment to the Equity Incentive Plan

At the meeting, shareholders of the Company will be asked to consider and, if deemed advisable, to pass, with or without variation, an ordinary resolution approving amendments to the Company's Employees' and Directors' Equity Incentive Plan dated May 11, 2010 (the "Plan"). The proposed amendments would a) extend the shareholder approval requirement to include any amendment which reduces the exercise price or extends the expiry date of the option period in respect of any option; and b) increase the number of shares available under the share purchase plan from 200,000 to 500,000.

The Amendment to the Equity Incentive Plan resolution is attached as Schedule "B" to this Circular.

Amendments adopted during the previous fiscal year and in the first quarter of 2011

On May 11, 2010 the Shareholders adopted a new equity incentive plan to reflect the Company's graduation from the TSX Venture Exchange to the Toronto Stock Exchange. Options granted prior to May 11, 2010 continue to be governed by the Company's equity incentive plan in place prior to May 11, 2010.

On March 15, 2011 the board of directors approved an administrative amendment to the share appreciation rights portion of the Plan to provide optionees with the right to exercise their shares on a cashless basis without having first obtained approval from the board of directors.

Summary of the Plan

Overview

The following is a summary of the material terms of the Company's Employees' and Directors' Equity Incentive Plan dated May 11, 2010 (the "Plan") and is qualified in its entirety by reference to the specific terms of the Plan.

The Plan has three components: (i) an Option Plan, which provides for the grant to eligible participants of incentive stock options exercisable to purchase common shares of the Company; (ii) a Bonus Plan, which provides for awards of fully paid common shares to eligible participants as and when determined to be warranted on the basis of past performance; and (iii) a Purchase Plan, under which eligible participants have the opportunity to purchase common shares through payroll deductions which are supplemented by Company contributions.

The eligible participants for the Plan include directors of the Company or any affiliate, any full time and part time employees (including officers) of the Company, or any affiliate thereof that the Board determines to be employees eligible for participation in the Plan. Persons or companies engaged by the Company or an affiliate to provide services for an initial, renewable or extended period of 12 months or more are eligible for participation in the Plan as the Board determines.

The Plan is administered by the Compensation and Benefits Committee (the "Committee") appointed by the Board.

Option Plan

Option Grants

The Option Plan authorizes the Board, on the recommendation of the Committee, to grant options to purchase common shares. The number of common shares, the exercise price per common share, the vesting period and any other terms and conditions of options granted pursuant to the Option Plan, from time to time are determined by the Board, on the recommendation of the Committee, at the time of the grant, subject to the defined parameters of the Option Plan. When the grant is authorized, the Board, on the recommendation of the Committee, shall specify the date of grant, which will not be earlier than the date upon which the Committee determines that a recommendation to the Board for the grant of an Option is warranted.

Exercise Price

The exercise price of any option granted under the Plan cannot be less than the volume weighted average price of the common shares on the TSX for the five days on which common shares were traded immediately preceding the date of grant (the "Fair Market Value").

Exercise Period, Blackout Periods and Vesting

Options are exercisable for a period of five years from the date the option is granted or such greater or lesser period as determined by the Board. Options may be terminated earlier in the event of death or termination of employment or appointment. Vesting of options is determined by the Board. Failing a specific vesting determination by the Board, options automatically become exercisable incrementally over a period of three years from the date of grant, as to 33% of the total number of shares under option at the end of the first two years and 34% of the total shares under option at the end of the third year. The right to exercise an option may be accelerated in the event a takeover bid in respect of the common shares is made.

The Plan provides that at any time the expiry date of the option period in respect of an Option occurs during, or within ten days following, a "blackout period", the expiry date of such option period is deemed to be the date that is ten days following the expiry of such blackout period. Blackout periods are imposed by the Company to restrict trading of the Company's securities by directors, officers, employees and certain others who hold options to purchase common shares, in accordance with the Company's Corporate Disclosure, Confidentiality and Securities Trading Policy and similar policies in effect from time to time, in circumstances where material non-public information exists, including where financial statements are being prepared but results have not yet been publicly disclosed.

Share Appreciation Rights

Shareholders have the right to exercise an option on a "cashless" basis by electing to relinquish, in whole or in part, the right to exercise such option and receive, in lieu thereof, a number of fully paid common shares. The number of common shares issuable on the exercise of share appreciation rights is equal to the quotient obtained by dividing the difference between the aggregate Fair Market Value and the aggregate option price of all common shares subject to such option by the Fair Market Value of one (1) common share.

Termination or Death

If an optionee dies while employed by the Company, any option held by him or her will be exercisable for a period of 12 months or prior to the expiration of the options (whichever is sooner) by the person to whom the rights of the optionee shall pass by will or applicable laws of descent and distribution. If an optionee is terminated for cause, no option will be exercisable unless the Board determines otherwise. If an optionee is terminated for any reason other than cause, then the options will be exercisable for a period of 12 months or prior to the expiration of the options (whichever is sooner).

Bonus Plan

The Bonus Plan permits the Board, on the recommendation of the Committee, to authorize the issuance, from time to time, of common shares to employees and directors of the Company and its affiliates. The criteria for determining if and when such awards should be made and the quantum of such awards is within the discretion of the Board. The Bonus Plan provides for the issuance of a maximum of 200,000 common shares in respect of bonus awards. Common shares allocated to the Bonus Plan may be reallocated for issuance under the Option Plan or Purchase Plan and are then no longer available for issuance under the Bonus Plan. Less than 0.5% of the Company's issued and outstanding common shares are available for issuance under this Bonus Plan.

Purchase Plan

Participation Criteria

Participants in the Purchase Plan are full-time employees of the Company who have completed at least one year (or less, at the discretion of the Board on the recommendation of the Committee) of continuous service and who elect to participate.

Contribution Limits

Eligible employees, as determined by the Board, on the recommendation of the Compensation Committee, may elect to contribute an amount not to exceed ten per cent (10%) of their annual basic salary to the Share Purchase Plan in semi-monthly instalments. The Company makes a contribution of up to one hundred per cent (100%) of the employee's contribution on a quarterly basis.

Number of Shares

Each participant receives, at the end of each calendar quarter during which he or she participates in the Purchase Plan, a number of common shares equal to the quotient obtained by dividing the aggregate amount of all contributions to the Purchase Plan by the participant, and by the Company on the participant's behalf, during the preceding quarter by the volume weighted average trading price of the common shares on the TSX over the previous 90 calendar days. The Purchase Plan provides for a maximum of 200,000 common shares in respect of such purchases. Less than 0.5% of the Company's common shares are available for issuance under the Purchase Plan.

Termination of Employment

If the participant's employment with the Company is terminated for any reason, any portion of the participant's contribution then held in trust for a participant pending a quarterly purchase of common shares is returned to him or her or to his or her estate.

Transferability

Benefits, rights and options under the Plan are non-transferable and during the lifetime of a Plan participant, may only be exercised by such participant.

Share Issuance Limits

The aggregate number of common shares that may be subject to issuance under the Plan (inclusive of common shares subject to issuance under the Company's previous equity incentive plan which was in force prior to the May 11, 2010 adoption of the Plan) may not exceed 10% of the Company's outstanding common shares from time to time. The Plan is a "rolling plan" and, in accordance with the rules of the TSX, Options that have been cancelled, have expired or have been exercised will be available to be regranted under the Plan and, will not reduce the aggregate number of shares that may be subject to issuance under the Plan.

As at March 24, 2011, there are 183,726,811 common shares of the Company issued and outstanding. Pursuant to the Plan and based on the current outstanding common shares of the Company, common shares reserved for issuance under the Plan would be as follows:

	Number of Common Shares (2)	**% of Issued and Outstanding**
Common Shares Reserved for future issuance pursuant to unexercised options under the Plan	8,546,491	4.7%
Unissued common shares under the Plan available for future issuance of incentive stock options under the Option Plan and purchases under the Purchase Plan(1)	9,626,190	5.2%
Unissued common shares available for future awards under the Bonus Plan of the Plan(1)	200,000	0.1%
Maximum number of common shares available for issuance under the Plan(1)	18,372,681	10%

NOTES:

(1) Based on 183,726,811 outstanding common shares of the Company. The maximum number of common shares available for issuance under the Plan is a variable number equal to 10% of the issued and outstanding common shares of the Company, from time to time.

(2) The weighted average exercise price of all options outstanding as of March 24, 2011 is Cdn.$10.91.

The aggregate number of common shares which the Company may at any time reserve for issuance under the Plan or any other equity incentive security based compensation arrangement to any one person may not exceed five per cent (5%), and to Insiders under the

Plan or any other equity incentive security based compensation arrangement, may not exceed ten per cent (10%) of the issued and outstanding common shares of the Company at such time. The aggregate number of common shares that may be issued within any one-year period to Insiders under the Plan or any other equity incentive security based compensation arrangement shall not exceed ten per cent (10%), and to any one Insider and his or her Associates under the Plan may not exceed five per cent (5%), of the issued and outstanding common shares at such time.

Amendments to the Plan

Under the Plan, the Board will have the power to amend the Plan in certain circumstances without obtaining shareholder approval. This includes but may not be limited to: changes of a clerical or grammatical nature, changes regarding the persons eligible to participate in the Plan, changes to the exercise price, vesting, term and termination provisions of Options, changes to the cashless exercise right provisions, changes to the Share Bonus Plan provisions (other than the maximum number of Shares issuable under the Bonus Plan, changes to the authority and role of the Compensation and Benefits Committee, changes to the acceleration and vesting of Options in the event of a takeover bid, including any other matter relating to the Plan and the Options and awards granted thereunder. The Board may only effect such proposed amendments if:

a) such amendment, suspension or termination is in accordance with applicable laws and the rules of any stock exchange on which the Shares are listed;
b) no amendment to the Plan or to an Option granted will have the effect of impairing, derogating from or otherwise adversely affecting the terms of an Option which is outstanding at the time of such amendment without the written consent of the holder of such Option;
c) the expiry date of an Option Period in respect of an Option shall not be more than ten years from the date of grant of an Option except as expressly provided in the Plan.

Certain amendments may only be effected with shareholder approval, including:

a) any amendment to the aggregate maximum number of Shares specified in the Share Bonus Plan;
b) any amendment to the aggregate percentage of Shares reserved for issuance under the Plan;
c) any amendment to the limitations on Shares that may be reserved for issuance, or issued, to Insiders or that would reduce the exercise price of an outstanding Option of an Insider (other than as expressly provided for under the Plan);
d) any amendment that would extend the expiry date of the Option Period in respect of any Option granted under the Plan to an Insider except if the expiry date occurs during a blackout period; and
e) any amendment to the amending provisions.

If the Plan is terminated, the provisions of the Plan and any administrative guidelines and other rules and regulations adopted by the Board and in force on the date of termination will continue in effect as long as any Option or any rights pursuant thereto remain outstanding and, notwithstanding the termination of the Plan, the Board shall remain able to make such amendments to the Plan or the Options as they would have been entitled to make if the Plan were still in effect.

If shareholder's adopt the proposed amendments to the Plan as set out in the resolution attached as Schedule "B", the amendments to the Plan requiring shareholder approval set out in section (c) and (d) above will also extend to options held by non-insiders.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

Other than "routine indebtedness" as that term is defined in applicable securities legislation, no director or executive officer of the Company, or associate or affiliate of any such director or executive officer, is or has been indebted to the Company or any of its subsidiaries since the beginning of the last completed financial year of the Company.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Other than as disclosed below or elsewhere in this Management Proxy Circular, no "informed person", being an insider and the Company itself if it holds its own shares of the Company nor any associate or affiliate of an informed person of the Company, has any material interest, direct or indirect, in any material transaction since the commencement of the Company's last financial year or in any proposed transaction, which, in either case, has materially affected or would materially affect the Company.

The Company is a party to a shareholders' cost-sharing agreement with certain other public and private companies (the "Other Companies"), pursuant to which the Company and the Other Companies are equal shareholders in Global Mining Management Corporation ("GMM") and, through GMM, share office space, furnishings and equipment and communications facilities (on a cost recovery basis) and the employment, on a part-time basis, of various administrative, office and management personnel in Vancouver, British Columbia. The Other Companies are Ivanhoe Mines Ltd. (TSX; NYSE; Nasdaq), Ivanhoe Energy Inc. (TSX; Nasdaq), Ivanhoe Capital Corporation, Ivanhoe Nickel & Platinum Ltd., GoviEx Gold Inc., GoviEx Uranium Inc. and I-Pulse Inc. Costs of the shared office facilities and the shared part-time employees are recovered from the Company proportionate to the time spent by the shared part-time employees on matters pertaining to the Company. Certain of the Company's directors and officers are also employees, officers and directors of GMM. The Company's Vice President and Corporate Secretary, Director of Finance & Administration, Controller and Assistant Corporate Secretary are employees of GMM. During the year ended December 31, 2010, the Company's share of these costs was US$499,289.

The Company is a party to a services agreement with I2MS.net Pte. Ltd. ("I2MS"), located at No. 31 International Business Park, #05-04 Creative Resource, Singapore 609921 in relation to the Company's global information technology infrastructure, support and information technology projects. I2MS is a wholly-owned subsidiary of Ivanhoe Mines Ltd. Costs of the services provided are recovered from the Company proportionate to the time spent by the I2MS employees on matters pertaining to the Company. During the year ended December 31, 2010, the Company's share of these costs was US$1,134,991.

VOTES NECESSARY TO PASS RESOLUTIONS

Pursuant to the Articles of the Company, a quorum for the transaction of business at any meeting of shareholders is at least 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.

Under the Business Corporations Act (British Columbia) (“BCBCA”) and its regulations, a simple majority of the votes cast at the Meeting is required to pass all ordinary resolutions. For a special resolution to be passed, a majority of not less than two-thirds of the votes cast by the shareholders who must be obtained.

Shareholders are entitled to, and will be asked, to elect directors and appoint auditors for the ensuing year. If there are more nominees for election as directors or for appointment as the Company’s auditors than there are vacancies to fill, those nominees receiving the greatest number of votes will be elected or appointed, as the case may be, until all such vacancies have been filled. If the number of nominees for election or appointment is equal to the number of vacancies to be filled, all such nominees will be declared elected or appointed by acclamation.

ELECTION OF DIRECTORS

Term of Office

The Company’s articles provide that the number of directors of the Company is the greater of three (3) and the number fixed by ordinary resolution. The term of office of each of the current directors will end at the conclusion of the Meeting. Unless a director’s office is earlier vacated in accordance with the provisions of the BCBCA, each director elected will hold office until the conclusion of the next Annual Meeting of the Company or, if no director is then elected, until a successor is elected.

Management Nominees

The following table sets out the names of management’s nominees for election as directors, their ages, all major offices and positions with the Company and any of its significant affiliates each now holds, each nominee’s principal occupation, business or employment, the period of time during which each has been a director of the Company, the number of Common Shares of the Company beneficially owned by each, directly or indirectly, or over which each exercised control or direction, as at March 24, 2011, and the number of options to purchase Common Shares of the Company held by each as at March 24, 2011. All dollar amounts set out in the following tables reference Canadian dollars.

Peter Meredith
Vancouver, British Columbia, Canada
Age: 67
Director Since: 2003

Areas of Experience:
CEO/Board
Finance
Mining Industry
Financially Literate
Public Capital Markets

Mr. Peter Meredith has been the Chairman of the Company since October 2009. He has served as the Deputy Chairman of Ivanhoe Mines Ltd., the Company's principal shareholder, since May 2006, overseeing Ivanhoe's business development and corporate relations. Prior to assuming the position of Deputy Chairman, Mr. Meredith was Ivanhoe's CFO from May 2004 to May 2006 and from June 1999 to November 2001. Prior to joining Ivanhoe, Mr. Meredith spent 31 years with Deloitte and Touche LLP, Chartered Accountants, and retired as a partner in 1996.

Mr. Meredith is a Chartered Accountant and is a member of the Institute of Chartered Accountants of British Columbia, the Institute of Chartered Accountants of Ontario and the Ordre des Comptables Agréés du Québec. Mr. Meredith is a member of the Institute of Corporate Directors.

Principal Occupation, Business or Employment[1]

Chief Executive Officer of the Company (June 2007 – October 2009); Deputy Chairman of Ivanhoe Mines Ltd. (May 2006 – present); Chief Financial Officer of Ivanhoe Mines Ltd. (June 1999 – November 2001; May 2004 – May 2006).

Director Status: Non-Independent[3] Board/Committee Membership:	2010 Attendance:	
Board of Directors - Chair	8 of 8	100%
Total:	**8 of 8**	**100%**

Other Public Company Board Membership: Company:	Since:
Ivanhoe Energy Inc. (TSX; Nasdaq) (Executive Committee)	2007
Ivanhoe Australia Limited (ASX; TSX) (Nomination, Governance and Remuneration Committee)	2006
Ivanhoe Mines Ltd. (TSX; NYSE; Nasdaq) (Deputy Chairman)(Executive Committee)	2004
Entrée Gold Inc. (TSX; AMEX) (Audit Committee – Chair; Compensation Committee)	2002
Great Canadian Gaming Corporation (TSX) (Compensation Committee – Chair; Audit & Risk Committee)	2000

Common Shares Beneficially Owned, Controlled or Directed: [1] [2]			Value of Equity at Risk:		
Year	**Common Shares**	**Total Market Value of Common Shares [5]**	**Common Shares[5]**	**Unexercised Options[7]**	**Total**
2011	Nil	$Nil	$Nil	$3,582,800	$3,582,800
2010	Nil	$Nil	$Nil	$5,383,100	$5,383,100

Options Held: [12]

Date Granted	Expiry Date	Number Granted	Vested/Unvested	Exercise Price	Total Unexercised	Value of Unexercised Options[7]
August 13, 2010	August 13, 2015	100,000	Nil/100,000[16]	$12.58	100,000	$145,000
August 5, 2009	August 5, 2014	75,000	24,750/50,250[11]	$12.99	75,000	$78,000
November 27, 2008	Nov. 27, 2013	75,000	49,500/25,500[9]	$5.10	75,000	$669,750
August 27, 2008	August 27, 2013	100,000	66,000/34,000[8]	$15.07	100,000	$Nil
June 22, 2007	June 22, 2012	335,000	335,000/Nil	$6.00	335,000	$2,690,050

Pierre Lebel
North Vancouver, British Columbia, Canada
Age: 61
Director Since: 2003
Lead Director: 2007

Areas of Experience:
CEO/Board
Legal
Governance
Mining Industry
Compensation
Financially Literate
Project Development
Managing/Leading Growth

Mr. Pierre Lebel is the Company's Lead Director and served as its Chairman from 2003 until June 2007. He has a distinguished career in mining spanning over 25 years, with a primary focus on mine financing, construction and development. Mr. Lebel currently serves as Chairman and a Director of Imperial Metals Company, a mine developer and operator.

In 1998, Mr. Lebel was awarded the E.A. Scholz Medal by the BC and Yukon Chamber of Mines in recognition of his outstanding contribution towards the construction and development of Imperial's Mount Polley copper/gold mine in British Columbia. Mr. Lebel holds a Masters of Business Administration from McMaster University and a Bachelor of Laws (LLB) from the University of Western Ontario. He is a barrister and solicitor admitted by the Law Societies of British Columbia and Alberta.

Mr. Lebel is a member of the Board of Directors of the Mining Association of British Columbia and a member of the Institute of Corporate Directors.

Principal Occupation, Business or Employment[1]

Chairman of the Board of Directors, Imperial Metals Corporation (2003 – present).

Director Status: Independent[4]

Board/Committee Membership:	2010 Attendance:	
Board of Directors – Lead Director	8 of 8	100%
Audit	3 of 4	75%
Nominating & Corporate Governance	4 of 4	100%
Compensation & Benefits	4 of 5	75%
Mergers & Acquisitions – Chair	1 of 1	100%
Total:	**20 of 22**	**91%**

Other Public Company Board Membership:

Company:	Since:
West Kirkland Mining Inc. (TSX-V)(member of the Audit Committee)	2010
Homeq Corporation (TSX) (Board of Directors – Chair)	2009
Imperial Metals Corporation (TSX) (Board of Directors – Chair; Audit, Compensation, Corporate Governance and Nominating Committees)	2003
Zedi Inc. (TSX-V) (member of the Audit and Technology Committees)	2001

Common Shares Beneficially Owned, Controlled or Directed: [1] [2]			Value of Equity at Risk:		
Year	**Common Shares**	**Total Market Value of Common Shares [5]**	**Common Shares[5]**	**Unexercised Options[7]**	**Total**
2011	5,100	$71,553	$71,553	$1,388,600	$1,460,153
2010	5,100	$85,731	$85,731	$2,014,100	$2,099,831

Options Held:

Date Granted	Expiry Date	Number Granted	Vested/Unvested	Exercise Price	Total Unexercised	Value of Unexercised Options[7]
August 13, 2010	August 13, 2015	35,000	Nil/35,000[16]	$12.58	35,000	$50,750
May 6, 2009	May 14, 2014	35,000	35,000/Nil	$10.21	35,000	$133,700
November 27, 2008	Nov. 27, 2013	20,000	13,200/6,800[9]	$5.10	20,000	$178,600
May 21, 2008	May 21, 2013	25,000	25,000/Nil	$13.80	25,000	$5,750
June 22, 2007	June 22, 2012	75,000	75,000/Nil	$6.00	75,000	$602,250
June 19, 2006	June 19, 2011	35,000	35,000/Nil	$2.10	35,000	$417,550

Alexander Molyneux
Hong Kong
Age: 36
Director Since: 2009

Areas of Experience:
Finance
Governance
Compensation
Public Capital Markets

Mr. Alex Molyneux is President and Chief Executive Officer of the Company. Prior to joining the Company, Mr. Molyneux was Managing Director, Head of Metals & Mining Investment Banking, Asia Pacific with Citigroup. He has spent approximately 10 years providing specialist advice and investment banking services to mining and industrial corporations, including nine years involved in coal-related transactions. Over the past nine years he has advised on coal-related public offerings, mergers and acquisitions, bond and debt offerings totalling several billion dollars. He joined Citigroup from UBS in early 2007 as Head of Metals & Mining Investment Banking.

Mr. Molyneux received his Bachelors degree in Economics from Monash University in Australia. He is a member of the Institute of Corporate Directors.

Principal Occupation, Business or Employment(1)

President (April 2009 – present) and Chief Executive Officer (October 2009 – present) of the Company. Managing Director, Head of Metals & Mining Investment Banking, Citigroup Global Markets Asia Ltd (June 2007 – April 2009); Executive Director, Investment Banking, Metals and Mining, UBS AG Australia Branch (July 2004 – June 2007).

Director Status: Non-Independent(3) (Management) Board/Committee Membership:	2010 Attendance:		Other Public Company Board Membership: Company:	Since:
Board of Directors	8 of 8	100%	Ivanhoe Energy Inc. (TSX; Nasdaq)	2010
Safety, Health & Environment	1 of 1	100%		
Total:	**9 of 9**	**100%**		

Common Shares Beneficially Owned, Controlled or Directed: (1) (2)			Value of Equity at Risk:		
Year	**Common Shares**	**Total Market Value of Common Shares** (5)	**Common Shares**(5)	**Unexercised Options**(7)	**Total**
2011	10,000	$140,300	$140,300	$4,277,500	$4,417,800
2010	Nil	$Nil	$Nil	$6,918,500	$6,918,500

Options Held:

Date Granted	Expiry Date	Number Granted	Vested/Unvested	Exercise Price	Total Unexercised	Value of Unexercised Options(7)
August 13, 2010	August 13, 2015	325,000	Nil/325,000(17)	$12.58	325,000	$471,250
February 6, 2009	February 6, 2016	625,000	312,500/312,500(10)	$7.94	625,000	$3,806,250

André Deepwell
Burnaby, British Columbia, Canada
Age: 56
Director Since: 2003

Areas of Experience:
Governance
Senior Officer
Mining Industry
Financially Literate
Project Development
Public Capital Markets

Mr. André Deepwell has been a Director of the Company since 2003. He has been the Chief Financial Officer and Corporate Secretary of a number of natural resource companies over the last fifteen years and is currently Chief Financial Officer and Corporate Secretary of Imperial Metals Company. Mr. Deepwell has been involved in all aspects of debt and equity financings and financial reporting for mining enterprises ranging from grassroots exploration to mine development and production.

Mr. Deepwell is a Chartered Accountant and a graduate of the University of British Columbia. He is a member of the Institute of Corporate Directors.

Principal Occupation, Business or Employment[1]

Chief Financial Officer and Corporate Secretary, Imperial Metals Corporation (1992 – present).

Director Status: Independent[4] **Board/Committee Membership:**	**2010 Attendance:**		**Other Public Company Board Membership:** **Company:**	**Since:**
Board of Directors	8 of 8	100%	American Bullion Minerals Ltd. (Audit Committee – Chair)	2008
Audit – Chair	4 of 4	100%		
Nominating & Corporate Governance	4 of 4	100%		
Compensation & Benefits	5 of 5	100%		
Total:	**21 of 21**	**100%**		

Common Shares Beneficially Owned, Controlled or Directed: [1] [2]			**Value of Equity at Risk:**		
Year	**Common Shares**	**Total Market Value of Common Shares [5]**	**Common Shares[5]**	**Unexercised Options[7]**	**Total**
2011	2,000	$28,060	$28,060	$1,187,850	$1,215,910
2010	2,000	$33,620	$33,620	$1,743,850	$1,777,470

Options Held:

Date Granted	**Expiry Date**	**Number Granted**	**Vested/Unvested**	**Exercise Price**	**Total Unexercised**	**Value of Unexercised Options[7]**
August 13, 2010	August 13, 2015	35,000	Nil/35,000[16]	$12.58	35,000	$50,750
May 6, 2009	May 6, 2014	35,000	35,000/Nil	$10.21	35,000	$133,700
November 27, 2008	Nov. 27, 2013	20,000	13,200/6,800[9]	$5.10	20,000	$178,600
May 21, 2008	May 21, 2013	25,000	25,000/Nil	$13.80	25,000	$5,750
June 22, 2007	June 22, 2012	50,000	50,000/Nil	$6.00	50,000	$401,500
June 19, 2006	June 19, 2011	35,000	35,000/Nil	$2.10	35,000	$417,550

R. Stuart (Tookie) Angus
Sechelt, British Columbia, Canada
Age: 62
Director Since: 2007

Areas of Experience:
Board
Legal
Finance
Mining Industry
Financially Literate
Public Capital Markets
Compensation
Governance

Mr. R. Stuart Angus has been a Director of the Company since 2007. He is an independent consultant to the mining industry. Previously, he was Managing Director – Mergers and Acquisitions with Endeavour Financial Corporation, which provides financial advisory services to the mining and minerals industries. Prior to joining Endeavour Financial in 2003, he was a senior partner in the law firm, Fasken Martineau DuMoulin and head of its Global Mining Group.

Mr. Angus holds an LLB from the University of British Columbia and is a retired member of the Law Society of British Columbia. Mr. Angus is a member of the Institute of Corporate Directors.

Principal Occupation, Business or Employment(1)

Independent Business Consultant (2006 - present); Managing Director, Mergers & Acquisitions, Endeavour Financial Corporation (2003 - 2005).

Director Status: Independent(4) Board/Committee Membership:	2010 Attendance:	
Board of Directors	6 of 8	75%
Compensation & Benefits – Chair	5 of 5	100%
Nominating & Corporate Governance	3 of 4	75%
Audit (ceased to be a member May 2010)	2 of 2	100%
Total:	**16 of 19**	**84%**

Other Public Company Board Membership:

Company:	Since:
Prosperity Goldfields Corp. (TSX-V)	2011
Evolving Gold Corp. (TSX) (Chair)	2010
Yellowhead Mining Inc. (TSX-V)	2010
Riva Gold Corporation (TSX-V)	2010
San Marco Resources Inc. (TSX-V)	2009
Tirex Resources Ltd. (TSX-V) (Chair & Audit Committee)	2006
Wildcat Silver Corp. (TSX-V) (Audit Committee)	2006
Bolero Resources Corp. (TSX-V) (Chair & Audit Committee)	2006
Santa Fe Metals Corp (TSX-V) (Chair & Audit Committee)	2006
Tsodilo Resources Limited (TSX-V)	2004
Kobex Minerals Inc (TSX-V) (Audit Committee)	2003
Nevsun Resources Ltd. (TSX; AMEX) (Chair)	2003
Dynasty Gold Corp. (TSX-V) (Chair & Audit Committee)	1999
Plutonic Power Corp. (TSX) (Audit Committee)	1999

Common Shares Beneficially Owned, Controlled or Directed: (1) (2)			Value of Equity at Risk:		
Year	**Common Shares**	**Total Market Value of Common Shares (5)**	**Common Shares(5)**	**Unexercised Options(7)**	**Total**
2011	Nil	$Nil	$Nil	$368,800	$368,800
2010	Nil	$Nil	$Nil	$688,500	$688,500

Options Held:(13)

Date Granted	Expiry Date	Number Granted	Vested/Unvested	Exercise Price	Total Unexercised	Value of Unexercised Options(7)
August 13, 2010	August 13, 2015	35,000	Nil/35,000(16)	$12.58	35,000	$50,750
May 6, 2009	May 6, 2014	35,000	35,000/Nil	$10.21	35,000	$133,700
November 27, 2008	Nov. 27, 2013	20,000	13,200/6,800(9)	$5.10	20,000	$178,600
May 21, 2008	May 21, 2013	25,000	25,000/Nil	$13.80	25,000	$5,750

John Macken
Boston, Massachusetts, U.S.A.
Age: 59
Director Since: 2007

Areas of Experience:
CEO/Board
Exploration
Engineering
Mining Industry
Project Development and Management
Managing/Leading Growth

Mr. John Macken has been a Director of the Company since 2007. He was the Chairman of SouthGobi Resources Ltd. from June 2007 to October 2009. He joined Ivanhoe Mines Ltd., the Company's principal shareholder, in 2003 and is Ivanhoe's President. Mr. Macken was Ivanhoe's Chief Executive Officer from May 2006 to October 2010. He has been a member of Ivanhoe's Executive Committee since its formation in March 2005. Prior to joining Ivanhoe, Mr. Macken spent 19 years with Freeport McMoran Copper and Gold, most recently as Freeport's Senior Vice-President of Strategic Planning and Development.

Mr. Macken spent a total of 13 years with Freeport's operating unit, PT Freeport Indonesia. He culminated his tour of duty as Executive Director PT FI and the General Manager of the Grasberg open pit and underground mining complex in Papua, the world's largest single copper and gold mine, and from 1996 to 2000 he held the position of Senior Vice-President, Strategic Planning and Development at Freeport's corporate office. Between 1996 and 1998, Mr. Macken headed and completed ahead of schedule and under budget an expansion valued at almost US$1 billion at the Grasberg mining complex.

Mr. Macken graduated from Trinity College in Dublin in 1976 with a BA and BAI (Hon) in engineering.

Principal Occupation, Business or Employment[1]

President of Ivanhoe Mines Ltd. (January 2004 – present); Chief Executive Officer of Ivanhoe Mines Ltd. (May 2006 – October 2010); Independent Consultant (2000 – January 2004); Chairman of the Company (June 2007 – October 2009).

Director Status: Non-Independent[3] Board/Committee Membership:	2010 Attendance:	
Board of Directors	7 of 8	88%
Safety, Health and Environment	1 of 1	100%
Total:	**8 of 9**	**89%**

Other Public Company Board Membership:

Company:	Since:
Western Lithium USA Corporation (TSX; OTCQX)(Audit, Compensation and Nominating and Corporate Governance Committee)	2008
Ivanhoe Australia Limited (ASX; TSX) (Safety, Health and Environment Committee - Chair)	2007

Common Shares Beneficially Owned, Controlled or Directed: [1] [2]			Value of Equity at Risk:		
Year	**Common Shares**	**Total Market Value of Common Shares [5]**	**Common Shares[5]**	**Unexercised Options[7]**	**Total**
2011	Nil	$Nil	$Nil	$2,452,890	$2,452,890
2010	Nil	$Nil	$Nil	$3,543,470	$3,543,470

Options Held:

Date Granted	Expiry Date	Number Granted	Vested/Unvested	Exercise Price	Total Unexercised	Value of Unexercised Options[7]
August 13, 2010	August 13, 2015	35,000	Nil/35,000[16]	$12.58	35,000	$50,750
August 5, 2009	August 5, 2014	36,000	11,880/24,120[11]	$12.99	36,000	$37,440
November 27, 2008	November 27, 2013	40,000	26,400/13,600[9]	$5.10	40,000	$357,200
August 27, 2008	August 27, 2013	50,000	33,000/17,000[8]	$15.07	50,000	$Nil
June 22, 2007	June 22, 2012	250,000	250,000/Nil	$6.00	250,000	$2,007,500

R. Edward Flood
Ketchum, Idaho, U.S.A
Age: 65
Director Since: 2003

Areas of Experience:
CEO/Board
Finance
Geology
Mining Industry
Financially Literate
Project Development
Public Capital Markets

Mr. R. Edward Flood has been a Director of the Company since 2003. He is the Chairman, President and Chief Executive Officer of Western Uranium Corporation, a mineral exploration corporation with a focus on uranium. Mr. Flood served as Deputy Chairman of Ivanhoe Mines Ltd. until February 2007, assisting in developing the company's growth and its establishment as a significant presence in Asia's mineral exploration and mining sectors and he was Ivanhoe's founding President. Mr. Flood was Managing Director, Investment Banking, for Haywood Securities (UK) Ltd., a subsidiary of one of Canada's leading independent investment dealers, from March 2007 to March 2010.

Prior to joining Ivanhoe, from 1993 to 1995, Mr. Flood was a principal at Robertson Stephens & Co., a U.S. investment bank, and a member of Robertson Stephens' investment team. From 1983 to 1993, he served as Manager, Project Evaluation for NERCO Minerals Corporation. He also held the position of Senior Mining Analyst with Haywood Securities Inc from 1999 to 2001.

Mr. Flood holds a Master of Science (Geology) degree from the University of Montana and a BSc (Geology) degree from the University of Nevada. He is a member of the Institute of Corporate Directors.

Principal Occupation, Business or Employment(1)

President and Chief Executive Officer of Western Uranium Corporation (December 31, 2010 to present); Chairman of Western Uranium Corporation (March 2007 – present); Managing Director, Investment Banking, Haywood Securities (UK) Ltd. (March 2007 – March 2010); Interim President and Chief Executive Officer of the Company (March 2007 – June 2007); Deputy Chairman of Ivanhoe Mines Ltd. (May 1999 – February 2007).

Director Status: Independent(4) Board/Committee Membership:	2010 Attendance:	
Board of Directors	8 of 8	100%
Compensation & Benefits (18)	1 of 1	100%
Nominating & Corporate (member since August 5, 2010)	1 of 1	100%
Mergers & Acquisitions	1 of 1	100%
Total:	11 of 11	100%

Other Public Company Board Membership: Company:	Since:
Gabriel Resources Ltd. (TSX)	2010
Western Lithium USA Corporation (TSX; OTCQX) (Chair)(Audit and Nominating and Corporate Governance Committees)	2008
Western Uranium Corp. (TSX-V) (Chair)	2007
Ivanhoe Mines Ltd. (TSX; NYSE; Nasdaq)(Corporate Governance & Nominating Committee)	1994

Common Shares Beneficially Owned, Controlled or Directed: (1) (2)			Value of Equity at Risk:		
Year	**Common Shares**	**Total Market Value of Common Shares (5)**	**Common Shares(5)**	**Unexercised Options(7)**	**Total**
2011	Nil	$Nil	$Nil	$368,800	$368,800
2010	Nil	$Nil	$Nil	$688,500	$688,500

Options Held: (14)

Date Granted	Expiry Date	Number Granted	Vested/Unvested	Exercise Price	Total Unexercised	Value of Unexercised Options(7)
August 13, 2010	August 13, 2015	35,000	Nil/35,000(16)	$12.58	35,000	$50,750
May 6, 2009	May 6, 2014	35,000	35,000/Nil	$10.21	35,000	$133,700
November 27, 2008	Nov. 27, 2013	20,000	13,200/6,800(9)	$5.10	20,000	$178,600
May 21, 2008	May 21, 2013	25,000	25,000/Nil	$13.80	25,000	$5,750

The Hon. Robert Hanson
London, England
Age: 50
Director Since: 2007

Areas of Experience:
Board
Finance
Governance
Compensation
Public Capital Markets

Mr. Robert Hanson has been a Director of the Company since 2007. He is the Chairman of Hanson Capital Investments Ltd, Strand Hanson Ltd. and Hanson Family Holdings Ltd. and he is also Managing Partner of Millennium Hanson Internet Partners. Mr. Hanson has been a of member Renaissance Capital's International Advisory Board since August 2010. He was Chairman of Hanson Westhouse Limited from 1998 to 2009 and an Associate Director of N.M. Rothschild & Sons from 1983 to 1990, serving in London, Hong Kong, Chile and Spain. From 1990 to 1997, he served on the Board of Directors of Hanson plc, responsible for strategy, mergers and acquisitions transactions.

Mr. Hanson was educated at Eton and received his Master of Arts degree in English Language & Literature from St Peter's College, Oxford. He is a trustee of the Hanson Foundation and a founding trustee of the Raisa Gorbachev Foundation fighting child cancers. He is a member of the Institute of Corporate Directors.

Principal Occupation, Business or Employment[1]

Chairman of Hanson Capital Investments Limited (February 1998 – present), Hanson Family Holdings Ltd. (May 1990 – present), and Strand Hanson (October 2009 – present).

Director Status: Independent[4] Board/Committee Membership:	2010 Attendance:		Other Public Company Board Membership: Company:	Since:
Board of Directors	7 of 8	88%		
Nominating & Corporate Governance - Chair	4 of 4	100%		
Compensation & Benefits (ceased to be a member May 11, 2010)	2 of 2	100%		
Safety, Health and Environment - Chair	1 of 1	100%		
Total:	**14 of 15**	**93%**		

Common Shares Beneficially Owned, Controlled or Directed: (1) (2)			Value of Equity at Risk:		
Year	**Common Shares[6]**	**Total Market Value of Common Shares [5]**	**Common Shares[5]**	**Unexercised Options[7]**	**Total**
2011	22,500	$315,675	$315,675	$368,800	$684,475
2010	34,000	$571,540	$571,540	$688,500	$1,260,040

Options Held: [15]

Date Granted	Expiry Date	Number Granted	Vested/Unvested	Exercise Price	Total Unexercised	Value of Unexercised Options[7]
August 13, 2010	August 13, 2015	35,000	Nil/35,000[16]	$12.58	35,000	$50,750
May 6, 2009	May 6, 2014	35,000	35,000/Nil	$10.21	35,000	$133,700
November 27, 2008	Nov. 27, 2013	20,000	13,200/6,800[9]	$5.10	20,000	$178,600
May 21, 2008	May 21, 2013	25,000	25,000/Nil	$13.80	25,000	$5,750

W. Gordon Lancaster
West Vancouver, British Columbia, Canada
Age: 67
Director Since: 2010

Areas of Experience:
Board
Finance
Risk management
Mergers and acquisitions
Energy Industry
Financially literate
Regulatory compliance
Public capital markets
Compensation
Governance

Mr. W. Gordon Lancaster has been a Director of the Company since 2010. He is an independent business consultant. Previously he was Chief Financial Officer of Ivanhoe Energy Inc., an international heavy-oil development and production company whose core operations are in Canada, the United States, Ecuador and China. Prior to joining Ivanhoe Energy Inc. in 2004, he was Chief Financial Officer of Power Measurement Inc., a Victoria-based high-tech company that is a world leader in the design, development, manufacture and marketing of enterprise energy management systems.

Mr. Lancaster is a Chartered Accountant certified in British Columbia and, prior to entering industry in 1982 with the First City Group of companies, he had a twenty year career in public accounting with Deloitte & Touche with the last five years as a partner in that firm's Vancouver office. Mr. Lancaster is a member of the Institute of Corporate Directors.

Principal Occupation, Business or Employment[1]

Independent Business Consultant (November 2009 - present); Chief Financial Officer, Ivanhoe Energy Inc. (January 2004 – November 2009); Chief Financial Officer, Power Measurement Inc. (2000 - 2003).

Director Status: Independent[4] Board/Committee Membership:	2010 Attendance:	
Board of Directors (Director since May 11, 2010)	6 of 6	100%
Audit (member since May 11, 2010)	2 of 2	100%
Nominating & Corporate Governance (member since May 11, 2010)	2 of 2	100%
Compensation & Benefits (member since May 11, 2010)	2 of 2	100%
Total:	**12 of 12**	**100%**

Other Public Company Board Membership:

Company:	Since:
Realm Energy International Corporation (TSX-V) (Audit Committee - Chair)	2010
Ainsworth Lumber Co. Ltd. (TSX; ANS) (Audit Committee - Chair)	1993

Common Shares Beneficially Owned, Controlled or Directed: [1] [2]			Value of Equity at Risk:		
Year	**Common Shares**	**Total Market Value of Common Shares [5]**	**Common Shares[5]**	**Unexercised Options[7]**	**Total**
2011	Nil	$Nil	$Nil	$217,500	$217,500
2010	Nil	$Nil	$Nil	$634,500	$634,500

Options Held:

Date Granted	Expiry Date	Number Granted	Vested/Unvested	Exercise Price	Total Unexercised	Value of Unexercised Options[7]
August 13, 2010	August 13, 2015	150,000	Nil/150,000[16]	$12.58	150,000	$634,500

NOTES:

(1) The information as to principal occupation, business or employment and shares beneficially owned, controlled or directed by a nominee is not within the knowledge of the management of the Company and has been furnished by the nominee.

(2) Does not include unissued Common Shares issuable upon the exercise of incentive stock options.

(3) See the section entitled “Corporate Governance” for a description of the reasons why the Company does not consider this nominee to be independent.

(4) “Independent” refers to the standards of independence established under Canadian Securities Administrators’ National Instrument 58-101.

(5) “Total Market Value” is calculated by multiplying the Canadian dollar closing price of the common shares on the TSX on each of March 24, 2011 ($14.03) and March 24, 2010 ($16.81), respectively, by the number of Common Shares held by the nominee as of those dates.

(6) Mr. Hanson holds 17,500 shares directly and 5,000 indirectly.

(7) The “Value of Unexercised Options” is calculated on the basis of the difference between the closing price of the Common Shares on the Toronto Stock Exchange on March 24, 2011 and the Exercise Price of the options multiplied by the number of unexercised options on March 24, 2011, vested and unvested.

(8) The options granted on August 27, 2008 vest as to one-third on the first anniversary of the grant, one-third on the second anniversary of the grant and will be fully vested on August 27, 2011, the third anniversary of the grant.

(9) The options granted on November 27, 2008 vest as to one-third on the first anniversary of the grant, one-third on the second anniversary of the grant and will be fully vested on November 27, 2011, the third anniversary of the grant.

(10) The options granted on February 6, 2009 vest as to 25% on April 27, 2009, 25% on April 27, 2010, 25% on April 27, 2011 and the final 25% on April 27, 2012.

(11) The options granted August 5, 2009 vest as to one-third on the first anniversary of the grant, one-third on the second anniversary of the grant and will be fully vested on August 5, 2012, the third anniversary of the grant.

(12) Mr. Meredith exercised 80,000 options at Cdn$6.00 on June 29, 2010.

(13) Mr. Angus exercised 120,000 options at Cdn$2.30 on December 9, 2010.

(14) Mr. Flood exercised 16,667 options at Cdn$4.81 and 33,334 options at Cdn$6.00 on April 1, 2010.

(15) Mr. Hanson exercised 45,400 options on March 25, 2010, 53,600 options on March 29, 2010, 3,000 options on March 30, 2010, 23,000 options on March 31, 2010 and 25,000 options on April 1, 2010, all at Cdn$2.30.

(16) The options granted August 13, 2010 vest as to 100% on August 13, 2011.

(17) The options granted August 13, 2010 vest as to one-third on the first anniversary of the grant, one-third on the second anniversary of the grant and will be fully vested on August 13, 2013, the third anniversary of the grant.

(18) Mr. Flood was appointed to the Compensation and Benefits Committee on May 11, 2010 and resigned on February 16, 2011.

Summary of Board and Committee Meetings Held

The following table summarizes Board and Committee meetings held during the year ended December 31, 2010:

Board	8
Audit Committee	4
Compensation and Benefits Committee	5
Nominating and Corporate Governance Committee	4
Safety, Health and Environment Committee(1)	1
Mergers and Acquisitions Committee(2)	1

NOTES:

(1) The Committee was constituted on October 11, 2009.

(2) The Committee was constituted on November 9, 2010.

During 2010, there were four meetings of the Board, one meeting of the Mergers and Acquisitions committee and one meeting of the Compensation and Benefits Committee held by teleconference. No other Board committees held meetings by teleconference. There were 20 resolutions passed in writing by the Directors, one resolution passed in writing by the Audit Committee and five resolutions passed in writing by the Compensation and Benefits Committee. No resolutions in writing were passed by the Nominating and Corporate Governance, Mergers and Acquisitions or Safety, Health and Environment Committees in 2010. Resolutions in writing must be executed by all of the directors entitled to vote on a matter.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Other than as disclosed below, to the knowledge of the Company, no proposed director:

a) is, as at the date of this Management Proxy Circular, or has been, within 10 years before the date of this Management Proxy Circular, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity,

    i) 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;

    ii) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant corporation access to any exemption under securities legislation, for a period of more than 30 consecutive days; or

    iii) 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

b) has, within the 10 years before the date of this Management Proxy Circular, 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 proposed director.

Mr. Lebel was a Director and Mr. Deepwell was an Executive Officer of Imperial Metals Corporation ("Old Imperial") in 2002 when it implemented a Plan of Arrangement under the Company Act (British Columbia) and under the Companies' Creditors Arrangement Act (Canada) which resulted in the separation of the mining and oil and gas businesses carried on by Old Imperial. The reorganization created two public corporations that are listed for trading on the Toronto Stock Exchange, the new Imperial Metals Corporation and IEI Energy Inc. (now NuVista Energy Ltd.) an oil and gas company.

Mr. Angus is a Director of Wildcat Silver Corporation ("Wildcat"). Wildcat requested and received notice from the British Columbia Securities Commission of the issuance of a management cease trade order (the "MCTO") on October 30, 2007 in connection with the late filing of its annual audited consolidated financial statements for the fiscal year ending June 30, 2007. Wildcat's failure to make the filing within the required time frame was due to the need to clarify potential foreign tax obligations relating to an acquisition it made. The required filing was made on January 7, 2008 and the MCTO was revoked on January 8, 2008.

Mr. Hanson was a Director and Chairman of Westhouse International (formerly McCroft Tobacco)(“Westhouse”). On April 21, 2009, Westhouse was put into voluntary administration and Mr. Hanson’s contract with Westhouse was terminated on April 24, 2009. The administration period still continues.

Mr. Deepwell is a Director of American Bullion Minerals Ltd. (“ABML”). Since 2001 ABML has been subject to cease trade orders issued by each of the British Columbia, Alberta and Ontario securities commissions as a result of ABML's failure to file audited financial statements. On September 14, 2001 the common shares of ABML were delisted by the Toronto Stock Exchange as a result of ABML's failure to satisfy its minimum listing requirements. At present, the common shares of ABML are not listed or quoted on any stock exchange or other market and the trading of such securities is prohibited by the cease trade orders.

AUDIT COMMITTEE

For more information on the Audit Committee, please refer to the Company’s Annual Information Form dated March 30, 2011, in the section titled “Audit Committee Information”.

NOMINATING AND CORPORATE GOVERNANCE COMMITTEE

The following is a discussion of the Company’s corporate governance practices. Unless otherwise indicated, the Board of Directors believes that each of the corporate governance practices of the Company described below is consistent with the recommendations in the Corporate Governance Guidelines (the “Guidelines”) which are best practices standards by the Canadian Securities Administration.

For the Company’s Statement of Corporate Governance practices, please see Schedule “A”.

BOARD OF DIRECTORS

Director Independence

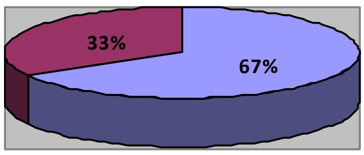
For the purposes of the Disclosure Instrument, a director is independent if he has no direct or indirect material relationship with the Company. The Disclosure Instrument defines a “material relationship” to be one which could reasonably be expected to interfere with the exercise of the director’s independent judgment and provides that certain specified relationships will, in all circumstances, be considered material relationships.

The following table sets out each director’s independence along with the reason for non-independence:

Directors	**Independent**	**Not Independent**	**Reason for non-independence**
Peter Meredith		√	Executive officer with Ivanhoe Mines Ltd., the Company’s principal shareholder. As at the date of this information circular, Ivanhoe owns approximately 57% of the Company’s common shares. Mr. Meredith also served as the Company’s CEO until October 2009.

Directors	Independent	Not Independent	Reason for non-independence
Pierre Lebel	√		
Alexander Molyneux		√	Executive officer of the Company
André Deepwell	√		
R. Stuart Angus	√		
John Macken		√	Executive officer with Ivanhoe Mines Ltd., the Company's principal shareholder. As at the date of this information circular, Ivanhoe owns approximately 57% of the Company's common shares.
R. Edward Flood	√		
The Hon. Robert Hanson	√		
W. Gordon Lancaster	√		

Based on information regarding personal and business circumstances provided in a comprehensive questionnaire completed annually by each of the Company's directors, the Company's Board is satisfied that 6 of its 9 current members representing approximately 67% of all Board members are independent:



Directorships

Information respecting those entities that are reporting issuers (or the equivalent) in Canada or elsewhere in which any of the nominees for election as directors of the Company also act as directors, is disclosed in the section of this Management Proxy Circular entitled "Election of Directors". Other than as disclosed therein, none of the current or proposed Directors of the Company act as directors of any entities that are reporting issuers (or the equivalent) in Canada or elsewhere.

Interlocking Directorships

The following table indicates which Directors serve on the same boards and committees of another reporting issuer. The Directors are of the view that these interlocking directorships do not adversely impact the effectiveness of these directors on the Company's Board:

Company	Director	Committee Memberships
Ivanhoe Australia Limited (ASX;TSX)	Peter Meredith John Macken	• Nomination, Governance and Remuneration Committee • Safety, Health and Environment Committee
Ivanhoe Mines Ltd. (TSX; NYSE; Nasdaq)	Peter Meredith R. Edward Flood	• Executive Committee • Corporate Governance and Nominating Committee
Ivanhoe Energy Inc. (TSX; Nasdaq)	Peter Meredith Alexander Molyneux	• Executive Committee
Western Lithium USA Corporation (TSX; OTCQX)	John Macken R. Edward Flood	• Audit Committee • Nominating and Corporate Governance Committee • Compensation Committee

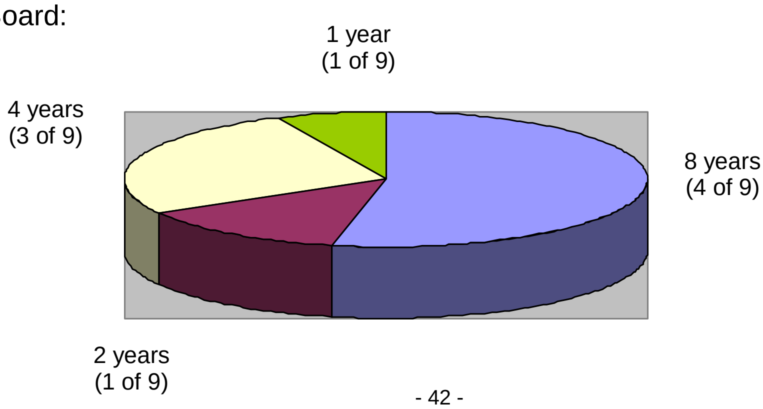
Orientation and Continuing Education

The Company takes steps to ensure that prospective directors fully understand the role of the Board and its Committees and the contribution individual directors are expected to make, including, in particular, the commitment of time and energy that the Company expects. New directors are provided with a comprehensive information package, including pertinent corporate documents and a director's manual containing information on the duties, responsibilities and liabilities of directors. New directors are also briefed by management as to the status of the Company's business and are encouraged to visit the Company's properties.

Management and outside advisors provide information and education sessions to the Board and its committees on a continuing basis as necessary to keep the directors up-to-date with the Company, its business and the environment in which it operates as well as with developments in the responsibilities of directors. Presentations are made to the Directors from time to time to educate and keep them informed of changes within the Company and of regulatory and industry requirements and standards. As a means of facilitating continuing education opportunities for directors, each independent director is enrolled as a member of the Institute of Corporate directors.

Director Tenure

The following chart indicates the number of years the present directors have dedicated to the Company's Board:



The Company's average Board tenure is 5.2 years.

Ethical Business Conduct

The Company has adopted a Code of Business Conduct and Ethics and a Statement of Values and Responsibilities (the "Code of Conduct") applicable to all employees, consultants, officers and directors regardless of their position in the organization, at all times and everywhere the Company does business. The Code of Conduct provides that the Company's employees, consultants, officers and directors will uphold its commitment to a culture of honesty, integrity and accountability and that the Company requires the highest standards of professional and ethical conduct from its employees, consultants, officers and directors. The Code of Conduct has been filed on SEDAR and is available at www.sedar.com. A copy of the Company's Code of Business Conduct and Ethics may be obtained, without charge, by request to SouthGobi Resources Ltd., 654 – 999 Canada Place, Vancouver, British Columbia, Canada V6C 3E1, Attention: Corporate Department, or by phone to 604-681-6799.

All of the Company's Directors, management and senior employees have completed, or are in the process of completing, an online e-learning training course relating to Anti-Corruption & the Foreign Corrupt Practices Act. It is planned that all of the Company's employees will complete the FCPA Training Program.

The Audit Committee monitors compliance with the Code of Business Conduct and Ethics. The Nominating and Corporate Governance Committee monitors the disclosure of conflicts of interest by directors with a view to ensuring that no director votes or participates in any board deliberations on a matter in respect of which such director has a material interest.

Nomination of Directors

The Board maintains a Nominating and Corporate Governance Committee consisting of Messrs. Hanson, Deepwell, Lebel, Angus, Lancaster and Flood. Mr. Hanson is the Chairman of the Committee. Mr. Lancaster joined the Committee on May 11, 2010 and Mr. Flood joined the Committee on August 5, 2010. The Committee is composed entirely of independent directors.

One of the primary responsibilities of the Nominating and Corporate Governance Committee is the identification of new candidates for board nomination. Typically, the full board determines, based on the Company's objectives and strategies and the perceived risks it faces, the competencies, skills, experience and personal qualities it considers necessary or desirable in potential director candidates. The Nominating and Corporate Governance Committee then takes responsibility for identifying potential candidates who possess some or all of these attributes for presentation to, and assessment by, the full board. The Nominating and Corporate Governance Committee is also responsible for assessing, on a periodic basis, the performance of individual directors and the Board as a whole.

The Nominating and Corporate Governance Committee's responsibilities are outlined in the Committee's Charter. Those responsibilities include:

- evaluating the Company's executive management succession plans;
- ensuring that the Board has the necessary structures and procedures so that it can function with an appropriate degree of independence from management;

- providing a forum without management present to receive expressions of concern, including a concern regarding matters involving the independence of the Board from management;
- establishing induction programs for new directors;
- developing and maintaining continuing education programs for directors; and
- reviewing the practices and procedures of the Board in light of ongoing developments in regulatory requirements and industry best practices in matters of corporate governance and recommending to the Board any changes considered necessary or desirable.

A copy of the Nominating and Corporate Governance Committee's Charter may be obtained upon request to the Corporate Department, 654 – 999 Canada Place, Vancouver, British Columbia, V6C 3E1, telephone 604-681-6799.

Assessments

The Nominating and Corporate Governance Committee has the responsibility for developing and recommending to the Board and overseeing the execution of, a process for assessing the effectiveness of the Board as a whole, the committees of the Board and the contribution of individual directors, on a regular basis. The Nominating and Corporate Governance Committee has developed an assessment process for the Board, each of its committees, and peer assessments of each of the directors.

On an annual basis, each director is required to complete a performance evaluation questionnaire in respect of the Board and each committee of which he is a member. These questionnaires cover a wide range of topics relating to board and committee performance and seek to elicit comments and recommendations for improvement. Responses are tabulated and analyzed by Pierre Lebel, the Lead Director, who then reports the results to the Board. Previously, Mr. Lebel has conducted one on one peer assessment, as part of the evaluation of the contributions and effectiveness of individual directors.

Mandate of the Board

Under the *British Columbia Business Corporations Act*, S.B.C. 2002, c.57 the directors of the Company are required to manage the Company's business and affairs, and in doing so to act honestly and in good faith with a view to the best interests of the Company. In addition, each director must exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

The Board of Directors is responsible for supervising the conduct of the Company's affairs and the management of its business. The Director's mandate includes setting long term goals and objectives for the Company, formulating the plans and strategies necessary to achieve those objectives and supervising senior management in their implementation. Although the Board delegates the responsibility for managing the day to day affairs of the Company to senior management personnel, the Board retains a supervisory role in respect of, and ultimate responsibility for, all matters relating to the Company and its business.

The Board's mandate requires that the Board be satisfied that the Company's senior management will manage the affairs of the Company in the best interest of the shareholders, in accordance with the Company's principles, and that the arrangements made for the management of the Company's business and affairs are consistent with their duties described above. The Board is responsible for protecting shareholder interests and ensuring that the incentives of the shareholders and of management are aligned. The obligations of the Board must be performed continuously, and not merely from time to time, and in times of crisis or emergency the Board may have to assume a more direct role in managing the affairs of the Company.

In discharging its responsibilities, the Board's mandate provides that the Board oversees and monitors significant corporate plans and strategic initiatives. The Board's strategic planning process includes annual and quarterly budget reviews and approvals, and discussions with management relating to strategic and budgetary issues. At least one Board meeting per year is devoted to a comprehensive review of strategic corporate plans proposed by management.

As part of its ongoing review of business operations, the Board periodically reviews the principal risks inherent in the Company's business, including financial risks, through periodic reports from management of such risks, and assesses the systems established to manage those risks. Directly and through the Audit Committee, the Board also assesses the integrity of internal control over financial reporting and management information systems.

In addition to those matters that must, by law, be approved by the Board, the Board is required under its mandate to approve annual operating and capital budgets, any material dispositions, acquisitions and investments outside of the ordinary course of business or not provided for in the approved budgets, long-term strategy, organizational development plans and the appointment of senior executive officers. Management is authorized to act, without Board approval, on all ordinary course matters relating to the Company's business.

The mandate provides that the Board also expects management to provide the directors, on a timely basis, with information concerning the business and affairs of the Company, including financial and operating information and information concerning industry developments as they occur, all with a view to enabling the Board to discharge its stewardship obligations effectively. The Board expects management to implement its strategic plans for the Company efficiently, to keep the Board fully apprised of its progress in doing so and to be fully accountable to the Board in respect to all matters for which it has been assigned responsibility.

The Board has instructed management to maintain procedures to monitor and promptly address shareholder concerns and has directed and will continue to direct management to apprise the Board of any major concerns expressed by shareholders.

Each Committee of the Board is empowered to engage external advisors as it sees fit. Any individual director is entitled to engage an outside advisor at the expense of the Company provided such director has obtained the approval of the Corporate Governance and Nominating Committee to do so.

In order to ensure that the principal business risks borne by the Company are identified and appropriately managed, the Board receives periodic reports from management of the Company's assessment and management of such risks. In conjunction with its review of operations, the Board considers risk issues when appropriate and approves corporate policies addressing the management of risk with respect to the Company's business.

Meetings of the Board

The Board holds regular scheduled quarterly meetings. Between the quarterly meetings, the Board meets as required, generally by means of telephone conferencing facilities. As part of the quarterly meetings, the independent directors also have the opportunity to meet separate from management. If required, between regularly scheduled Board meetings, a meeting of independent directors, chaired by the Lead Director, is held by teleconference to update the directors on corporate developments since the last Board meeting. Management also communicates informally with members of the Board on a regular basis and solicits the advice of the Board members on matters falling within their special knowledge or experience.

A complete text of the Board Mandate, including a list of specific responsibilities, is available on SEDAR and was filed on February 21, 2011.

COMPENSATION AND BENEFITS COMMITTEE

The Board maintains a Compensation and Benefits Committee consisting of Messrs. Angus, Deepwell, Lebel and Lancaster. Mr. Angus is the Chairman of the Committee. Mr. Hanson resigned from the Committee and Mr. Lancaster joined the Committee on May 11, 2010. Mr. Flood joined the Committee on August 5, 2010 and resigned on February 16, 2011. The Committee is composed entirely of independent directors.

For a detailed review of the Compensation Committees' policies and decisions, please see the Compensation and Analysis section of the Management Proxy Circular.

A copy of the Compensation and Benefits Committee's Charter may be obtained upon request to the Corporate Department, 654 – 999 Canada Place, Vancouver, British Columbia, V6C 3E1, telephone 604-681-6799.

Other Board Committees

SAFETY, HEALTH AND ENVIRONMENT COMMITTEE

The Board maintains a Safety, Health and Environment Committee consisting of Messrs. Hanson, Macken and Molyneux. Mr. Hanson is the Chairman of the Committee. The primary objective of the Safety, Health & Environment Committee is to review and oversee the Company's established safety, health and environmental policies and procedures at the Company's project sites. The Committee also reviews any incidents that occur and provides guidance on how to prevent recurrences.

MERGERS AND ACQUISITIONS COMMITTEE

The Board constituted a Mergers and Acquisitions Committee on November 9, 2010. The members of the Mergers and Acquisitions Committee are Messrs. Lebel, Flood and Angus. Mr. Lebel is the Chairman of the Committee. The Committee is composed of independent directors. The primary objective of the Mergers and Acquisitions Committee is to review, assess and provide guidance on all potential acquisitions, divestitures and strategic investment transactions to which the Company may become a party.

APPOINTMENT OF AUDITORS

Deloitte & Touche LLP, Chartered Accountants, will be nominated at the Meeting for re-appointment as auditors of the Company with their remuneration to be fixed by the directors. Deloitte & Touche LLP have been auditors of the Company since August 14, 2003.

ELECTRONIC DELIVERY OF ANNUAL AND INTERIM REPORTS TO SHAREHOLDERS IN HONG KONG

Rules 13.48 and 13.46(2) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") would require that the Company send a copy or summary of its interim report and annual report (the "Reports") to all of its Shareholders. Based on a waiver granted during the Company's application to list on the Stock Exchange of Hong Kong limited, the Company is only required to comply with those Listing Rules with respect to shareholders with registered addresses in Hong Kong, subject to Rule 2.07A of the Listing Rules, under which Shareholders may agree to receive corporate communications by sending or otherwise making them available using electronic means including by publication on the Company's website.

One of the relevant pre-conditions to the Reports being published on the Company's website is that the Company's Shareholders have resolved at a general meeting that the Company may send or supply the Reports to Shareholders by making them available on its website. If the Shareholders agree, they will be taken to have agreed under the Listing Rules that the Company may send or supply the Reports to the Shareholders with registered addresses in Hong Kong by making them available on the Company's website. There are further conditions to be met including that the Shareholders are asked individually to agree that the Reports may be sent or supplied by means of the Company's website. Given the requirement that the Reports be sent only to Shareholders with a registered address in Hong Kong, only such Shareholders meeting this criteria will be asked to individually agree to be sent the Reports by electronic means.

The Electronic Communication of the Hong Kong Annual Report resolution is attached as Schedule "C" to this Circular.

OTHER BUSINESS

Management of the Company is not aware of any matter to come before the Meeting other than the matters referred to in the Notice of Meeting.

ADDITIONAL INFORMATION

Additional information relating to the Company is available on SEDAR at www.sedar.com. Shareholders may contact the Company's Corporate Department at 654 – 999 Canada Place, Vancouver, British Columbia, Canada, V6C 3E1 by mail, telephone (604-681-6799) or facsimile (604-682-2060) to request copies of the Company's Annual Information Form, Financial Statements and Management's Discussion & Analysis ("MD&A"), without charge.

Financial information for the Company's most recently completed financial year is provided in its comparative financial statements and MD&A which are filed on SEDAR and available at the Company's website at www.southgobi.com.

DIRECTORS' APPROVAL

The contents of this Management Proxy Circular and its distribution to shareholders have been approved by the Board of the Company.

DATED at Vancouver, British Columbia, this 24th day of March, 2011.

BY ORDER OF THE BOARD OF DIRECTORS

"*Beverly A. Bartlett*"

Beverly A. Bartlett
Vice President and Corporate Secretary

SCHEDULE "A"

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

<table>
<tr><th>CORPORATE GOVERNANCE DISCLOSURE REQUIREMENT[1]</th><th>COMMENTS</th></tr>
<tr><td>1. Board of Directors (the "Board") –

(a) Disclose the identity of directors who are independent.</td><td>The Board has reviewed the independence of each Director on the basis of the definitions in section 1.4 of NI 52-110, as amended. A Director is "independent" if he or she has no direct or indirect material relationship with the Company, including as a partner, shareholder or officer of an organization that has a relationship with the Company. A "material relationship" is one that would, or in the view of the Board could, be reasonably expected to interfere with the exercise of a Director's independent judgment. The Board has determined, after reviewing the roles and relationships of each of the Directors, that 67% (six out of nine) of the nominees proposed by management for election to the Board are independent from the Company. The following nominees have been affirmatively determined to be independent by the Board:

Pierre Lebel

André Deepwell

Robert Hanson

R. Stuart Angus

W. Gordon Lancaster

R. Edward Flood

This determination was made on the basis that:

(a) they (and their immediate family members) are not and have not been within the last three years an employee or executive officer of the Company;

(b) they (and their spouse, minor child or step child) are not and have not been within the last three years a partner or employee of the Company's external auditors firm;

(c) they (and their immediate family members) are not and have not been within the last three years an executive officer of an entity of which the Company's executives served on that entity's compensation committee; and

(d) they (and their immediate family members) did not receive more than Cdn$75,000 in direct compensation from the Company (exclusive of any remuneration received for acting as a Board or Committee member) during any twelve month period during the last three years.</td></tr>
<tr><td>(b) Disclose the identity of directors who are not independent, and describe the basis for that determination.</td><td>The Board and Nominating and Corporate Governance Committee have determined, after reviewing the roles and relationships of each of the Directors, that the following three out of nine nominees proposed by management for election to the Board are not "independent" from the Company as defined in the CSA Corporate Governance Guidelines:

Alexander Molyneux: President and CEO

Peter Meredith: Deputy Chairman and an executive officer of Ivanhoe Mines Ltd.

John Macken: Executive officer of Ivanhoe Mines Ltd.

Mr. Molyneux is a senior officer of the Company and a member of management and is considered to be a non-independent director. Mr. Meredith was a senior officer of the Company until October 11, 2009. Mr. Macken was the Chairman of the Company until October 11, 2009. Messrs. Macken and Meredith are both executive officers of Ivanhoe Mines Ltd., a 57% shareholder of the Company, and as a result, each is considered to be a non-independent director.</td></tr>
</table>

CORPORATE GOVERNANCE DISCLOSURE REQUIREMENT[(1)]	COMMENTS
(c) Disclose whether or not a majority of the directors are independent. If a majority of directors are not independent, describe what the Board does to facilitate its exercise of independent judgment in carrying out its responsibilities.	67% or six of the nine nominees proposed by management for election to the Board are "independent directors" as defined in the CSA Corporate Governance Guidelines. The directors of the Company have reviewed the size of the Board and believe that the current Board size and composition results in a balanced representation on the Board between management and independent directors. While the Board functions effectively, given the Company's stage of development and the size and complexity of its business, the Board, through its Nominating and Corporate Governance Committee, will continue to seek additional qualified candidates to augment its experience and expertise and to enhance the Company's ability to effectively develop its business interests. In so doing, the Nominating and Corporate Governance Committee will seek candidates that meet all Canadian and other standards of independence applicable to the Company. The Nominating and Corporate Governance Committee will continue to examine the size and composition of the Board and recommend adjustments from time to time to ensure that the Board continues to be of a size that facilitates effective decision-making. Nine nominees have been proposed by management for election as Directors at the Meeting. The maximum number permitted under the Company's articles of incorporation is the greater of 3 and either number fixed by ordinary resolution or the number actually elected. Under the terms of the CIC transaction, CIC has the right to nominate a board member while the convertible debenture is outstanding or while it holds a 15% direct or indirect interest in the Company's common shares.
(d) If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.	All directorships with other public entities for each of the nominees are set out next to the individual's name under the heading "Election of Directors – Management Nominees" in this Circular.
(e) Disclose whether or not the independent directors hold regularly scheduled meetings at which members of management are not in attendance. If the independent directors hold such meetings, disclose the number of meetings held since the beginning of the issuer's most recently completed financial year. If the independent directors do not hold such meetings, describe what the Board does to facilitate open and candid discussion among its independent directors.	All independent committees, with the exception of the Audit Committee, meet without management being present unless the committee specifically requests the presence of one or more such persons. The Nominating and Corporate Governance Committee, in particular, provides a forum without management being present to receive any expression of concern from a director, including a concern regarding the independence of the Board from management. During 2010 there were eight Board meetings, five meetings of the Compensation and Benefits Committee, four meetings of the Audit Committee, four meetings of the Nominating and Corporate Governance Committee, one meeting of the Safety, Health and Environment Committee and one meeting of the Mergers and Acquisitions Committee. In addition, meetings of independent directors, chaired by the Lead Director, are held, from time to time, by teleconference to update the independent directors on developments since the last Board meeting. Mr. Peter Meredith, Chairman of the Company and Mr. Alex Molyneux, the Company's President and CEO, have periodically been invited to participate in these meetings in order to brief the independent Directors on recent developments. The results of discussions of all Board committees, and of the meetings of the independent directors, are communicated to the rest of the Board at its next scheduled meeting, or more promptly, if required, by the committee Chairs to the other directors and members of management.
(f) Disclose whether or not the chair of the Board is an independent director. If the Board has a chair or lead director who is an independent director, disclose the identity of the	Mr. Meredith currently serves as Chairman of the Board and is an executive officer of Ivanhoe Mines Ltd. The Board is of the view that appropriate structures and procedures are in place to

CORPORATE GOVERNANCE DISCLOSURE REQUIREMENT[1]	COMMENTS
independent chair or lead director, and describe his or her role and responsibilities. If the Board has neither a chair that is independent nor a lead director that is independent, describe what the Board does to provide leadership for its independent directors.	allow the Board to function independently of management while continuing to provide the Company with the benefit of having a Chairman of the Board with extensive experience and knowledge of the Company's business. The Board has created the position of lead director, with specific responsibility for maintaining the independence of the Board and ensuring that the Board carries out its responsibilities. Mr. Lebel has served as the Company's Lead Director since 2007. Mr. Lebel does not serve in a similar capacity with any other corporation.
(g) Disclose the attendance record of each director for all Board meetings held since the beginning of the issuer's most recently completed financial year.	A record of attendance by director(s) at meetings of the Board and its Committees as well as the number of Board and Board Committee meetings held during the financial year ended December 31, 2010, is set out next to each individual's name under the heading "Election of Directors – Management Nominees" in this Circular.
2. Board Mandate – Disclose the text of the Board's written mandate. If the Board does not have a written mandate, describe how the Board delineates its role and responsibilities.	The Board has assumed responsibility for the stewardship of the Company and has adopted a formal mandate as described in this Circular under the heading "Corporate Governance – Mandate of the Board", setting out its stewardship responsibilities. The mandate of the Board is available on SEDAR, filed on February 21, 2011. A copy may also be obtained upon request to the Company's Corporate Department at 654 - 999 Canada Place, Vancouver, British Columbia V6C 3E1, and telephone 604-681-6799.
3. Position Descriptions – (a) Disclose whether or not the Board has developed written position descriptions for the chair and the chair of each Board committee. If the Board has not developed written position descriptions for the chair and/or the chair of each Board committee, briefly describe how the Board delineates the role and responsibilities of each such position. (b) Disclose whether or not the Board and CEO have developed a written position description for the CEO. If the Board and CEO have not developed such a position description, briefly describe how the Board delineates the role and responsibilities of the CEO.	The Board has developed written position descriptions for the Chairman, Lead Director, the chair of the Audit, Compensation and Benefits and Nominating and Corporate Governance committees, CEO and CFO, clearly defining their respective roles and responsibilities. Such position descriptions were reviewed by the Nominating and Corporate Governance Committee and approved by the Board and are subject to annual review by the Nominating and Corporate Governance Committee.
4. Orientation and Continuing Education (a) Briefly describe what measures the Board takes to orient new members regarding: (i) the role of the Board, its committees and its directors, and (ii) the nature and operation of the issuer's business	The Company takes steps to ensure that prospective directors fully understand the role of the Board and its committees and the contribution individual directors are expected to make, including in particular the commitment of time and energy that the Company expects of its directors. In addition, new directors are provided with a comprehensive information package, including pertinent corporate documents and a director's manual containing information on the duties, responsibilities and liabilities of directors. New directors are also briefed by management as to the status of the Company's business. Directors are also encouraged to make site visits to the Company's properties.
(b) Briefly describe what measures, if any, the Board takes to provide continuing education for its directors. If the Board does not provide continuing education, describe how the Board ensures that its directors maintain the skill and knowledge necessary to meet their obligations as directors.	Management and outside advisors provide information and education sessions to the Board and its committees on a continuing basis as necessary to keep the directors up-to-date with the Company, its business and the environment in which it operates as well as with developments in the responsibilities of directors, corporate governance, ethics and compliance. In addition, directors are encouraged to take courses relevant to the Company and its business, particularly with respect to corporate governance and the mining industry, at the Company's expense. All of the Company's independent directors are members of Canada's Institute of Corporate Directors, whose mission is to

CORPORATE GOVERNANCE DISCLOSURE REQUIREMENT[1]	COMMENTS
	foster excellence in directors to strengthen the governance and performance of Canadian corporations.
5. Ethical Business Conduct – (a) Disclose whether or not the Board has adopted a written code for its directors, officers and employees. If the Board has adopted a written code: (i) disclose how a person or company may obtain a copy of the code; (ii) describe how the Board monitors compliance with its code, or if the Board does not monitor compliance, explain whether and how the Board satisfies itself regarding compliance with its code; and disclose how a person or company may obtain a copy of the code; (iii) provide a cross-reference to any material change report filed since the beginning of the issuer's most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the code.	The Company has adopted a Code of Business Conduct and Ethics applicable to all employees, consultants, officers and directors regardless of their position in the organization, at all times and everywhere the Company does business. The Code of Business Conduct and Ethics provides that the Company's employees, consultants, officers and directors will uphold its commitment to a culture of honesty, integrity and accountability and the Company requires the highest standards of professional and ethical conduct from its employees, consultants, officers and directors. A number of housekeeping amendments to the Code were made in 2009 to clarify consulting and reporting procedures and to recognize the Company's whistleblower mechanism. The Company's Code of Business Conduct and Ethics, as amended, has been filed on SEDAR and is available on the Company's website (www.southgobi.com). A copy may also be obtained, without charge, by request to the Company's Corporate Department at 654 – 999 Canada Place, Vancouver, British Columbia, Canada V6C 3E1, telephone 604-681-6799. All directors and employees are provided with a booklet containing the Company's Code of Business Conduct and Ethics and Corporate Securities Trading Policy and its Companion booklet (which have been translated into other languages as needed for use in the Company's international operations) and are required to sign a written acknowledgement confirming that they have received, reviewed and understand its contents and agree to abide by the Code. All of the Company's directors, management and senior employees have completed or are in the process of completing an online e-learning training course relating to Anti-Corruption & the Foreign Corrupt Practices Act. It is planned that all of the Company's employees will complete the FCPA Training Program. The Company's Directors, officers, supervisors and employees are required to confirm, on an annual basis, that they have received, reviewed and understand the Company's Code of Business Conduct and Ethics. The Nominating and Corporate Governance Committee monitors compliance with the Code of Business Conduct and Ethics and also ensures that management encourages and promotes a culture of ethical business conduct. The Board has not granted any waiver of the Code of Business Conduct and Ethics in favour of a Director or executive officer. Accordingly, no material change report has been required or filed.
(b) Describe any steps the Board takes to ensure directors exercise independent judgment in considering transactions and agreements in respect of which a director or executive officer has a material interest.	The Nominating and Corporate Governance Committee monitors the disclosure of conflicts of interest to the Board by Directors and ensures that no director will vote or participate in a discussion on a matter in respect of which such director has a material interest. Committee Chairs perform the same function with respect to meetings of each Board committee.
(c) Describe any other steps the Board takes to encourage and promote a culture of ethical business conduct.	The Company has a Statement of Values and Responsibilities. It has also developed various corporate policies including Corporate Disclosure, Confidentiality and Securities Trading policies, and a Whistleblower Policy, administered by an independent third party. The Company encourages participation in education programs for its personnel dealing with matters of corporate ethics and best practices.
6. Nomination of Directors – (a) Describe the process by which the Board identifies new	The Board has a Nominating and Corporate Governance Committee consisting of Messrs. Hanson (Chair), Lebel,

CORPORATE GOVERNANCE DISCLOSURE REQUIREMENT[1]	COMMENTS
candidates for Board nomination. (b) Disclose whether or not the Board has a nominating committee composed entirely of independent directors. If the Board does not have a nominating committee composed entirely of independent directors, describe what steps the board takes to encourage an objection nomination process (c) If the Board has a nominating committee, describe the responsibilities, powers and operation of the nominating committee.	Deepwell, Angus, Lancaster and Flood, all of whom are nominees of management for re-election as directors at the Meeting. All members of the committee are "independent directors" under the CSA Corporate Governance Guidelines. The full Board determines, in light of the opportunities and risks facing the Company, what competencies, skills and personal qualities it should seek in new Board members in order to add value to the Company. Based on this framework, the Nominating and Corporate Governance Committee developed a skills matrix outlining the Company's desired complement of Directors' competencies, skills and characteristics. The specific make-up of the matrix includes such items and experiences as: international experience, leading growth orientated companies, mining exploration, diversity, financial literacy, legal knowledge, corporate governance, etc. The Committee annually assesses the current competencies and characteristics represented on the Board and utilize the matrix to determine the Board's strengths and identify any gaps that need to be filled. This analysis assists the Committee in discharging its responsibility for approaching and proposing to the full Board new nominees to the Board, and for assessing directors on an ongoing basis. If required, the Nominating and Corporate Governance Committee has the authority to hire outside consultants to help to identify additional qualified Board candidates. Ivanhoe Mines Ltd., which owns approximately 57% of the Company's common shares, has the ability to exercise a majority of the votes for the election of the Board. Over one-half of the Company's directors do not have an interest in or relationship with either the Company or Ivanhoe Mines Ltd., and the Board believes that this fairly reflects the investment in the Company by shareholders other than Ivanhoe Mines Ltd. The Board seeks to achieve a balanced representation of skilled and experienced independent directors and has determined to continue to seek, through its Nominating and Corporate Governance Committee, additional qualified candidates as required to augment its experience and expertise and to enhance the Company's ability to effectively develop its business interests. In so doing, the Nominating and Corporate Governance Committee will seek candidates that meet all Canadian, Hong Kong and other standards of independence applicable to the Company. The charter of the Nominating and Corporate Governance Committee is available on the Company's website (www.southgobi.com). A copy may also be obtained upon request to the Company's Corporate Department at 654 – 999 Canada Place, Vancouver, British Columbia, V6C 3E1, telephone 604-681-6799.
7. Compensation – (a) Describe the process by which the Board determines the compensation for the issuer's directors and officers.	The Compensation and Benefits Committee has responsibility for recommending compensation for the Company's senior executive officers to the Board. See "Statement of Executive Compensation". The Compensation and Benefits Committee periodically reviews and makes recommendations to the Board regarding the adequacy and form of the compensation for independent Directors to ensure that such compensation realistically reflects the responsibilities and risks involved in being an effective director, without compromising a Director's independence. Directors who are executives of the Company receive no additional remuneration for their services as Directors. All independent directors receive Cdn$25,000 per annum for acting as such. Mr. Lebel receives an additional Cdn$60,000 per annum for acting as the Lead Director of the Board. The Chair of the Audit Committee receives an additional Cdn$40,000 per annum, for acting in such capacity. The respective Chairs of the Compensation and Benefits Committee

CORPORATE GOVERNANCE DISCLOSURE REQUIREMENT[1]	COMMENTS
	and the Corporate Governance Committee each receive an additional payment of Cdn$25,000 per annum for acting as such. Additionally, independent directors receive Cdn$1,500 per in-person Board or Committee meeting attended and Cdn$600 per Board or Committee conference call in which they participate. In addition to their cash compensation, independent directors also receive a grant of 35,000 stock options per annum, such options having a five year term and fully vesting on the first anniversary of the date of the grant.
(b) Disclose whether or not the Board has a compensation committee composed entirely of independent directors. If the Board does not have a compensation committee composed entirely of independent directors, describe what steps the Board takes to ensure an objective process for determining such compensation.	The Compensation and Benefits Committee is comprised of four directors, all of whom have been affirmatively determined by the Board to be "independent directors" as defined by the CSA Corporate Governance Guidelines. The members of the committee have diverse professional backgrounds, with prior experience in executive compensation. Messrs. Lebel and Deepwell are senior executive officers of other public corporations.
(c) If the Board has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.	The duties and responsibilities of the Compensation and Benefits Committee include the development of a compensation philosophy and policy; evaluating the performance of the Company's senior executive officers, reviewing their compensation, and monitoring equity incentive arrangements. The role of the Compensation and Benefits Committee is primarily to review the adequacy and form of compensation of executive management and the independent directors with such compensation realistically reflecting the responsibilities and risks of such positions, to administer the Company's Equity Incentive Plan, to determine the recipients of, and the nature and size of share compensation awards granted from time to time and to determine the remuneration of executive management and to determine any bonuses to be awarded. Commencing in 2008, the committee conducted a formal review of the Company's executive compensation on an annual basis and otherwise as required to satisfy itself and the Board that the Company's compensation objectives are being met. The members of the Compensation and Benefits Committee are Messrs. Angus (Chair), Lebel, Deepwell and Lancaster. Each member of the committee is an independent director for the purposes of the CSA Corporate Governance Guidelines. The charter of the Compensation and Benefits Committee is available on the Company's website (www.southgobi.com). A copy may also be obtained upon request to the Company's Corporate Department at 654 - 999 Canada Place, Vancouver, British Columbia V6C 3E1, telephone 604-681-6799.
(d) If a compensation consultant or advisor has, at any time since the beginning of the issuer's most recently completed financial year, been retained to assist in determining compensation for any of the issuer's directors and officers, disclose the identity of the consultant or advisor and briefly summarize the mandate for which they have been retained. If the consultant or advisor has been retained to perform any other work for the issuer, state that fact and briefly describe the nature of the work.	In November 2008, the Company's compensation consultants, Roger Gurr and Associates of Vancouver, Canada ("Gurr Associates") completed a review of the compensation rewards for the executive officers, certain employees and the directors of the Company. In the report, Gurr Associates analyzed the market competitiveness of compensation (salary, bonus and equity based compensation) for ten executive and management positions and proposed a compensation strategy for executive and management pay. In August 2010, Gurr Associates completed a review of the compensation rewards for executives, management and directors (the "2010 Gurr Report"). The purpose of the 2010 Gurr Report was to review, analyze and recommend changes to the Company's compensation practices and pay grades for executives and selected management positions. Gurr Associates reviewed marketplace trends and analyzed executive compensation pay grades and practices for comparable coal producers. The 2010 Gurr Report used a

CORPORATE GOVERNANCE DISCLOSURE REQUIREMENT(1)	COMMENTS
	comparative group consisting of 8 Australian and 10 North American coal producing companies with similar market caps and asset size compared to the Company. The peer comparator group of coal producers recognized the Company's increases in commercial coal production, enhanced market capitalization and its China focus. Gurr Associates concluded that the Company's current compensation structure was appropriate for the Company's stage of development. Gurr Associates received Cdn$43,848 in fees for completing the 2010 Gurr Report.
8. Other Board Committees – If the Board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.	In addition to the Audit Committee, the Compensation and Benefits Committee and the Nominating and Corporate Governance Committee, the Company has two standing committees. The Safety, Health and Environment Committee was formed on October 11, 2009. The members of the Safety, Health and Environment Committee are Messrs. Hanson (Chair), Macken and Molyneux. The primary objective of the Safety, Health and Environment Committee is to review and oversee the Company's established safety, health and environmental policies and procedures at the Company's project sites. The Committee also reviews any incidents that occur and provides guidance on how to prevent recurrences. The Board constituted a Mergers and Acquisitions Committee, on November 9, 2010. The members of the Mergers and Acquisitions Committee are Messrs. Lebel (Chair), Flood and Angus. The primary focus of the Mergers and Acquisitions Committee is to review, assess and provide guidance on all potential acquisitions, divestitures and strategic investment transactions to which the Company may become a party.
9. Assessments – Disclose whether or not the Board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments. If assessments are not regularly conducted, describe how the Board satisfies itself that the Board, its committees, and its individual directors are performing effectively.	The Nominating and Corporate Governance Committee has the responsibility for developing and recommending to the Board, and overseeing the execution of, a process for assessing the effectiveness of the Board as a whole, the committees of the Board and the contribution of individual directors, on a regular basis. The Nominating and Corporate Governance Committee has developed an assessment process for the Board, each of its committees, and a peer review of the contribution of individual directors. The Nominating and Corporate Governance Committee has, for the last six years, reviewed and approved a performance evaluation questionnaire that was forwarded to all of the members of the Board. This questionnaire covers a wide range of issues providing for quantitative ratings and subjective comments and recommendations in each area. In 2010, all Directors assessed the performance of the Board as a whole and its Committees. Issues addressed included Board composition, Board discussion and the relationship with the CEO, Director orientation and ongoing development, definition of roles and responsibilities, Board and Director evaluation, Director compensation, CEO and management succession, strategic planning and supporting plans, Committees, and the role of the Lead Director. In 2008, each Director assessed his own performance. Issues addressed included skills and experience, preparation, attendance and availability, communication and interaction, strategies and plans, business, corporation and industry knowledge, and an overall assessment. Responses were provided to the Lead Director. The Lead Director has met with each Director to discuss individual and Board performance, and reported the overall results to the Board.

CORPORATE GOVERNANCE DISCLOSURE REQUIREMENT[1]	COMMENTS
	The Board completes self assessments or peer reviews, as described above. The Nominating and Corporate Governance Committee intends to continue these processes on a regular basis. These evaluations showed that the Board, its Committees, the Committee Chairs, the Lead Director and individual Directors were effectively fulfilling their responsibilities.

(1) Reference is made to the items in Form 58-101F1.

SCHEDULE "B"

AMENDMENTS TO THE EQUITY INCENTIVE PLAN

BE IT RESOLVED, as an ordinary resolution that:

1. the amendment to section 5.7(d)(iii) of the Company's Equity Incentive Plan is authorized and approved as it is presented below:

   "**<u>5.7 Amendments to Plan</u>**

   The Board shall have the power to, at any time and from time to time, either prospectively or retrospectively, amend, suspend or terminate the Plan or any Option or other award granted under the Plan without shareholder approval, including without limiting the generality of the foregoing: changes of a clerical or grammatical nature, changes regarding the persons eligible to participate in the Plan, changes to the exercise price, vesting, term and termination provisions of the Options, changes to the cashless exercise right provisions, changes to the share bonus plan provisions (other than the maximum number of Shares issuable under the Bonus Plan in Section 3.2 of the Plan), changes to the authority and role of the Compensation and Benefits Committee, under the Plan changes to the acceleration and vesting Options in the event of a takeover bid, and any other matter relating to the Plan and the Options and awards granted thereunder, provided however that:

   d) the Directors shall obtain shareholder approval of:

      (i) any amendment to the aggregate maximum number of Shares specified in subsection 3.2 (Share Bonus Plan);

      (ii) any amendment to the aggregate percentage of Shares specified in subsection 5.1;

      (iii) any amendment to the limitations on Shares that may be reserved for issuance, or issued, to Insiders under subsections 5.1(a), (b) and (c);

      (iv) any amendment that would reduce the exercise price of an outstanding Option ~~to an insider~~ other than pursuant to section 2.11;

      (v) any amendment that would extend the expiry date of the Option Period in respect of any Option granted under the Plan ~~to an insider~~ except as expressly contemplated in subsection 2.5; and

      (vi) any amendment to the amending provision set out in Section 5.7 (Amendments to Plan)."

2. to amend section 4.4 of the Plan to increase the aggregate maximum number of shares that may be issued pursuant to the Share Purchase Plan from 200,000 to 500,000; and

3. any director or officer of the Company be and is hereby authorized, for and on behalf of the Company, to do all such things and execute all such documents and instruments as may be necessary or desirable to give effect to this resolution.

SCHEDULE "C"

ELECTRONIC DELIVERY OF ANNUAL AND INTERIM REPORTS TO SHAREHOLDERS RESIDENT IN HONG KONG

BE IT RESOLVED, as an ordinary resolution that:

1. the Company may send or supply the Reports to Shareholders with registered addresses in Hong Kong by making them available on the Company's website;
   be and is hereby approved; and

2. any director or officer of the Corporation be and is hereby authorized, for and on behalf of the Corporation, to do all such things and execute all such documents and instruments as may be necessary or desirable to give effect to this resolution.