



## ALGOMA CENTRAL CORPORATION

### NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that an Annual Meeting of Shareholders of Algoma Central Corporation (the "Corporation") will be held at the St. Catharines Golf and Country Club, 70 Westchester Avenue, St. Catharines, Ontario on Wednesday, April 30, 2008 (the "Meeting"), at the hour of 11:30 o'clock in the forenoon, locally, for the purposes of:

1. Receiving and considering the annual report and financial statements for the year ended December 31, 2007 and the report of the auditors thereon;
2. Electing directors;
3. Appointing auditors;
4. Transacting such further and other business as may properly come before the Meeting or any adjournment thereof.

A description of the business to be submitted to the Meeting is contained in the accompanying Management Proxy Circular.

Dated at Toronto, Ontario the 29th day of February, 2008.

On behalf of the Board of Directors

William S. Vaughan  
Secretary

**Shareholders who are unable to attend the Meeting in person are requested to date, sign and return the enclosed form of proxy, in the envelope provided for that purpose.**

# **ALGOMA CENTRAL CORPORATION**

## **MANAGEMENT PROXY CIRCULAR**

### **SOLICITATIONS OF PROXIES**

**THIS MANAGEMENT PROXY CIRCULAR IS FURNISHED IN CONNECTION WITH THE SOLICITATION OF PROXIES BY AND ON BEHALF OF THE MANAGEMENT OF ALGOMA CENTRAL CORPORATION (THE “CORPORATION”) FOR USE AT THE ANNUAL MEETING OF SHAREHOLDERS OF THE CORPORATION TO BE HELD ON APRIL 30, 2008 (THE “MEETING”) FOR THE PURPOSES SET FORTH IN THE ACCOMPANYING NOTICE OF MEETING.** The Information contained herein is given as of February 29, 2008 except as otherwise noted. It is expected that solicitation of proxies will be primarily by mail, but proxies may also be solicited personally or by telephone by employees of the Corporation or by persons retained by the Corporation for that purpose. The total cost of such solicitation will be borne by the Corporation.

The Corporation may pay reasonable costs incurred by persons who are registered but not beneficial owners of Common Shares (such as brokers, dealers, other registrants under applicable securities laws, nominees and/or custodians) in sending or delivering copies of the Notice of Meeting, Management Proxy Circular and form of proxy to beneficial owners of such shares. The Corporation will furnish to such persons, without cost, upon request to CIBC Mellon Trust Company, Attention: Proxy Department, 200 Queen’s Quay East, Unit #6, Toronto, Ontario M5A 4K9 (telephone 416-643-5500), additional copies of the Notice of Annual Meeting, Management Proxy Circular and form of proxy for this purpose. Executed proxy forms may be mailed to CIBC Mellon Trust Company at that address.

### **MANNER OF VOTING PROXIES**

#### **General**

The shares represented by any proxy in favour of management nominees will be voted or withheld from voting in accordance with the instruction of the shareholder and, if the shareholder specifies a choice with respect to any matter to be acted upon, the shares will be voted accordingly. Where no choice is specified, the shares represented by such proxy will be VOTED in favour of those matters set out in the enclosed proxy and at the discretion of the proxyholder with respect to other matters that may properly come before the Meeting. Management knows of no amendments, variations or other matters to come before the Meeting other than the matters referred to in the foregoing notice of meeting. However, if any amendments, variations or other matters which are not known to management should properly come before the Meeting or any adjournment(s) or postponement(s) thereof, the share represented by the proxies in favour of management nominees will be voted on such amendments, variations or other matters in accordance with the best judgment of the proxy nominee.

**THE PERSONS NAMED IN THE ENCLOSED PROXY ARE MEMBERS OF THE CORPORATION’S MANAGEMENT. A SHAREHOLDER DESIRING TO APPOINT SOME OTHER PERSON, WHO NEED NOT BE A SHAREHOLDER OF THE CORPORATION, TO REPRESENT THE SHAREHOLDER AT THE MEETING MAY DO SO EITHER BY INSERTING SUCH OTHER PERSONS’ NAME IN THE BLANK SPACE PROVIDED IN THE ENCLOSED PROXY AND DELETING THE NAMES PRINTED OR BY COMPLETING ANOTHER PROXY FORM.**

#### **Voting by Non-Registered Shareholders**

Only registered shareholders or the persons they appoint as their proxies are permitted to vote at the Meeting. However, in many cases, common shares owned by a person (a “non-registered holder”) are registered to either (a) in the name of an intermediary (an “Intermediary”) that the non-registered holder deals with in respect of the common shares (Intermediaries include, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered registered savings plans, registered retirement income funds, registered education savings plans and similar plans); or (b) in the name of a clearing agency (such as, The Canadian Depository for Securities Limited (“CDS”)) of which the Intermediary is a participant. In accordance with the requirements of National Instrument 54-101, the Corporation has distributed copies of the Management Proxy Circular and the accompanying Notice of Meeting, together with the form of proxy, annual information form, and annual report which contains the financial statement of the Corporation (collectively, the “Meeting Materials”) to the clearing agencies and Intermediaries for onward distribution to non-registered holder of common shares.

Intermediaries are required to forward the Meeting Materials to non-registered holders unless a non-registered holder has waived the right to receive them. Very often, intermediaries will use service companies to forward the Meeting Materials to non-registered holders. Generally, non-registered holders who have not waived the right to receive Meeting Materials will either:

- a) be given 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 and class of securities beneficially owned by the non-registered holder but which is not otherwise completed. Because the Intermediary has already signed the form of proxy, this form of proxy is not required to be signed by the non-registered holder when submitting the proxy. In this case, the non-registered holder who wishes to vote by proxy should otherwise properly complete the form of proxy and deliver it as specified above under “Appointment and Revocation of Proxies”, or
- b) be given a form of proxy which has already been signed by the Intermediary and which, when properly completed and signed by the non-registered holder and returned other Intermediary or its service company, will constitute voting instructions (often called a “Voting Instruction Form”) which the Intermediary must follow. Typically the non-registered holder will also be given a page of instructions which contains a removable label containing a bar code and other information. In order for the form of proxy to validly constitute a Voting Instruction Form, the non-registered holder must remove the label from the instruction and affix it to the Voting Instruction Form, properly complete and sign the Voting Instruction Form and submit it to the Intermediary or its services company in accordance with the instruction of the Intermediary or its service company.

In either case, the purpose of this procedure is to permit non-registered holders to direct the voting of the common shares they beneficially own. Should a non-registered holder who receives either form of proxy wish to vote at the Meeting in person, the non-registered holder should strike out the persons designated as proxyholders by Management of the Corporation in the form of proxy and insert the name of the non-registered holders in the blank space provided, who need not be a shareholder of the Corporation. Non-registered holder should carefully follow the instruction of the Intermediary including those regarding when and where the form of proxy or Voting Instruction Form is to be delivered.

## REVOCATION OF PROXIES

Any shareholder who has given a proxy may revoke such proxy by depositing an instrument in writing executed by such shareholder or by his attorney authorized in writing at the office of the Corporation at 63 Church Street, Suite 600, St. Catharines, Ontario, L2R 3C4, on or before the last business day preceding the day of the Meeting or any adjournment thereof or, as to any matter upon which a vote has not already been cast pursuant to the authority conferred by such proxy, with the Chairman of the Meeting of the day of the Meeting or any adjournment thereof, or in any other manner permitted by law.

## OUTSTANDING SHARES

There are 3,891,211 Common Shares issued and outstanding as at February 29, 2008. The Common Shares, which will carry one vote each, may be voted at the Meeting. In accordance with the provisions of the Canada Business Corporations Act, the Corporation will prepare a list of the holders of its Common Shares as of the close of business on March 17, 2008 (the “Record Date”). A shareholder named in such list will be entitled to vote his share at the Meeting except to the extent that (a) the shareholder has transferred ownership of any such shares after the date on which the list is prepared, and (b) and transferee of those shares produces properly endorsed share certificates or otherwise establishes that he owns the shares and demands, not later than 10 days before the Meeting, that his name be included in the list, in which case the transferee is entitled to vote such shares at the Meeting.

## PRINCIPAL HOLDERS OF COMMON SHARES

To the knowledge of the directors and officers of the Corporation, the following table indicates the holding of shareholders who beneficially own, or exercise control or direction over, more than 10% of the outstanding Common Shares of the Corporation on February 29, 2008:

Shareholder	Number of Common Shares (includes direct or indirect ownership or control)	Percentage of issued Common Shares
Amogla Holding Limited	1,139,246	29.3%
Scotia Investments Limited	518,588	13.3%

## MATTERS REQUIRING APPROVAL BY SHAREHOLDERS

### Election of Directors

The Board of Directors of the Corporation (the “Board”) consists of such number, not being less than five or more than 15, as shall be determined by the directors from time to time. The Board has passed a resolution determining that the Board shall consist of 12 directors until changed by the Board, and 12 directors shall be elected at this meeting. Directors elected at this meeting will serve until the next annual meeting of shareholders or until their respective successors are elected or appointed. Management does not contemplate that any of the proposed nominees will be unable to serve as a director. If for any reason any proposed nominee is unable to serve as such, the representatives of management, if so named as proxy, reserve the right to vote for any other nominee in their sole discretion. The following information relating to the nominees as directors is based partly on the Corporation’s records and partly on information received by the Corporation from such persons and is given as at February 29, 2008.

Name and place of residence	Present principal occupation, business or employment (8)	First year became a director (6)	Number of common shares (7)
H. Michael Burns (2) (3) Vaughan, Ontario, Canada	Corporate Director	1981	600
William J. Corcoran (1) (2) (4) (5) Kleinburg, Ontario, Canada	Vice Chairman, Jarislowsky Fraser Limited	1992	1,500
Tim S. Dool (4) (5) St. Catharines, Ontario, Canada	President and Chief Executive Officer, Algoma Central Corporation	2001	800
E. M. Blake Hutcheson (1) Toronto, Ontario, Canada	President and Chairman, CB Richard Ellis Limited	2003	-
Duncan N. R. Jackman (1) (2) (3) (4) Toronto, Ontario, Canada	Chairman, President and Chief Executive Officer, E-L Financial Corporation Limited	1997	3,000
Bruce J. Jodrey (1) Windsor, Nova Scotia, Canada	Chairman, President and Chief Executive Officer, CKF Inc.	1990	100
Radcliffe R. Latimer (1) (2) (3) (4) (5) Toronto, Ontario, Canada	Corporate Director	1982	1,000
The Honourable Roy MacLaren, P.C. (2) (3) (5) Toronto, Ontario, Canada	Corporate Director	2000	200
Clive P. Rowe (2) New York, New York, U.S.A.	Partner, SLS Capital	1999	-
Harold S. Stephen (1) (9) Mississauga, Ontario, Canada	Chairman and Chief Executive Officer, Stonecrest Capital Inc.	2002	-
William S. Vaughan (3) (10) Toronto, Ontario, Canada	Partner, Heenan Blaikie LLP	2000	400
Greg D. Wight (11) St. Catharines, Ontario, Canada	Executive Vice President and Chief Financial Officer, Algoma Central Corporation	-	

- (1) Member of the Audit Committee
- (2) Member of the Corporate Governance Committee
- (3) Member of the Environmental, Health and Safety Committee
- (4) Member of the Executive Committee
- (5) Member of the Seaway Marine Transport Committee

- (6) Each proposed nominee who is stated to have first become a director in a specified year has served continuously as a director from the year indicated.
- All directors are elected annually at the Meeting for a one year term.
- (7) Represents the number of common shares beneficially owned, directly or indirectly, or over which control or direction is exercised.
- (8) Each of the above-mentioned directors has had the same occupational status for the past five years, with the exception of William S. Vaughan who, prior to February 1, 2007, was a partner of McMillan Binch Mendelsohn LLP.
- (9) Harold. S. Stephen was a director of T. Eaton Company Ltd. from November 1997 to December 29, 1999. The T. Eaton Company Ltd. filed for bankruptcy under the re-organization provisions of the Bankruptcy Act on August 20, 1999. The case was converted to the provisions of the Companies Creditors Arrangement Act in September 1999 and reorganization was approved in December 1999.
- (10) William. S. Vaughan was also a director and the secretary of Windy Mountain Mineral Explorations Ltd. from June 28, 1990 to May 5, 2003. The shares of Windy Mountain Mineral Explorations Ltd. were subject to a cease trade order issued by the Ontario Securities Commission on June 26, 2003. Windy Mountain Mineral Explorations Ltd. subsequently filed for voluntary bankruptcy on July 3, 2003.
- (11) Greg D. Wight during the last five years has been Executive Vice President and Chief Financial Officer and Vice President, Finance of Algoma Central Corporation

#### **APPOINTMENT OF AUDITORS**

The Corporation's current auditors are Deloitte & Touche, LLP. It is intended to vote proxies received in favour of management nominees in favour of the firm Deloitte & Touche, LLP, the present auditors, as auditors of the Corporation for an additional one year term.

## REMUNERATION OF DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth the compensation earned by the President and Chief Executive Officer and by each of the Named Executive Officers for the years ended December 31, 2007 and 2006.

### Summary Compensation Table

Name and Principal Position	Annual Compensation				Long-Term Compensation	All Other Compensation
	Year	Salary	Bonus (1)	Other	Payouts	
					Stock Plans	
Tim S. Dool President and Chief Executive Officer (2)	2007	\$ 423,534	\$ 373,800	Nil	Nil	Nil
	2006	\$ 302,099	\$ 260,699	Nil	Nil	Nil
	2005	\$ 278,150	\$ 209,703	Nil	Nil	Nil
Greg D. Wight Executive Vice President and Chief Financial Officer (3)	2007	\$ 242,500	\$ 183,563	Nil	Nil	Nil
	2006	\$ 213,750	\$ 140,250	Nil	Nil	Nil
	2005	\$ 190,025	\$ 99,333	Nil	Nil	Nil
Robert E. Leistner, Vice President Algoma Central Properties Inc	2007	\$ 171,975	\$ 77,252	Nil	Nil	Nil
	2006	\$ 155,950	\$ 79,187	Nil	Nil	Nil
	2005	\$ 152,185	\$ 49,566	Nil	Nil	Nil
Algis J. Vanagas Vice President, Marine	2007	\$ 171,975	\$ 82,703	Nil	Nil	Nil
	2006	\$ 155,575	\$ 70,017	Nil	Nil	Nil
	2005	\$ 150,675	\$ 65,688	Nil	Nil	Nil
David G. Allen Vice President, Finance (4)	2007	\$ 152,813	\$ 66,480	Nil	Nil	Nil
	2006	\$ 25,000	\$ 30,188	Nil	Nil	Nil

- (1) Fifty percent of the bonus earned in a year is deferred. Please refer to the Report on Executive Compensation for further information. The amount of deferred bonuses at December 31, 2007 for the Named Executive Officers is as follows: Messrs. Dool \$422,102, Wight \$211,573, Leistner \$103,003, Vanagas \$109,204 and Allen \$63,428 .
- (2) Effective January 1, 2004 to December 31 2006, Mr. Dool provided services to a certain partnership in which the Corporation is a partner. The Corporation has recovered \$178,300 and \$104,031 from that certain partnership in 2006 and 2005, respectively, for these services.
- (3) Effective January 18, 2006, Mr. Wight was appointed Executive Vice President and Chief Financial Officer. Prior to January 18, 2006 Mr. Wight was Vice President, Finance.
- (4) Mr. Allen joined the Corporation as Vice President , Finance effective November 1, 2006

## Defined Benefit Plans

Pension benefits for Named Executive Officers are determined primarily by the average of the highest 60 consecutive months of pensionable salary and years of pensionable service. Estimated annual pension benefits payable upon retirement, in specified remuneration and service classifications are disclosed in the following table:

### Pension Table

Remuneration	Pensionable Service				
	15 Years	20 Years	25 Years	30 Years	35 Years
\$ 150,000	\$ 45,000	\$ 60,000	\$ 75,000	\$ 90,000	\$ 105,000
\$ 200,000	\$ 60,000	\$ 80,000	\$ 100,000	\$ 120,000	\$ 140,000
\$ 250,000	\$ 75,000	\$ 100,000	\$ 125,000	\$ 150,000	\$ 175,000
\$ 300,000	\$ 90,000	\$ 120,000	\$ 150,000	\$ 180,000	\$ 210,000
\$ 350,000	\$ 105,000	\$ 140,000	\$ 175,000	\$ 210,000	\$ 245,000
\$ 400,000	\$ 120,000	\$ 160,000	\$ 200,000	\$ 240,000	\$ 280,000
\$ 450,000	\$ 135,000	\$ 180,000	\$ 225,000	\$ 270,000	\$ 315,000

Remuneration covered by the pension plans is salary only. Pensions are paid as a life annuity to retired employees and continue at 60% thereof to surviving eligible spouses. Messrs. Dool, Wight, Leistner, Vanagas and Allen have 30.730.7, 27.927.9, 26.6, 25.8 and 1.2 years of pensionable service respectively. The pension table excludes any amount payable by the Canada Pension Plan.

## COMPOSITION OF THE CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee serves as the Corporation's compensation committee. The members of the committee are Duncan N. R. Jackman, H. Michael Burns, William J. Corcoran, Radcliffe R. Latimer, The Honourable Roy MacLaren and Clive P. Rowe.

### Report on Executive Compensation

The Corporate Governance Committee recommends to the Board compensation of directors and senior officers. Compensation for senior officers is comprised of base salary and bonus based on corporate financial and individual performance.

In establishing compensation, the committee's objective is to set levels which over time will be comparable with other employment opportunities for executives and to recognize individual and corporate performance.

Individual salaries recognize length of service and performance. The committee reviews the salary of each senior officer annually and recommends to the Board suitable adjustments. Final determination of base salaries is made by the Board without the individuals affected being present. Long-term compensation is intended to reinforce management's commitment to shareholder value.

#### *Long-Term Compensation*

The Corporation has an Incentive Compensation Plan designed to support the achievement of key business goals and to focus the Executive Team on the long-term success of the Corporation. The key measures in the Plan include improving the Return on Capital Employed (ROCE) and managing controllable expenses.

The executive incentive plan is a hybrid annual and long-term incentive plan. Half of the incentive earned each year is paid out in cash after the fiscal year end and the balance is deferred and paid out after three years. The deferred amount is forfeited if the employee resigns. On retirement of the employee, the deferred amount is paid out in full.

## Compensation of Chief Executive Officer

Compensation of the Chief Executive Officer (“CEO”) is determined by the Corporate Governance Committee, subject to approval by the Board of Directors.

The compensation of the CEO consists of the following:

1. A base salary that is reviewed annually by the Corporate Governance Committee to ensure it is consistent with salaries paid by comparable organizations, and,
2. A bonus designed to support the achievement of key business goals and the long-term success of the Corporation.

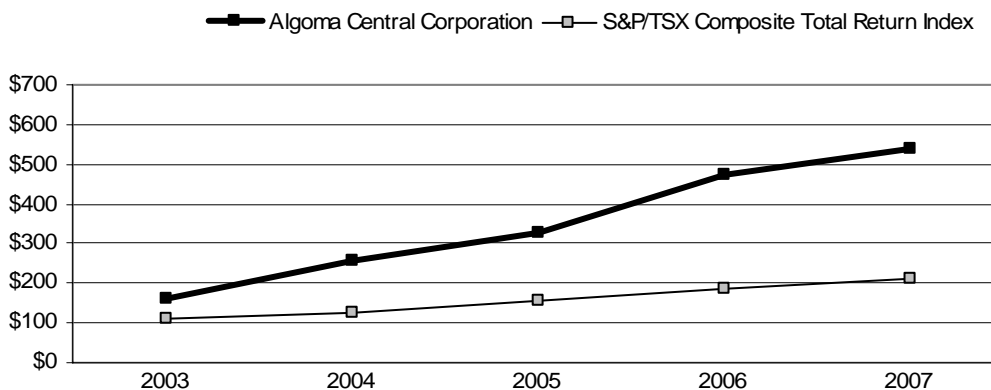
The bonus that may be earned by the CEO is comprised of both short and long-term incentive plans. Under these plans, the annual target as a percentage of base salary is 70%. The actual incentive can vary between 0% and 100% of base salary, depending on the level of achievement of the performance and individual targets. The performance targets, which are approved by the Board of Directors, include factors for Return on Capital Employed, which has a weighting of 70% , managing controllable expenses, which has a weighting of 10% and the individual target which has a weighting of 20% .

For fiscal 2007, the bonus awarded to the CEO was \$373,800, which is based on the performance and individual targets as set out by the Board of Directors and was 94% of base salary.

This Report on Executive Compensation is submitted on behalf of the Corporate Governance Committee.

## Performance Graph

The following graph compares changes over the five years ended December 31, 2007 in the value of \$100 invested at January 1, 2003 in common shares of the Corporation and in the TSE Composite Index assuming reinvestment of dividends.



Algoma Central Corporation	\$161.43	\$258.30	\$327.44	\$473.88	\$536.71
S&P/TSX Composite Total Return Index	\$110.96	\$127.03	\$157.68	\$184.89	\$209.06

## Compensation of Directors

During 2007 except as noted below, each director of the Corporation, was paid at the rate of \$20,500 per year for serving as a director, \$5,400 per year for each committee of the Board on which the director served, \$4,600 per year for each committee of the Board of which the director served as Chairman and \$1,500 per meeting of the Board or a committee that the director attended in person or by telephone. In addition, the Chairman of the Board was paid a salary of \$77,000 per year. The President and Chief Executive Officer and Secretary are not paid for serving as directors.



## **Directors' and Officers' Insurance**

The Corporation maintains directors' and officers' liability insurance with a policy limit of \$10,000,000 in the aggregate subject to certain exclusions and subject to deductibles as follows: nil in respect of directors and officers; \$50,000 for each loss in respect of corporate reimbursement. Generally, under this insurance the Corporation is reimbursed for payments made under corporate indemnity provisions on behalf of its directors and officers, and individual directors and officers are reimbursed for losses arising during the performance of their duties for which they are not indemnified by the Corporation. The annual premium in respect of such insurance for 2007 is \$19,857 of which \$19,121 is payable by the Corporation and \$736-- is payable by directors and officers.

## **STATEMENT OF CORPORATE GOVERNANCE PRACTICES**

### **General**

Primary responsibility for managing the Corporation lies with the Board of Directors, although day-to-day management of the business of the Corporation is carried out by the Corporation's officers and employees, the Board sets policies and goals for management of the Corporation and supervises the implementation of those policies and goals. Certain duties, more effectively carried out by a smaller number of directors, are delegated to various committees of the Board, which report to the Board of Directors with their recommendations.

The Corporation's Board of Directors and its Corporate Governance Committee have carried out a study of the current corporate governance initiatives of Canadian regulators (including National Instrument 58-101) in order to ensure that the Corporation's approach to corporate governance is current, appropriate and effective. The Board of Directors and said committee are satisfied that the Corporation's corporate governance practices meet these tests. Specifically, the Corporate Governance Committee is charged with the responsibility of at least annually assessing the effectiveness and contribution of the Board of Directors and its committees and the competencies and skills of the Directors and reporting the results of that assessment to the Board of Directors.

### **Mandate of the Board of Directors**

The mandate of the Board of Directors is to enhance shareholder value by careful management of the Corporation's core businesses and by continuously assessing long-range opportunities to expand these businesses.

To this end, the Board sets long-term goals and approves strategic planning and policies established by senior management. At least yearly, the Chief Executive Officer reviews the Corporation's business plan and makes submissions to the Board. The Board reviews the business plan and management submissions and approves if appropriate.

As part of the annual audit process and the preparation of management's discussions and analysis of financial condition and results of operations contained in the Annual Report to Shareholders, the Audit Committee, in conjunction with management and the auditors appointed by the shareholders of the Corporation, reviews business risks and how the Corporation addresses those risks. In addition, the auditors assess, as part of their annual audit, the Corporation's internal control systems and make recommendations to the Audit Committee for its consideration and review. Given the nature of the Corporation's businesses, no internal auditor has been appointed because the size of the Corporation would not justify the cost.

The Board, relying on its various committees, appoints and monitors senior management and determines compensation to be paid to senior management. The Corporate Governance Committee on several occasions has considered the issue of succession planning for senior management and will continue to do so in the current fiscal year. As part of these deliberations, a written mandate for the Chief Executive Office was also considered. Currently there is not such written mandate, however the Corporate Governance Committee sets and reviews objectives relating to management of the Corporation, including asset management, fiscal performance and effective use of human resources with the overall objective of maximizing shareholder value. The Board approves and develops the corporate objectives that the Chief Executive Officer is responsible for meeting. Salaries and bonus allocation to senior management are based in large part on these deliberations.

By establishing and maintaining proper communication channels, the Corporation ensures that the Board, its committees and management of the Corporation can carry out their respective functions. Shareholder concerns are addressed by the President and Chief Executive Officer or the appropriate person in the organization. Major corporate decisions are disclosed to the public through timely press releases. The Corporation has a Policy on Disclosure Controls which is reviewed and approved annually by the Board, through the Audit Committee, to ensure compliance with regulatory requirements.

## **Position Descriptions**

Descriptions for the Chairman and the Chair of each Committee have been established.

The Chairman of the Board is responsible for the administration of the Board of Directors and overall corporate governance of the Corporation, including providing leadership to the Board; setting the agenda and schedules for meetings; chairing Board meetings and the annual meeting of shareholders; and working with the Chief Executive Officer to achieve company goals.

The primary responsibility of the chair of each Committee is to ensure that the Committee carries out its duties as set out in its mandate, including providing leadership to the Committee; setting the agenda and scheduling meetings; chairing committee meetings; and reporting the deliberations and recommendations of the Committee to the Board of Directors.

## **Ethical Business Conduct**

The Board of Directors has adopted a Code of Conduct for the directors, officers and employees which is available on the Corporation's website. The Code is reviewed and approved regularly by the Board, through the Corporate Governance Committee.

## **Nomination of Directors**

The Corporate Governance Committee serves as the Corporation's nominating committee. All six directors on the Corporate Governance Committee are independent.

The Corporate Governance Committee is required to at least annually review the size, conduct, composition and structure of the Board and its various committees. The Corporate Governance Committee is responsible for establishing the criteria for selection of new or additional Board members and will identify and recommend potential candidates for such election. The actual decision as to who should be nominated is the responsibility of the full Board after considering the recommendations of the Corporate Governance Committee.

## **Compensation**

The Corporate Governance Committee serves as the Corporation's compensation committee. The Corporate Governance Committee reviews and makes recommendations to the Board respecting compensation of directors and senior officers. Compensation of individual directors reflects attendance at Board meetings and participation on committees. The Board reviews from time to time the adequacy and form of compensation of directors to ensure that the compensation realistically reflects the responsibility and risk involved in being an effective director. See Compensation of Directors on page seven.

All six directors on the Corporate Governance Committee are independent.

## **Assessments**

The Board monitors the adequacy of information given to directors, communication between the board and management and the strategic direction and processes of the Board and Committees.

## **Composition of the Board of Directors**

The Board makes a determination of the status of each director as an independent or non-independent director. Each Board member is required annually to complete a questionnaire which is designed to assist the Board as a whole in making this determination. A director is "independent" if he or she has no direct or indirect material relationship with the issuer. A "material relationship" is a relationship which could, in the view of the issuer's board of directors, be reasonably expected to interfere with the exercise of a member's independent judgment.

The directors of the Corporation, having individually considered their respective interests and relationship and having received and considered professional advice, have determined that as of February 29, 2008 the majority of directors are independent and the Board is composed of eleven independent directors and two non-independent directors. The two non-independent directors are William S. Vaughan and Tim S. Dool.

The independent directors do not hold regularly scheduled meetings at which the non-independent directors and members of management are not in attendance.

E-L Financial Corporation Limited (“E-L”) and companies acting in concert with it (the “Significant Shareholder”) control in the aggregate 2,218,636 common shares (57.02%) of the Corporation. Messrs. Duncan N. R. Jackman and William J. Corcoran, directors of the Corporation, are directors of E-L and Duncan N. R. Jackman also is an officer of E-L. Apart from Duncan N.R. Jackman, William J. Corcoran, together with Tim S. Dool, William S. Vaughan and Greg D. Wight, the President and Chief Executive Officer the Secretary and the Executive Vice President and Chief Financial Officer of the Corporation respectively, none of the other directors have interest in or relationships with either the Corporation or the Significant Shareholder.

The Board and the Corporate Governance Committee have structured the Board and all of its Committees to have a majority of Directors who do not have such interests in or relationships with the Corporation or the Significant Shareholder and, accordingly, the composition of the Board fairly reflects the investment in the Corporation by shareholders other than the Significant Shareholder.

Independence of the Board from management is achieved by separating the functions of the Chief Executive Officer and the Chairman of the Board. The Board has not felt it necessary to exclude the President and Chief Executive Officer, a non-independent director, from deliberation other than in respect to personal remuneration matters.

The Chairman of the Board is an independent director.

The Board currently consists of thirteen directors. All members except for one member of the current Board serve on at least one committee. All members of the Board are able to devote as much time as a director of the Corporation as is necessary to fulfill the obligations as such. Board members are selected on the basis of the skill and experience they bring to the Corporation. The Corporation has not historically provided an orientation or education program for new directors as there is little turnover of members of the Board and all the current Directors have a history of directorship in other public corporations. Instead the Corporation provides necessary education (through management and outside professional advisers) on specific issues as they arise. The Board has on several occasions considered the questions of whether the Corporation should have a formal policy on permitting directors to obtain independent legal advice at the Corporation’s expense should the same be necessary. The Board has decided against having a formal policy in this connection.

**Directorships**

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

<b>Name of Director</b>	<b>Name of Reporting Issuer</b>
H. Michael Burns	Extendicare Real Estate Investment Trust. Landmark Global Financial Corporation
William J. Corcoran	E-L Financial Corporation Limited Labrador Iron Ore Royalty Income Fund
Duncan N. R. Jackman	E-L Financial Corporation Limited Economic Investment Trust Limited United Corporations Limited Dundee Real Estate Investment Trust First National Financial Income Fund
The Honourable Roy MacLaren, P.C.	Brookfield Asset Management Inc. Pacific Safety Products
William S. Vaughan	Apollo Gold Corporation Ascendant Copper Corporation Consolidated Tanager Limited Ginguro Exploration Inc. Platte River Gold Inc. Pure Nickel Inc. Western Troy Capital Resources Inc. Worldbizonline.com

## Attendance

The attendance for each director for the nine board meetings and for the committee meetings shown in the table since the beginning of the-most recently completed financial year is as follows:

Name	Board Meetings Attended	Committee Meetings Held	Committee Meetings Attended
H. Michael Burns	7	6	4
William J. Corcoran	9	18	15
Peter R. Cresswell	9	2	2
Timothy S. Dool	9	20	20
E. M. Blake Hutcheson	7	4	3
Duncan N. R. Jackman	9	11	11
The Honourable Henry N. R. Jackman	2	-	-
Bruce J. Jodrey	9	4	4
Radcliffe R. Latimer	9	20	20
The Honourable Roy MacLaren, P.C.	9	6	6
Clive P. Rowe	9	4	4
Harold S. Stephen	9	4	4
William S. Vaughan	8	11	8

## Board Committees

Some duties of the Board are carried out by various committees. This permits individual directors with specific expertise to focus their energies on the tasks that these committees have undertaken. However, ultimate decision-making remains with the full Board on all important matters. Committees report and make recommendations to the Board. Only where the Board feels that it must defer to the special expertise of committee members, or where practical considerations require, will the Board delegate decision-making on specific issues to a committee. Each Board committee has a charter which is reviewed annually.

### *Executive Committee*

The Executive Committee is composed of three independent directors and one non-independent director. The Executive Committee acts as an important link between management and the Board. The main function of the Committee is to review major issues affecting the Corporation and recommend to the Board actions to be taken in respect to those issues. The Committee decides directly on actions only with respect to issues, if any, which require immediate decision. Such decisions are reviewed at the next meeting of the Board.

### *Audit Committee*

The Corporation is required to have an Audit Committee. The Audit Committee is composed of six independent directors. The mandate of the Audit Committee is to do all things required by statute of an audit committee, including the review of annual financial statements of the Corporation and acting as liaison between the Corporation and the external auditors. For further information concerning the role of the Audit Committee, see the applicable sections of the Corporation's Annual Information Form for the financial year ending December 31, 2007.

### *Environmental Health and Safety Committee*

The Environmental, Health and Safety Committee is composed of one non-independent director and five independent directors. This committee receives regular reports from management and meets with management twice each year to review environmental matters. This committee also addresses health and safety issues regarding Corporation employees.

### *Corporate Governance Committee*

The Corporate Governance Committee is composed of six independent directors. This Committee meets at least three times per year to review corporate governance issues. Frequently at meetings of this Committee, discussions are held as to how to come up with a satisfactory process to determine the Board's, its Committees' and individual directors' effectiveness, but the discussions have failed to identify an effective, cost-efficient process to adequately measure such effectiveness. Until such time, the Board and its Corporate Governance Committee will continue to monitor corporate governance issues and implement any processes that promote good corporate governance.

In addition to the foregoing, the Corporate Governance Committee function is to review and make recommendations to the Board respecting compensation of directors and senior officers, set criteria for selection of new Board members and recommend nominees to the Board. This Committee also ensures that all regulatory requirements under pension legislation are met by the Corporation.

The Corporate Governance Committee reviews at least annually the size and composition of the Board and its committees to ensure that the respective mandates can be, and are, carried out effectively by the respective members.

The Corporate Governance Committee has general responsibility for developing, analyzing and reporting to the Board the Corporation's approach to governance issues. This committee works closely with the Chief Executive Officer of the Corporation to develop position descriptions for members of the Board of Directors and the Chief Executive Officer and define the limits of management responsibilities. The Corporate Governance Committee has been instrumental in the preparation of this statement on the system of corporate governance and will continue to monitor the effectiveness of such practices.

### *Seaway Marine Transport Committee*

A significant portion of the Corporation's business is with the Seaway Marine Transport, a partnership with an unrelated party. As a result, the Corporation has appointed four directors to serve on the Board of the Partnership whose mandate is to address matters dealing with the Partnership.

### **OTHER MATTERS**

Management knows of no matters to come before the Meeting other than the matters referred to in the notice of Meeting. If any matters which are not now known should properly come before the Meeting or if amendments or variations to the matters referred to in the notice of Meeting are presented for action at the Meeting, the proxy will be voted on such matters, amendments and variations in accordance with the best judgement of the person voting the proxy, which confers such discretionary authority.

### **APPROVAL**

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



William S. Vaughan  
Secretary

Toronto, Ontario  
February 29, 2008



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