Why a Proxy Contest?

Shareholder Activism is on the Rise in Canada

Rising number of contests... 

... and a track record of success

Source: CIBC World Markets and company filings.
Note: Success rate includes partial successes and negotiated settlements.
Typical Activist Objectives and Strategies

- Sale of Company or Assets
- Change in Capitalization
- Refocus or Change Strategy
- Change Board / Management
- Lobby/ Negotiate/ Threaten
- Request Board Representation
- Proxy Fight - Requisition a Meeting
- Proxy Fight - Wait for AGM
- Propose Change from Floor at AGM
- Sale of Company or Assets
- Change in Capitalization
- Refocus or Change Strategy
- Change Board / Management
- Lobby/ Negotiate/ Threaten
- Request Board Representation
- Proxy Fight - Requisition a Meeting
- Proxy Fight - Wait for AGM
- Propose Change from Floor at AGM

Management Strategies

- Negotiations with Dissidents
- Pre-empt a Contest with Announcement of Strategic Review
- Wait for Dissidents to Launch Contest and Prepare
- Open Dialog with Dissidents to Seek Settlement
- Just Say No
- Company to Offer Alternative Plan
- Collaborative Approach
- Accept Dissident Proposal
The Advisory Team

**Legal Counsel**
- Circular preparation and compliance
- Proxy protocol
- Tactics & Strategy

**Proxy Solicitation Firm**
- Broad Shareholder Communications
- Shareholder Base Analysis
- Proxy Solicitation

**IR / PR**
- Refine Communications
- Manage Public Relations and Press Interactions

**Financial Advisor**
- Identify and Analyze Alternatives
- Institutional Shareholder Communication
- Capital Markets Perspectives

Key Immediate Action Items in a Fight

- Hire Advisors
- Confirm / Refine Corporate Strategy
- Develop & Implement Response Strategy
- Draft Response Circular / Fight Letters / Press Releases
- Refine Investor Presentation / Messaging / Communications
- Develop ISS Strategy
- Meet Key Institutional Shareholders
- Communicate to All Shareholders
Legal Issues

- Obtaining Shareholder Information
  - registered shareholder list (ss. 21, 138(4) CBCA)
    - if request from Company within 10 days of
      meeting record date will obtain copy of record
      date list
  - Canadian NOBO list
    - request from transfer agent (Forms 54-101F2, 54-
      101F7)
  - CDS Participant’s List
  - U.S. DTC Participant List & U.S. NOBO list

Legal Issues (cont)

- Permitted Solicitation if no dissident proxy circular filed
  - very broad definition of solicitation (s. 147(a) CBCA)
  - less than 15 shareholders (s. 150(1.1) CBCA)
  - communication by a shareholder with no
    proxy form (s. 68(1) CBCA Regulation)
    - concerning the business and affairs of the
      company
Legal Issues (cont)

- concerning the organization of a dissident’s proxy solicitation
- proxy advisory firms (s. 68(1) (CBCA Regulation))

Legal Issues (cont)

- Misleading disclosure in proxy form or proxy circular
  - Court restraining order as remedy (s. 154 CBCA)
    - restraining solicitation, holding the meeting or any person from acting on any resolution passed at the meeting
    - requiring correction to any proxy form or proxy circular
    - adjourning the meeting
Legal Issues (cont)

• Chair of meeting
  • requirement for independence?
    • appointment by articles, by-laws
    • must be some act or omission which creates a reasonable apprehension that the meeting will not be conducted properly
    • must act quasi-judicially
  • determines validity of proxies & ballots

Legal Issues (cont)

• Proxy Protocol
  • agreed upon proxy tabulation / meeting procedures / form of ballots
  • proxy validation - Securities Transfer Association of Canada, May 2007 Proxy Protocol
• Access to Proxy & Ballot Records (before and after)
• Role and Reaction of Transfer Agent
• Difficulties with raising issues or nominees from the floor of the meeting
Role of the Proxy Solicitation Firm

- Using/Obtaining/Developing Shareholder Lists
- Broadridge role/interaction
- Obtaining/disseminating information
- Call centres and scripts
- Institutional Investors
- ISS recommendation

FAQ (Roundtable Discussion)

- What are the themes typically advanced by:
  - Dissidents; or
  - Management
  when persuading shareholders to vote?
FAQ (Roundtable Discussion) (cont)

• What is the optimum timing to launch a contest in advance of an AGM?

FAQ (Roundtable Discussion) (cont)

• What are some of the frustrations with the “system” that management/dissidents face in a proxy contest?
SHAREHOLDER ACTIVISM IN CANADA – ON THE RISE

There was a time when shareholders would passively defer to the judgment of corporate management. If a significant shareholder disagreed with how management operated a company, they would simply divest of their holdings. No more. Today we are seeing unprecedented levels of shareholder activism. Examples are everywhere: an environmental group uses its investment to press for improved performance; a pension fund pressures a company to improve its corporate governance structure; or a hedge fund disagrees with management’s strategic plan and agitates to change the board through a proxy battle.

RISING NUMBER OF PROXY FIGHTS

In Canada, the rise of activist investors has led to an unprecedented number of proxy fights. Witness the events at ATS Automation Tooling Systems Inc. in the early autumn of 2007. On the day before its 2007 annual meeting of shareholders, ATS Automation issued a press release announcing that its board of directors would resign on the morning of the meeting. Having reviewed the proxies submitted by its shareholders, the company’s board realized that they were soundly trounced by a dissident group comprised of hedge funds Goodwood Inc. and Mason Capital Management, LLC.

The board resigned to allow the shareholder meeting to proceed in an orderly basis, with the election of new directors nominated on the dissident slate.

Disappointed with ATS Automation’s plummeting stock price, the failed IPO of a subsidiary, and the refusal of the incumbent board to axe its CEO, the dissidents moved to trigger the proxy fight. Their campaign to ATS Automation shareholders clearly struck a nerve and turned out to be a resounding success, at least from the point of view of Goodwood and Mason. After winning the proxy fight, the challenge for the new board is to now implement the appropriate strategies to reverse the deterioration in shareholder value.

This scenario, the wholesale replacement of a company’s board by a dissident slate, once relatively rare in the Canadian marketplace, is becoming much more commonplace. Also increasing in number are proxy fights over individual board members and battles to scuttle proposed mergers or acquisition. Indeed, we have seen a steady increase in proxy battles over the last five years, rising from only six in 2003 to 16 in 2007. And, thus far in 2008, the trend shows no signs of abating – we have already seen nine contests and there are rumblings of more to follow.
The outcomes of these fights suggest that board directors cannot be complacent. Across all proxy fights over the last five years it appears that dissident shareholders have been successful approximately 50% of the time. This is an amazing result given all the strategic advantages held by an incumbent board and it shows that in the right circumstances shareholders are willing to take a chance that fresh thinking will enhance shareholder value.

**THREE MOTIVATIONS OF SHAREHOLDER ACTIVISM**

Of course, not all activist investors engage in proxy contests. Depending on the motivations and objectives, other tactics include public pressure, private dialogue with management and board directors, and shareholder proposals.

At Kingsdale, we view modern shareholder activism as having one of three main rationales: as a tool for advocating greater social responsibility by corporations; as a mechanism for forcing the enhancement of corporate governance; and as an investment strategy.

**Activism to Advance Corporate Social Responsibility**

For investors driven by ethical considerations, the annual shareholder meeting represents a convenient forum to have their voices heard by corporate management and, in some cases, generate publicity for their cause. Exxon Mobil Corp., for example, has no less than 17 shareholder proposals on its ballot for its AGM on May 28, 2008. The resolutions address such diverse issues as gender equity, political donations, and climate change.

The corporate response to activist investors is crucial. Responsive corporations are being proactive – they are not waiting to react to the latest NGO or social investor campaign. Instead, they are looking for ways to monitor and identify corporate social responsibility trends and they are actively engaging in dialogue with proponents of various issues. Some of the world’s leading corporations are finding that improved social and environmental performance is also helping the bottom line.

**Activism to Improve Corporate Governance**

Shareholder activism to force corporate governance improvements has been mainly within the purview of institutional shareholders. Major issues include calls to increase the independence of the boards, separate the chair and CEO positions, reign in excessive executive compensation, and adopt majority voting standards for board members. Based on the statistics gathered by Institutional Shareholder Services...
The business press is now full of examples of activist shareholders who have become adept at using the assorted tools available to the activist as an aggressive investment strategy. Icons like Kirk Kerkorian or Carl Icahn, hedge funds like Greenlight Capital or Atticus Capital, or even Canadian income trust raider George Armoyan are all part of this trend. These activist investors seek out distressed (and sometimes not so distressed but cash rich) companies and take significant equity positions. They then demand changes designed to improve company performance, at least as measured by the stock price, including demands for corporate restructurings, cost-cutting measures, and strategic changes. If there is also a sense that a change in management is in order, these activist investors will not hesitate to attempt to take control of the target company’s board.

One of the significant drivers for change in the Canadian landscape is the Canadian Coalition for Good Governance which not only monitors corporate governance and reports on best practices, but also actively engages with boards and regulatory bodies in an attempt to initiate and influence changes in the Canadian environment.

**Activism as Investment Strategy**

The business press is now full of examples of activist shareholders who have become adept at using the assorted tools available to the activist as an aggressive investment strategy. Icons like Kirk Kerkorian or Carl Icahn, hedge funds like Greenlight Capital or Atticus Capital, or even Canadian income trust raider George Armoyan are all part of this trend. These activist investors seek out distressed (and sometimes not so distressed but cash rich) companies and take significant equity positions. They then demand changes designed to improve company performance, at least as measured by the stock price, including demands for corporate restructurings, cost-cutting measures, and strategic changes. If there is also a sense that a change in management is in order, these activist investors will not hesitate to attempt to take control of the target company’s board.

Some view these activist investors as “bullies” after a quick buck, eager to load companies up with debt in order to extract a quick return. Others see them as a necessary and welcome check on underperforming management. Whatever the view, it is this group of activist investors who are most likely to engage the proxy battles described above.

**CONCLUSION**

Shareholders are finding their voice and flexing their muscles in ways they never have before. And it is clear that the ground is shifting beneath the feet of corporate Canada. With a growing number of proxy battles – roughly half ending in favour of the dissident – we have entered a new environment of accountability. Combined with the increasing frequency of shareholder proposals, and calls for improved corporate governance practices, companies must not only do well but be seen to be doing well. If not, there will surely soon be a knock on the boardroom door.

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Peter Puccetti, Chairman and Chief Investment Officer of Goodwood Inc., was facing a dilemma. The Goodwood investment team had grown increasingly frustrated with the performance of their investment in Pet Valu Inc., a specialty retailer of pet food and pet-related supplies. Believing that Pet Valu was a business with loads of potential, Goodwood made a big investment in the company, accumulating approximately 20.4% of the exchangeable shares of Pet Valu Canada Inc. Further, that investment had shown significant increase in value.

However, Puccetti as well as other institutional investors felt that Pet Valu was missing the big picture and strongly disagreed with the strategic direction of the Pet Valu management team. While Pet Valu’s store base had actually declined since 2003, competitor Global Pet Food Stores Inc. had more than doubled its Canadian store base since 2002 while Petsmart had almost tripled its Canadian store base since 2003. Further, both competitors had plans for continued aggressive store expansion in the Canadian marketplace. So Goodwood took issue with the company’s decision to construct a new warehouse facility at a capital cost estimated to be in the US$25 to US$30 million range instead of responding with store growth plans of its own.

On April 8, 2008, Goodwood issued a press release announcing that it intended to propose a new slate of directors for Pet Valu as a result of their lack of confidence in the direction that the Pet Valu management and board were taking the company. Knowing that they faced a formidable challenge as Pet Valu’s insiders controlled approximately 34% of the votes entitled to be cast at the 2008 AGM, it was imperative that Goodwood obtain the support of other institutional investors. Puccetti and Goodwood turned to a trusted partner with whom they had worked very successfully in the past, Kingsdale Shareholder Services Inc.

Before working with Goodwood to devise a communication strategy for the upcoming proxy battle, Kingsdale analyzed the Pet Valu shareholder list. Among Kingsdale’s findings were that the top eleven Pet Valu shareholders, including the company insiders, controlled approximately 81% of the issued and outstanding shares and no single shareholder after this group had greater than 1%. Of these top eleven shareholders, four were company insiders and one was the Goodwood group of funds. Thus, it was quickly determined
that this battle would be won or lost based on the votes of
five key shareholders and ensuring that shareholder votes
were effectively navigated through the very complex proxy
voting system. In addition, Pet Valu was a Delaware com-
pany and so faced additional proxy rules to be followed.

Kingsdale and Goodwood focused activities on convincing
these key shareholders to vote for the Goodwood slate.
There were three key points that worked in the favour of
the dissident group.

The final results showed approximately 56% of the
total issued and outstanding Pet Valu shares voting for the
dissidents and only approximately 40% voting to
support the incumbent board.

First, Goodwood put together an impressive slate of di-
rectors. They wanted to ensure that knowledgeable and
informed Pet Valu shareholders would immediately recog-
nize the experience and insights that the alternative slate
would bring to the table.

Second, by any measure, Pet Valu did not have a sustained
policy of communicating with their investors. In fact, the
company insisted on not meeting with key shareholders, in-
stead insisting that any questions or concerns be raised at
its quarterly conference calls. In responding to the Good-
wood claim of a lack of transparency in communicating
with shareholders, the company stated in an April 21, 2008
press release:

... your Company provides equal access of informa-
tion to all shareholders. Our quarterly conference
calls are open to all shareholders and provide an
opportunity for your questions to be answered by the
management team.

Significant, sophisticated shareholders in any company
expect that management will listen to and address any
concerns raised about the performance and strategic direc-
tion of the company. Obviously there are ways to set up
regular private communication with such shareholders, but
still ensure that they do not receive selective disclosure of
information.

Third, the Goodwood message was convincing. At the ex-
 pense of losing the attention of the ordinary retail sharehold-
ers of Pet Valu, Goodwood, Kingsdale and the legal team
crafted a message that was specifically aimed at the key
Pet Valu shareholders. These shareholders were sophisti-
cated and understood that Pet Valu’s good results were not
necessarily good enough and the company’s decision to
build a warehouse was flawed. They also understood that
the company had the potential to do much better and that
the company’s flawed strategic approach would eventually
lead to substandard results.

At the end of the day, all of the key shareholders supported
the dissident slate. The final results showed approximately
56% of the total issued and outstanding Pet Valu shares
voting for the dissidents and only approximately 40% voting
to support the incumbent board. Smart strategy and flaw-
less execution won the day!

In fact, there were 22 proxy fights thus far in 2008. Of
those 22, six involved companies that were too
small to justify the engagement of a proxy solicitation firm by either
side. Of the remaining 16 proxy fights, Kingsdale was
involved in 15 of them.

Goodwood was just one of many proxy battle participants
that viewed Kingsdale and the Kingsdale approach as key
ingredients in their recipe for success. In fact, there were
22 proxy fights thus far in 2008. Of those 22, six involved companies that were too small to justify the engagement of a proxy solicitation firm by either side. Of the remaining 16 proxy fights, Kingsdale was involved in 15 of them.

Quite simply, Kingsdale is in demand because the Kingsdale team delivers results.

The key to success in a proxy battle is winning the heart and minds – and votes! – of shareholders. The most crucial step in the process is first understanding the shareholder universe and then knowing how to reach and communicate with them. Our understanding begins with in-depth research and analysis of the situation, so that we have a comprehensive appreciation of the shareholder dynamics. For example, what are the relative positions of the top shareholders, the institutional shareholders, and the retail shareholders? What are the specific issues? And where does everyone stand?

Despite commonalities in process, every company is unique and every proxy fight needs unique strategies to ensure the best chances of success. At Kingsdale, we develop shareholder communication strategies that are tailored to the specific circumstances of the engagement, to ensure we have shareholder support for our client’s position.

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On August 28, 2007 Noront Resources Ltd. ("Noront") issued a press release discussing very encouraging preliminary results from its drilling program at its flagship property located in the James Bay Lowlands in northeastern Ontario. Those results turned out to be the trigger for a sharp increase in Noront’s share price which had languished under $1.00 for many years. As excitement grew regarding the enormous potential of the McFauld’s Lake discovery, Noront’s share price climbed rapidly, trading as high as $7.42. The excitement eventually subsided however, and by October 8, 2008 the Noront share price was once again under $1.00.

Rosseau Asset Management Ltd. ("Rosseau"), a Toronto based money management firm, began accumulating shares in Noront in September 2007. In February 2008, based on the potential of the promising drill results, Rosseau participated as lead purchaser in Noront’s $26 million private placement. However, during late 2007 and early 2008, Rosseau became increasingly concerned about a number of issues regarding Noront and approached Noront’s management with the hope that those issues would be satisfactorily addressed. By September 2008, with Noront’s share price collapsing and with, in Rosseau’s view, no progress being made on the key issues it had raised, Rosseau began assessing the possibility of providing Noront shareholders with an alternative to the current board of directors at the annual and special meeting of Noront shareholders to be held on October 28, 2008.

Rosseau felt that Noront management was prone to exaggeration and undue promotion which only served to reduce the company’s credibility in the marketplace. For example, in an interview with the Financial Post, Noront’s CEO apparently compared the geology of one of its projects to the giant Voisey’s Bay deposit in Labrador and suggested it could even be bigger – a far stretch given Noront’s estimated 3 million tonnes of ore compared to Voisey’s Bay’s estimated 137 million tones of ore.

Rosseau was also concerned that Noront management was using valuable cash and scarce human resources on non-core projects at the expense of its more promising discovery. The company had been allocating significant resources to its Windfall Lake gold project located in northern Quebec and had a number of other projects and properties at various stages of development in New Brunswick, Mexico and China.

Further, Rosseau was deeply concerned that Noront was squandering its first mover advantage in the McFaulds Lake area where the promising drilling results were discovered. Noront had amassed the largest land claims position in the McFauld’s Lake area, but instead of retaining
ownership of these claims it diluted its interests by entering into a number of option agreements on the properties.

As a result of these and other issues, Rosseau determined that its best course of action was to seek to have an alternative slate of directors elected at Noront’s upcoming annual general meeting and have the new board of directors seek a replacement for Noront’s CEO. Rosseau, impressed by Kingsdale’s remarkable track record on behalf of dissident shareholders, decided to engage Kingsdale to help execute on this plan.

An analysis of the Noront shareholder base showed that there were a number of institutional shareholders who were clients of the ISS Governance Services division of RiskMetrics Group.

Noront’s CEO responded to the compromise by stating, “It was either that or give control to the hedge fund. We had a toss-up.”
The Rosseau proxy fight was another example where the Kingsdale approach delivered results. Kingsdale realizes that every proxy fight needs unique strategies to ensure the best chances of success. We begin with in-depth research and analysis of each new situation, so that we have a comprehensive appreciation of the shareholder dynamics. For example, what are the relative positions of the top holders, the institutional shareholders, and the retail shareholders? What are the specific issues? And where does everyone stand?

At Kingsdale, we develop shareholder communication strategies that are tailored to the specific circumstances of the engagement, to ensure we have shareholder support for our client’s position.

The final Noront slate included three nominees from the Rosseau slate and three incumbent directors. This new board was then to begin an immediate search for a new CEO who would fill the seventh spot on the board.

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GENCO RESOURCES’ LARGEST SHAREHOLDER FILES DISSIDENT PROXY CIRCULAR; PROPOSES TO REPLACE THREE DIRECTORS AT UPCOMING ANNUAL MEETING

-- Concerns include poor performance, excessive executive compensation and a questionable related party transaction--

For Immediate release

Vancouver, B.C., June 11, 2008--James R. Anderson, a former Board member and, together with his spouse, the largest shareholder of Genco Resources Ltd. (TSX:GGC) of Vancouver, announced today that he has filed a Shareholder Information Circular with Canadian securities regulators and has initiated a proxy solicitation process with the objective of replacing three of Genco’s directors at the company’s annual meeting on June 26, 2008. Copies of the circular are being mailed to Genco shareholders and are available online at www.sedar.com and www.savegenco.com.

“Genco is a promising company with a world-class silver deposit,” said Mr. Anderson. “However, shareholder value has been impaired by missed production and development targets, excessive executive compensation and a recent questionable related party transaction. Genco’s shareholders deserve better, and that is why it is important for them to exercise their vote. It is time for a change at Genco.”

The following letter to shareholders, a copy of which is available at www.sedar.com and www.savegenco.com, outlines Mr. Anderson’s concerns as well as his plans for the company:

Dear fellow Genco Shareholder:

I am writing to you as a former Board member and the largest shareholder of Genco Resources Ltd. My spouse and I own 5 million Genco shares, equivalent to 12.2% of the shares outstanding. I believe that Genco is a company with a world class silver deposit that has consistently and substantially performed below its true potential. To improve the value of Genco’s shares, it is necessary to remove three of the seven current members of Genco’s Board: Robert Gardner, Gordon Blankstein and Brian Smith. To accomplish this, I need your votes at the June 26, 2008 shareholders’ meeting.

I am sure you know that the price of Genco’s shares has dropped by 52% over the past year. That compares with a decline of just 9.3% for a comparable peer group of 10 junior precious metals producers and an increase of 29% in the value of mining shares generally, as measured by the TSX Global Mining Index. Meanwhile, the price of silver has risen by 26% over the same period.

During my tenure on Genco’s Board from July 2007 to May 2008, I came to realize that Genco’s problems are rooted in poor mine management and weak corporate governance practices, including excessive compensation and disturbing conflicts of interest at the Board level. Genco’s operational results and share price are dismal because Genco consistently fails to meet its 340 tonnes per day production goal as a result of having no detailed and comprehensive mine plan. Investors are justified in questioning how Genco will be able to produce and mill the promised 5,000 tonnes per day of ore at its La Guitarra Mine in the long term when the Company has consistently failed to meet its long stated 340 tonnes per day production goal. The current mismanagement of the Company’s modest cash resources does not lead one to believe that the Company will successfully manage more sizeable cash resources as the Company grows and expands. These problems, with a lot more discipline, can and must be remedied.

Gardner and Blankstein, by virtue of the powers arising from their consulting arrangements and their dominance of Genco’s executive committee, have been primarily responsible for Genco’s poor financial and operating performance. Smith, who sits with them on other boards, has fully supported Gardner and Blankstein at Genco. I believe, based on my observations as a Genco director, that Gardner, Blankstein and Smith will not implement the necessary improvements in Genco’s operations or governance practices. That’s why I am making this appeal for your votes.
As you make your decision about the composition of Genco’s Board, please consider the following facts:

1. Gardner and Blankstein are extracting excessive compensation, including bonuses, while Genco’s financial and operating performance deteriorates. In the past two years, Genco’s sales decreased, income became a substantial loss, expenses skyrocketed and mine production stagnated.

Gardner and Blankstein executed consulting contracts for their excessive compensation in 2007 (backdated to October 2006), when they controlled Genco’s Compensation Committee. Each now has compensation as follows:

- base pay of US$144,000;
- a bonus of up to US$250,000 (including US$500,000 to be paid retroactively for 2006 and 2007 when Genco missed production targets);
- a further bonus of 2% of Genco’s pre-tax income;
- a “merger” bonus of 1.5% of increased market capitalization from October 1, 2006 to the date of a merger. (which would equate to an combined bonus for both of $1,040,000 if Genco were sold at today’s depressed stock price); and
- stock options which included grants of options in 2006 and 2007 to purchase an aggregate of 487,850 shares, in the case of Blankstein, and 360,082 shares, in the case of Gardner.

This compensation is particularly exorbitant given that Gardner and Blankstein each have other principal occupations and that Blankstein is not even an executive officer of Genco. **I commit to you that Genco will align Board compensation with industry practice if you help me remove Gardner, Blankstein and Smith.**

2. For two years Gardner and Blankstein investigated and negotiated a material non-arm’s length transaction while Board members were kept in the dark. The US$4.9 million deal was only disclosed to the Board shortly before Genco disclosed it to the public. Under the deal, Genco bought control of a Utah-based mining company and agreed to flip it to a Vancouver-based company whose directors and significant shareholders included Gardner, Blankstein and Smith. In my opinion, Gardner disregarded good corporate governance practices by announcing the transaction on March 14, 2008, before non-conflicted members of Genco’s Board could provide their advice. It is telling that after the non-conflicted directors of Genco became involved, they negotiated improved terms. It would have been better still had Genco not embarked on this distracting and odd transaction, the benefit of which is uncertain for Genco. **I commit to you that Genco will avoid related party transactions of questionable value if you help me remove Gardner, Blankstein and Smith from the Board.**

3. In my view, Gardner, Blankstein and Smith do not have the operational expertise necessary to guide Genco through the next stage of its development. I do have the necessary expertise. So do my colleagues and proposed nominees, Charles Schroeder and Lyle Weismantel. If we are elected, we will become immediately and actively involved in overseeing a complete review of Genco’s business and strategy, working closely with management and the four remaining members of Genco’s Board. Among other things, I expect that we will hire independent mining engineers to review the La Guitarra operations and recommend improvements, and we will ensure the swift completion of the long overdue mine plan and feasibility study. **We are better positioned to improve strategy and execution than a Board dominated by Gardner, Blankstein and Smith.**

4. My spouse and I have never sold any of our Genco shares, unlike Gardner, Blankstein and Smith who are sustained and consistent sellers, suggesting they don’t have the confidence in Genco that we as shareholders should demand. Since January 1, 2006, Gardner, Blankstein and Smith have collectively sold more than 800,000 Genco shares, through over 140 trades with a combined value of more than $1.8 million, in open market transactions. Please refer to Appendix A of my information circular for their detailed selling history. **Whose side are they on?**

**AS GENCO’S LARGEST SHAREHOLDER AND AS AN INDIVIDUAL WHO DOES NOT RECEIVE EXECUTIVE COMPENSATION FROM GENCO, MY INTERESTS ARE CLOSELY ALIGNED WITH YOURS. I BELIEVE A CHANGE IN THE BOARD IS NECESSARY AND WILL CONTRIBUTE TO AN INCREASE IN THE VALUE OF YOUR INVESTMENT.**

I am spending a considerable amount of money to conduct this contest and my only goal is to increase Genco’s stock price through better governance and better production.
Genco has a world class silver deposit and I believe has significant potential to create value for shareholders. Help me unlock that value.

Your vote is extremely important – no matter how many or few shares you own. Please read the accompanying information circular. It will tell you more about why we are soliciting your vote to change the Genco board of directors. After you read the circular, I am confident that you will want to vote the yellow proxy and help me change the Board.

Sincerely,

“James R. Anderson”

James R. Anderson

About James Anderson

A resident of Sioux Falls, South Dakota, James R. Anderson is a former Board member and, together with his spouse, is the largest shareholder of Genco Resources Ltd. Mr. Anderson and his spouse own 5 million Genco shares, equivalent to 12.2% of the shares outstanding. He has been a purchaser of shares since 2005 and has never sold a Genco share.

Anderson is the founder, sole shareholder and Chief Executive Officer of Tennessee Eastern Gas and Oil Company and Southwestern Mineral Leasing Company. Anderson’s two companies conduct business in eight states across the United States and are involved in oil and gas exploration and production, and the purchase and leasing of mineral land. Anderson earned a Bachelor of Science Business degree in 1971 and a Juris Doctor degree in Law in 1974, both from the University of Minnesota, after which he practised as a general commercial litigator up until 2004. Anderson served on Genco’s Board from July 3, 2007 until May 21, 2008, when he resigned following his strong disapproval of $1 million in retroactive bonuses that Robert Gardner and Gordon Blankstein had proposed to award to themselves ($500,000 for each) while they controlled the Board’s Compensation Committee.

Mr. Anderson is one of three shareholder nominees for the Genco Board. The other two shareholder nominees are two long-time colleagues of Anderson: Lyle Weismantel and Charles Schroeder. Weismantel is a banker with more than 40 years of experience, including ten years as President and CEO of a Bremer Bank in Minnesota. Schroeder, a geologist and entrepreneur, has more than two decades of experience in resource development and owns two oil and gas companies. These successful businessmen will strengthen Genco’s Board and bring a much-needed drive to improve shareholder value.

You can learn more about all three shareholder nominees and the reasons for the proxy contest by reading the Shareholders’ Information Circular or by visiting www.savegenco.com

Voting your YELLOW proxy

Genco shareholders are asked to complete and return the YELLOW proxy so that much needed change can take place at Genco Resources Ltd. Your vote is important – please vote your YELLOW proxy today. Proxies should be completed in accordance with the instructions on the YELLOW proxy.

Your YELLOW proxy should be returned prior to 11:00 a.m. (Vancouver time) (being 2:00 p.m. (Toronto time)) on Monday, June 23, 2008, in order to be deposited with the Company in time to be used at the Meeting.

About Forward Looking Statements

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herein should one or more of these risks or uncertainties materialize. Such factors include, but are not limited to, economic, business, competitive, political and regulatory factors, including changes in the price of precious metals. Except to the extent required by law, Anderson undertakes no obligation to update any forward-looking statements contained herein. Readers are cautioned not to place undue reliance on forward-looking statements contained herein.

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GENCO RESOURCES’ LARGEST SHAREHOLDER DISPUTES CLAIMS BY GENCO’S CHAIRMAN IN PROXY CONTEST

For Immediate release

Vancouver, B.C., June 17, 2008--James R. Anderson, a former Board member and, together with his spouse, the largest shareholder of Genco Resources Ltd. (TSX:GGC) of Vancouver, takes issue with claims made by Genco’s Chairman Robert Gardner concerning a proxy contest initiated by Mr. Anderson.

In a letter to shareholders today, Mr. Anderson responded to Gardner’s claims and reiterated why Gardner, Gordon Blankstein and Brian Smith should be replaced on Genco’s seven-person Board of Directors. Mr. Anderson proposes to replace these three incumbents with three Shareholder Nominees at the Genco annual meeting on June 26, 2008. Information about the proxy contest, including a Shareholders Circular, is available online at www.savegenco.com.

“Gardner is simply wrong to ask shareholders to overlook the dismal financial performance by the company and the share price collapse over the past year,” said Mr. Anderson. “The past year is the relevant time frame because it encompasses the disclosure of Genco’s outrageously excessive executive compensation, a questionable related-party transaction and highly disappointing 2007 financial results. Add in Genco’s shockingly poor corporate governance, missed production targets, and Gardner and Blankstein’s lack of operational expertise. It becomes clear that we need changes on Board of Directors.”

Following is the complete text of today’s letter to shareholders from Mr. Anderson.

Dear fellow Genco Shareholder:

As I hope you are aware, last week I forwarded my proxy circular to Genco shareholders which outlined my plan to replace three of the seven current members of Genco’s Board: Robert Gardner, Gordon Blankstein and Brian Smith. My proxy circular and other pertinent information which should be of interest to you is posted at www.savegenco.com. I hope you will take the time to review this material and support me at the upcoming Genco shareholders’ meeting.

I want to respond to Gardner’s recent comments about my circular, but first let me describe the reasons why I launched this campaign:

1. Together with my spouse, I own 5 million, or 12.2% of Genco’s outstanding common shares. We have held most of these shares for more than three years and have never sold any of them unlike Gardner, Blankstein and Smith. Five pages describing their more than 140 sales transactions over the last two and one-half years are attached to my proxy circular as Appendix A. As Genco’s largest shareholder, who owns more shares than Gardner, Blankstein and Smith combined, and as an individual who does not receive any executive compensation from Genco, my interests are aligned with yours, not theirs.

2. Genco’s La Guitarra Mine continues to produce substantially below previously announced expectations. The Mine does not have a comprehensive mine plan. The Mine has not met previously announced production targets. Genco has not completed its long announced feasibility study. If Gardner and Blankstein have not been able to fulfill even the modest promise, repeated on numerous occasions, to upgrade La Guitarra to a 340 tonnes per day facility, despite the hiring of additional operating personnel and the running of additional shifts, how can they be expected to transition Genco to a mid-tier producer with 5,000 tonnes per day production?

3. Gardner and Blankstein are receiving outrageous executive compensation. Consider the following:
   • neither Gardner nor Blankstein describes their position at Genco as their principal occupation.
   • Blankstein is not even an officer of Genco.
Genco is paying Gardner and Blankstein $1.5 million for “consulting” over the last two years.

- this $1.5 million does not include stock options granted during that period for over 800,000 shares or a potential “merger” bonus of $1.04 million as of June 9, 2008.
- this $1.5 million, the 800,000 options and the $1.04 million potential “merger” bonus does not include significant and undisclosed additional payments and options granted to Blankstein’s brother, Robert Blankstein, another “consultant”.

This compensation is unwarranted, outrageous and must be brought into line with industry practice.

4. For two years, Gardner and Blankstein investigated and negotiated a material non-arm’s length share purchase transaction while Board members were kept in the dark. Once Board members were advised of the transaction and had voted to acquire the shares of Chief Consolidated Mining Co., they were then shown a document that Blankstein had signed which bound Genco to flip the Chief shares ONLY to Andover Ventures Inc., a company whose directors and significant shareholders included Gardner, Blankstein and Smith. It is telling that after the non-conflicted directors of Genco became involved, they negotiated improved terms for a transaction that ultimately, despite the improved terms, is of questionable benefit to Genco. Help me stop Genco’s money from being spent on other questionable related party transactions.

5. Gardner and Blankstein do not have the operational expertise necessary to guide Genco to the next stage of its development and are responsible for Genco’s poor operational performance to date. My colleagues and proposed nominees, Charles Schroeder and Lyle Weismantel and I have the necessary operational expertise. Each of us has successfully operated profitable companies, two of us having built multiple resource sectors companies from the ground up. We will also work with the balance of Genco’s existing directors who bring diverse skills and experience to the Board.

6. Under the leadership of Gardner, the Company’s governance practices have been consistently poor. Until recently, all committees of the Board were dominated by Gardner, Blankstein and Smith. Only upon my instigation were their compositions changed to reflect better governance practices. Genco has numerous other poor governance practices which I described in my proxy circular.

Response to Gardner’s Claims

Gardner recently released a letter to shareholders outlining his position relating to my campaign. In his letter, Gardner misses the point. This proxy contest is about achieving defined goals and meeting market expectations. In this regard Gardner and Blankstein have failed, as reflected in Genco’s poor financial and operating results, and this failure has been recognized by the market and resulted in the rapid decline of the Genco share price. His letter says nothing to counter the critical issues which I have described above.

In my view, his letter is full of hyperbole and intended to divert your attention from the key issues at hand. However, I find it is necessary to deal with some of his more spurious claims:

Gardner claim: “…the Dissident’s [my] circular contains erroneous information and is grossly misleading” and “… [my circular] utilizes misleading charts and statistics…”

Facts: I stand behind the information, charts and statistics contained in my circular. By way of example, I have five key charts entitled:
- net income;
- retained earnings;
- loss per share;
- administrative expenses; and
- consulting and management fees paid to directors and officers.
Please refer to www.savegenco.com for the charts. What the charts show is increasing losses and dramatically increased expenses, including consulting and management fees. All of the information in the charts is taken directly from Genco’s annual audited financial statements. Is Gardner suggesting that Genco’s financial statements are misleading?

**Gardner claim:** Gardner notes that since 2003, the Company has increased its proven and probable mineral reserves and measured and indicated resources.

**Facts:** Of course Genco has improved and increased reserves and resources in the last five years given the incredible rise in the price of silver which has enabled the already well known low grade deposits in the Temascaltepec Mining District to become viable and able to be included in reserves and resources through Genco’s announced drilling programs. Again, Gardner misses the point. Genco now needs to demonstrate that it has the ability to convert reserves and resources into production or else continue to be a low priced sitting duck waiting to be acquired by a mid tier or major producer.

**Gardner claim:** “Genco’s achievements have been reflected in its share price.”

**Facts:** I agree. In the last 12 months Genco’s share price has declined 53% while the price of silver has increased by 26%. This compares poorly with the TSX Global Mining Index as well as the group of comparables outlined in my circular.

A one-year time frame is the only appropriate measure because it is the only measure that encompasses Genco’s first disclosure of Gardner and Blankstein’s excessive compensation, the material related party transaction and the highly disappointing 2007 financial results. The poor performance is particularly troubling given that Genco announced a significant expansion to its reserve and resource base during this period.

**Gardner claim:** “Greg Liller…has expressed to the Board that he intends to resign if the Dissident is successful.”

**Facts:** This is not the first time Mr. Liller has threatened to resign. I am still prepared to work with Mr. Liller but he must be able to deliver a comprehensive mine plan and meet long-stated production goals. I believe it is the team, starting with the team at the Board level, then the team at the executive management level, then the team at the operational level that will deliver strong and consistent results which are ultimately reflected in increased shareholder value. What I am proposing, and is outlined in my proxy circular, is that the Board would focus on hiring independent mining engineers to review operations, completing necessary fundraising, completing the long overdue comprehensive mine plan and feasibility study, controlling and reducing executive compensation, improving overall governance and strictly enforcing adherence to Genco’s code of ethics. A Board should work with operating management to implement the Company’s goals in a timely way and effectively communicate this to the market.
**Gardner claim:**

Gardner and Blankstein and Smith are better suited to serve on the Board because of their experience having served on the boards of other public companies.

**Facts:**

Shareholders are right to question the quality of Gardner and Blankstein’s public board experience given the extensive list of corporate governance failures that have occurred at Genco while under their stewardship. In my circular, I provide details on how Gardner and Blankstein impeded the efforts of Genco’s non-conflicted directors to carry out proper deliberations and negotiations with respect to the deal with Chief Consolidated Mining Co., which resulted in Genco spending nearly the last of its net cash on hand to benefit a company, Andover Ventures Inc., that Gardner, Blankstein and Smith are directors and significant shareholders of. My circular also describes a variety of other poor corporate governance practices that were rampant at Genco before I joined the Board, including Gardner, Blankstein and Smith having dominated every single Board committee.

Shareholders should also look more closely at the spectacular failures of some of the public companies that Gardner and Blankstein have been involved with. For example, Blankstein founded and was Chairman of the Board of GST Telecommunications Inc., a company that filed for bankruptcy in 2000. Gardner was legal counsel to Blankstein during this period. A lawsuit was brought against Blankstein alleging fraud and appropriation of corporate opportunities during his tenure as Chairman of the Board. The lawsuit was eventually settled out of court.

The real question to be asked is which slate of director nominees has had SUCCESSFUL business experience. In my circular, I describe the two resource based companies that I founded and have built into successful and profitable businesses. My colleague, Charles Schroeder has similar experience, having founded and built multiple companies in the resource sector. Lyle Weismantel brings a wealth of experience to the Board from the finance sector, which I believe will compliment the diverse skill set of the remaining individuals whom I have nominated as directors.

Along with other existing members of the Board, we will draw upon qualified experts to assist us – mining consultants to assist in the preparation of a comprehensive mine plan; investment professionals and financial intermediaries to assist in financing and strong counsel to implement best governance practices. Gardner claims I am an oil and gas speculator. My companies do not speculate. The inference is laughable given Gardner, Blankstein and Smith’s consistent pattern of selling Genco shares since the beginning of 2006 as the company moves towards its transition to a producer as opposed to a junior speculative venture. Just as I built my Genco share position over time without selling, my companies are about building and operating a business while maintaining appropriate margins and profitability.

Does Gardner’s letter and recent actions raise additional concerns? Absolutely. He has retained Kingsdale Shareholder Services Inc. as a proxy solicitor without disclosing the cost to the Company. We as shareholders are entitled to know what and how much he is spending to protect his job. He has commandeered the Company website by ensuring that the first link relating to Genco Resources is a giant stop sign intended to convince shareholders to stop my nominees from being elected. Since I am disclaiming any pay other than the same modest stock options
that Genco’s other independent directors receive, it is evident that my only goal is to increase shareholder value through better governance and meeting production goals.

I am a long-term shareholder of Genco and intend to remain one and work diligently with others to build this Company and shareholder value. Please provide me with your support on June 26, 2008 by forwarding your proxy in accordance with instructions outlined at www.savegenco.com. Thank you for your consideration.

Sincerely,

“James R. Anderson”

James R. Anderson

About James Anderson

A resident of Sioux Falls, South Dakota, James R. Anderson is a former Board member and, together with his spouse, is the largest shareholder of Genco Resources Ltd. Mr. Anderson and his spouse own 5 million Genco shares, equivalent to 12.2% of the shares outstanding. He has been a purchaser of shares since 2005 and has never sold a Genco share.

Anderson is the founder, sole shareholder and Chief Executive Officer of Tennessee Eastern Gas and Oil Company and Southwestern Mineral Leasing Company. Anderson’s two companies conduct business in eight states across the United States and are involved in oil and gas exploration and production, and the purchase and leasing of mineral land. Anderson earned a Bachelor of Science Business degree in 1971 and a Juris Doctor degree in Law in 1974, both from the University of Minnesota, after which he practised as a general commercial litigator up until 2004. Anderson served on Genco’s Board from July 3, 2007 until May 21, 2008, when he resigned following his strong disapproval of $1 million in retroactive bonuses that Robert Gardner and Gordon Blankstein had proposed to award to themselves ($500,000 for each) while they controlled the Board’s Compensation Committee.

Mr. Anderson is one of three shareholder nominees for the Genco Board. The other two shareholder nominees are two long-time colleagues of Anderson: Lyle Weismantel and Charles Schroeder. Weismantel is a banker with more than 40 years of experience, including ten years as President and CEO of a Bremer Bank in Minnesota. Schroeder, a geologist and entrepreneur, has more than two decades of experience in resource development and owns two oil and gas companies. These successful businessmen will strengthen Genco’s Board and bring a much-needed drive to improve shareholder value.

You can learn more about all three shareholder nominees and the reasons for the proxy contest by reading the Shareholders’ Information Circular or by visiting www.savegenco.com

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GENCO RESOURCES’ LARGEST SHAREHOLDER BRINGS TO PUBLIC ATTENTION THE RESIGNATION OF LESLIE GOODMAN FROM THE GENCO BOARD

For Immediate Release

Vancouver, B.C., June 17, 2008 -- James R. Anderson, a former Board member and, together with his spouse, the largest shareholder of Genco Resources Ltd. of Vancouver, brings to public attention the resignation today of Leslie Goodman as a director of Genco Resources Ltd.

“It is indicative of Genco Chairman Robert Gardner’s attitude toward full, plain and true disclosure that he buried the news of Mr. Goodman’s resignation on line 92 of a 120-line news release that mostly was intended to criticize me and the facts I put forward in my shareholder information circular,” said Mr. Anderson. “It is also indicative, but no longer surprising, that Gardner disclosed no reasons for Mr. Goodman’s resignation. Gardner set the pattern when he failed to issue a news release for my resignation on May 21, 2008. Instead Gardner mentioned it in passing, and with no reason given, on page 23 of a 30-page circular filed 12 days after I resigned. Shareholders of Genco deserve better disclosure than this, but improvement will come only with a change at the Board level.”

“This buried cryptic release raises a lot more questions than it answers, considering that a director resigned in the middle of a hotly contested proxy fight, supposedly for no reason sufficient to share with the public. Shareholders should be asking questions, like the following:

- Why did Mr. Goodman resign?
- Does Mr. Goodman approve of Gardner’s June 13, 2008 letter to shareholders which makes repeated references to “Your Board” and implies that the Board approved the letter?
- Does Mr. Goodman support Gardner’s corporate governance?
- Does Mr. Goodman approve of present executive pay?
- Does Mr. Goodman approve of present mine management in Mexico?
- Does Mr. Goodman want changes to the Board of Directors?
- Is Mr. Goodman still standing for election on management's slate?

“Shareholders don’t know because we are not told, but I would doubt that Mr. Goodman was pleased with the way Gardner, Blankstein and Smith are operating.”

Concluded Mr. Anderson, “I respect Mr. Goodman’s decision to resign from the current Board and look forward to working with him and the three remaining independent members of the current Board if my slate of three Shareholder Nominees is elected. It is crucial for all shareholders to vote if we are to succeed in removing Gardner, Blankstein and Smith.”

As previously disclosed, Mr. Anderson filed a Shareholder Information Circular with Canadian securities regulators on June 10, 2008 and initiated a proxy solicitation process with the objective of replacing Robert Gardner (Chairman), Gordon Blankstein and Brian Smith as members of Genco’s seven-person Board of Directors. The election will take place at the Annual meeting on June 26, 2008. In addition to Mr. Anderson, the Shareholder nominees are Lyle Weismantel and Charles Schroeder. For more details, investors should read the Shareholder Information Circular and related information at www.savegenco.com.

About James Anderson

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Mr. Anderson is the founder, sole shareholder and Chief Executive Officer of Tennessee Eastern Gas and Oil Company and Southwestern Mineral Leasing Company. Anderson’s two companies conduct business in eight states across the United States and are involved in oil and gas exploration and production, and the purchase and leasing of mineral land. Mr. Anderson earned a Bachelor of Science Business degree in 1971 and a Juris Doctor degree in Law in 1974, both from the University of Minnesota, after which he practised as a general commercial litigator up until 2004. Mr. Anderson served on Genco’s Board from July 3, 2007 until May 21, 2008, when he resigned following his strong disapproval of $1
million in retroactive bonuses that Robert Gardner and Gordon Blankstein had proposed to award to themselves ($500,000 for each) while they controlled the Board’s Compensation Committee.

Mr. Anderson is one of three shareholder nominees for the Genco Board. The other two shareholder nominees are two long-time colleagues of Anderson: Lyle Weismantel and Charles Schroeder. Weismantel is a banker with more than 40 years of experience, including ten years as President and CEO of a Bremer Bank in Minnesota. Schroeder, a geologist and entrepreneur, has more than two decades of experience in resource development and owns two oil and gas companies. These successful businessmen will strengthen Genco’s Board and bring a much-needed drive to improve shareholder value.

You can learn more about all three shareholder nominees and the reasons for the proxy contest by reading the Shareholders’ Information Circular or by visiting www.savegenco.com.

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GENCO RESOURCES’ LARGEST SHAREHOLDER REPORTS RESIGNATION OF A SECOND INDEPENDENT GENCO DIRECTOR, EDUARDO LUNA

For Immediate Release

Vancouver, B.C., June 18, 2008 -- James R. Anderson, a former Board member and, together with his spouse, the largest shareholder of Genco Resources Ltd. of Vancouver, reported to Genco shareholders the receipt of a letter from Eduardo Luna in which Mr. Luna states that he resigned from the Board of Directors of Genco YESTERDAY. Mr. Luna is the second independent director to resign yesterday.

“I think it is important for shareholders to know that Mr. Luna, an independent director of Genco since 2003 and a former manager of Genco’s La Guitarra silver mine, has resigned from the Board,” said Mr. Anderson. “Clearly this is a material development, especially considering that Leslie Goodman, an independent director since 2005, resigned from the Board yesterday as well. I note that Genco has not disclosed the resignation of Mr. Luna. This is a recurring theme. I ask yet again, “Where is the disclosure, Mr. Gardner?”

Mr. Luna’s resignation is material not just because he is a director but because of his status in the international mining industry. He is Chairman of the Board of Directors of Silver Wheaton Corp. of Vancouver, the largest publicly-traded mining company with 100% of its operating revenue from silver production and is a former manager of Genco’s La Guitarra mine. He holds a degree in Advanced Management from Harvard University, an MBA from Instituto Tecnologico de Estudios Superiores de Monterrey and a Bachelor of Science in Mining Engineering from Universidad de Guanajuato. He held various executive positions with Minera Autlan for seven years and with Industrias Peñoles for five years. He is the former President of the Mexican Mining Chamber and the former President of the Silver Institute. He serves as Chairman of the Advisory Board of the Faculty of Mines at the University of Guanajuato and of the Mineral Resources Council in Mexico.

Mr. Anderson commented, "Mr. Luna is a good and impressive individual. In my opinion he knows the Mexican mines better than anyone. Unfortunately, with his resignation he has decided not to stand for re-election on either slate. However, I intend to recommend to the board that Mr. Luna consult for us if our slate wins."

As previously disclosed, Mr. Anderson issued his Shareholder Information Circular on June 10, 2008 to initiate a proxy solicitation process with the objective of replacing Robert Gardner, Gordon Blankstein and Brian Smith as members of Genco’s Board of Directors, which then had seven members and now has five. A copy of the Shareholder Information Circular, along with related information, is available at www.savegenco.com.

The Shareholder Information Circular cites a number of concerns, including excessive compensation for Gardner and Blankstein; a non-arms-length transaction involving another company whose directors include Gardner, Blankstein and Smith; Gardner, Blankstein and Smith’s lack of operational expertise; poor corporate governance and the sustained and consistent stock selling in the open market by Gardner, Blankstein and Smith.

About James Anderson

A resident of Sioux Falls, South Dakota, James R. Anderson is a former Board member and, together with his spouse, is the largest shareholder of Genco Resources Ltd. Mr. Anderson and his spouse own 5 million Genco shares, equivalent to 12.2% of the shares outstanding. He has been a purchaser of shares since 2005 and has never sold a Genco share.

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Mr. Anderson is one of three shareholder nominees for the Genco Board. The other two shareholder nominees are two long-time colleagues of Anderson: Lyle Weismantel and Charles Schroeder. Weismantel is a banker with more than 40 years of experience, including ten years as President and CEO of a Bremer Bank in Minnesota. Schroeder, a geologist and entrepreneur, has more than two decades of experience in resource development and owns two oil and gas companies. These successful businessmen will strengthen Genco’s Board and bring a much-needed drive to improve shareholder value.

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GENCO RESOURCES' LARGEST SHAREHOLDER CALLS FOR SEPARATION OF GENCO FROM ANDOVER

For Immediate Release

Vancouver, B.C., June 23, 2008 -- James R. Anderson, a former Board member and, together with his spouse, the largest shareholder of Genco Resources Ltd. of Vancouver, today called for Genco to immediately separate its management from that of Vancouver-based Andover Ventures Inc., an exploration company with negative working capital.

“The conflict of interest relationship between Andover and Genco is not just at the board level, and does not pertain just to one conflict-of-interest transaction between the companies,” said Mr. Anderson. “There is also an under-the-radar conflict of interest at the senior employee level, and it has to stop. We just don’t know how much time Andover is draining from our key employees or whether Andover, which has virtually no working capital, is compensating Genco fairly. It doesn’t make sense that Genco is missing performance targets by a wide margin while key employees work part time for another company.”

Financial executive conflict of interest

Among employees, Wayne Moorhouse is Chief Financial Officer of both Genco and Andover. Andover announced his appointment in a news release dated March 1, 2007 and filed May 1, 2007 on SEDAR. The curiously double-dated Andover disclosure was not displayed on Andover’s website as of yesterday. It did not mention that Moorhouse already had a similar position with Genco and would only be working part-time for Andover. Genco provided no corresponding news release that its top financial executive had become part-time. Proxy advisor ISS Governance Services, in a report last week, criticised Genco for not having a dedicated full-time CFO and pointed out that Moorhouse’s role with both companies was a conflict.

Operating management conflict of interest

In addition, Mr. Anderson believes that Bruce F. Reiderer, President of Andover, and John C. Thornton, Chief Development Officer of Andover, are both senior Genco employees or consultants with responsibilities of sufficient importance that they have been issued stock options by Genco. Mr. Anderson believes these responsibilities involve the development of Genco’s La Guitarra silver mine. ISS did not discuss this conflict of interest, perhaps because it was not aware of it. When Andover announced the appointments of Reiderer and Thornton in January 2008, it provided biographies for both officers but did not mention employment or consulting arrangements at Genco.

Genco providing administrative services to Andover

Commented Mr. Anderson, “When I was on Genco’s Board and visiting Genco’s offices I would see Andover books and papers on the desks of administrative personnel, indicating that Andover administration was being done at Genco offices. In the ten months that I served on the Genco Board, no one sought authority from the Board for this. At the last Board meeting I attended, in May 2008, Gardner was questioned about this and responded that Andover was paying Genco for services. However, these arrangements were never revealed to the Genco Board while I was a member, except under questioning.”

Financial risks to Genco from conflicts of interest

Continued Mr. Anderson, “If payment is being made by Andover to Genco, we don’t know how much and we don’t know whether Andover is paying with cash or is giving IOUs. In any event, this is not a normal business relationship for Genco, as it is running a silver mine, not an employment agency. As at December 31, 2007, the last disclosed financial statements, Andover had a working capital deficit of $213,081. It does not make business sense for Genco to extend credit to Andover as Genco may not get paid.”
Board conflicts of interest

At the Board level, Robert Gardner is Chairman of both Genco and Andover. As well, Gordon Blankstein and Brian Smith are directors of both companies and Genco’s President Greg Liller is an Andover director. In a report last week, proxy advisor ISS Governance Services said it has “concerns” about the common boards served by the various incumbent directors of Genco. Commented Anderson, “Such conflicts are not healthy and they may favour Andover over Genco, since Gardner and Blankstein have a combined 15% interest in Andover and own just 8.2% of Genco.

Transaction conflict of interest

So far, the conflict-of-interest issue between Genco and Andover has focused mainly on a non-arms length transaction earlier this year in which Genco flipped to Andover a controlling interest Chief Consolidated Mining Co. ISS, in its report last week, criticised Genco for participating in the flip. “We note that the circumstances around the related party transaction raise questions about the appropriateness of the company’s internal controls and processes,” said ISS.

Andover and Genco both need money

Genco needs money to complete the development at La Guitarra. Andover needs money to pay Genco for the Chief transaction. It would appear that Blankstein and Moorhouse will be attempting to finance both companies at the same time. How will they manage this conflict?

Summary of conflict issues

Concluded Mr. Anderson, “When the Chief Consolidated transaction is added to the Board and employee conflicts of interest, you can see a deeply embedded pattern rather than an isolated incident. Genco appears to be subsidizing Andover over and above the money owned in connection with the Chief transaction. This is yet another reason for non-conflicted Genco shareholders to replace Gardner, Blankstein and Smith on the Genco Board of Directors, and to be skeptical of their promise to reform.”

About James Anderson

A resident of Sioux Falls, South Dakota, James R. Anderson is a former Board member and, together with his spouse, is the largest shareholder of Genco Resources Ltd. Mr. Anderson and his spouse own 5 million Genco shares, equivalent to 12.2% of the shares outstanding. He has been a purchaser of shares since 2005 and has never sold a Genco share.

Mr. Anderson is the founder, sole shareholder and Chief Executive Officer of Tennessee Eastern Gas and Oil Company and Southwestern Mineral Leasing Company. Anderson’s two companies conduct business in eight states across the United States and are involved in oil and gas exploration and production, and the purchase and leasing of mineral land. Mr. Anderson earned a Bachelor of Science Business degree in 1971 and a Juris Doctor degree in Law in 1974, both from the University of Minnesota, after which he practised as a general commercial litigator up until 2004. Mr. Anderson served on Genco’s Board from July 3, 2007 until May 21, 2008, when he resigned following his strong disapproval of $1 million in retroactive bonuses that Robert Gardner and Gordon Blankstein had proposed to award to themselves ($500,000 for each) while they controlled the Board’s Compensation Committee.

Mr. Anderson is one of three shareholder nominees for the Genco Board. The other two shareholder nominees are two long-time colleagues of Anderson: Lyle Weismantel and Charles Schroeder. Weismantel is a banker with more than 40 years of experience, including ten years as President and CEO of a Bremer Bank in Minnesota. Schroeder, a geologist and entrepreneur, has more than two decades of experience in resource development and owns two oil and gas companies. These successful businessmen will strengthen Genco’s Board and bring a much-needed drive to improve shareholder value.

On June 10th, 2008 Mr. Anderson filed a Shareholder Information Circular with Canadian securities regulators and initiated a proxy solicitation process with the objective of replacing Robert Gardner (Chairman), Gordon Blankstein and Brian Smith as members of Genco’s seven-person Board of Directors. A copy of the Shareholder Information Circular, which includes additional information on Mr. Anderson’s proposed slate, is available at www.savegenco.com.
**Voting your YELLOW proxy**

Genco shareholders are asked to complete and return the YELLOW proxy so that much needed change can take place at Genco Resources Ltd. Your vote is important – please vote your YELLOW proxy today. Proxies should be completed in accordance with the instructions on the YELLOW proxy.

**Your YELLOW proxy should be returned prior to 11:00 a.m. (Vancouver time) (being 2:00 p.m. (Toronto time)) on Monday, June 23, 2008, in order to be deposited with the Company in time to be used at the Meeting.**

For assistance in voting your proxy, please contact Laurel Hill Advisory Group at 1-888-268-4498.

**About Forward Looking Statements**

Certain statements contained in this news release constitute forward-looking statements. The words “may”, “would”, “could”, “will”, “intend”, “plan”, “anticipate”, “believe”, “estimate”, “expect” and similar expressions are intended to identify forward-looking statements, however forward-looking statements may not include such terms. This news release may contain forward-looking statements relating to Anderson, the Shareholder Nominees, Genco, future management or Genco’s future financial or operational performance. Such statements reflect Anderson’s current views with respect to future events and are based on the information reasonably available to Anderson today. These statements are subject to certain risks, uncertainties and assumptions. Many factors could cause Genco’s actual results, performance or achievements that may be expressed or implied by such forward-looking statements to vary from those described herein should one or more of these risks or uncertainties materialize. Such factors include, but are not limited to, economic, business, competitive, political and regulatory factors, including changes in the price of precious metals. Except to the extent required by law, Anderson undertakes no obligation to update any forward-looking statements contained herein. Readers are cautioned not to place undue reliance on forward-looking statements contained herein.

**For more information please contact**

<table>
<thead>
<tr>
<th>Investors</th>
<th>Media</th>
</tr>
</thead>
<tbody>
<tr>
<td>Laurel Hill Advisory Group</td>
<td>Longview Communications Inc.</td>
</tr>
<tr>
<td>North American toll-free 1-888-268-4498</td>
<td>Alan Bayless: 604-694-6035</td>
</tr>
<tr>
<td></td>
<td>David Ryan: 604-694-6031</td>
</tr>
</tbody>
</table>
THIS IS YOUR COMPANY:

Loss Per Share

Consulting and Management Fees Paid to Directors and Officers

THIS IS UNACCEPTABLE.

IT IS TIME FOR CHANGE.

YOUR VOTE IS EXTREMELY IMPORTANT – VOTE YOUR YELLOW PROXY TODAY

For questions or assistance, please call Laurel Hill Advisory Group, LLC in North America toll free at 1-888-268-4498 or outside North America call collect +1 (416) 637-4661 or visit www.savegenco.com
SHAREHOLDER PROXY CIRCULAR  
(dated June 9, 2008)

TO BE USED IN CONNECTION WITH THE ANNUAL AND SPECIAL GENERAL MEETING OF SHAREHOLDERS OF

GENCO RESOURCES LTD.

SCHEDULED TO BE HELD ON THURSDAY, JUNE 26, 2008 AT 11:00 A.M. (VANCOUVER TIME)

THIS PROXY CIRCULAR SOLICITS YELLOW PROXIES BY AND ON BEHALF OF

JAMES ANDERSON

YOUR VOTE IS IMPORTANT TO THE FUTURE OF YOUR INVESTMENT IN GENCO RESOURCES LTD.

JAMES ANDERSON RECOMMENDS THAT YOU VOTE FOR THE ELECTION OF THE NOMINEES NAMED IN THIS CIRCULAR (AND ACCOMPANYING YELLOW PROXY FORM) AS DIRECTORS AT THE ANNUAL AND SPECIAL GENERAL MEETING OF SHAREHOLDERS SCHEDULED TO BE HELD ON JUNE 26, 2008

Please follow the instructions set forth under “General Proxy Information – Appointment and Revocation of Proxies” in this Circular with respect to depositing a proxy. You may support the Director nominees of James Anderson even if you have previously deposited a proxy in support of management. You have every legal right to change your vote – simply sign, date and return the YELLOW proxy today.

QUESTIONS MAY BE DIRECTED TO THE PROXY SOLICITOR

LAUREL HILL ADVISORY GROUP  
New York • Toronto • San Francisco • Vancouver

NORTH AMERICAN TOLL-FREE  
1-888-268-4498

VOTE YOUR PROXY

Please complete and return the YELLOW proxy so that much needed change can take place at Genco Resources Ltd.

Your vote is important – please vote your YELLOW proxy today. Proxies should be completed in accordance with the instructions on the YELLOW proxy. A YELLOW proxy should be returned prior to 11:00 a.m. (Vancouver time) (being 2:00 p.m. (Toronto time)) on Monday, June 23, 2008, in order to be deposited with the Company in time to be used at the Meeting.
SHAREHOLDER PROXY CIRCULAR

This proxy circular and the accompanying YELLOW form of proxy are furnished to you in connection with the solicitation by and on behalf of James Anderson (“Anderson”) of proxies to be used at the annual and special general meeting (the “Meeting”) of the shareholders of Genco Resources Ltd. (“Genco” or the “Company”), scheduled to be held at Suite 550, 999 West Hastings Street, Vancouver, British Columbia, Canada on Thursday, June 26, 2008 at 11:00 a.m. (Vancouver time), and at any and all adjournments or postponements thereof.

This solicitation of proxies is made by Anderson. THIS SOLICITATION OF PROXIES IS NOT MADE BY OR ON BEHALF OF CURRENT MANAGEMENT OF GENCO. Genco has previously caused to be forwarded to you a management proxy circular (the “Management Circular”) dated as of May 22, 2008 and a management form of proxy (the “Management Proxy”). IF YOU SUPPORT ANDERSON, ONLY USE THE YELLOW FORM OF PROXY ENCLOSED WITH THIS CIRCULAR. IF YOU PREVIOUSLY RETURNED A MANAGEMENT PROXY, YOU HAVE EVERY LEGAL RIGHT TO CHANGE YOUR VOTE. SIMPLY SIGN, DATE AND RETURN THE YELLOW PROXY. A TIMELY DELIVERED, LATER DATED YELLOW PROXY AUTOMATICALLY REVOKES AND SUPERSEDES A PREVIOUSLY COMPLETED PROXY.

The following individuals are the current members of Genco’s board of directors (the “Board”), all of whom have been nominated by management for re-election as directors at the Meeting: Robert C. Gardner (Chairman) (“Gardner”), W. Gordon Blankstein (“Blankstein”), Brian Smith (“Smith”), Richard Hughes, Leslie Goodman, Eduardo Luna and James McDonald (the “Current Directors” or the “Management Nominees”). Anderson seeks to replace Gardner, Blankstein and Smith on the Board, and is therefore soliciting proxies to elect Anderson, Charles Schroeder III, Lyle Weismantel, Richard Hughes, Leslie Goodman, Eduardo Luna and James McDonald (the “Shareholder Nominees”) as directors of Genco at the Meeting.

Anderson recommends that Genco’s shareholders vote FOR the election of the Shareholder Nominees as directors of Genco.

YOUR VOTE IS VERY IMPORTANT TO THE FUTURE OF YOUR INVESTMENT IN GENCO. IF, AFTER READING THIS CIRCULAR, YOU AGREE THAT THE SHAREHOLDER NOMINEES WILL BETTER SERVE YOUR INTERESTS AS A SHAREHOLDER OF GENCO, PLEASE VOTE “FOR” THE ELECTION OF THE SHAREHOLDER NOMINEES ON THE ENCLOSED YELLOW FORM OF PROXY. YOU MAY DO THIS EVEN IF YOU HAVE PREVIOUSLY DEPOSITED A MANAGEMENT PROXY OR OTHER PROXY. A TIMELY DELIVERED AND LATER DATED YELLOW PROXY AUTOMATICALLY REVOKES THE EARLIER ONE. SEE “GENERAL PROXY INFORMATION – APPOINTMENT AND REVOCATION OF PROXIES”.

AS TIME IS OF THE ESSENCE, PLEASE DELIVER OR FAX YOUR PROXY IN ORDER FOR IT TO BE RECEIVED BY THE DEADLINE. PROXIES SHOULD BE RETURNED TO LAUREL HILL AT 366 BAY STREET, SUITE 200, TORONTO, ONTARIO M5H 4B2. PROXIES BEING SENT TO LAUREL HILL BY FAX SHOULD BE SENT TO (416) 646-2415. IF YOU ARE A NON-REGISTERED SHAREHOLDER PLEASE REFER TO THE INFORMATION UNDER “GENERAL PROXY INFORMATION – NON-REGISTERED SHAREHOLDERS” BELOW.

IN ORDER TO BE DEPOSITED WITH GENCO’S REGISTRAR AND TRANSFER AGENT IN TIME TO BE USED AT THE MEETING, YOUR YELLOW PROXY SHOULD REACH LAUREL HILL PRIOR TO 11:00 A.M. (VANCOUVER TIME) (BEING 2:00 P.M. (TORONTO TIME)) ON MONDAY, JUNE 23, 2008.

For assistance, please call Laurel Hill Advisory Group toll-free at 1-888-268-4498 or visit www.savegenco.com

PROTECT YOUR INVESTMENT – VOTE YOUR YELLOW PROXY TODAY.
The information concerning Genco contained in this Circular has been taken from or is based upon publicly available documents or records on file with Canadian securities regulatory authorities (including the Management Circular) and other public sources. Although Anderson has no knowledge that would indicate that any statements contained herein taken from or based upon such documents and records or other public sources are untrue or incomplete, Anderson does not assume any responsibility for the accuracy or completeness of the information taken from or based upon such documents, records and public sources, or for any failure by Genco to disclose publicly events or facts which may have occurred or which may affect the significance or accuracy of any such information but which are unknown to Anderson. The address of Genco is Suite 550, 999 West Hastings Street, Vancouver, British Columbia V6C 2W2.

Readers are directed to the Management Circular for disclosure of the information required to be disclosed under Form 51-102F5, but not contained herein.

All currency references in this Circular are in Canadian dollars unless indicated otherwise.

Certain statements contained in this Circular constitute forward-looking statements. The words “may”, “would”, “could”, “will”, “intend”, “plan”, “anticipate”, “believe”, “estimate”, “expect” and similar expressions are intended to identify forward-looking statements, however forward-looking statements may not include such terms. This Circular may contain forward-looking statements relating to Anderson, the Shareholder Nominees, Genco, future management or Genco’s future financial or operational performance. Such statements reflect Anderson’s current views with respect to future events and are based on the information reasonably available to Anderson today. These statements are subject to certain risks, uncertainties and assumptions. Many factors could cause Genco’s actual results, performance or achievements that may be expressed or implied by such forward-looking statements to vary from those described herein should one or more of these risks or uncertainties materialize. Such factors include, but are not limited to, economic, business, competitive, political and regulatory factors, including changes in the price of precious metals. Except to the extent required by law, Anderson undertakes no obligation to update any forward-looking statements contained herein. Readers are cautioned not to place undue reliance on forward-looking statements contained herein.
QUESTIONS AND ANSWERS

Q  Who is Anderson?

A Anderson was a director of Genco from July 3, 2007 until May 21, 2008. He and his spouse Karen Anderson own 5 million or 12.2% of Genco’s outstanding common shares. Mr. and Mrs. Anderson have held most of these shares for more than three years and have never sold any of their Genco shares. Mr. and Mrs. Anderson purchased these shares from the open market, a private placement and the exercise of warrants. They did not obtain any shares through cheap option exercises, settlement of litigation or as bonus compensation.

AS GENCO’S LARGEST SHAREHOLDER AND AS AN INDIVIDUAL WHO DOES NOT RECEIVE EXECUTIVE COMPENSATION FROM GENCO, ANDERSON’S INTERESTS ARE CLOSELY ALIGNED WITH YOURS.

Anderson is an attorney who founded and owns two successful oil and gas production and leasing companies: Tennessee Eastern Gas and Oil Company and Southwestern Mineral Leasing Company. Anderson is a value investor and believes in operating businesses and implementing strategies for the long term. Anderson resigned from Genco’s board following the increase to the already excessive compensation of Gardner and Blankstein.

Q  Why is Anderson seeking to replace Gardner, Blankstein and Smith?

A Anderson believes that Gardner, Blankstein and Smith need to be replaced for six main reasons:

1. Genco’s La Guitarra Mine continues to produce substantially below announced expectations.

2. Gardner and Blankstein, by virtue of their powers arising from their consulting arrangements and dominance of Genco’s executive committee, have been primarily responsible for Genco’s poor financial and operating performance. They have been excessively compensated while Genco’s financial and operating performance has steadily deteriorated.

3. Under the stewardship and instigation of Gardner, Blankstein and Smith, Genco entered into a distracting and odd material related party transaction, for which the benefit to Genco is uncertain.

4. Genco has demonstrated poor corporate governance practices which are not aligned with best practice corporate governance guidelines.

5. The Shareholder Nominees will bring a much needed new perspective to Genco’s Board and will help management and the Board stay focused on mine development at the La Guitarra property.

6. Gardner, Blankstein and Smith, judging from their sustained and consistent selling of Genco shares in the open market, do not have the confidence in Genco’s future that shareholders should demand.

Anderson is not prepared to allow Genco’s mismanagement to continue. As a result, he is asking you to support his efforts to install new leadership on Genco’s board – leadership that will be aligned with your interests and prepared to implement required changes. Anderson believes the changes will contribute to an increased value for your investment.
Q Is Genco’s current strategy working?

A Anderson believes that a strategic review is warranted and that management and the Board should focus on La Guitarra development rather than be distracted by related party transactions. While there is some merit to Genco’s current mine development strategy, Anderson is not confident that Gardner, Blankstein and Smith are capable of successfully overseeing the execution of that strategy. Over the past three years, investors have watched as: (1) management’s own publicly stated production and development targets at the La Guitarra Mine have been missed repeatedly, (2) mine management has been substandard and without focus, and (3) the Company’s value has been depressed, all while Company resources have been increasingly directed to Gardner and Blankstein through excessive executive compensation, resulting in skyrocketing administrative expenses for a Company that has had to continually seek additional financing.

Q Which nominees are better suited to maximize value for shareholders of Genco?

A The Shareholder Nominees are experienced and highly regarded business leaders with the expertise, perspective and proven track record required to generate value for all shareholders. They are committed to acting aggressively to reverse Genco’s fortunes. Anderson and Schroeder have long track records as successful entrepreneurs, each having built multiple resource-based companies into highly profitable businesses, while Weismantel has extensive finance and strategic management experience.

In contrast, Gardner and Blankstein, while having launched a number of start-up companies, do not have the operational expertise that is necessary to successfully guide Genco through the next stage of its development into a mid-tier silver producer. They have not demonstrated the solid planning, execution and operational performance required if Genco is to raise additional capital on favourable terms.

Q Why is Anderson only seeking to replace three of the Current Directors?

A Anderson believes that Gardner and Blankstein are primarily responsible for Genco’s poor financial and operating performance, and that Smith has fully supported Gardner and Blankstein at the Board level. These three individuals also sit on additional public company boards together, including Andover Ventures Inc., the company involved in the conflicted related party transaction described below under “The Related Party Transaction”. Replacing these individuals is critical to allow the Board to properly exercise its oversight role and effectively execute Genco’s business strategy.

Anderson’s proposal provides for meaningful continuity at the Board level because Anderson is not seeking to replace Leslie Goodman, Richard Hughes, Eduardo Luna or James McDonald. Anderson believes these individuals bring diverse skills and experience to the Board and therefore their continued presence on the Board is valuable. To the extent that additional directors are required however, Anderson is confident that qualified replacements would be found in short order. Anderson believes that any disruption to Genco as a result of its efforts to effect change is far outweighed by the negative consequences to shareholders of continuing to accept the status quo.

Q What colour proxy should I vote?

A Only vote the **YELLOW** proxy and disregard any proxies you may receive from Genco’s management. Even if you have voted the management proxy and wish to change your vote, you can still do so by voting a new **YELLOW** proxy. The later dated proxy will supersede a previously completed proxy.

Q Who should I call if I have additional questions?

A If you have questions on voting your **YELLOW** proxy, please contact Anderson’s agent, Laurel Hill at 1-888-268-4498. Outside North America call collect: +1 (416) 637-4661.

For assistance, please call Laurel Hill Advisory Group toll-free at 1-888-268-4498 or visit www.savegenco.com

PROTECT YOUR INVESTMENT – VOTE YOUR **YELLOW** PROXY TODAY.
BACKGROUND TO THIS SOLICITATION

Anderson through his spouse, Karen Anderson, first acquired shares of Genco in 2005 and now holds a total of 5 million of Genco’s shares, which today represents 12.2% of Genco’s issued and outstanding shares. The shares are under the joint control and direction of Karen and James Anderson. The Andersons have never sold any Genco shares. The Andersons did not obtain any shares through cheap option exercises, settlement of litigation or as bonus compensation.

Anderson believes that Genco is a company with a world class silver deposit that has consistently and substantially performed below its true potential. By 2007, Anderson had become concerned about the financial and operating performance of Genco, approached the Board and requested that he be appointed as a director. On July 3, 2007, Anderson was formally appointed as a member of the Board. On joining the Board, Anderson soon learned that the Board was dominated by three directors: Robert Gardner, Gordon Blankstein and Brian Smith. Prior to the time that Anderson joined the Board and subsequently effected change to the Board’s committee structure, Gardner, Blankstein and Smith controlled every Board committee, which were comprised as follows:

<table>
<thead>
<tr>
<th>Committee</th>
<th>Members</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive Committee</td>
<td>Gardner Blankstein</td>
</tr>
<tr>
<td></td>
<td>Gregory Liller (President, not a Board member)</td>
</tr>
<tr>
<td>Audit Committee</td>
<td>Gardner Smith</td>
</tr>
<tr>
<td></td>
<td>Richard Hughes</td>
</tr>
<tr>
<td>Acquisitions Committee</td>
<td>Gardner Blankstein</td>
</tr>
<tr>
<td></td>
<td>Leslie Goodman</td>
</tr>
<tr>
<td>Compensation Committee</td>
<td>Gardner Blankstein</td>
</tr>
<tr>
<td></td>
<td>Richard Hughes</td>
</tr>
<tr>
<td>Corporate Governance Committee</td>
<td>Gardner Blankstein</td>
</tr>
<tr>
<td></td>
<td>James McDonald</td>
</tr>
</tbody>
</table>

Anderson believes that Gardner and Blankstein, by virtue of their powers arising from their consulting arrangements and domination of Genco’s executive committee, are primarily responsible for Genco’s deteriorating financial and operating performance. Anderson believes that Gardner and Blankstein tend to treat Genco as their own private company, rather than as a public company whose management is accountable to its Board of Directors and, ultimately, to its public shareholders. During his brief tenure on the Board, Anderson observed that:

- Gardner and Blankstein acted together in a manner that hinders the Board’s due consideration of important corporate decisions;
- Gardner and Blankstein failed to take meaningful action to improve operations at Genco’s La Guitarra Mine;
- Gardner and Blankstein failed to take steps to ensure that publicly stated production or development targets are met;
- Gardner and Blankstein distracted attention from Genco’s key operations by negotiating and undertaking an odd related party transaction;
- Gardner and Blankstein acted to ensure that Genco pays them exorbitant executive compensation as well as exorbitant fees upon a merger; and
• Smith fully supported Gardner and Blankstein in circumstances that Anderson believes negatively impacted Genco and its shareholders.

On May 21, 2008, Anderson finally resigned as director of Genco following his strong disapproval of $1 million in retroactive bonuses that Gardner and Blankstein had proposed to award to themselves ($500,000 for each) while they controlled the Board’s Compensation Committee. This was the last straw for Anderson on the heels of the dismal 2007 financial and production results and the curious Chief deal. The bonuses, described in more detail herein under the heading “Reasons for this Solicitation – Gardner and Blankstein are Overpaying Themselves at the Expense of Genco’s Shareholders”, were for performance in years where Genco’s financial and operating situation had dramatically deteriorated.

REASONS FOR THIS SOLICITATION

The primary purpose of this solicitation of proxies by and on behalf of Anderson is to seek the election of the Shareholder Nominees as directors at the Meeting rather than the Management Nominees as described under the heading “Election of Directors”.

Gardner and Blankstein are Responsible for Genco’s Increasingly Poor Operating and Financial Performance

Gardner and Blankstein have exercised a tremendous amount of influence over the management of Genco through their consulting arrangements and dominance of Genco’s executive committee. Increasingly, the financial performance of Genco has deteriorated, even as THE PRICE OF SILVER HAS SOARED BY 131% to US$14.76 at the end of December, 2007 from US$6.39 per ounce at the beginning of January 2005, based on the London daily fix.

A comparison of Genco’s operating results from the 2005 and 2007 fiscal years shows that:

<table>
<thead>
<tr>
<th></th>
<th>From December 31, 2005 Audited Financial Statements</th>
<th>From December 31, 2007 Audited Financial Statements</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SALES DECREASED:</strong></td>
<td>13.56%</td>
<td>$7,187,026</td>
</tr>
<tr>
<td><strong>Net INCOME</strong></td>
<td>698%</td>
<td>$719,078</td>
</tr>
<tr>
<td></td>
<td><strong>turned to a significant net loss, having DECREASED:</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Genco’s retained earnings DEFICIT INCREASED:</strong></td>
<td>128%</td>
<td>($5,640,889)</td>
</tr>
<tr>
<td><strong>EARNINGS</strong></td>
<td>633%</td>
<td>$0.03 per share</td>
</tr>
<tr>
<td></td>
<td><strong>per share (basic) turned into a LOSS per share, having DECREASED:</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Administration EXPENSES INCREASED:</strong></td>
<td>197%</td>
<td>$1,377,857</td>
</tr>
<tr>
<td><strong>Consulting and management FEES paid to directors and officers SOARED:</strong></td>
<td>606%</td>
<td>$316,358</td>
</tr>
<tr>
<td><strong>Stock based COMPENSATION INCREASED:</strong></td>
<td>359%</td>
<td>$270,262</td>
</tr>
<tr>
<td><strong>Mine PRODUCTION FAILED TO REACH THE TARGETED LEVEL OF 340 TONNES PER DAY:</strong></td>
<td>126 tpd</td>
<td></td>
</tr>
</tbody>
</table>
Certain of these trends can be represented graphically as follows:

While Gardner and Blankstein have directed Genco, the performance of Genco’s La Guitarra Mine in Mexico has consistently missed production targets, suffered from poor management, escalating expenses and a lack of an exploration and mine plan. Gardner and Blankstein have failed to come close to meeting their long stated production goal of 340 tonnes per day at the La Guitarra Mine. While he was a member of Genco’s Board, Anderson repeatedly pushed for improved mine management and an independent review by mining engineers, however Gardner and Blankstein refused to support these efforts.

Incredibly, Genco still lacks a comprehensive mine plan.

**IF GARDNER AND BLANKSTEIN CANNOT IMPLEMENT THE RAMP UP OF THE COMPANY’S PRODUCTION FROM 150 TONNES PER DAY TO 340 TONNES PER DAY, HOW CAN THEY BE EXPECTED TO IMPLEMENT THE TRANSITION TO A MID-TIER PRODUCER WITH 5,000 TONNES PER DAY OF PRODUCTION?** Based on past experience, what Gardner and Blankstein can be expected to do is to oversee continually escalating expenses and losses in an environment where the increasing price of silver makes that performance unacceptable.
Shareholders must also consider a dismal peer comparison, especially over the last 12 months. Genco’s share price dropped 52% in the year ended June 6, 2008, compared to an average decline of just 9.13% for a comparable peer group of 10 junior precious metals producers (as listed below the chart), and an increase of 29% in the value of mining shares generally, as measured by the TSX Global Mining Index. Meanwhile, the price of silver has risen by 26%. The poor performance illustrated by this comparison is particularly troubling given that Genco announced a significant expansion to its reserve and resource base during this period.

<table>
<thead>
<tr>
<th></th>
<th>June 6, 2007</th>
<th>June 6, 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Genco Shares</td>
<td>100</td>
<td>48</td>
</tr>
<tr>
<td></td>
<td>$4.08</td>
<td>$1.94</td>
</tr>
<tr>
<td>TSX Global Mining Index</td>
<td>100</td>
<td>129</td>
</tr>
<tr>
<td></td>
<td>98.86(2)</td>
<td>127.53</td>
</tr>
<tr>
<td>Silver, London Fix US$</td>
<td>100</td>
<td>126</td>
</tr>
<tr>
<td></td>
<td>$13.69</td>
<td>$17.19</td>
</tr>
<tr>
<td>10 Comparable Junior Miners(1) (calculated based on average change in share price)</td>
<td>100</td>
<td>91</td>
</tr>
</tbody>
</table>

Notes:


(2) Note that the TSX Global Mining Index was launched on June 12, 2007, therefore the closing price indicated is the closing price on June 12, 2007 rather than June 6, 2007.
Gardner and Blankstein are Overpaying Themselves at the Expense of Genco and Its Shareholders

Gardner and Blankstein, who have other principal occupations, are extracting excessive compensation from the Company. Based on the disclosure in the Management Circular, Genco is paying an aggregate of approximately $1.5 MILLION in consulting fees and bonuses OVER THE LAST TWO YEARS to Gardner and Blankstein.

Gardner and Blankstein established consulting contracts for excessive compensation in 2007 (backdated to October 1, 2006), when they controlled Genco’s Compensation Committee. EACH now has annual compensation as follows:

- base pay of US$144,000;
- a bonus of up to US$250,000 (including US$500,000 to be paid retroactively for 2006 and 2007, as discussed below under the heading “Retroactive Bonus Awards to Gardner and Blankstein”);
- a further bonus of 2% of Genco’s pre-tax income, which eventually could overshadow all else;
- a “merger” bonus if the Company is acquired of 1.5% of the increase in the Company’s market capitalization from October 1, 2006, to the date of the acquisition (which would equate to a combined bonus for both of $1,040,000 if Genco were sold at today’s depressed stock price); and
- stock options which included grants of options in 2006 and 2007 to purchase an aggregate of 487,850 shares, in the case of Blankstein, and 360,082 shares, in the case of Gardner.

Genco’s executive compensation expenses are significantly greater as a percentage of revenue than its competitors. In 2007, Genco’s stock based compensation expense was 19.97% of revenue while the average percentage of compensation expense to revenue for comparable(1) silver and/or gold producing companies was 4.20%. Similarly, Genco’s administrative expense in 2007 was an astounding 65.76% of revenue while the average of these comparables(1) was 9.77%. These numbers support Anderson’s conclusion that Genco is overpaying its executives for delivering continuing poor performance.

Again, graphs tell the story:

![Administrative Expense as a Percentage of Sales (2007)](chart1)

![Stock Based Compensation Expense as a Percentage of Sales (2007)](chart2)

Note:


Retroactive Bonus Awards to Gardner and Blankstein

Gardner and Blankstein appear to have used their controlling positions on Genco’s Compensation Committee to push through approvals of retroactive bonus payments to themselves under their October 1, 2006 Consulting Agreements. Under the terms of the original October 1, 2006 Consulting Agreement (the “Gardner Consulting Agreement”) between Genco and Gardner & Associates, Gardner’s law firm was to provide Gardner’s consulting services in exchange for remuneration of US$12,000 per month, a profit bonus of 4% of
Genco’s annual net operating profit in the previous financial year, and an annual performance bonus of up to US$100,000, to be paid in cash or common shares. Even though Blankstein was not an executive officer, Blankstein was entitled to the same remuneration under the terms of a similar Consulting Agreement (the “Blankstein Consulting Agreement”). The terms of these agreements were first described in the management information circular delivered to shareholders in connection with Genco’s 2007 annual general meeting. The agreements were executed in 2007 but backdated to October 2006.

Upon review of Genco’s draft 2007 annual financial statements earlier this year while he was a member of Genco’s Board, Anderson discovered that the bonuses payable to Gardner and Blankstein were considerably in excess of the US$100,000 per annum set out in the two agreements which were previously disclosed. In response to Anderson’s requests for copies of the amended agreements and further explanation, Anderson was advised that the Gardner Consulting Agreement and the Blankstein Consulting Agreement had been amended to allow for an annual performance bonus of up to US$250,000, which amendment would apply retroactively to the 2006 and 2007 financial years, and that Anderson and the remaining members of the Board would not be permitted to vote upon the amended agreements. How Gardner and Blankstein could demand and accept such exorbitant “performance” bonuses in years where the Company’s financial performance was abysmal remains a mystery.

The fact that these amendments were not brought to the attention of Genco’s board in advance of their supposed approval by the Compensation Committee, which was dominated by Gardner and Blankstein at the time, provides an example of how Blankstein and Gardner have hindered the Board’s ability to diligently consider and approve major corporate decisions in advance of management acting in furtherance of those decisions.

Anderson commits that Genco will align Board compensation with industry practice if the Shareholder Nominees are elected.

The Related Party Transaction

Anderson believes that Gardner, Blankstein and Smith’s related party transaction with Andover Ventures Inc. (“Andover”) demonstrates behaviour which necessitates their removal from Genco’s Board. Gardner is Chairman of Andover, Blankstein and Smith are both members of its board of directors, and the three of them together directly and indirectly own a total of 6,313,102 common shares of Andover (representing approximately 15.34% of Andover’s total outstanding shares), 300,000 options and 3,931,550 warrants.

In 2008, Genco’s independent directors learned for the first time that Gardner and Blankstein had been investigating and negotiating for the purchase of control of Chief Consolidated Mining Company (“Chief”) for the previous two years. The deal being negotiated was a purchase of 65% of the common shares of Chief by Genco for cash consideration of US$4.9 million, and subsequent flip of the Chief shares to Andover. Ultimately, the transaction would leave Genco holding a significant position in Andover in return for its US$4.9 million investment.

When the negotiations were disclosed to the Board, the non-conflicted directors were led to believe that there was a third party interested in purchasing the Chief shares at a much higher price and that the Board had a very short period of time to make a decision on whether to proceed. Anderson assumed that even though it was contemplated that Genco would negotiate a sale of the shares to Andover, if an acceptable offer from Andover was not negotiated, Genco would be free to either keep the Chief shares or sell them to a third party. On this basis, at a meeting on March 12, 2008 Anderson voted with the other members of the Board to approve the purchase of the shares from Chief and for the non-conflicted directors to commence negotiations to sell the shares to Andover.

On March 14, 2008, Gardner issued a press release disclosing that Genco had purchased the Chief shares and that Genco was in negotiations to sell the shares to Andover. This press release announced the terms of the sale of the shares to Andover, even though these terms had not been approved by the non-conflicted members of the Board. On March 17, 2008, Gardner issued a press release on behalf of Andover which similarly announced the terms of the sale of Genco’s shares of Chief to Andover.
Following the March 14, 2008 Board meeting, Anderson made repeated attempts to cause Gardner, as Genco’s Chairman, to call a meeting of the non-conflicted directors to consider the transaction. Gardner did not do so, and Anderson eventually called a meeting of the non-conflicted directors on his own so that they could properly consider the matter. Anderson later learned that the confidentiality and non-disclosure agreement that Blankstein had signed on behalf of Genco with Andover, without the prior approval of the non-conflicted members of the Board, contained provisions that essentially obligated Genco to sell the Chief shares to Andover rather than any third party. Anderson also later learned that the third party interest in the Chief shares was at a much lower price than he was previously told. **Had he originally been informed that Genco would be legally bound to sell the Chief shares only to Andover, and that the third party interest in the Chief shares was at a lower price, Anderson would not have approved the transaction.**

Confronted with limited resale options, the non-conflicted members of the Board took over negotiations with Andover, and on May 27, 2008 Genco disclosed that the non-conflicted members of the Board were eventually able to negotiate a better deal than Gardner and Blankstein had originally proposed. Genco obtained rights to receive its cash back plus costs, interest and Andover shares in exchange for its interest in Chief, rather than simply Andover shares as had been previously proposed by Gardner and Blankstein. **Anderson believes, based on after acquired information, that it would have been better for Genco to avoid this related-party transaction altogether, as the benefit of this portfolio holding is uncertain and does not fit with Genco’s desired strategy of using its cash, and its management’s time and effort, to develop the La Guitarra Mine.**

Throughout the deliberations and negotiations relating to the Chief/Andover transaction, Gardner and Blankstein provided information that was unreliable and disregarded transparency and good corporate governance practices. Entering into negotiations relating to a deal in which Gardner and Blankstein had a conflict of interest without prior disclosure to the Board was contrary to Genco’s Code of Ethics. The transaction was not considered by Genco’s formal Acquisitions Committee (composed of Gardner, Blankstein and independent director Leslie Goodman), Gardner, as Chairman of the Board, ignored repeated attempts by Anderson to assemble the non-conflicted directors to consider the deal, and he publicly announced terms of the deal prior to such terms being approved by the Board. **Anderson commits that Genco will avoid distracting related party transactions if the Shareholder Nominees are elected.**

**Poor Governance Practices at Genco**

The related party transaction with Andover is just one of many examples of Genco’s poor corporate governance practices. As disclosed in the Management Circular, Genco is not aligned with many of the best practice corporate governance guidelines established by the Canadian Securities Administrators. For example: (1) the Chairman is not independent; (2) there is no independent lead director; (3) no compensation consultant or advisor was retained to assist in determining compensation for any of Genco’s directors and officers; (4) the Board has not adopted a written mandate or code; (5) there is no written description of the positions of Chairman, Chief Executive Officer or Chair of any Board committee; (6) Genco does not hold regularly scheduled meetings of independent directors, and until Anderson arranged meetings of the independent directors to consider the Andover transaction, the Company had not held any meetings without non-independent directors or management since the beginning of the 2007 fiscal year; (7) the Board has not appointed a nominating committee composed entirely of independent directors; (8) the Board had not appointed a compensation committee composed entirely of independent directors; and (9) no formal procedure has been established to regularly assess the Board, its committees or individual directors with respect to their effectiveness and contributions.

Prior to the time that Anderson joined the Board and pushed for change, Gardner, Blankstein and Smith controlled all five of the Board committees, as detailed above under the heading “Background to this Solicitation”. Anderson succeeded in obtaining greater representation on the committees by the other independent members of the Board.
Anderson believes poor governance practices are dangerous and impede successful business activities. He commits that Genco will align its governance practices with the standards established by the Canadian Securities Administrators if the Shareholder Nominees are elected.

The Shareholder Nominees Will Focus on Mine Development and Bring a Much Needed New Perspective To Genco’s Board

Anderson believes that Genco has the potential to become a world class silver producer, but that it desperately needs new thinking and a new perspective. Continuing the status quo is unacceptable. Anderson believes that allowing Gardner, Blankstein and Smith to continue to control the execution of Genco’s existing strategic plan will only bring shareholders more losses, missed production goals and related party transactions of doubtful benefit to Genco.

The Shareholder Nominees have extensive experience that will prove critical in supporting Genco’s transition into a mid-tier silver producer. Both Anderson and Charles Schroeder are experienced entrepreneurs who have built and operated successful resource-based companies, and Weismantel brings a depth of experience in the finance industry that will prove to be valuable to the Board.

The Shareholder Nominees are established business leaders who have the expertise and track record required to successfully build Genco’s shareholder value. Anderson is confident that this group of highly qualified nominees will bring new perspective and effective leadership to Genco.

Anderson’s Plan for Genco

Despite the poor execution of its strategic plan that has plagued Genco over the past few years, Anderson strongly believes that Genco’s business is fundamentally sound and that, with the right leadership, Genco can improve operations, raise the capital needed for expansion on favourable terms and increase shareholder value. If the Shareholder Nominees are elected, they will focus on achieving these objectives by becoming immediately and actively involved in overseeing a complete review of Genco’s business and strategy.

As an immediate priority, Anderson expects that following the Meeting and election of the Shareholder Nominees, the Board would initially focus on:

- hiring independent mining engineers to review operations at the La Guitarra Mine and recommend methods for improvement so that production at the mine can be increased to management’s previously stated goal of 340 tonnes per day, which will facilitate the fundraising needed for the planned 5,000 tonnes per day of production;
- completing the long overdue mine plan and feasibility study for the La Guitarra Mine;
- controlling and reducing executive compensation and other administrative expenses;
- improving Genco’s overall corporate governance practices; and
- strictly enforcing adherence to Genco’s Code of Ethics.

Anderson believes that the Board should work to improve operational performance at Genco’s key asset, the La Guitarra Mine, in the short term, which is essential to implement Genco’s longer term strategy. Further, Anderson believes that the Shareholder Nominees are better positioned to improve strategy and execution than a Board dominated by Gardner, Blankstein and Smith.

Election of the Shareholders Nominees is critical to ensure the Board can effectively execute its strategy and build the value of the Company.
Anderson Buys Genco Shares; Gardner, Blankstein and Smith Sell Genco Shares

Anderson has a long-term investment horizon and a significant financial interest in enhancing shareholder value at Genco. Since 2005, he and his wife acquired their Genco shares in the open market, in a private placement financing and through the exercise of warrants; they did not obtain shares through cheap option exercises, settlement of litigation or as bonus compensation. Anderson and his wife have never sold any of their Genco shares, but Gardner, Blankstein and Smith have sold a significant number of Genco shares over an extended period of time, suggesting they do not have the confidence in Genco that shareholders should demand.

Public insider filings show that since January 1, 2006, Gardner, Blankstein and Smith have collectively sold more than 800,000 Genco shares, with a combined value of more than $1.8 million, in approximately 140 open market transactions. Their selling overwhelms their rare and minor open market stock purchases. A list of these transactions as disclosed on SEDI at www.sedi.ca is summarized in Appendix A to this Circular.

The significant open market sales of Genco shares by Gardner, Blankstein and Smith show a lack of confidence in Genco. They don’t deserve your support.

Anderson’s Proposal Allows for Significant Continuity at the Board Level

Anderson firmly believes that significant change is required at Genco. He also recognizes the value of maintaining continuity at the Board level. Anderson is seeking to replace three of the seven Current Directors and does not propose to replace Messrs. Goodman, Hughes, Luna and McDonald, all of whom possess valuable insight, experience and talents. Anderson sincerely hopes that these individuals will choose to remain in place and work with the Shareholder Nominees for the benefit of Genco and its shareholders. Should any of Messrs. Goodman, Hughes, Luna or McDonald not wish to continue with Genco following the Meeting, Anderson is confident that qualified replacements could be located and retained on an expedited basis.

Anderson’s proposal to replace the three directors who are impeding the Board’s ability to make effective decisions is designed to minimize any disruption while creating a more effective Board. Anderson believes that any disruption to Genco as a result of its efforts to effect change is far outweighed by the consequences to shareholders of accepting the status quo.

ELECTION OF DIRECTORS

Current Directors

The current board is comprised of Robert C. Gardner (Chairman), W. Gordon Blankstein, Brian R.D. Smith, Leslie D. Goodman, Richard W. Hughes, Eduardo Luna, and James M. McDonald. The Management Circular of Genco states that management of Genco proposes to nominate these same individuals for election as directors of Genco for the ensuing year. According to the Management Circular, each director elected will hold office until the next Annual General Meeting or until the director’s successor is duly elected or appointed, unless the director’s office is earlier vacated in accordance with Genco’s Articles or the director becomes disqualified to act as a director.

Shareholder Nominees

In place of Gardner, Blankstein and Smith, Anderson proposes to nominate himself, Charles Schroeder, III and Lyle Weismantel for election as directors at the Meeting. As set forth under “Reasons for this Solicitation” above, Anderson believes that these individuals and the remaining Shareholder Nominees have the professional experience and track record to provide Genco with the leadership and strategic direction necessary to improve Genco’s performance and shareholder returns. Details on the residence, principal occupation and number of shares owned or controlled by Messrs. Anderson, Schroeder and Weismantel are as follows:

For assistance, please call Laurel Hill Advisory Group toll-free at 1-888-268-4498 or visit www.savegenco.com
PROTECT YOUR INVESTMENT – VOTE YOUR YELLOW PROXY TODAY.
<table>
<thead>
<tr>
<th>Name of Nominee and Residence(1)</th>
<th>Principal Occupation(2)</th>
<th>Number of Common Shares of Genco Beneficially Owned or Controlled(3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>JAMES R. ANDERSON</td>
<td>Owner and Chief Executive Officer, Tennessee Eastern Gas &amp; Oil Co. and Southwestern Mineral Leasing Co.</td>
<td>5,000,000(4)</td>
</tr>
<tr>
<td>CHARLES SCHROEDER, III</td>
<td>Owner and Chief Executive Officer, Chisholm Exploration, Inc. and Chisholm Operating, Inc.</td>
<td>Nil</td>
</tr>
<tr>
<td>LYLE WEISMANTEL</td>
<td>Director, Bremer Bank since 2005, formerly the President and Chief Executive Officer of a Bremer Bank since 1995.</td>
<td>110,375</td>
</tr>
</tbody>
</table>

Notes:

1. Other than Anderson, none of the nominees has been or is currently a director of Genco, nor do any of the nominees hold any other position or office with Genco or any of its affiliates.

2. The principal occupations of Messers. Anderson, Schroeder and Weismantel for the past five years are described more fully under the heading “Shareholder Nominee Profiles”. Except as indicated, these individuals have held the same occupation or employment for the five preceding years.

3. Represents the number of common shares of Genco beneficially owned by the nominee or over which the nominee, his associates or affiliates exercises control or direction as of the date hereof. The statement as to ownership, control and direction is, in each instance, based upon information furnished by the nominee.

4. This represents approximately 12.2% of the outstanding common shares of Genco. These shares are owned by Karen S. Anderson, Anderson’s spouse.

Shareholder Nominee Profiles

Further background information with respect to the Shareholder Nominees is set forth below:

**James R. Anderson**

Anderson is the founder, sole shareholder and Chief Executive Officer of Tennessee Eastern Gas and Oil Company and Southwestern Mineral Leasing Company. Anderson’s two companies conduct business in eight states across the United States and are involved in oil and gas exploration and production, and the purchase and leasing of mineral land. Anderson earned a Bachelor of Science Business degree in 1971 and a Juris Doctor degree in Law in 1974, both from the University of Minnesota, after which he practised as a general commercial litigator up until 2004. Anderson served on Genco’s Board from July 3, 2007 until May 21, 2008. As a successful entrepreneur and Genco’s largest shareholder, Anderson will strengthen Genco’s Board and bring a much needed drive to improve long-term shareholder value.

**Charles Schroeder, III**

Charles Schroeder, III is a geologist and entrepreneur who founded and built two successful oil and gas exploration and production companies: Chisholm Exploration, Inc. and Chisholm Operating, Inc. Mr. Schroeder has extensive experience in taking a company from a junior exploration stage into a profitable and mature production stage, which will be valuable given Genco’s current stage of development and goal of becoming a mid-tier silver producer. Mr. Schroeder has two Bachelor of Science degrees from Hardin-Simmons University in Education and Geology, awarded in 1978 and 1981 respectively, and worked for multiple resource based companies prior to establishing his two companies. Mr. Schroeder has been featured in...
Lyle Weismantel

Lyle Weismantel has over 40 years experience in the banking industry and 21 years experience as a President and Chief Executive Officer. Most recently, Mr. Weismantel served as President and Chief Executive Officer of a Bremer Bank in Minnesota for 10 years, where he was the recipient of an award for superior corporate leadership. Mr. Weismantel continues to serve on the board of directors of Bremer Bank and is actively involved in his community, sitting on the board of directors of a number of community-based organizations. Mr. Weismantel was awarded a Bachelor of Science degree from South Dakota State University in 1965, and graduated from the Stonier Graduate School of Banking in 1976. Mr. Weismantel will bring considerable finance and strategic management expertise to Genco’s Board.

OTHER MATTERS TO BE CONSIDERED AT THE MEETING

In addition to the election of directors, Shareholders are being asked by management of Genco to vote on the following motions at the Meeting:

• to set the number of directors at seven;

• to appoint Cinnamon Jang Willoughby & Company, Chartered Accountants, as the Company’s auditor and to authorize the Board to approve the auditor’s remuneration;

• ratifying and approving the Company’s stock option plan and authorizing the Board to further amend the plan as may be required by securities regulatory authorities without further shareholder approval; and

• authorizing the issuance of up to 561,915 common shares to Gardner, Blankstein, Greg Liller (Genco’s President and Chief Executive Officer), and Wayne Moorhouse (Genco’s Chief Financial Officer) as payment of their bonuses for the 2006 and 2007 financial years.

Anderson and his spouse intend to vote their 5,000,000 shares “For” each of these motions.

Anderson is troubled by the motion to approve the issuance of $1 million worth of Genco’s shares as payment of Gardner and Blankstein’s bonuses for the 2006 and 2007 financial years because he believes that these amounts are grossly excessive given the dismal performance of the Company during those years.

Anderson is investigating the enforceability of Gardner and Blankstein’s amended consulting agreements and believes that these amounts should not be paid. If it is concluded that Genco is legally bound to pay these bonuses to Gardner and Blankstein, it would be a significant drain on the Company’s cash resources. As a result, if the bonuses must be paid, Anderson would prefer that the Company have the flexibility to pay them in common shares rather than cash. Anderson therefore intends to vote “For” the motion to approve the issuance of shares as payment of these bonuses so that the Company has the flexibility to do so if it is concluded that the amended consulting agreements are legally binding.

Recommendation to Genco’s Shareholders

Anderson recommends that Genco’s shareholders vote FOR the election of the Shareholder Nominees at the Meeting.

Anderson makes no recommendation as to whether shareholders should approve the other matters to be considered at the Meeting, however Anderson’s representatives named in the enclosed YELLOW form of proxy intend to cast the votes represented by such proxy FOR all of the matters to be considered at the
Meeting, unless you direct that the common shares represented thereby be withheld from voting or voted against any of those matters, in which case the shares will be voted accordingly.

It is not contemplated that any of the Shareholder Nominees will be unable to serve as a director. However, if that shall occur for any reason prior to the Meeting, Anderson’s representatives named in the enclosed YELLOW form of proxy intend to cast votes represented by such proxy for another nominee at their discretion unless you have specified in your proxy that your common shares are to be withheld from voting on the election of directors.

Beneficial Ownership of Securities of Genco

Anderson’s spouse, Karen S. Anderson, beneficially owns 5,000,000 common shares of Genco as of the date hereof, representing approximately 12.2% of Genco’s issued and outstanding shares. During the preceding two years, none of Anderson or his associates or affiliates have traded securities of Genco, except for the exercise by Karen Anderson of warrants to purchase 1,503,375 Genco shares on March 13, 2007.

Interests in Material Transactions of Genco

To the knowledge of Anderson, none of Anderson (nor either of Charles Schroeder or Lyle Weismantel) nor any associate or affiliate of such persons, has had any material interest, direct or indirect, in any transaction since the commencement of Genco’s last financial year, or in any proposed transaction which has materially affected or would materially affect Genco or any of its subsidiaries (except to the extent described elsewhere in this Circular).

Contracts or Arrangements in Connection with Genco

Except as described elsewhere in this Circular, to the knowledge of Anderson, there have been no contracts, arrangements or understandings entered into by Anderson (or the other Shareholder Nominees) or any associate or affiliate of any such persons, with any person in respect of securities of Genco including joint ventures, loan or option arrangements, puts or calls, guarantees against loss or guarantees of profit, division of losses or profits or the giving or withholding of proxies, future employment by Genco or any of its affiliates, or future transactions to which Genco or its affiliates will be a party.

Interests in the Matters to be Acted Upon at the Meeting

To the knowledge of Anderson derived solely from the Management Circular, the only matters to be acted upon at the Meeting are the matters referred to in the Management Circular. Neither Anderson nor any of his associates or affiliates has any material interest in the matters to be acted upon at the Meeting, other than in respect of their ownership or control of securities of Genco described elsewhere in this Circular, and the nomination of the Shareholder Nominees as directors.

GENERAL PROXY INFORMATION

Solicitation of Proxies

This Circular is furnished in connection with the solicitation by Anderson and on his behalf of proxies for use at the Meeting to be held at 11:00 a.m. (Vancouver time) on Thursday, June 26, 2008, and at any adjournment or postponement thereof. Proxies may be solicited by mail, telephone, fax or other electronic means and in person, as well as by newspaper or other media advertising.

In addition, Anderson has retained Laurel Hill Advisory Group, LLC (“Laurel Hill”) to assist in the solicitation of proxies. Anderson will pay to Laurel Hill, depending on certain conditions, a fee of up to Cdn$150,000 plus related expenses for its services if the Shareholder Nominees are elected as directors at the Meeting, or if there is a negotiated settlement between the parties seven days prior to the Meeting. The costs incurred in the preparation and mailing of this Circular and the solicitation will be borne by Anderson. However, Anderson
may determine to seek reimbursement from Genco of his out-of-pocket expenses, including proxy solicitation expenses and legal fees, incurred in connection with the proxy contest to reconstitute Genco’s board.

Other than as contemplated or disclosed herein, no person is authorized to give information or to make any representations relating to the matters contemplated by this Circular other than those contained in this Circular and, if given or made, such information or representations must not be relied upon as having been authorized to be given or made.

Record Date and Voting Common Shares

Genco has announced that the record date for determining shareholders entitled to notice of the Meeting was May 22, 2008. For purposes of the Meeting, Genco prepared a list of shareholders who were registered on its records or the records of its transfer agent, Computershare Investor Services Inc., at the close of business on the record date. Only shareholders of record on the record date are entitled to receive notice of the meeting and to vote those shares registered in such shareholder’s name on the record date.

Appointment and Revocation of Proxies

Anderson’s representatives named as proxyholders in the enclosed YELLOW form of proxy are Anderson, and failing him Anderson’s legal counsel, Cameron G. Belsher of McCarthy Tétrault LLP. A shareholder wishing to appoint some other person (who need not be a shareholder of Genco) to represent him, her or it at the Meeting has the right to do so, either by striking out the names of the persons named in the YELLOW form of proxy and inserting such other person’s name in the blank space provided in the accompanying YELLOW form of proxy or by completing another proper form of proxy.

Shareholders should carefully complete and sign their proxies in accordance with the instructions on the YELLOW form of proxy in order to ensure that their proxies can be used at the Meeting. Please telephone, internet or fax your YELLOW proxy in accordance with the instructions on the YELLOW proxy. IN ORDER TO BE DEPOSITED WITH GENCO’S REGISTRAR AND TRANSFER AGENT IN TIME TO BE USED AT THE MEETING, YOUR PROXY MUST REACH LAUREL HILL PRIOR TO 11:00 A.M. (VANCOUVER TIME) (BEING 2:00 P.M. (TORONTO TIME)) ON MONDAY, JUNE 23, 2008.

Proxies received by Laurel Hill in accordance with the foregoing will be delivered to Genco or its agent in time for use at the Meeting. YOU MAY REVOKE A PROXY ALREADY GIVEN PURSUANT TO THE SOLICITATION OF PROXIES BY THE MANAGEMENT OF GENCO RESOURCES LTD. PURSUANT TO THE MANAGEMENT CIRCULAR BY COMPLETING AND DELIVERING A LATER DATED YELLOW PROXY. A LATER DATED YELLOW FORM OF PROXY AUTOMATICALLY REVOKES ANY AND ALL PRIOR PROXIES GIVEN IN CONNECTION WITH THE MEETING.

Shareholders needing assistance completing and returning a proxy can call Laurel Hill toll free at 1-888-268-4498.

In addition, a shareholder who has given a proxy may revoke such proxy by depositing an instrument in writing signed by the shareholder or the shareholder’s attorney authorized in writing, in the case of a corporation, executed by a duly authorized officer or attorney for the corporation, and either delivered at the registered office of the Company at Northwest Law Group (attn: Michael F. Provenzano), Suite 950, Scotia Tower, 650 West Georgia Street, Box 11587, Vancouver, B.C. V6B 4N8, Canada at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof, or provided at the Meeting to the Chair of the Meeting.

For assistance, please call Laurel Hill Advisory Group toll-free at 1-888-268-4498 or visit www.savegenco.com

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Registered Shareholders

If you are a registered shareholder of Genco (meaning the shares are held by you directly and not by your broker or other intermediary), you should follow the procedures set out in the enclosed YELLOW form of proxy and as set out below. As a shareholder, you likely received a form of proxy with the Management Circular and you received a second proxy form (in YELLOW) with this Circular. Even if you have already submitted the form of proxy that accompanied the Management Circular, you may submit the YELLOW form of proxy enclosed with this Circular. Your later dated YELLOW form of proxy will thereby automatically revoke the proxy that you have previously submitted.

IF YOU ARE A REGISTERED HOLDER OF GENCO SHARES:

Please sign, and date the enclosed YELLOW form of proxy (if you are a shareholder) and return it today, by fax and then in enclosed self addressed envelope, to Laurel Hill at:

366 Bay Street, Suite 200, Toronto, Ontario M5H 4B2

Toll Free: 1-888-268-4498
or
Fax: (416) 646-2415
Outside North America Call Collect: +1 (416) 637-4661

To allow sufficient time for the proxy to be delivered for the use at the Meeting, we urge you to sign, date and return your proxy so that it is received before 11:00 a.m. (Vancouver time) (being 2:00 p.m. (Toronto time)) on Monday, June 23, 2008.

To ensure we get your proxy in time to vote your Genco shares at the Meeting, please fax your YELLOW proxy. However if you are unable to fax please mail your YELLOW proxy in the prepaid self addressed envelope provided. If you support the Shareholder Nominees, then DO NOT RETURN ANY OTHER PROXY BUT THE YELLOW PROXY. Even if you have already submitted the form of proxy that accompanied the Management Circular, you may submit the YELLOW form of proxy enclosed with this Circular. Assuming timely delivery, your later dated YELLOW form of proxy will thereby automatically revoke the proxy that you have previously submitted.

The YELLOW proxy solicited on behalf of Anderson will be voted in accordance with the instructions specified by you therein. In the absence of such specification, common shares represented by a YELLOW proxy will be voted FOR the election of the Shareholder Nominees.

Non-Registered Shareholders

Only registered shareholders of Genco, or the persons they appoint as their proxies (including the representatives of Anderson), are entitled to vote at the Meeting. However, in many cases, common shares beneficially owned by a person (a “Non-Registered Holder”) are registered either (i) in the name of an intermediary (each an “Intermediary”) that the Non-Registered Holder deals with in respect of the common shares of Genco (Intermediaries include banks, trust companies, securities dealers or brokers, and directors or administrators of self-administered RRSPs, RRIFs, RESPs and similar plans); or (ii) in the name of a depository (such as CDS Clearing and Depository Services Inc. in Canada or The Depository Trust Company in the United States).

Intermediaries are required to forward the meeting materials to Non-Registered Holders unless a Non-Registered Holder has waived the right to receive them. Intermediaries often use service companies to forward meeting materials to Non-Registered Holders. Generally, Non-Registered Holders will either:

For assistance, please call Laurel Hill Advisory Group toll-free at 1-888-268-4498 or visit www.savegenco.com

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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 of common shares beneficially owned by the Non-Registered Holder but which is otherwise not completed. **In this case, the Non-Registered Holder who wishes to submit a proxy should properly complete the YELLOW form of proxy provided and submit it to Laurel Hill by fax at (416) 646-2415. The Non-Registered Holder should contact Laurel Hill toll free at 1-888-268-4498 for assistance in ensuring that the enclosed YELLOW form of proxy is appropriately completed and properly voted in accordance with the instructions of the Non-Registered Holder; or**

more typically, Non-Registered Holders will receive a voting instruction form which is not signed by the Intermediary and which, when properly completed and signed by the Non-Registered Holder and returned to the Intermediary or its service company, will constitute voting instructions. Non-Registered Holders should follow the instructions provided on the voting instruction form, using one of the described voting methods provided, to vote their common shares.

The purpose of these procedures is to permit Non-Registered Holders to direct the voting of the common shares of Genco they beneficially own. Should a Non-Registered Holder wish to attend and vote at the Meeting in person (or have another person attend and vote on behalf of the Non-Registered Holder), the Non-Registered Holder should strike out the persons named in the YELLOW proxy and insert the Non-Registered Holder or such other person’s name in the blank space provided. In any case, Non-Registered Holders should carefully follow the instructions of their Intermediary, including those regarding when and where the proxy (or any proxy authorization form) is to be delivered.

**A Non-Registered Holder CANNOT use the voting instruction form or proxy provided by Genco, Anderson, an Intermediary or Broadridge Financial Solutions, Inc. (“Broadridge”) to vote common shares of Genco at the Meeting without taking additional steps.**

A Non-Registered Holder may revoke a form of proxy or voting instruction form given to an Intermediary or Broadridge at any time by written notice to the Intermediary in accordance with the instructions given to the Non-Registered Holder by its Intermediary. A Non-Registered Holder should contact Laurel Hill at the telephone number set out above for assistance in insuring that forms of proxy or voting instructions previously given to an Intermediary or Broadridge are properly revoked.

**IF YOU ARE A NON-REGISTERED (BENEFICIAL) OWNER:**

To allow sufficient time for the proxy to be delivered for use at the Meeting, please sign, date and return your proxy or voting instruction form today pursuant to your intermediary’s instructions. **It is important that you act promptly.**

These securityholder materials are being sent to both registered and non-registered owners of the securities. If you are a non-registered owner, and these materials have been sent directly to you, your name and address and information about your holdings of securities, have been obtained in accordance with applicable securities regulatory requirements from the intermediary holding on your behalf.

**Voting of Common Shares Represented By Proxy**

Genco’s common shares represented by properly executed YELLOW proxies solicited by Anderson will be voted “FOR”, “AGAINST” or “WITHHELD FROM VOTING” in accordance with the instructions of the applicable shareholder on any ballot that may be called for at the Meeting, or any adjournment or postponement thereof, and where the shareholder specifies a choice with respect to any matter to be acted upon at the Meeting, the common shares represented by such proxies will be voted in accordance with the specification so made. **In the absence of such specification, such common shares will be VOTED FOR the election of the Shareholder Nominees and FOR the other matters identified therein.**

For assistance, please call Laurel Hill Advisory Group toll-free at 1-888-268-4498 or visit www.savegenco.com

**PROTECT YOUR INVESTMENT – VOTE YOUR YELLOW PROXY TODAY.**
The enclosed YELLOW form of proxy confers discretionary authority upon the proxyholders named therein to vote in the judgment of such persons in respect of amendments or variations, if any, to matters identified in the notice of Meeting and other matters, if any, which may properly come before the Meeting. As at the date hereof, Anderson is not aware of any such amendments, variations or other matters to be presented for action at the Meeting. However, if any amendment, variation or other matter should properly come before the Meeting, Genco’s common shares represented by YELLOW proxies will be voted on such matters in accordance with the best judgment of the proxyholder.

Anderson recommends that Genco’s shareholders vote FOR the election of the Shareholder Nominees.

PRINCIPAL SHAREHOLDERS OF GENCO

As of the date of this Circular, to the knowledge of Anderson, Anderson is the only the person that beneficially owns, directly or indirectly, or exercises control or direction over, common shares of Genco carrying more than 10% of the voting rights attached to all of the issued and outstanding common shares of Genco.

ADDITIONAL INFORMATION

Additional information concerning Genco and the Meeting is set forth in the Management Circular, including information concerning voting securities, executive compensation, securities authorized for issuance under equity compensation plans and indebtedness of directors and executive officers, and on SEDAR at www.sedar.com. Financial information regarding Genco is provided in its comparative financial statements and management’s discussion and analysis for its most recently completed financial year, which can be found on SEDAR at www.sedar.com.
APPROVAL

Information contained herein, unless otherwise indicated, is given as of the date hereof. The contents and sending of this Circular have been approved by Anderson.

June 9, 2008

“James R. Anderson”
JAMES R. ANDERSON
Appendix A

List of Trades in Genco Shares by Gardner, Blankstein and Smith

(as disclosed on SEDI at www.sedi.ca)

<table>
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<th>(Net Sale Value)</th>
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ROBERT GARDNER

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For assistance, please call Laurel Hill Advisory Group toll-free at 1-888-268-4498 or visit www.savegenco.com

PROTECT YOUR INVESTMENT – VOTE YOUR YELLOW PROXY TODAY.
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<td>14 9-Aug-06</td>
<td>(1,200)</td>
<td>1.80</td>
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<td>(2,160)</td>
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<tr>
<td>15 12-Oct-06</td>
<td>(8,400)</td>
<td>1.75</td>
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<td>(14,700)</td>
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</tr>
<tr>
<td>16 12-Oct-06</td>
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<tr>
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<td>(1,770)</td>
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<tr>
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<td>(6,920)</td>
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<tr>
<td>19 19-Oct-06</td>
<td>(5,000)</td>
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<td>(8,750)</td>
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</tr>
<tr>
<td>20 23-Oct-06</td>
<td>(5,000)</td>
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<td></td>
<td>(9,000)</td>
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</tr>
<tr>
<td>21 12-Dec-06</td>
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<td></td>
<td>(2,850)</td>
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</tr>
<tr>
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<td>(21,600)</td>
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<tr>
<td>23 19-Dec-06</td>
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<td></td>
<td>(78,300)</td>
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</tr>
<tr>
<td>24 15-Jan-07</td>
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<td></td>
<td>(3,300)</td>
<td></td>
</tr>
<tr>
<td>25 15-Jan-07</td>
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<td>(50,760)</td>
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<tr>
<td>26 13-Mar-07</td>
<td>(10,000)</td>
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<td></td>
<td>(32,600)</td>
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<tr>
<td>27 14-Mar-07</td>
<td>(5,000)</td>
<td>3.25</td>
<td></td>
<td>(16,250)</td>
<td></td>
</tr>
<tr>
<td>28 14-Mar-07</td>
<td>(2,500)</td>
<td>3.14</td>
<td></td>
<td>(7,850)</td>
<td></td>
</tr>
<tr>
<td>29 14-Mar-07</td>
<td>(5,000)</td>
<td>3.25</td>
<td></td>
<td>(16,250)</td>
<td></td>
</tr>
<tr>
<td>30 20-Mar-07</td>
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<td>3.14</td>
<td></td>
<td>(7,850)</td>
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</tr>
<tr>
<td>31 21-Mar-07</td>
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<td></td>
<td>(7,975)</td>
<td></td>
</tr>
<tr>
<td>32 21-Mar-07</td>
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<td>(7,850)</td>
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<tr>
<td>33 16-Apr-07</td>
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<td></td>
<td>(13,830)</td>
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<tr>
<td>34 10-May-07</td>
<td>(100,000)</td>
<td>4.00</td>
<td></td>
<td>(400,000)</td>
<td></td>
</tr>
<tr>
<td>35 30-May-07</td>
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<td></td>
<td>18,000</td>
</tr>
<tr>
<td>36 30-May-07</td>
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<td></td>
<td>16,560</td>
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<tr>
<td>38 30-May-07</td>
<td>3,500</td>
<td>3.70</td>
<td></td>
<td></td>
<td>12,950</td>
</tr>
<tr>
<td>39 29-Jun-07</td>
<td>3,000</td>
<td>3.69</td>
<td></td>
<td></td>
<td>11,070</td>
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<tr>
<td>40 29-Jun-07</td>
<td>50,000</td>
<td>3.60</td>
<td></td>
<td></td>
<td>180,000</td>
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<tr>
<td>41 4-Jul-07</td>
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<td>3.56</td>
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<td>7,120</td>
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<tr>
<td>42 4-Jul-07</td>
<td>5,000</td>
<td>3.53</td>
<td></td>
<td></td>
<td>17,650</td>
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<tr>
<td>43 5-Jul-07</td>
<td>1,200</td>
<td>3.62</td>
<td></td>
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<td>4,344</td>
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<tr>
<td>44 9-Aug-07</td>
<td>(2,300)</td>
<td>3.88</td>
<td></td>
<td>(8,924)</td>
<td></td>
</tr>
<tr>
<td>45 9-Aug-07</td>
<td>(2,700)</td>
<td>3.87</td>
<td></td>
<td>(10,449)</td>
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</table>
### PROTECT YOUR INVESTMENT – VOTE YOUR YELLOW PROXY TODAY.

<table>
<thead>
<tr>
<th>Date</th>
<th>Buy Price</th>
<th>Buy Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>10-Dec-07</td>
<td>3.80</td>
<td>(30,400)</td>
</tr>
<tr>
<td>3-Jan-08</td>
<td>3.80</td>
<td>(2,660)</td>
</tr>
<tr>
<td>4-Jan-08</td>
<td>3.80</td>
<td>(4,940)</td>
</tr>
<tr>
<td>31-Jan-08</td>
<td>2.97</td>
<td>-</td>
</tr>
<tr>
<td>11-Apr-08</td>
<td>2.16</td>
<td>(216)</td>
</tr>
<tr>
<td>11-Apr-08</td>
<td>2.15</td>
<td>(12,685)</td>
</tr>
<tr>
<td>8-May-08</td>
<td>1.93</td>
<td>(19,300)</td>
</tr>
</tbody>
</table>

**Totals** (414,900) 96,200  (1,131,721) 308,134

**Net Buy**  (318,700)  (823,587)

### BRIAN SMITH

<table>
<thead>
<tr>
<th>Date</th>
<th>Buy Price</th>
<th>Buy Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>3-Feb-06</td>
<td>2.01</td>
<td>(100,500)</td>
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<tr>
<td>17-Feb-06</td>
<td>2.10</td>
<td>(42,000)</td>
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<tr>
<td>9-May-06</td>
<td>2.46</td>
<td>(8,364)</td>
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<tr>
<td>9-May-06</td>
<td>2.43</td>
<td>(16,038)</td>
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<tr>
<td>7-Sep-06</td>
<td>1.93</td>
<td>(19,300)</td>
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<td>12-Dec-06</td>
<td>2.69</td>
<td>(3,497)</td>
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<tr>
<td>12-Dec-06</td>
<td>2.64</td>
<td>(253)</td>
</tr>
<tr>
<td>12-Dec-06</td>
<td>2.70</td>
<td>(2,700)</td>
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<tr>
<td>31-Jan-07</td>
<td>2.50</td>
<td>(3,750)</td>
</tr>
<tr>
<td>1-Feb-07</td>
<td>2.50</td>
<td>(39,000)</td>
</tr>
<tr>
<td>2-Feb-07</td>
<td>2.50</td>
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<td>20-Feb-07</td>
<td>2.70</td>
<td>(4,050)</td>
</tr>
<tr>
<td>20-Feb-07</td>
<td>2.68</td>
<td>(2,144)</td>
</tr>
<tr>
<td>10-Apr-07</td>
<td>3.85</td>
<td>(36,960)</td>
</tr>
<tr>
<td>10-Apr-07</td>
<td>3.84</td>
<td>(1,536)</td>
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**Totals** (131,496)  (306,267)

**Net Buy**  (131,496)  (306,267)

### OPTION AND WARRANT EXERCISES

**ROBERT GARDNER - Options exercised since 2006**

<table>
<thead>
<tr>
<th>Date</th>
<th>Grant</th>
<th>Price</th>
<th>Cost to Exercise</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-Jan-06</td>
<td>86,126</td>
<td>$0.85</td>
<td>(73,207)</td>
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<tr>
<td>30-Jan-06</td>
<td>192,582</td>
<td>2.00</td>
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</tr>
<tr>
<td>28-Nov-06</td>
<td>50,000</td>
<td>2.25</td>
<td></td>
</tr>
<tr>
<td>20-Feb-07</td>
<td>57,418</td>
<td>0.85</td>
<td>(48,805)</td>
</tr>
<tr>
<td>14-Mar-07</td>
<td>117,500</td>
<td>3.05</td>
<td></td>
</tr>
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</table>

**Total** (143,544)  360,082  (122,012)
ROBERT GARDNER - Warrants exercised since 2006

<table>
<thead>
<tr>
<th>Date</th>
<th>(Exercise)</th>
<th>Price</th>
<th>(Cost to Exercise)</th>
</tr>
</thead>
<tbody>
<tr>
<td>10-Apr-06</td>
<td>(88,000)</td>
<td>$1.55</td>
<td>(136,400)</td>
</tr>
<tr>
<td>20-Sep-06</td>
<td>(84,000)</td>
<td>0.90</td>
<td>(75,600)</td>
</tr>
<tr>
<td>20-Sep-06</td>
<td>(35,000)</td>
<td>0.90</td>
<td>(31,500)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>(207,000)</strong></td>
<td></td>
<td><strong>(243,500)</strong></td>
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</table>

GORDON BLANKSTEIN - Options exercised and granted since 2006 (no warrants)

<table>
<thead>
<tr>
<th>Date</th>
<th>(Exercise)</th>
<th>Grant</th>
<th>Price</th>
<th>(Cost to Exercise)</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-Jan-06</td>
<td>(48,016)</td>
<td></td>
<td>$0.75</td>
<td>(36,012)</td>
</tr>
<tr>
<td>18-Jan-06</td>
<td>(51,984)</td>
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<td>0.85</td>
<td>(44,186)</td>
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<tr>
<td>30-Jan-06</td>
<td>170,350</td>
<td></td>
<td>2.00</td>
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<tr>
<td>28-Jun-06</td>
<td>(26,996)</td>
<td></td>
<td>0.85</td>
<td>(22,947)</td>
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<tr>
<td>28-Nov-06</td>
<td>50,000</td>
<td></td>
<td>2.25</td>
<td>-</td>
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<tr>
<td>20-Feb-07</td>
<td>(52,654)</td>
<td></td>
<td>0.85</td>
<td>(44,756)</td>
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<tr>
<td>27-Feb-07</td>
<td>117,500</td>
<td></td>
<td>3.05</td>
<td>-</td>
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<tr>
<td>09-May-07</td>
<td>(127,763)</td>
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<td>2.00</td>
<td>(255,526)</td>
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<tr>
<td>09-May-07</td>
<td>(22,237)</td>
<td></td>
<td>2.25</td>
<td>(50,033)</td>
</tr>
<tr>
<td>10-May-07</td>
<td>150,000</td>
<td></td>
<td>3.90</td>
<td>-</td>
</tr>
<tr>
<td>28-Feb-08</td>
<td>100,000</td>
<td></td>
<td>4.00</td>
<td>-</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>(329,650)</strong></td>
<td><strong>587,850</strong></td>
<td><strong>(453,460)</strong></td>
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BRIAN SMITH - Options exercised and granted since 2006 (no warrants)

<table>
<thead>
<tr>
<th>Date</th>
<th>(Exercise)</th>
<th>Grant</th>
<th>Price</th>
<th>(Cost to Exercise)</th>
</tr>
</thead>
<tbody>
<tr>
<td>23-Jan-06</td>
<td>(50,000)</td>
<td></td>
<td>$0.75</td>
<td>(37,500)</td>
</tr>
<tr>
<td>16-Feb-06</td>
<td>(50,000)</td>
<td></td>
<td>0.80</td>
<td>(40,000)</td>
</tr>
<tr>
<td>28-Nov-06</td>
<td>50,000</td>
<td></td>
<td>2.25</td>
<td></td>
</tr>
<tr>
<td>06-Feb-07</td>
<td>(50,000)</td>
<td></td>
<td>0.85</td>
<td>(42,500)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>(150,000)</strong></td>
<td><strong>50,000</strong></td>
<td><strong>(120,000)</strong></td>
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</tr>
</tbody>
</table>
QUESTIONS MAY BE DIRECTED TO THE PROXY SOLICITOR

NORTH AMERICAN TOLL-FREE
1-888-268-4498

TIME IS OF THE ESSENCE. PLEASE VOTE TODAY

REGISTERED SHAREHOLDERS (YOU HOLD A PHYSICAL SHARE CERTIFICATE)
THERE ARE 2 WAYS TO VOTE USING YOUR PROXY

<table>
<thead>
<tr>
<th>Method</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. VOTING BY FAX</td>
<td>Mark, sign and date your proxy form and return it by facsimile to (416) 646-2415</td>
</tr>
<tr>
<td>2. VOTING BY MAIL</td>
<td>Mark, sign and date your proxy form and return it in the enclosed postage-paid envelope</td>
</tr>
</tbody>
</table>

CANADIAN BENEFICIAL SHAREHOLDERS
(YOU HOLD SHARES THROUGH A BANK, BROKER OR INTERMEDIARY)
THERE ARE 4 WAYS TO VOTE USING YOUR VOTING INFORMATION FORM

<table>
<thead>
<tr>
<th>Method</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. VOTING BY INTERNET</td>
<td>Log into <a href="http://WWW.PROXYVOTE.COM">WWW.PROXYVOTE.COM</a> and vote using the 12 digit control number located on your VIF.</td>
</tr>
<tr>
<td>2. VOTING BY TELEPHONE</td>
<td>Call toll-free English 1-800-474-7493 and vote using the 12 digit control number located on your VIF.</td>
</tr>
<tr>
<td>3. VOTING BY FAX</td>
<td>Mark, sign and date your VIF and return it by facsimile to (905) 507-7793.</td>
</tr>
<tr>
<td>4. VOTING BY MAIL</td>
<td>Mark, sign and date your VIF and return it in the enclosed postage-paid envelope.</td>
</tr>
</tbody>
</table>

UNITED STATES BENEFICIAL SHAREHOLDERS
(YOU HOLD SHARES THROUGH A BANK, BROKER OR INTERMEDIARY)
THERE ARE 3 WAYS TO VOTE USING YOUR VOTING INFORMATION FORM

<table>
<thead>
<tr>
<th>Method</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. VOTING BY INTERNET</td>
<td>Log into <a href="http://WWW.PROXYVOTE.COM">WWW.PROXYVOTE.COM</a> and vote using the 12 digit control number located on your VIF.</td>
</tr>
<tr>
<td>2. VOTING BY TELEPHONE</td>
<td>Call the toll-free number listing on your VIF and vote using the 12 digit control number located on your VIF</td>
</tr>
<tr>
<td>3. VOTING BY MAIL</td>
<td>Mark, sign and date your VIF and return it in the enclosed postage-paid envelope.</td>
</tr>
</tbody>
</table>

FOR YOUR VOTE TO COUNT, IT MUST BE RECEIVED IN SUFFICIENT TIME. PLEASE VOTE BY INTERNET, TELEPHONE OR FAX IF POSSIBLE.

For assistance, please call Laurel Hill Advisory Group toll-free at 1-888-268-4498 or visit www.savegenco.com
PROTECT YOUR INVESTMENT – VOTE YOUR YELLOW PROXY TODAY.
Zarlink Concerned Shareholders File Proxy Circular Nominating New Board of Directors
Urgent Action Needed to Change Leadership

OTTAWA, July 7 /CNW/ - The Concerned Shareholders of Zarlink Semiconductor Inc. today filed a Proxy Circular which nominates an alternative slate of Directors who can lead the Company to greater value creation for all shareholders.

In a letter to all Zarlink shareholders that accompanies the Proxy Circular, the Concerned Shareholders say: "Like you, we are concerned by Zarlink's chronic underperformance over the past several years. The Company's financial results have been poor and its shares have lost approximately 95% of their value since January of 2002. It is evident to us that Zarlink lacks the vision, discipline and leadership to succeed. As significant long-term shareholders, we believe that new leadership is required to refocus and reinvigorate Zarlink and move it toward its true potential. With a new direction and proven leaders, Zarlink can once again generate value for all shareholders. With your help, we will make these changes."

The Concerned Shareholders are Scott Leckie, who manages funds owning the second-largest holding in the Company, as well as David Banks and Daniel Owen. Together, they own or control more than 5.9% of Zarlink's shares.

They recommend that Zarlink shareholders use the BLUE proxy enclosed with the Concerned Shareholder Proxy Circular to vote for their nominees to the Board: David Banks, Neil Carragher, Kalai Kalaichelvan, Daniel Owen and Luke Smith. Further information about the nominees is provided in the Circular. They also recommend shareholders vote in favour of three of the Management Nominees to the Board: Adam Chowaniec, Hubert T. Lacroix and J. Spencer Lahtlier. Together, the nominees recommended by the Concerned Shareholders provide the Board with extensive semiconductor industry experience, business value enhancement expertise, and proven ability to execute effective strategies.

With support from other shareholders at the Company's Annual and Special Meeting scheduled for July 23, 2008, the new Board of Directors would move immediately to replace Zarlink's President and Chief Executive Kirk Mandy and implement an action plan designed to rebuild shareholder value lost under the "Mandy Board".

The Concerned Shareholders believe their fellow Zarlink shareholders will recognize the need for immediate change:

- A weak and deteriorating share price:

  - A decline of more than 60% since Kirk Mandy returned as CEO in February 2005.
  - Significantly underperforming both Zarlink's direct peer group and
Chairman of the Board of Directors refused the meeting request.

Kirk Mandy and his Board of Directors issued a news release on the evening of July 2, 2008 in an effort to respond to the letter from the Concerned Shareholders. While the Zarlink news release fails to address many of the issues raised by the Concerned Shareholders, it includes a number of allegations that fellow shareholders should understand are false. A few are listed below:

Zarlink claims:  The facts are:
Scott Leckie manages a  The Scott Leckie Intrinsic Value Funds are a
"hedge fund ...seeking  group of Segregated Accounts and a Limited
short-term gain"
Partnership managed on behalf of ordinary
Canadians who have entrusted their retirement
savings and family assets to Scott Leckie.
They can in no way be described as a hedge
fund. The investment style and the intention
with this Zarlink initiative is long-term
value creation. They have held Zarlink shares
for more than three years. Mr. Owen and
Mr. Banks first invested in Zarlink in 2005.

The Concerned Shareholders  On July 1, 2008, the Chairman of the Board released their letter had already rejected the Concerned
requesting a meeting with Shareholders' request to meet with the Board
the meeting before the Board to discuss their proposal.
meeting was over.

Scott Leckie's agenda is  There is no reason for a shareholder who owns
to "destroy one of the few or controls approximately 5.45% of Zarlink's
remaining Canadian-based shares to want to "destroy" its investment.
high tech companies."  Mr. Leckie's agenda is to prevent that
destruction under Mr. Mandy. Scott Leckie and
the other Concerned Shareholders want to save
and enhance the value of Zarlink.

"...the semiconductor sector is currently out of
favour with the public companies and far worse than the SOX Index
measuring only semiconductor companies.

The Legerity acquisition Analysis indicates that Legerity is the only
is "helping fuel revenue is the only
source of revenue growth at Zarlink. But,
growth."  according to Zarlink's most recent financial
results, Legerity's revenue has actually
declined by roughly 75% on a historical
pro rata basis. The investment is failing.

"we enjoy market-leading positions" with our  Industry information and analysis indicate
that Zarlink has no products among the top
seven in its three main business segments.

"We make the necessary decisions that may at
times impact short-term  The "short-term impacts" have been continuing
financial performance in longer-term growth.
favour of longer-term growth".

"Zarlink has established a The experience does not include creating
very experienced sustainable value at Zarlink. Individually,
management team and Board the members of the Board are generally good
of Directors", directors. We believe, however, they are
poorly led and as a group have not been
"We are confident that our product investment and strategic focus will drive our markets, which value Zarlink at a discount to its peers. As history has shown, the Company has not been able to deliver on the 2009 and future years." Chairman's promises.

"Zarlink is surprised that National Bank Financial respects the responsibility of each of its employee/portfolio managers to act in the best interests of their customers. The opinions expressed by the Concerned Shareholders should not be attributed to National Bank Financial.

The Concerned Shareholders note that, as troubling as the misstatements in the Mandy Board's response were the issues for which it had NO answers. These include:

- Lack of executive and Board leadership.
- Seven years of declining organic revenues.
- Almost $500 million in cumulative net losses from continuing operations since 1999.
- More than $300 million in lost shareholders equity in the past eight years.
- A decline in net cash from positive balances of over $150 million to a deficit of about $17.5 million.
- Unfocused and high spending on R&D, with little tangible result.
- Inability to control overheads costs.

Voting for Change

The Concerned Shareholders remind their fellow Zarlink shareholders:

Your vote is very important to the future of your investment in Zarlink. If, after reading the Concerned Shareholder Proxy Circular, you agree that the Concerned Shareholder Nominees, together with the three management nominees, will better serve your interests as a shareholder of Zarlink, please vote "FOR" the Concerned Shareholder Nominees on the BLUE form of proxy distributed with the Concerned Shareholder Proxy Circular.

You may vote the BLUE proxy for change even if you have previously deposited a management proxy or other proxy. A timely delivered and later-dated BLUE proxy automatically revokes any earlier one.

There is only a short time in which to make the needed change at Zarlink.

<<
- In order to be deposited with Zarlink's registrar and transfer agent in time to be used at the meeting, your BLUE proxy should reach Kingsdale Shareholder Services Inc. before 5:00 p.m. (Eastern Time) on Friday, July 18, 2008.

- Please fax only your BLUE proxy to 416-867-2271 or toll free: 1-866-545-5580. Hand delivered proxies should be returned to Kingsdale at the Exchange Tower, 130 King Street West, Suite 2950, P.O. Box 361, Toronto, Ontario, M5X 1E2.

- Non-registered shareholders are advised to refer to the information under "General Proxy Information - Non-Registered Shareholders" in the Concerned Shareholder Proxy Circular.

It's time for a change.

2008-09-09
For new leadership. For a new direction.
For renewed shareholder value.

For further information: Scott Leckie, (416) 363-3399
Proxy Advisory Firm RiskMetrics/ISS Recommends that Zarlink Shareholders Reject the Dissident Nominees

- Zarlink Urges Shareholders to Support Company's Board of Directors and VOTE the YELLOW Proxy Card Today

OTTAWA, CANADA, July 15, 2008 – Zarlink Semiconductor (NYSE/TSX: ZL) today issued the following statement in response to a report by RiskMetrics Group/ISS Governance Services ("RiskMetrics") regarding the election of directors at the Company's 2008 Annual and Special Meeting of Shareholders on July 23, 2008 ("the Meeting"). As previously issued, independent proxy advisory firms Glass, Lewis and Co. and PROXY Governance, Inc. have recommended that shareholders of Zarlink vote FOR the re-election of Zarlink's slate of nominees for the Board of Directors.

We are pleased that RiskMetrics urges shareholders of Zarlink to vote FOR Management's YELLOW proxy and reject the proxy sent by Scott Leckie, Daniel Owen and David Banks ("the Leckie Group" or "the dissidents"). The press release issued by the dissidents today failed to note that their slate of five nominees was rejected by RiskMetrics. RiskMetrics is the third and latest advisory firm to recommend to its clients the rejection of the dissident slate.

The RiskMetrics report summarizes the views of Zarlink management and the dissidents, and concludes that shareholders should not vote for the dissident nominees for the following reasons*:

- "For shareholders, waiting to see if this momentum can be sustained is a better choice than replacing the board and management to freeze the company for 100 days in order to renew the company strategy."

- "There are signs in the most recent two quarters indicating that a turnaround of ZL is happening. What it needs now is to let the current strategy run for a couple of more quarters to rebuild credibility and regain shareholder confidence as Mandy did three years ago."
• "Dissidents have [been] unable to dismiss the latest improvement of ZL's financial performance and the strong stock rebound in a generally bearish market. The simple fact is that, after being hit badly in Q3/FY08, ZL shares have significantly outperformed its peer group (by approximately 50%)."

• "Therefore, it is extremely difficult to justify any significant change at this moment, especially a proxy contest without a thorough understanding of the company, which might bring a disruptive effect when the company is at a turning point."

• "We also note that Chairman of ZL did not receive any per diem amount for attendance to company business, at his request, for the second half of FY08 ended March 28, 2008...The per diem portion of the Chairman's compensation has been suspended indefinitely at the Chairman's request until the company returns to an acceptable level of profitability."

• "We have further reviewed the corporate governance practice of ZL. The company generally has a sound record of adopting best practices."

RiskMetrics concluded: "As the company is implementing a strategy that works seemingly well at this moment, and the strategy contains the key elements of the plan proposed by the dissidents, a wholesale change is NOT NEEDED..." The Company and its Board are appreciative that RiskMetrics has chosen to recommend the rejection of the dissident nominees.

In its report, RiskMetrics recommended that shareholders of Zarlink should vote to elect Company board nominees Oleg Khaykin, Hubert T. Lacroix, J. Spencer Lanthier, Kirk Mandy and Henry Simon, noting that a change at this time might bring a disruptive effect when the Company is at a turning point. RiskMetrics also recommended that shareholders withhold their vote from the current members of the Company's compensation committee, being Adam Chowaniec, Jules Meunier and Dennis Roberson. The Company disagrees strongly with the need for such recommendation and urges shareholders to support these individuals. The Company and the Board acknowledge the concerns expressed by RiskMetrics in making this recommendation and will take into
account its recommendations with respect to reviewing and determining executive compensation but do not believe the appropriate response is to withhold voting for these individuals at the Meeting.

*Permission to quote from RiskMetrics was neither sought nor obtained.

Important shareholder voting instructions

The Zarlink proxy to vote is YELLOW. Your vote is important, regardless of how many shares you own. Voting is a very quick and easy process. To be effective completed YELLOW proxies must be received by 10:30 a.m. on July 21, 2008. Due to the limited time available we recommend voting by Internet, telephone or facsimile today or at least 24 hours in advance of the proxy cut-off. If you have already voted using the dissident proxy you have every right to change your vote as it is the later dated proxy that will be counted.

We urge you to carefully consider the ramifications of your vote and to submit your YELLOW proxy today FOR the election of the slate of director nominees set out in the Zarlink Management Proxy Circular. Please discard any proxy or related materials you may receive from the Dissidents and vote using only the YELLOW form of proxy. For ease of voting, Zarlink shareholders are encouraged to vote using the Internet and entering their YELLOW control number. Please visit www.zarlink.com for additional information.

Shareholders with questions or needing assistance in voting their YELLOW proxy are encouraged to call Zarlink’s proxy solicitation agent, Georgeson (North American toll-free, 1-866-717-8088).

About Zarlink Semiconductor

For over 30 years, Zarlink Semiconductor has delivered semiconductor solutions that drive the capabilities of voice, enterprise, broadband and wireless communications. The Company’s success is built on its technology strengths including voice and data networks, optoelectronics and ultra low-power communications. For more information, visit www.zarlink.com.
Shareholders and other individuals wishing to receive, free of charge, copies of the reports filed with the U.S. Securities and Exchange Commission and Regulatory Authorities, should visit the Company's web site at www.zarlink.com or contact Investor Relations.

Certain statements in this press release constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties, and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance, or achievements expressed or implied by such forward-looking statements. Such risks, uncertainties and assumptions include, among others, the following: our dependence on the successful development and market introduction of new products; our dependence on revenue generation from our legacy products in order to fund development of our new products; our ability to successfully integrate Legerity and any businesses acquired in the future; any potential undisclosed liabilities associated with the Legerity acquisition; our ability to operate profitably and generate positive cash flows in the future; our dependence on our foundry suppliers and third-party subcontractors; order cancellations and deferrals by our customers; and other factors referenced in our Annual Report on Form 20-F. Investors are encouraged to consider the risks detailed in this filing.

For further information:

Ed Goffin
613 270-7112
edward.goffin@zarlink.com
Zarlink Sends Letter to Shareholders

- Urges Stockholders to Vote YELLOW in Favor of Board's Nominees

Ottawa, Canada, July 10, 2008 -- Zarlink Semiconductor (NYSE/TSX: ZL) today sent the following letter urging Zarlink shareholders to vote FOR the Company's slate of highly qualified Directors:

Dear Fellow Zarlink Shareholder:

As you know, our Annual and Special Meeting of Shareholders will be held on July 23, 2008. This meeting is of vital importance to shareholders in light of the attempt by Scott Leckie, Daniel Owen and David Banks (the "Leckie Group") to seize control of your Board of Directors with their slate of five designees and three current Management directors. That group also has stated that it intends to replace your CEO with Mr. Banks as an interim CEO.

The three Management directors have stated that they will not serve on a board nominated by the Leckie Group as they believe that Management's plan and its nominees continue to be the best option for shareholders.

We believe that this action is unwarranted and unnecessary and that the Leckie Group unfairly presents the Company's performance in an effort to seize control of Zarlink for its own narrow interests without paying a control premium. Replacing an experienced board and senior management with individuals who have much less industry experience and lack understanding of the Company would have immediate and lasting negative consequences for Zarlink.

The Leckie Group owns only 5.9% of Zarlink's outstanding shares, yet they seek to take control of Zarlink by seizing control of the Board and terminating the CEO while offering no concrete alternatives to the clear and articulated strategy that your Board and management have been executing since 2005. After three years of hard work, Management and the Board have positioned the Company to break-even in the first quarter of Fiscal 2009 and be profitable for the Fiscal 2009 year. Now is not the time for a sudden change in leadership, direction or strategy.

Our strategy is starting to yield results, as evidenced by Zarlink's recent stock price outperformance.
Zarlink's Relative Performance (Jan. 1 to July 9, 2008)


The Board and Management believe that the current Board and strategy present the best alternative for shareholders. The Leckie Group's "plan" is seriously flawed.

The Leckie Group Board Lacks the Experience and Track Record to Successfully Lead Zarlink

The Leckie Group does not have the financial and operating experience nor track record to provide Zarlink with leadership and strategic direction.
The Leckie Group Slate Lacks Credibility and Has a Questionable Track Record

The Leckie Group slate has a questionable track record:

- David Banks: 6 of the 7 companies where he has served as a member of the board experienced share price declines since he joined. On average, this decline is 53%. Two companies sought protection from creditors under insolvency legislation while he was a director.
- Daniel Owen and Neil Carragher: Technology board experience includes Westaim, the share price of which is down 95% since they joined the board.

Moreover, Scott Leckie, who controls the largest amount of Zarlink shares in the Leckie Group, was fined by securities regulators as part of a settlement agreement pursuant to which he admitted to effecting trades in Air Canada shares where there was no change in beneficial ownership (also known as "Wash Trading").

The Leckie Group Imitates and Endorses Zarlink's Strategy and Offers No Plan of Its Own
The Leckie Group's "plan", as laid out in their proxy circular, imitates and endorses many of the actions that Zarlink has already accomplished or which are underway at the Company. In fact, the Leckie Group offers no plan of their own other than a laundry list that lacks tangible action items and clarity, and demonstrates that they do not understand the business, the industry or the Company.

For example, while criticizing the product line-up of the Company, the Leckie Group does not identify any product opportunities in its circular, and only promises to "refocus spending to pursue identified product opportunities," and to "conduct a thorough and objective review of the Company's strengths and weaknesses." They promise to bring "successful leadership from the front" and "strong downward focused leadership" without explaining what these platitudes might entail.

The information laid out in the Leckie Group's circular is also void of credibility and demonstrates a lack of understanding of the industry and Company by touting opportunities in an industry segment that is considered legacy, and calls for Zarlink to exit a business that the Company exited over five months ago.

Since Zarlink is producing results that demonstrate that management and the Board are successfully executing on their clearly articulated strategy, the "opportunity" described in the Leckie Group's proxy circular entails significant risk for Zarlink shareholders. Calling for a freeze in corporate action in order to develop an understanding of the business and to create a strategic plan would put the brakes on the Company's positive momentum. Furthermore, the Leckie Group has said that it would install a temporary CEO with no semiconductor management operating experience, and has not identified any potential candidate to take on that role permanently.

Zarlink's Current Board and Management Team Are Executing on Its Rebuilding Strategy

Key elements of the current Board and management's strategy are:

- **Focusing the Business**: Your Board and management are extremely active in evaluating our lines of business, product portfolio and the demands of an ever-changing market to ensure the Company is positioned for success. We have exited the money-losing set-top box, packet switching and foundry businesses, while adding key products and expertise to strengthen our portfolio. More than 50% of our products are growth rather than legacy products. The acquisition of Legerity provides us with market-leading technology required to deliver voice service over cable and broadband networks.

- **Targeting the Right Markets Through Full Solutions**: We have successfully positioned Zarlink as a higher-value solutions provider delivering products that solve key problems for our customers. This includes new products targeting the fast-growing network timing, voice-over-packet, optical interconnect and medical wireless markets.

- **Establishing Clear Leadership in Target Growth Markets**: Zarlink boasts key market-leading customers in each sector that depend on our products. For example, in the medical market, Zarlink is the only supplier with standards-based ultra low power radios for implantable medical devices. Through the purchase of Primarion's high-speed integrated circuits business, we added optical technology that has allowed us to be first-to-market with a new class of optical interconnect products for the data center and high performance computing markets. Through the Legerity acquisition, we gained a market-leading portfolio of voice interface products required by telephone and cable operators to deliver integrated voice, television and Internet services.

The current Board and Management's strategy has significantly improved the Company's financial performance:

- Despite the Leckie Group's claims, the Company has demonstrated revenue growth over the last few quarters, with gross margins stabilizing. Revenue is up ~13% in the last
quarter and is expected to continue to grow in Fiscal 2009 with Q1 Fiscal 2009 expected to be up between 8% and 11% over Q4 Fiscal 2008.

- Our strategy has driven significant operating expense improvements, with operating expenses declining an estimated 7% from Q4 Fiscal 2008 to Q1 Fiscal 2009, as indicated in the Company’s May 2008 guidance.

<table>
<thead>
<tr>
<th>Revenue ($ millions)</th>
<th>Operating Expenses ($ millions)</th>
</tr>
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<tbody>
<tr>
<td>Q1 2008A</td>
<td>Q2 2008A</td>
</tr>
<tr>
<td>$30.6</td>
<td>$49.6</td>
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<tr>
<td>46%</td>
<td>48%</td>
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</tbody>
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1. Operating Expenses have been adjusted to exclude stock based compensation, insurance deductibles and payouts, and severance.

In the dissident proxy circular filed July 7, 2008 by the Leckie Group, Zarlink’s financial results, product direction and strategy are in some cases completely misstated and, in many other cases, unfairly presented. Many comments show a complete misunderstanding of the industry and our Company. We view this as disturbing given that the Leckie Group wants the shareholders to entrust them to run the Company.

- The Leckie Group claims that the Company’s operating expenses are greater than the average of comparable companies - this is simply not true. In the latest 12 months ("LTM"), Zarlink’s R&D and SG&A costs were below those of its peer group as a percentage of gross revenue.
- Furthermore, the Company has continued to improve operating expenses, bringing operating expenses as a percentage of gross revenue to an estimated 43% in Q1 Fiscal 2009, versus the average of its peer group of 68%.
Under the strategy formulated by the current Board and management, Zarlink has made and continues to make great strides in its return to profitability. We expect to continue these efficiency improvements in order to drive further operating margin improvements and profitability throughout Fiscal 2009.

**Zarlink’s Product Portfolio is Focused and Market Leading**

Contrary to the Leckie Group's claims that Zarlink has no leading products, the Company enjoys product leadership in four industry sectors:

- **Medical/Wireless Circuits & Modules for In-Body Devices** - Zarlink is the only supplier of standards-compliant low-power radios and modules for implanted medical devices supporting wireless healthcare monitoring and advanced therapies, and is the chosen supplier of the transmitter technology for the world’s first swallowable camera capsule.
- **Network Timing & Synchronization** - Zarlink is ranked in the top two suppliers of network synchronization products, with the industry's broadest offering of products.
- **Optical Cables and Products for Data Centres** - Zarlink was the first to support volume production of innovative ZLynx optical cables for data center interconnect, and is one of top four suppliers of optical modules.
- **IP Telephony** - Zarlink is one of three key suppliers in a large, stable market.

**The Current Zarlink Board Is Comprised Of Directors With the Right Balance of Financial, Technical and Business Experience**

The Nominating and Corporate Governance Committee of the Board reviews the needs of the Board annually and, when appropriate, seeks to augment what is already a strong Board with individuals whose skills will support our management team and assist in the oversight of and overall management of the Company. In the last 18 months, we have added two new Board members as follows:

- Dr. Adam Chowaniec has been a member of the Board since February 2007 and has a strong technical and business background. He is also the founding CEO of Tundra Semiconductor (to Dec. 2005).
• Oleg Khaykin has been a member of the Board since November 2007 and has a strong technical and business background. He is President and CEO of International Rectifier and former EVP and COO of Amkor Technology.

These individuals have made significant and valuable contributions to the Board since joining the other Board members consisting of:

• Hubert T. Lacroix has been a member of the Board for 16 years and has a strong financial and legal background. He is President and CEO of CBC/Radio-Canada, a former partner of or counsel to McCarthy Tetrault LLP and Stikeman Elliott LLP, two of Canada's foremost law firms. He is a financial expert under the NYSE governance rules.
• J. Spencer Lanthier has been a member of the Board since 2003. He is a former Chairman and CEO of KPMG Canada, sits on other public company boards and is a financial expert under the NYSE governance rules.
• Kirk Mandy is Zarlink's CEO, having worked in many capacities for the Company for over 20 years.
• Jules M. Meunier has been a member of the Board since 2002 and has had a 20-year career with Nortel Networks including Chief Technical Officer.
• Dennis Roberson has been a member of the Board since 2004 and is Executive Director and Research Professor of Illinois Institute of Technology and the former Chief Technical Officer of Motorola.
• Dr. Henry Simon is the Chairman and has been a member of the Board since 1992. He has been actively involved in the technology industry for over 30 years in both North America and Europe and is a Special Partner of SV Lifesciences.

Our Board is highly experienced and skilled and actively participates in the formation of the Company's strategy and execution of its plans. By comparison, it appears that of the five individuals nominated by the Leckie Group, only Luke Smith has worked in the semiconductor business and the Leckie Group's nominees including the proposed interim CEO, as a group, offer little experience in the technology industry in general. We believe this should be of significant concern to Zarlink shareholders. We question how a board composed of only five individuals with such little industry and Company knowledge would be able to provide adequate oversight of new senior management.

Zarlink also has an effective corporate governance model in place that is in compliance with both Canadian and United States Governance requirements. It consistently gets very high ratings on its corporate governance from proxy advisory firms and other governance monitoring organizations.

Zarlink Offers Market Leading Transparency to All Stakeholders

Zarlink is also an industry leader in transparency of financial reporting, financial guidance and communications with shareholders and the research community. Zarlink discloses financial results in four business segments and four geographies. The Company has met earnings guidance in the past 11 of 12 quarters, and regularly and actively engages shareholders and research analysts in an active dialog. This is consistent with, if not greater than the level of transparency provided by comparable companies.

The Leckie Group are Not Long-Term Shareholders

The trading pattern disclosed in the circular reveals that Mr. Leckie, Mr. Banks and Mr. Owen are, contrary to their claim, traders rather than long-term holders of Zarlink shares.

Mr. Banks acquired his shares beginning in 2008 and Mr. Owen acquired the shares he owns only last month. In addition, while the funds Mr. Leckie manages have bought and sold shares over the last few years, the shares the Leckie Group and associates control have not been consistently held for the long-term, with 36% having been purchased since June 2007. Overall, in the past two years, the
Leckie Group and associates have made many purchases and sales in Zarlink's shares, trading over 2.7 times the position disclosed in the Leckie Group circular.

**Last Minute Proxy Challenge is Costly and Disruptive**

Zarlink's ability to succeed in its competitive markets requires focus, attention to detail and the support and guidance of an expert Board of Directors that understands our business and is up to speed on the many moving pieces involved in executing our strategy. Zarlink's current Board is comprised of the right Directors, who understand both our industry and our Company.

Mr. Leckie, Mr. Owen and Mr. Banks, who only control a combined 5.9% percent of the Company’s shares, are seeking to seize control of the Board and replace the Company's CEO through an eleventh hour, costly and disruptive process. If successful, it is clear that the Leckie Group will seek to impose the costs incurred by them on the Company. These costs will be substantial.

**Vote FOR the Re-election of the Zarlink Board**

Zarlink's Management and Board of Directors strongly recommend that you reject the attempt by Mr. Leckie, Mr. Owen and Mr. Banks to take over Zarlink while offering no control premium and only a self-serving, short-term agenda. **We urge you to support your strong and well qualified Board of Directors by voting "FOR" the election of the slate of director nominees set out in the Zarlink Management Proxy Circular, a copy of which is available on SEDAR at www.sedar.com. Please discard any proxy or related materials you may receive from the Leckie Group and vote using only our YELLOW form of proxy.**

Voting is a very quick and easy process. To be effective, completed **YELLOW** proxies must be received by 10:30 a.m. on July 21, 2008. Due to the limited time available we recommend that you vote using one of the quicker options available as noted in the **YELLOW** proxy, preferably by Internet, telephone or facsimile, today or at least 24 hours in advance of the deadline. Please visit the Zarlink website for a link to the Internet voting site. If you have already voted using the dissident proxy you have every right to change your vote by simply executing and delivering the **YELLOW** proxy. It is the later dated proxy form that will be counted.

If you have questions about voting your proxy or need additional information, please contact Zarlink's proxy solicitation agent, Georgeson (North American toll-free, 1-866-717-8088).

On behalf of the Zarlink Board of Directors and Management, we thank you for your continued support and promise that we will continue to work hard on behalf of all our shareholders.

Sincerely,

Dr. Henry Simon
Chair
Zarlink Semiconductor Inc.

Kirk Mandy
President and CEO
Zarlink Semiconductor Inc.

[Download a pdf of Zarlink's Letter to Shareholders]

**Forward-Looking Statements**

Certain statements in this shareholder letter constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and Canadian securities legislation. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which
may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such risks, uncertainties and assumptions include, among others, the following: our dependence on the successful development and market introduction of new products; our dependence on revenue generation from our legacy products in order to fund development of our new products; our ability to successfully integrate Legerity and any businesses acquired in the future; any potential undisclosed liabilities associated with the Legerity acquisition; our ability to operate profitably and generate positive cash flows in the future; our dependence on our foundry suppliers and third-party subcontractors; order cancellations and deferrals by our customers; and other factors referenced in our Annual Report on Form 20 F. Investors are encouraged to consider the risks detailed in this filing.

About Zarlink Semiconductor

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For further information:

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