

PEACE ARCH ENTERTAINMENT GROUP INC  
Form 6-K  
January 22, 2007

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C., 20549**

**FORM 6-K**

**REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR 15D-16**  
**UNDER THE SECURITIES EXCHANGE ACT OF 1934**

For the month of January, 2007

PEACE ARCH ENTERTAINMENT GROUP INC.  
(Translation of Registrant's name into English)

407-124 Merton Street, Toronto, Ontario M4S 2Z2  
(Address of principal executive office)

[Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F

Form 40-F

[Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes

No

This Form 6-K shall be incorporated by reference into the Registration Statement on Form S-8 (File No. 333-134552) and any other Registration Statement filed by the Registrant which by its terms automatically incorporates the Registrant's filings and submissions with the SEC under Sections 13(a), 13(c) or 15(d) of the Securities Exchange Act of 1934.

(If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):

82-\_\_\_\_\_

**NOTICE OF**  
**ANNUAL GENERAL MEETING OF SHAREHOLDERS**  
**OF PEACE ARCH ENTERTAINMENT GROUP INC.**

TAKE NOTICE that the Annual General Meeting of the Shareholders of Peace Arch Entertainment Group Inc. (hereinafter called the Company ) will be held at The Toronto Board of Trade<sup>th</sup> 4Floor, 1 First Canadian Place, Toronto, Ontario, M5X 1C1, on:

February 7, 2007

at the hour of 10:00 o'clock in the forenoon (Eastern Standard Time) for the following purposes:

1.

to receive the financial statements of the Company for its fiscal year ended August 31, 2006 and the report of the Auditors thereon;

2.

to determine the number of directors and to elect directors;

3.

to appoint Auditors for the ensuing year and to authorize the directors to fix their remuneration;

4.

to transact such other business as may properly come before the Meeting.

Accompanying this Notice are an Information Circular and Form of Proxy.

A shareholder entitled to attend and vote at the Meeting **is entitled to appoint a proxy holder to attend and vote in his or her place.** If you are unable to attend the Meeting, or any adjournment thereof, **in person, please read** the instructions accompanying the form of Proxy enclosed herewith and then complete, date, sign and return the Proxy within the time set out in the instructions. The enclosed Form of Proxy is solicited by Management of the Company but, as set out in the Instructions, you may amend it if you so desire by striking out the names listed therein and inserting in the space provided the name of the person you wish to represent you at the Meeting. Unregistered shareholders who received the enclosed Form of Proxy through an intermediary must deliver the Proxy in accordance with the instructions given by such intermediary.

Dated at Toronto, Ontario, this 9th day of January, 2007.

**BY ORDER OF THE BOARD OF DIRECTORS**

Gary Howsam

Chief Executive Officer

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Suite 407 124 Merton Street, Toronto, Ontario, M4S 2Z2  
Telephone: 416-487-0377

**INFORMATION CIRCULAR**

**AS AT AND DATED THE 29th DAY OF DECEMBER, 2006**

(unless otherwise noted herein)

This Information Circular accompanies the Notice of the Annual General Meeting of Shareholders of **Peace Arch Entertainment Group Inc.** (hereinafter called the "Company"), and is furnished in connection with a solicitation of proxies for use at the Meeting and at any adjournment thereof. The Meeting is sometimes hereinafter referred to as the Meeting .

**PERSONS OR COMPANIES**

**MAKING THE SOLICITATION**

**THE ENCLOSED PROXY IS BEING SOLICITED BY**

**MANAGEMENT OF THE COMPANY**

Solicitations will be made by mail and possibly supplemented by telephone or other personal contact to be made without special compensation by regular officers and employees of the Company. The Company may reimburse shareholders nominees or agents (including brokers holding shares on behalf of clients) for the cost incurred in

obtaining from their principals authorization to execute forms of proxy. No solicitation will be made by specifically engaged employees or soliciting agents. The cost of solicitation will be borne by the Company.

### **COMPLETION, DEPOSIT AND VOTING OF PROXIES**

Those shareholders so desiring may be represented by proxy at the Meeting. The persons named in the enclosed form of proxy are directors or officers of the Company. A shareholder has the right to appoint a person (who need not be a shareholder) to attend and act on his behalf at the Meeting other than the persons named as proxy holders in the form of proxy accompanying this Information Circular. To exercise this right, the shareholder must either insert the name of the desired person in the blank space provided in the proxy and strike out the other names or submit another proxy.

The instrument of proxy must be signed and, together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof, deposited either at the office of the Registrar and Transfer Agent of the Company in person to CIBC Mellon, 320 Bay Street, Banking Hall Level, Toronto, Ontario or by mail or fax to CIBC Mellon Trust Company, Proxy Dept, P.O. Box 721, Agincourt, Ontario, M1S 0A1, (fax 416-368-2502) or at the Head Office of the Company at the address set out above, not less than 24 hours prior to the time of the holding of the Meeting or any adjournment thereof, or be deposited with the Chairman of the Meeting prior to the commencement of the Meeting on the day of the Meeting or any adjournment thereof. Unregistered shareholders who received the proxy through an intermediary must deliver the proxy in accordance with the instructions given by the intermediary.

**THE SHARES REPRESENTED BY THE PROXY SOLICITED HEREBY WILL BE VOTED IN ACCORDANCE WITH THE INSTRUCTIONS GIVEN ON ANY BALLOT THAT MAY BE CALLED FOR AND IF A CHOICE IS SPECIFIED WITH RESPECT TO ANY MATTER TO BE ACTED UPON, THE SHARES SHALL BE VOTED IN ACCORDANCE WITH THE INSTRUCTIONS GIVEN. WHERE NO CHOICE IS OR WHERE BOTH CHOICES ARE SPECIFIED IN RESPECT OF ANY MATTER TO BE ACTED UPON AND A MANAGEMENT NOMINEE IS NAMED IN THE FORM OF PROXY TO ACT AS THE SHAREHOLDER S PROXY, THE SHARES REPRESENTED BY THE PROXY HEREBY SOLICITED SHALL BE VOTED IN FAVOUR OF ALL SUCH MATTERS. THE FORM OF PROXY GIVES THE PERSON NAMED AS PROXYHOLDER DISCRETIONARY AUTHORITY REGARDING AMENDMENTS OR VARIATIONS TO MATTERS IDENTIFIED IN THE NOTICE OF MEETING AND OTHER MATTERS THAT MAY PROPERLY COME BEFORE THE MEETING.**

1.

## **NON-REGISTERED SHAREHOLDERS**

Pursuant to the requirements of the Canadian Securities Administrators, under National Instrument 54-101, the Company has distributed copies of the Notice of Meeting, this Management Information Circular and the Form of Proxy to the clearing agencies and intermediaries for distribution to non-registered shareholders of the Company who have not waived their right to receive such materials. Non-registered shareholders may be forwarded a proxy already signed by the intermediary or a voting instruction form to allow them to direct the voting of the common shares they beneficially own. A voting instruction form (which is not a proxy) is normally mailed to non-registered shareholders by their broker.

Should a non-registered shareholder who receives a Form of Proxy wish to attend, and vote at the Meeting in person (or have another person attend and vote on his/her behalf), the non-registered shareholder should strike out the names of the persons named in the proxy and insert his/her own, or another person's name in the blank space provided.

**Shareholders should note that if they received a voting instruction form from a broker or an intermediary, it is not a valid Form of Proxy and cannot substitute for a Form of Proxy at the Meeting. The Scrutineer of the Meeting cannot count the votes of a non-registered shareholder wishing to vote in person or by proxy at the Meeting unless such shareholder holds a valid Form of Proxy from the Intermediary. Such shareholders need to contact their broker or intermediary and arrange deliver to them of a valid Form of Proxy.**

## **REVOCABILITY OF PROXY**

In addition to revocation in any other manner permitted by law, a proxy may be revoked by instrument in writing executed by the shareholder or his attorney authorized in writing, or if the shareholder is a corporation, by a duly authorized officer or attorney thereof, and deposited either at the registered office of the Company at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof, or, as to any matter in respect of which a vote shall not already have been cast pursuant to such proxy, with the Chairman of the Meeting on the day of the Meeting, or any adjournment thereof, and upon either of such deposits the proxy is revoked.

## **VOTING SHARES AND**

## **PRINCIPAL HOLDERS THEREOF**



The Company is authorized to issue an unlimited number of Common Shares without par value and an unlimited number of Preference Shares without par value. As at December 29, 2006, there are 32,458,983 Common Shares, 4,347,827 Series I Preference Shares and 3,161,929 Series II Preference Shares issued and outstanding. At a general meeting of the Company, on a show of hands, every shareholder present in person and entitled to vote and every proxy holder duly appointed by a holder of a share who would have been entitled to vote shall have one (1) vote and, on a poll, every shareholder present in person or represented by proxy or other proper authority and entitled to vote shall have one (1) vote for each Common Share and one (1) vote for each Preference Share of which such shareholder is the registered holder. The chairman of the Meeting has the right not to conduct a vote by way of ballot on a matter unless a poll is demanded by a shareholder or proxy holder present at the Meeting or required because the number of shares represented by proxies that are to be voted against a matter is greater than 5% of the votes that could be cast at the Meeting in respect of that matter.

**Subject to the *Business Corporations Act (Ontario)* in respect to a majority shareholder, two persons whether present in person or represented by proxy, constitute a quorum for the transaction of business for any meeting of shareholders.**

To the knowledge of the directors and senior officers of the Company, no person or company beneficially owns, directly or indirectly, or exercises control or direction over, voting securities carrying more than 10% of the outstanding voting rights attached to any one class of voting securities of the Company, other than:

Name	Type of Ownership	Number of Securities	Percentage of Class
		Common	Common
CPC Communications Inc. <sup>(1)</sup>	Direct	6,833,333	21.1%

Name	Type of Ownership	Number of Securities	Percentage of Class
		Preferred Shares	Preferred Shares
		<b>Series I</b>	<b>Series I</b>
Drew Craig	Direct	1,847,826	42.5%
Jeff Sagansky	Direct	1,195,652	27.5%
Kerry McCluggage	Direct	1,195,652	27.5%

Name	Type of Ownership	Number of Securities	Percentage of Class
		Preferred Shares	Preferred Shares
		<b>Series II</b>	<b>Series II</b>
Drew Craig	Direct	1,847,826	58.4%
Jeff Sagansky	Direct	939,103	29.7%
Kerry McCluggage	Direct	375,000	11.9%

<sup>(1)</sup> CPC Communications Inc. is an Ontario company that is controlled by the family of Gary Howsam, a director and officer of the Company and nominee for director.

The directors have determined that all shareholders of record as of the 8th day of January, 2007 will be entitled to receive notice of and to vote at the AGM.

### **PRESENTATION OF FINANCIAL STATEMENTS**

The financial statements of the Company for the year ended August 31, 2006 and the report of the auditors thereon will be placed before the meeting.

### **FIXING THE NUMBER OF DIRECTORS**

Management proposes that the number of directors for the Company be fixed at seven (7) for the ensuing year, subject to such increases as may be permitted by the Articles of the Company and by applicable law. The Directors have served in their respective capacities since their election or appointment on the date stated in the table and will serve until the next Annual General Meeting or until a successor is elected or appointed, unless the office is vacated in accordance with our Articles.

### **ELECTION OF DIRECTORS**

Each Director of the Company is elected annually and holds office until the next Annual General Meeting of Shareholders unless that person ceases to be a Director before then. In the absence of instructions to the contrary the shares represented by proxy will be voted on a poll for the nominees listed below.

MANAGEMENT DOES NOT CONTEMPLATE THAT ANY OF THE NOMINEES WILL BE UNABLE TO SERVE AS A DIRECTOR. IN THE EVENT THAT PRIOR TO THE AGM ANY VACANCIES OCCUR IN THE SLATE OF NOMINEES HEREIN LISTED, IT IS INTENDED THAT DISCRETIONARY AUTHORITY SHALL BE EXERCISED BY THE PERSON NAMED IN THE PROXY AS NOMINEE TO VOTE THE SHARES REPRESENTED BY PROXY ON A POLL FOR THE ELECTION OF ANY OTHER PERSON OR PERSONS AS DIRECTORS.

The Management nominees for the Board of Directors and information concerning them as furnished by the individual nominees are as follows:

Name and Municipality of Residence & Office	Director Since	No. of Shares Beneficially owned, di- rectly or indirectly, or over which control or direction is exercised at the date of this Information Circular			Principal Occupation and if not at present an elected director, occupation during the past five (5) years
		Common	Preferred Series I	Preferred Series II	
<b>Gary Howsam</b> Toronto, Ontario	January 20, 2003	6,833,333 <sup>(1)</sup>	-	-	CEO of Peace Arch Entertainment Group Inc.
Director and CEO <b>Richard K. Watson</b> Toronto, Ontario Secretary	January 20, 2003	1,250,000	-	-	Self Employed Lawyer
Director, Corporate Governance & Greenlight Committees <b>Juliet Jones</b> <sup>(2)</sup> Vancouver, B.C.	February 22, 2001	17,391	-	-	CFO of Webtech Wireless Inc.
Director and Audit, Corporate Governance & Compensation Committees <b>Nelson Thall</b> Toronto, Ontario	January 20, 2003	-	-	-	Media Scientist, Independent Contractor

Director and Audit &  
Compensation  
Committees

<b>Mara Di Pasquale</b> (3) Toronto, Ontario	February 11, 2004	-	-	-	CFO of Peace Arch Entertainment Group Inc.
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Director and Chief  
Financial Officer

<b>Robert Essery</b> Toronto, Ontario	February 10, 2005	-	-	-	CEO of How to Web TV. President of the REO group of companies since 1992.
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Director, Audit &  
Corporate  
Governance  
Committees

<b>Drew Craig</b> Toronto, Ontario	July 29, 2005	248,580	1,847,826	1,847,826	Chairman of the Board for Peace Arch Entertainment Group Inc., Media and Telecommunications Investor
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Director and  
Chairman of the  
Board, Compensation  
Committee

[1] Held by CPC Communications Inc., an Ontario company which is controlled by the family of Gary Howsam, a director and officer of the Company.

[2] Previously the CFO of Peace Arch Entertainment Group Inc. from January 2003-September 2003; President & CEO from December 2001-January 2003; and CFO from 1996-March 2001.

[3] Previously the CFO and COO of Peace Arch Entertainment Group Inc. from September 2003 August 2006.

All of the nominees are residents of Canada. At August 31, 2006, the Company had Audit (Juliet Jones, Robert Essery and Nelson Thall), Executive/Corporate Governance (Juliet Jones, Richard Watson and Robert Essery), Greenlight (project approval) (John Flock, Richard Watson, and Jeff Sagansky (Mr. Sagansky is an advisor to the Greenlight committee and does not sit on the Board)) and Compensation (NelsonThall, Drew Craig and Juliet Jones) Committees.

None of the nominees have, within the ten years before the date of this information circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold their assets.

Advance Notice of the Meeting was published pursuant to Section 96 of the *Business Corporations Act* (Ontario) at Toronto, Ontario on the 27<sup>th</sup> day of December, 2006.

### **APPOINTMENT OF AUDITORS**

At the AGM, shareholders will be asked to vote for the appointment of PricewaterhouseCoopers LLP, Chartered Accountants, as the Company's auditors to hold office until the next annual meeting of shareholders, and to authorize the directors to fix their remuneration. PricewaterhouseCoopers were first appointed as the Company's auditors on March 15, 2003 following the resignation of KPMG LLP, Chartered Accountants who were first appointed in February 1999. To the knowledge of the directors and officers of the Company, there have been no disagreements, unresolved issues or consultations with the former auditors, KPMG LLP, Chartered Accountants. It is the intention of management of the Company to vote the proxy solicited hereby, unless the shareholder directs therein that his/her shares be withheld from voting on the appointment of auditors, for the appointment of PricewaterhouseCoopers LLP, Chartered Accountants as the Company's auditors.

### **STATEMENT OF CORPORATE GOVERNANCE PRACTICES**

Corporate governance relates to the activities of the Board of Directors (the Board), the members of which are elected by and are accountable to the shareholders, and takes into account the role of the individual members of management who are appointed by the Board and who are charged with the day-to-day management of the Company.

The Board believes that its commitment to sound corporate governance practices is in the interest of its shareholders and contributes to effective and efficient decision making. The TSX Committee on Corporate Governance has issued a series of guidelines (the TSX Guidelines) for effective corporate governance. The guidelines address matters such as the constitution and independence of corporate boards, the functions to be performed by boards and their committees and the effectiveness and education of board members. A company listed on the TSX is required to disclose annually its approach to corporate governance with reference to the TSX Guidelines. In addition, as a foreign private issuer listed on The American Stock Exchange (AMEX), the Company is required to meet the AMEX listing guidelines. See Schedule A which details the corporate governance practices of the Company and confirms the Company's compliance, as applicable with the TSX guidelines.

### **COMPENSATION OF DIRECTORS**

During the most recently completed financial year ended August 31, 2006 the Directors of the Company were entitled to a yearly retainer of \$5,000. As well, Directors were entitled to \$500 for each Directors or Committee Meeting attended in person and \$300 for each Directors or Committee Meeting attended by conference call. Chairpersons of any Directors or Committee Meeting were entitled to twice that of a non-chair member. All Directors are entitled to an initial 75,000 stock options.

Set forth below is a list of all stock options granted by the Company pursuant to the Company's Amended Share Option Plan to non-Named Executive Officer directors and other "insiders" (as that term is defined in the *Securities Act* (Ontario)) of the Company, outstanding and exercisable at the date of this Information Circular.

<b>Name of Optionee</b>	<b>No. of Common Shares</b>	<b>Exercise Price Per Share</b>	<b>Date of Grant</b>	<b>Expiry Date</b>
<i>Non-Named Executive Officer Directors</i>				
Robert Essery	10,000	\$0.65	February 25, 2005	February 25, 2008
Juliet Jones	15,000	\$0.65	February 25, 2005	February 25, 2008
Nelson Thall	18,667	\$0.58	October 12, 2005	October 12, 2008
Robert Essery	65,000	\$0.58	October 12, 2005	October 12, 2008
Juliet Jones	60,000	\$0.58	October 12, 2005	October 12, 2008
Drew Craig	75,000	\$0.58	October 12, 2005	October 12, 2008
<i>Other insiders</i>	0			

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

During the fiscal year ended August 31, 2006, the Board comprised of 7 directors.

One of the Guidelines makes it the responsibility of each Board to make a determination of the status of its members as related, unrelated, outside or inside; as such terms are defined or understood in the Guidelines. The majority of the Company's directors are independent of Management and are free from any interest, business or other relationship (other than any arising from shareholdings) which could, or could reasonably be perceived to, materially interfere with their ability to act with a view to the best interests of the Company.





## **Board Committees**

(a)

### **Audit Committee**

The mandate of the Audit Committee is to review the Company's audited financial statements and to report on such statements to the Board before the statements are approved by the Board. To fulfill this responsibility, the Audit Committee meets with the Company's auditors to discuss the financial statements and any concerns raised by the auditors with respect to financial presentation or disclosure, and with respect to the Company's interim financial controls. For the year ended August 31, 2006, the Audit Committee was composed exclusively of outside directors, within the requirement of the TSX Guidelines.

The Audit Committee for the year ended August 31, 2006, was composed of: Juliet Jones, Robert Essery and Nelson Thall. All of which are independent and financially literate as per MI 52-110 requirements that the Audit Committee be composed of a minimum of three members, every member be a director of the Company, every member must be independent and financially literate (both as defined in MI 52-110). They met 8 times in the last fiscal year.

### ***Relevant Education and Experience***

**Juliet Jones** a Certified General Accountant, is currently the Chief Financial Officer of Webtech Wireless Inc., a TSX Venture listed company. Previously Ms. Jones served in various roles for Peace Arch Entertainment Group Inc. including Chief Financial Officer from January 2003-September 2003. Ms. Jones previously served as a member of the Board of the Vancouver Chapter of Certified General Accountants and served as the chair of the professional development committee.

She has 21 years of accounting experience, 16 years of which were in senior financial roles with public companies. Ms. Jones has 16 years of experience in the film and television industry. She has a solid understanding of generally accepted accounting principles and accounting issues specific to the film and television industry, providing her with the ability to assess the application of such accounting principles to accruals, estimates and reserves. Ms. Jones has prepared and supervised the preparation of financial statements with comparable complexity to the issuer's financial

statements, and as past Chief Financial Officer of the issuer until September, 2003, has prepared previous financial statements for the issuer. Ms. Jones also has hands on experience with managing internal controls and is active in following new accounting pronouncements with respect to the management and compliance with internal control requirements. Ms. Jones continues to stay current on new accounting and securities developments.

**Nelson Thall** was formerly employed with Laventhol & Horwath, Accountants and Clarkson, Gordon as an accountant in training. He was a member of the Audit Committee and is currently a Director of Stan Lee Media, and formerly a director of Imark Corp. (TSX), and Torstar Corporation (TSX). Mr. Thall studied Intermediate and Advanced Accounting at York University and has also in his career prepared financial statements for a number of corporations associated with public companies.

**Robert Essery** Robert Essery has been in business for over 25 years operating a range of private and public sector companies. As a business manager he has dealt with financial statements and financial reporting to institutions and shareholders.

MI 52-110 requires that the Audit Committee be composed of a minimum of three members, every member be a director of the Company, every member must be independent (subject to a permitted exemption for controlled companies), whereby in certain circumstances, one member need not be independent) and financially literate (both as defined in MI 52-110). Please refer to Audit Committee in the Company's Annual Information Form dated November 29, 2006, for further information with regard to the composition of the Audit Committee.

(b)

### **Compensation Committee**

The Board has constituted a Compensation Committee, which will review the Company's overall compensation philosophy, corporate succession and development plans at the executive officer level. The Compensation Committee consisted of three independent directors as of August 31, 2006.

The Compensation Committee for the year ended August 31, 2006 was composed of Juliet Jones, Drew Craig and Nelson Thall.

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(c)

**Executive/Corporate Governance Committee**

The Board has constituted a Corporate Governance Committee, which will develop and implement the Company's approach to corporate governance issues. The Corporate Governance Committee also exercise the functions of a nominating committee, and in such capacity will make recommendations with respect to the size and composition of the Board, recommend nominees to the Board, and the amount and form of directors' remuneration to adequately compensate for risks and responsibilities assumed by directors, and assist in selecting a chair of the Board. The Company's orientation and education program for new recruits to the Board will be developed and implemented by this Committee. In addition, the Executive/Corporate Governance Committee has been authorized to develop a process for assessing the effectiveness of the Board as a whole and of committees of the Board, and for assessing the contribution of individual directors and for assessing the Board on its effectiveness. The Corporate Governance Committee is composed of one related director and two unrelated directors.

The Corporate Governance Committee for the year ended August 31, 2006 was composed of Juliet Jones, Richard Watson and Robert Essery.

(d)

**Greenlight Committee**

The Board has constituted a Greenlight Committee, which will review projects that meet a certain exposure criteria, ensuring that they are appropriately funded and ultimately giving authority for them to proceed into production.

The Greenlight Committee for the year ended August 31, 2006 was composed of John Flock, and Richard Watson with Jeff Sagansky acting as an advisor.

**REPORT ON EXECUTIVE COMPENSATION**

The Company's Compensation Committee (the Committee) has the responsibility for annually setting and approving the compensation package for the Chief Executive Officer and for annual reviewing and approving the compensation packages for executive officers of the Company. The Committee also reviews and approves changes to the Company's compensation policies in respect of matters such as the structure and granting of stock options.

The Committee was composed of three unrelated directors, Drew Craig, Juliet Jones and Nelson Thall for the year ended August 31, 2006.

#### *Components of Total Compensation*

The aggregate compensation of senior officers of the Company, including Named Executive Officers, consists of three components: base salary, car allowance and long-term incentives principally in the form of stock options. The Company aims to ensure that each executive officer's compensation is balanced among these three components.

(i)

#### *Base Salary*

Base salary levels for all executive officers (including the Chief Executive Officer) are based upon performance and are relative to comparable positions within the industry and markets in which the Company operates, and are intended to achieve the following objectives:

1.  
to attract and retain executives and senior management required for the success of the Company;
2.  
to motivate performance;
3.  
to provide fair and competitive compensation commensurate with an individual's experience and expertise; and
4.  
to reward individual performance and contribution to the achievement of the Company's objectives.

(ii)

*Car Allowance*

(iii)

*Long-term Incentive Awards*

Long-term incentive awards may be granted annually with the target award set as a percentage of the executive's salary based on corporate performance and the employee's years of service with the Company. The Company does take into account the amount or terms of previously issued options when determining whether and how many stock options will be granted to executive officers in each year. The size of the grant is based on the Black-Scholes formula for valuing stock options and is approved by the Compensation Committee.

The base salary for the Chief Executive Officer is determined in the same manner as that of all other executives. The Chief Executive Officer does not participate in the Committee's or the Board's decisions or does he vote relating to his

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compensation. The long-term components of the Chief Executive Officer's incentive compensation were determined in accordance with his management contract which generally reflects the same principles applicable to other executives in the determination of incentive compensation awards.

### **PENSION PLAN**

No pension plan or retirement benefit plans have been instituted by the Company and none are proposed at this time.

### **STATEMENT OF EXECUTIVE COMPENSATION**

**(Form 51-102F6)**

**CEO** means the individual who served as chief executive officer of the Company or acted in a similar capacity during the most recently completed financial year.

**CFO** means the individual who served as chief financial officer of the Company or acted in a similar capacity during the most recently completed financial year.

Named Executive Officers or NEOs means the following individuals:

(a)

each CEO;

(b)

each CFO ;



(c)

each of the Company's three most highly compensated executive officers, other than the CEO and CFO, who were serving as executive officers at the end of the most recently completed financial year and whose total salary and bonus exceeds \$150,000, and

(d)

any additional individuals for whom disclosure would have been provided under (c) except that the individuals were not serving as an officer at the end of the most recently completed financial year-end.

The following table sets forth the compensation information for the Chief Executive Officer ( CEO ) and the next two (2) most highly compensated executive officers (collectively, the Named Executive Officers ) for services rendered in all capacities during the financial periods ended August 31, 2006, 2005 and 2004.

### Summary Compensation Table

NEO Name and Principal Position	Year <sup>[1]</sup>	Annual Compensation			Long Term Compensation			All Other Compensation (\$)
		Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)	Awards Securities under Options/SARs Granted (#) <sup>[2]</sup>	Shares or Units Subject to Resale Restrictions (\$)	LTIP Payouts (\$)	
Gary	2006	180,000	Nil	9,600 <sup>[3]</sup>	75,000	Nil	Nil	Nil
Howsam, CEO	2005	175,000	Nil	9,600 <sup>[3]</sup>	75,000	Nil	Nil	Nil
	2004	160,000	Nil	9,600 <sup>[3]</sup>	Nil	Nil	Nil	Nil
Mara Di Pasquale, CFO	2006	165,000	Nil	9,600 <sup>[3]</sup>	75,000	Nil	Nil	Nil
	2005	165,000	Nil	9,600 <sup>[3]</sup>	75,000	Nil	Nil	Nil
John Flock, President	2006	179,572 <sup>[5]</sup>	Nil	Nil	-	Nil	Nil	Nil
	2005	192,721 <sup>[4]</sup>	Nil	Nil	75,000	Nil	Nil	Nil
	2004	Nil	Nil	Nil	Nil	Nil	Nil	Nil

[1]

Ended 31st August.

[2]

Common Shares.

[3]

Car allowance.

[4]

converted to Canadian currency based on an average annual exchange rate of 1.232 Canadian Dollars to 1.00 US Dollar.

[5]

converted to Canadian currency based on an average annual exchange rate of 1.14795 Canadian Dollars to 1.00 US Dollar.

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**LONG TERM INCENTIVE PLANS**

**AWARDS IN MOST RECENTLY COMPLETED FINANCIAL YEAR**

There were no long term incentive plan awards during the most recently completed financial year.

<b>Plan Category</b>	<b>Number of securities to be issued upon exercise of outstanding options, warrants and rights</b>	<b>Weighted-average exercise price of outstanding options, warrants and rights</b>	<b>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))</b>
	<b>(a)</b>	<b>(b)</b>	<b>(c)</b>
Equity compensation plans approved by security holders	2,908,667 common shares <sup>(1)</sup>	\$0.68	2,131,233 common shares <sup>(2)</sup>
Equity compensation plans not approved by security holders	Nil	Nil	Nil
<b>Total</b>	<b>2,908,667 common shares</b>	<b>\$0.68</b>	<b>2,131,233 common shares</b>

(1) Stock options outstanding as at August 31, 2006.

(2) Stock options remaining available for future issuance as per Amended Stock Option Plan dated February 8, 2006.

**OPTION/SAR GRANTS DURING THE MOST RECENTLY COMPLETED FINANCIAL YEAR**

<b>NEO Name</b>	<b>Securities Under Options/SARs Granted (#)</b>	<b>Percent of Total Options/SARs Granted to Employees in Financial Year</b>	<b>Exercise Or Base Price (\$/Security)</b>	<b>Market Value of Securities Underlying Options/SARs on the Date of Grant (\$/Security)</b>	<b>Expiry Date</b>
Gary Howsam	75,000	3.8%	\$1.31	\$1.31	May 15, 2009
Mara Di Pasquale	75,000	3.8%	\$0.63	\$0.63	August 31, 2009
<b>TOTAL</b>	<b>150,000</b>	<b>5.1%</b>			

**AGGREGATED OPTION/SAR EXERCISES DURING THE MOST RECENTLY COMPLETED  
FINANCIAL YEAR AND FINANCIAL YEAR-END OPTION/SAR VALUES**

Except for the Company's Amended Share Option Plan and except as noted below under Employment Agreements, there are no plans in effect pursuant to which cash or non-cash compensation was paid or distributed to Named Executive Officers during the most recently completed financial year or is proposed to be paid or distributed in a subsequent year. During the most recently completed financial year, there were 441,333 Common Share options exercised by four employees and two directors of the Company.

**TERMINATION OF EMPLOYMENT, CHANGES IN RESPONSIBILITIES AND EMPLOYMENT  
CONTRACTS**

Effective September 1, 2004 the Company entered into an Employment Agreement with John Flock, a Named Executive Officer, for a term of 3 years. The Agreement provides for a salary of US\$3,000 per week in lieu of providing services ordinarily rendered as a President of a publicly traded corporation.



Effective January 23, 2006 the Company entered into an Employment Agreement with Berry Meyerowitz, an Executive Officer of a subsidiary, for a term of 3 years. The Agreement provides for a base salary of CAD\$200,000 per annum plus an annual bonus in lieu of providing services ordinarily rendered as a President of a division.

The Company has no compensatory plan or arrangement with respect to the Named Executive Officers in the event of resignation, retirement or any other termination of the Named Executive Officers' employment with the Company and its subsidiaries or in the event of a change of control of the Company or its subsidiaries or in the event of a change in the Named Executive Officers' responsibilities following a change in control, where in respect of the Named Executive Officers the value of such compensation exceeds \$100,000.

### **MATERIAL TERMS AND CONDITIONS OF EMPLOYMENT AGREEMENTS**

The Company is party to employment agreements with its Named Executive Officers.

### **PERFORMANCE GRAPH**

The following graph compares the cumulative total Shareholder return with those of the S&P TSX Composite Index for the period commencing August 31, 2002 and ending August 31, 2006. All values assume that \$100 was invested on August 31, 2002 in our Common Shares and each applicable index. Note: We caution that the stock price performance shown in the graph below should not be considered indicative of potential future stock price performance.

<b>Company/Index</b>	<b>8/31/02</b>		<b>8/31/03</b>		<b>8/31/04</b>	<b>8/31/05</b>	<b>8/31/06</b>
	<b>A</b>	<b>B</b>	<b>A</b>	<b>B</b>	<b>Common</b>	<b>Common</b>	<b>Common</b>
Peace Arch Entertainment Group Inc.	100	100	17.2	18.5	23.7	12.9	21.1

S&P TSX Composite	100	66.8	74.5	94.9	107.4
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**Return of Investment Chart**

**\*\*Note that the separate classes were restructured as Commons Shares on March 12, 2004 and began trading as Common Shares on March 16, 2004**

**INDEBTEDNESS OF DIRECTORS, EXECUTIVE OFFICERS AND SENIOR OFFICERS**

As of August 31, 2006, none of the officers, directors, employees, all former officers, directors and employees of Peace Arch Entertainment Group Inc. or its subsidiaries was indebted to Peace Arch Entertainment Group Inc. or its subsidiaries.

**DIRECTORS AND OFFICERS LIABILITY INSURANCE**

*Primary Policy*

The Company has insurance coverage for the benefit of its directors and officers and the directors and officers of its subsidiaries pursuant to ACE Ina s insurance plan. The policy provides for each such director and officer, subject to an annual aggregate limit total of CDN\$5,000,000, including defense costs.

*Creditor s/Debt Holder s Exclusion of Primary Policy*

It is understood and agreed that, in consideration of the premium paid, the Insurer shall not be liable to make any payment for Loss based upon, arising from, or attributable to: (1) any Claims brought by or on the behalf of any creditor or debt holder of the Company; (2) any Claims to pay or collect accounts, including but not limited to, any Claim alleging misrepresentation in consideration for the extension of credit or purchase of a debt instrument, or any deterioration in value of the debt.

The amount deductible is respect of a claim related to the directors and officers, either individually or in the aggregate, is CDN\$100,000 and USD\$250,000 for SEC Claims. The deductible applies to claims made by the Company or its subsidiaries in connection with amounts which it, or its subsidiaries, have indemnified directors and officers.

*Secondary Excess Policy*



The Company has secondary insurance coverage for the benefit of its directors and officers and the directors and officers of its subsidiaries pursuant to Navigator Insurance Company's insurance plan. The policy provides for each such director and officer, subject to an annual aggregate limit total of CDN\$5,000,000, including defense costs.

**DISCLOSURE RESPECTING SECURITY BASED COMPENSATION SYSTEMS**

The Toronto Stock Exchange (the "TSX") has implemented new disclosure obligations respecting Security Based Compensation Arrangements ("SBCA") effective January 1, 2005. The Company has a Directors, Officers and Employee Stock Option Plan 1999, as amended (the "Plan").

The following table contains the relevant disclosure required by the TSX in respect of the Company's SBCA as at the date hereof:

<b>Disclosure Item</b>	<b>Option Plan</b>
Eligible Participants	Any director, officer, or employee of, or consultant to, the Company or of or to any subsidiary.
Total number of securities issuable and issued and the percentage of the Company's currently outstanding capital represented by such securities.	Issuable 6,217,466 options, which are 19.2% of the Company's total outstanding shares on an undiluted basis.
	Issued 2,908,667 options, which are 9.0% of the Company's total outstanding shares on an undiluted basis.
Maximum percentage, if any, of securities under each arrangement available to insiders of the Company.	The maximum number of common shares which may be reserved for issuance to insiders of the Company is 10% of the common shares outstanding at the time of the grant on an undiluted basis.
Maximum number of securities any one person or company is entitled to receive and the percentage of the Company's currently outstanding capital.	The maximum number of shares which can be issued to any one insider during any one year period is 5% of the common shares outstanding at the time of issuance. 5% of the Company's outstanding capital is 1,622,949

shares.

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The method of determining exercise price.

(i) the Board determines the exercise price, which cannot be less than the market price of the shares on the TSX on the trading date one which the option is granted, (ii) the average of the daily high and low board lot trading prices of the Shares on the Exchange over the 10 day period immediately preceding the date of the grant; and (iii) the closing price of the Shares on the Exchange on the last trading day preceding the date on which the grant of the option is approved by the Board of Directors (or if the Shares are not then listed and posted for trading on the Exchange, on such exchange or quotation system upon which the Shares are listed and posted for trading as may be selected by the Board of Directors) or, if the Shares did not trade on the Exchange on such last trading day, the average of the high and low prices in respect of the Shares on the Exchange for the previous five trading days.

Term and vesting of stock options.

The Board has the authority to determine the term and vesting provisions of stock options, provided that the term may not be longer than 10 years. All options issued as at the date hereof have a term of 1 to 3 years.

Causes of cessation of entitlement including termination of employment.

Sixty days after: (a) termination of an officer's or employee's employment, with or without cause; (b) the date on which an individual ceased to be a director; all options held by that individual ceases to be exercisable.

Six months after: (a) death of a Participant who is a director, senior officer or Key Contributor of the Company or any of its Designated Affiliates or who is an employee having been continuously in the employ of the Company or any of its Designated Affiliates for one year from and after the date of the granting of his or her option, the option theretofore granted to him or her shall be exercisable within the six months next succeeding such death and then only:

(a)

by the person or persons to whom the Participant's rights under the option shall pass by the Participant's will or

the laws of descent and distribution; and

(b)

to the extent that he or she was entitled to exercise the option at the date of his or her death, provided that in no event shall such right extend beyond the Option Period.

Assignability.

The benefits, rights and options accruing to any Participant in accordance with the terms and conditions of the Plan shall not be transferable by the Participant except (i) from the Participant to his or her Holding Company or RRSP or from a Holding Company or RRSP to the Participant and, in either such event, the provisions of this Plan shall apply mutatis mutandis as though they were originally issued to and registered in the name of the Participant, or (ii) as otherwise specifically provided herein. During the lifetime of a Participant, all benefits, rights and options shall only be exercised by the Participant or by his or her guardian or legal representative.

Procedure of amending the SBCA, including whether shareholder approval is required for amendments.

The Board of Directors reserves the right to amend, modify or terminate the Plan at any time if and when it is advisable in the absolute discretion of the Board of Directors. However, any amendment of the Plan which would:

(a)

materially increase the benefits under the Plan;

(b)

materially increase the number of Shares which may be issued under the Plan;

(c)

materially modify the requirements as to the eligibility for participation in the Plan; or

(d)

otherwise require shareholder approval to comply with Rule 16b-3, the I.R.C. or any other applicable law, rule or regulation;

shall be effective only upon the approval of the shareholders of the Company. Any material amendment to any provision of the Plan shall be subject to any necessary approvals by the Exchange, other quotation system or any stock exchange or securities regulatory body having jurisdiction over the securities of the Company.

None.

Financial assistance provided by the Company to any participant to facilitate the purchase.

### **INTEREST OF INSIDERS IN MATERIAL TRANSACTIONS**

In connection with the acquisition of kaBOOM! Entertainment Inc. that took place on January 23, 2006, a 4% standby fee was payable to the Secured Creditors that signed Letters of Credit to aid in the financing of the acquisition. Drew Craig, one of the secured creditors as well as a director and Chairman of the Board, signed a Letter of Credit for \$900,638.00 and received 82,649 common shares on April 24, 2006 as payment of the 4% standby fee.

On April 24, 2006, Drew Craig, a director and Chairman of the Board, exercised 250,000 Series II Preference Share warrants and purchased 250,000 Series II Preference Shares at a price of U.S. \$0.50 per share. On May 25, 2006 Mr. Craig exercised the remainder of his warrants of 726,032 Series II Preference Share warrants at a price of U.S. \$0.50 per share.

On April 28, 2006, Drew Craig received 116,011 common shares worth CAD\$63,203.09 for his dividend entitlement on his preference shares accrued from July 29, 2005 to February 28, 2006. On June 19, 2006 Mr. Craig received a cash payment for US\$33,600.88 for his dividend entitlement accrued from March 1, 2006 to May 31, 2006. Mr. Craig received 49,920 common shares worth CAD\$49,420.54 for his dividend entitlement on his preference shares accrued from June 1, 2006 to August 31, 2006.

On June 16, 2006, the Company entered into an agreement with a company controlled by Drew Craig and a member of the Company's senior management Berry Meyerowitz to loan the Company \$2,740,000. The loan bears interest at the rate of 18% per annum and is secured by the Company's unencumbered entitlement to tax credit receivables due on films that it has produced and by guarantees provided by certain unrelated production companies in order to assist the Company with the financing of its distribution advances. The loan is due on December 1, 2007. During the year, the Company incurred interest of \$99,000, which is included in interest expense in the statement of earnings.

No insider of the Company, no proposed nominee for election as a director of the Company and no associate or affiliate of any of the foregoing, has any material interest, direct or indirect, in any other transaction since the commencement of the Company's last financial year or in any proposed transaction, which, in either case, has materially affected or will materially affect the Company or any of its subsidiaries.

### **PARTICULARS OF OTHER MATTERS**

Management knows of no matters to come before the Meeting other than the matters referred to in the Notice of Meeting. However, if any other matters which are not now known to management should properly come before the Meeting, the proxy will be voted upon such matters in accordance with the best judgment of the person voting the proxy.

**ADDITIONAL DOCUMENTATION**

The Company is a reporting issuer accountable to the securities commissions of certain provinces of Canada and is therefore required to present financial statements and information circulars to the various securities commissions in such provinces. Copies of the Company's Information Circular and the most recent consolidated and audited financial statements and MD&A are available on request from the Company's CEO. All the Company's public documents are filed with SEDAR and EDGAR and can be found on the following websites, [www.sedar.com](http://www.sedar.com), and [www.sec.gov](http://www.sec.gov).

Financial information is provided in the Company's comparative financial statements and MD&A for the most recently completed financial year.

MANAGEMENT KNOWS OF NO OTHER MATTERS TO COME BEFORE THE MEETING OTHER THAN THOSE REFERRED TO IN THE NOTICE OF MEETING. HOWEVER, SHOULD ANY OTHER MATTERS PROPERLY COME

BEFORE THE MEETING THE SHARES REPRESENTED BY THE PROXY SOLICITED HEREBY WILL BE VOTED ON SUCH MATTERS IN ACCORDANCE WITH THE BEST JUDGEMENT OF THE PERSONS VOTING THE SHARES REPRESENTED BY THE PROXY.

**APPROVAL OF INFORMATION CIRCULAR**

The contents and the sending of this Information Circular have been approved by the directors of the Company.

**CERTIFICATE**

The foregoing contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in the light of the circumstances in which it was made.

**IT IS AN OFFENCE UNDER THE *SECURITIES ACT, THE SECURITIES REGULATION AND THE ONTARIO SECURITIES COMMISSION RULES* FOR A PERSON OR COMPANY TO MAKE A STATEMENT IN A DOCUMENT REQUIRED TO BE FILED OR FURNISHED UNDER THE ACT OR THE REGULATIONS THAT, AT THE TIME AND IN THE LIGHT OF THE CIRCUMSTANCES UNDER WHICH IT IS MADE, IS A MISREPRESENTATION.**

**BY ORDER OF THE BOARD OF DIRECTORS**

"Gary Howsam"

Chief Executive Officer





**SCHEDULE A**

**PEACE ARCH ENTERTAINMENT GROUP INC.**

**FORM 58-101F1**

**CORPORATE GOVERNANCE DISCLOSURE**

**1.** After having examined the relationships of each director, the Board of Directors has determined that the following four directors are independent:

**Board of Directors**

Drew Craig

(a) Disclose the identity of directors who are independent.

Julie Jones

Nelson Thall

Robert Essery

(b) Disclose the identity of directors who are not independent, and describe the basis for that determination.

The non-independent directors are:

Gary Howsam

Mr. Howsam is the Chief Executive Officer of Peace Arch Entertainment Group Inc.

Mara Di Pasquale

Ms. Di Pasquale is the Chief Financial Officer of Peace Arch Entertainment Group Inc.

Richard Watson

(c)

Disclose whether or not a majority of directors are independent. If a majority of directors are not independent, describe what the board of directors does to facilitate its exercise of independent judgment in carrying its responsibilities.

(d)

If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.

(e)

Disclose whether or not the independent directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. If the independent directors hold such meetings, disclose the number of meetings held since the beginning of the issuer's more recently completed financial year. If the independent directors do not hold such meeting, describe what the board of directors does to facilitate open and candid discussion among its independent directors.

(f)

Disclose whether or not the chair of the Board of Directors is an independent director. If the Board of Directors has a chair or lead director who is an

Mr. Watson is the Corporate Secretary of Peace Arch Entertainment Group Inc.

Four of the Seven members of the Board of Directors are independent. Three members (Gary Howsam, Mara Di Pasquale, and Richard Watson) are current officers of Peace Arch Entertainment Group Inc.

There are currently no directors of Peace Arch Entertainment Group sitting on other boards of reporting issuers in a jurisdiction or foreign jurisdiction.

Commencing October 2006, the independent directors hold in camera sessions after each board meeting. There have been two in camera sessions in the current fiscal year.

The Chairman of the Board is an independent director. Mr. Drew Craig is the Chairman of the Board.

independent director, disclose the identity of the independent chair or lead director, and describe his or her role and responsibilities. If the Board of Directors has neither a chair that is independent nor a lead director that is independent, describe what the Board of Directors does to provide leadership for its independent directors.

(g) Disclose the attendance record of each director for all board meetings held since the beginning of the issuer's most recently completed financial year.

The following is the attendance record for each director for the 12 board meetings held in the current fiscal year September 1, 2005 to August 31, 2006:

Gary Howsam 12/12

Mara Di Pasquale 12/12

Richard Watson 12/12

Drew Craig 10/12

Robert Essery 12/12

Nelson Thall 12/12

Juliet Jones 12/12

2. The mandate of the Board of Directors is included as Schedule B to this Information Circular.

### **Board of Directors Mandate**

Disclose the text of the board's written mandate. If the board does not have a written mandate, describe how the Board of Directors delineates its role and responsibilities.

3. There is currently no written position description for the chair and the chair of each committee of the Board of Directors.

### **Position Descriptions**

(a) The board delineates the role and responsibilities of each such position by explaining to the person

Disclose whether or not the Board of Directors has developed written position descriptions for the chair and the chair of each board committee. If the Board of Directors has not developed written position descriptions for the chair and/or the chair of each board committee, briefly describe how the board delineates the role and responsibilities of each such position.

(b) The CEO currently has a management agreement with the Company which outlines his role and responsibilities as the CEO. The agreement was approved by the Board of Directors.

Disclose whether or not the Board of Directors and CEO have developed a written position description for the CEO. If the Board of Directors and CEO have not developed such a position description, briefly describe how the board delineates the role and responsibilities of the CEO.

4.

#### **Orientation and Continuing Education**

(a) Briefly describe what measures the board of directors takes to orient new directors regarding:

i.

The role of the Board of Directors, its committees and its directors; and

ii.

The nature and operation of the issuer's business.

There are no formal orientation or education programs for new Directors, however new Directors are provided with information and documentation relating to the commercial activities of the Company and the internal organization of the Company. Senior Management and certain of the Directors also meet with potential new Directors. The meetings in which new Directors participate as well as discussions with other Directors and with management permit new Directors to familiarize themselves rapidly with the operations of the Company.

The Company has a highly qualified group of independent directors, all of which have extensive governance experience. Presentations are provided to the members of the Board of Directors providing an overview of the Company. The Board of Directors also seeks updates from its auditors and counsel with respect to new developments.

(b)

Briefly describe what measures, if any, the Board of Directors takes to provide continuing education for its directors. If the board does not provide continuing education, describe how the board ensures that its directors maintain the skill and knowledge necessary to meet their obligations as directors.



iii.

### **Ethical Business Conduct**

(a)

Disclose whether or not the Board of Directors has adopted a written code for the directors, officers, and employees. If the board of directors has adopted a written code:

On July 13, 2005 the Board of Directors adopted a Code of Ethics to encourage and promote a culture of ethical business conduct within the Company. The Code of Ethics may be obtained on the Company website located at [www.peacearch.com](http://www.peacearch.com).

i.

disclose how a person or company may obtain a copy of the code;

There has been no departure from the code by a director or executive officer. Accordingly, no material change report was needed or filed.

ii.

describe how the board monitors compliance with its code, or if the Board of Directors does not monitor compliance, explain whether and how the Board of Directors satisfies itself regarding compliance with its code; and

iii.

provide a cross-reference to any material change report filed since the beginning of the issuer's most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the code.

(b)

Describe any steps the board takes to ensure directors exercise independent judgment in considering transaction and agreements in respect of which a director or executive officer has material interest.

The Compensation and Executive/Corporate Governance Committee review related party transactions. If a director is in a situation of conflict of interest during any discussions occurring at a meeting of the board or one of its committees, he or she must declare his or her interest and withdraw from the meeting so as not to participate in the discussions or in any decisions which may be made.

(c)

The Company adopted a Code of Ethics for its directors, officers and employees and ensures that everyone is governed by it.

Describe any other steps the board of directors takes to encourage and promote culture of ethical business conduct.

**6.**

**Nomination of Directors**

(a)

Describe the process by which the board identifies new candidates for board nomination.

The process by which the board identifies new candidates for board nomination is as follows: The CEO submits to the Executive/Corporate Governance Committee candidates to fill vacancies on the Board of Directors. If the candidacy is endorsed by the Executive/Corporate Governance Committee, it is then submitted for approval to the Board of Directors. The Audit Committee has been asked to perform the process of assessing the effectiveness of the Board, its committees and individual Directors on an ongoing basis.

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(b) The Company does not currently have a separate nominating committee. The Executive/Corporate Governance committee currently holds the responsibilities of a nominating committee. Our independent directors. If the Board of Directors does not have a nominating committee composed entirely of independent directors, describe what steps the Board of Directors takes to encourage an objective nomination process.

Juliet Jones

Richard Watson (Chair)

Robert Essery

(c) The Company does not have a separate nominating committee. If the Board of Directors has a nominating committee, describe the responsibilities, powers and operation of the nominating committee.

7.

### **Compensation**

The board determines the compensation for the directors and officers by first having the compensation committee review potential employment contracts with those of same level officers and board member compensation of our competitors. The compensation committee then makes a proposal to the board for approval.

(a) Describe the process by which the Board of Directors determines the compensation for the issuer's directors and officers.

(b) The compensation committee is composed entirely of independent directors.

Disclose whether or not the Board of Directors has a compensation committee composed entirely of independent directors. If the Board of Directors does not have a compensation committee composed entirely of independent directors, describe what steps the Board of Directors takes to ensure an objective process for determining such compensation.



(c)

i.

If the Board of Directors has a compensation committee, describe the responsibilities; powers and operation of the compensation committee.

**Compensation Policies.** Review, evaluate and make recommendations to the Board with respect to the management's proposals regarding the Company's overall compensation policies.

ii.

**Chief Executive Officer (the CEO) Compensation and Goals.** Review and approve corporate goals and objectives relevant to the CEO's compensation, evaluate the CEO's performance in light of those goals and objectives, and have sole authority to determine the CEO's compensation level (including, but not limited to, salary, long and short-term incentive plans, or other severance plans, as the Committee deems appropriate) based on this evaluation.

iii.

**Executive Officers.** Consider and approve the selection, retention and remuneration arrangements for other executive officers and establish, review and approve compensation plans in which any executive officer is eligible to participate. Such remuneration arrangements can include long and short-term incentive plans, or other severance plans, as the Committee deems appropriate.

iv.

**Other Senior Officers and Employees.** Make recommendations to the Board with respect to compensation for senior officers and employees (other than executive officers). Receive and evaluate performance target goals for the senior officers and employees (other than executive officers) and review

periodic reports from the CEO as to the performance and compensation of such senior officers and employees.

v.

**Incentive Compensation Plans.** Make recommendations to the Board with respect to the Company's incentive-compensation plans and equity-based compensation plans and approve to the foregoing, the Committee will (to the extent, if any, it determines to be advisable) grant stock options, and performance based awards designed to qualify as performance-based compensation.

vi.

**Overall Review of other Plans.** Except as otherwise determined by the Board, review the other compensation plans of the Company in light of Company and plan objectives, needs, and current benefit levels.

vii.

**Board.** Set and review the compensation for the Board and committee members.

viii.

**Succession Planning.** Monitor and make recommendations with respect to succession planning for the CEO and other officers.

(d) In June 2006, a consultant performed a review of executive compensation with a similar market capitalization.

If a compensation consultant or advisor has, at any time since the beginning of the issuer's most recently completed financial year, been retained to assist in determining compensation for any of the issuer's directors and officers, disclose the identity of the consultant or advisor and briefly summarize the mandate for which they have been retained. If the consultant or advisor has been retained to perform any other work for the issuer, state that fact and briefly describe the nature of the work.

8.

#### **Other Board Committees**

##### Executive/Corporate Governance Committee

If the board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.

The Board has constituted a Corporate Governance Committee, which will develop and implement the Company's approach to corporate governance issues. The Corporate Governance Committee also exercise the functions of a nominating committee, and in such capacity will make recommendations with respect to the size and composition of the Board, recommend nominees to the Board, and the amount and form of directors' remuneration to adequately compensate for risks and responsibilities assumed by directors, and assist in selecting a chair of the Board. The Company's orientation and education program for new recruits to the Board will be developed and implemented by this Committee. The Corporate Governance Committee is composed of one related director and two unrelated directors.

The Corporate Governance Committee for the year ended August 31, 2006 was composed of Juliet Jones, Richard Watson and Robert Essery.

Greenlight Committee

The Board has constituted a Greenlight Committee, which will review projects that meet a certain exposure criteria, ensuring that they are appropriately funded and ultimately giving authority for them to proceed into production.

The Greenlight Committee for the year ended August 31, 2006 was composed of John Flock, and Richard Watson with Jeff Sagansky acting as an advisor.

9.

**Assessment**

The Executive/Corporate Governance Committee has been asked to perform the process of assessing the effectiveness of the Board, its committees and individual Directors on an ongoing basis. The assessed with respect to their effectiveness and processes used for these assessments are in the contribution. If assessments are regularly conducted, preliminary stage and have not yet been implemented. describe the process used for the assessments. If assessments are not regularly conducted, describe how the board satisfies itself that the board, its committees, and its individual directors are performing effectively.

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## **Schedule B**

### **Board Mandate**

#### **PREAMBLE**

Directors owe a duty to the Corporation, the shareholders, fellow directors, creditors, employees and public stakeholders. The Board of Directors will function as a unit in discharging its responsibilities, will act in a forthright and collegial manner and will not represent specific constituencies. Decisions made by the Board will be collective decisions and each director will take responsibility for the Board's decisions. Each director has a duty to participate and contribute to the best of their ability in exercising their responsibilities on behalf of the Company.

The roles and responsibilities of each director include the following:

#### **GOVERNANCE**

1.

Act honestly and in good faith with a view to the best interests of the Company and its shareholders.

2.

Exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

3.



Exercise independent judgment.

4.

Oversee the management and conduct of the business and affairs of the Company including undertaking independent investigations and analysis to gain an appropriate knowledge and understanding of all matters for which directors are responsible.

5.

Be knowledgeable concerning all material issues affecting the business and affairs of the Company.

6.

Establish business standards and ethical business practices for the Company.

7.

Ensure ongoing compliance with all applicable laws and standards of financial practices and reporting.

8.

Report actual or potential conflicts of interest to the Board Chairman and the President and CEO and ensure there is not direct or personal gain resulting from the situation.

## **MANAGEMENT**

1.

Ensure senior management staff is of the highest caliber relative to the needs of the Company.

2.

Establish performance for the President and CEO and the management team against which the President and CEO and the management team's performance can be measured.

3.

Review and assess the achievement of corporate objectives concerning the effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations.

4.

Ensure that a management succession plan is established including a management training and development program to provide for orderly succession of management.

5.

Oversee the performance of the President and CEO and the management team in achieving the corporate strategy.

6.

Develop an appropriate compensation program for the organization's personnel and ensure all salaries, wages and benefits earned by employees are paid to them on a timely basis.

## **BUSINESS ISSUES**

1.

Assess and manage the Company's business risks and compare to potential returns.

2.

Ensure that the business affairs of the Company are conducted in a financially sound manner and that the organization remains completely solvent.



3.

Preserve the Company's assets against material erosion, i.e. maintain the financial strengths of the Company.

4.

Ensure that a strategic planning process is in place and approve the strategic direction of the Company on behalf of the shareholders. Monitor management's success in implementing the strategy.

5.

Create standing and ad hoc committees of the Board as required to facilitate discharging the Board's responsibilities.

6.

Ensure that an appropriate insurance program is maintained commensurate with the business risks of the Company.

7.

Ensure the integrity of internal control and information systems to facilitate the effective discharge of the Board's responsibilities.

8.

Review all Board meeting material in advance of each meeting.

9.

Strive for perfect attendance at all Board and Committee meetings.

## **COMMUNICATIONS**

1.

Ensure that the Company has a formal communications program in place to effectively communicate with the organization's stakeholders. Such policy must be designed to facilitate feedback.

2.

Ensure timely disclosure of all relevant corporate information including regulatory reporting and filings, financial statement reporting, investor reporting, etc.

#### **TERMS OF OFFICE**

1.

Be prepared to serve as a director for at least 1 year and be prepared to assume positions on selected Board committees as may be considered appropriate.

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**Proxy**

**(Solicited by Management)**

**ANNUAL GENERAL MEETING OF SHAREHOLDERS  
OF PEACE ARCH ENTERTAINMENT GROUP INC. (the "Company")**

**TO BE HELD AT:**

**The Toronto Board of Trade, 4<sup>th</sup> Floor, 1 First Canadian Place, Toronto, Ontario, M5X 1C1**

**ON:**

**February 7, 2007 at 10:00 a.m.**

The undersigned shareholder ( Registered Shareholder ) of the Company hereby appoints Gary Howsam, a director and officer of the Company, or failing him, Richard Watson, a director and officer of the Company or in place of the foregoing, \_\_\_\_\_ as nominee of the undersigned, to attend, act and vote for and on behalf of the Registered Shareholder in respect of all matters that may properly come before the Annual General Meeting of the Shareholders of the Company (the AGM ) and at every adjournment thereof, to the same extent and with the same powers as if the undersigned Registered Shareholder were present at the said Meeting, or any adjournment thereof.

The Registered Shareholder hereby directs the proxy holder to vote the securities of the Company registered in the name of the Registered Shareholder as specified herein.

**Resolutions** (For full details of each item, please see the Notice of Meeting and Information Circular dated December 29, 2006 (the Information Circular )).

- |   |     |          |
|---|-----|----------|
|   | For | Withhold |
| 1. To appoint PricewaterhouseCoopers LLP, Chartered Accountants, as auditors of the Company |     |          |
|   | For | Against  |
| 2. To authorize the directors to fix the auditors remuneration                              |     |          |
| 3. To determine the number of directors at seven (7).                                       |     |          |
|   | For | Withhold |
| 4. To elect as directors all those named in Numbers 5 to 11 below                           |     |          |
| 5. To elect as a director, Drew Craig   |     |          |
| 6. To elect as a director, Juliet Jones   |     |          |
| 7. To elect as a director, Gary Howsam  |     |          |
| 8. To elect as a director, Richard K. Watson  |     |          |
| 9. To elect as a director, Nelson Thall   |     |          |
| 10. To elect as a director, Mara Di Pasquale  |     |          |

11. To elect as a director, Robert Essery

**The undersigned Registered Shareholder hereby revokes any proxy previously given to attend and vote at the Meeting.**

**SIGN HERE:** \_\_\_\_\_

**Please Print Name:** \_\_\_\_\_

**Date:** \_\_\_\_\_

**Number of Shares  
Represented by Proxy:** \_\_\_\_\_

**COMMON**

**PREFERRED**

**(Indicate Series)**

***THIS PROXY FORM IS NOT VALID UNLESS IT IS SIGNED.***

***SEE IMPORTANT INFORMATION AND INSTRUCTIONS ON REVERSE***

**INSTRUCTIONS FOR COMPLETION OF PROXY**

1.

**This Proxy is solicited by the Management of the Company.**

2.

This form of proxy ( Instrument of Proxy ) ***must be signed*** by you, the Registered Shareholder, or by your attorney duly authorized by you in writing, or, in the case of a corporation, by a duly authorized officer or representative of the corporation; and ***if executed by an attorney, officer, or other duly appointed representative***, the original or a notarial copy of the instrument so empowering such person, or such other documentation in support as shall be acceptable to the Chairman of the Meeting, must accompany the Instrument of Proxy.

3.

***If this Instrument of Proxy is not dated*** in the space provided, authority is hereby given by you, the Registered Shareholder, for the proxy holder to date this proxy seven (7) calendar days after the date on which it was mailed to you, the Registered Shareholder, by or on behalf of the Company.

4.

***A Registered Shareholder who wishes to attend the Meeting and vote on the resolutions in person***, may simply register with the scrutineers before the Meeting begins.

5.

***A Registered Shareholder who is not able to attend the Meeting in person but wishes to vote on the resolutions***, may do the following:

***(a)***

***appoint one of the management proxy holders*** named on the Instrument of Proxy, by leaving the wording appointing a nominee as is (i.e. do not strike out the management proxy holders shown and do not complete the blank space provided for the appointment of an alternate proxy holder). Where no choice is specified by a Registered Shareholder with respect to a resolution set out in the Instrument of Proxy, a management appointee acting as a proxy holder will vote in favour of each matter identified on this Instrument of Proxy and for the nominees of management for directors and auditor as identified in this Instrument of Proxy;

**OR**

***(b)***

***appoint another proxy holder***, who need not be a Registered Shareholder of the Company, to vote according to the Registered Shareholder's instructions, by striking out the management proxy holder names shown and inserting the name of the person you wish to represent you at the Meeting in the space provided for an alternate proxy holder. If no choice is specified, the proxy holder has discretionary authority to vote as the proxy holder sees fit.

6.



***The securities represented by this Instrument of Proxy will be voted or withheld from voting in accordance with the instructions of the Registered Shareholder on any poll*** of a resolution that may be called for and, if the Registered Shareholder specifies a choice with respect to any matter to be acted upon, the securities will be voted accordingly.

Further, the securities will be voted by the appointed proxy holder with respect to any amendments or variations of any of the resolutions set out on the Instrument of Proxy or other matters which may properly come before the Meeting as the proxy holder in its sole discretion sees fit.

If a Registered Shareholder has submitted an Instrument of Proxy, ***the Registered Shareholder may still attend the Meeting and may vote in person***. To do so, the Registered Shareholder must record his/her attendance with the scrutineers before the commencement of the Meeting and revoke, in writing, the prior votes.

*To be represented at the Meeting, this proxy form must be received at the office of CIBC Mellon Trust Company of Canada, Proxy Dept, P.O. Box 721, Agincourt, ON M1S 0A1, by mail or by fax at 416-368-2502 or in person at CIBC Mellon Trust Company of Canada, 320 Bay Street, Banking Hall Level, Toronto, ON or at the Head Office of the Company at Suite 407 124 Merton Street, Toronto, Ontario, M4S 2Z2, 24 hrs prior to the time of the Meeting, or any adjournment thereof, or may be deposited with the Chairman of the Meeting prior to the commencement of the Meeting on the day of the Meeting or any adjournment thereof.*

**ANNUAL REPORT 2006**

**AMERICAN STOCK EXCHANGE PAE**

**TORONTO STOCK EXCHANGE PAE**

This document includes statements that may constitute forward-looking statements, usually containing the words believe , estimate , project , expect , or similar expressions. These statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements inherently involve risks and uncertainties that could cause actual results to differ materially from the forward-looking statements. Factors that would cause or contribute to such differences include, but are not limited to, continued acceptance of the company s products and services in the marketplace, competitive factors, dependence upon third-party vendors, and other risks detailed in the company s periodic report filings with the Securities and Exchange Commission. By making these forward-looking statements, the company undertakes no obligation to update these statements for revisions or changes.

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**BOARD MEMBERS, SENIOR OFFICERS, MANAGEMENT AND ADVISORS OF PEACE ARCH ENTERTAINMENT GROUP INC. AND SUBSIDIARIES.**