



NEWS RELEASE

DUNDEE TO NOMINATE DIRECTORS AT FORMATION METALS' ANNUAL MEETING Highlights Formation's Record of Destroying Shareholder Value

Shareholders are urged to Vote their **BLUE Proxy** FOR New Experienced Directors to Revitalize Formation

Toronto, June 14, 2013 – Dundee Corporation (TSX: DC.A) ("Dundee"), a significant shareholder of Formation Metals Inc. (TSX:FCO) ("Formation"), announced today that it no longer has confidence in the ability of Formation's management to manage the Company in a manner consistent with the best interests of Formation and its shareholders.

A letter and proxy circular urging Formation shareholders to vote for Dundee's two director nominees are available for review on-line at www.sedar.com. The letter is attached to this news release.

The letter and proxy circular highlight the current Formation Board's history of dismal share price performance and serious mismanagement. In Dundee's opinion this includes the following:

- Imprudent and unauthorized sale of the Sunshine Refinery
- Management's self-dealing and resulting total compensation
- Lack of leadership
- Failed business strategy
- Refusal to adapt to the TSX's rule that directors be elected annually, commencing this year
- Lack of adherence to good corporate governance practices for a public company

Dundee urges shareholders to take immediate action to vote for its two highly-qualified director nominees – **David Christie, P.Geo.** and **Paul A. Carroll, QC.** In the attached letter, Ned Goodman, President and CEO of Dundee, in effect says that Dundee believes it is time to change the composition of the Board of Directors so that Formation can begin realizing on its potential and adjusting to the current reality of the mining industry. Dundee's objective is to deliver appropriate returns for all shareholders. Its two director nominees will add highly qualified directors to the Board of Directors with extensive experience in the mining industry and they will diligently supervise management and be committed to adhering to appropriate corporate governance practices.

Attention Formation Shareholders:

Please carefully read Mr. Goodman's letter and the proxy circular, and vote only your **BLUE** proxy. The **BLUE** proxy must be filed where indicated in the proxy circular by 6:00 p.m. (Pacific time) on Tuesday, June 18, 2013 so that we have time to deliver the proxy ahead of the voting deadline mandated by management. If you need help with your vote, contact Tom Germinario at **D. F. King & Co., Inc.** at 1-800-290-6431 (toll-free in North America) or 1-212-269-5550 (collect outside of North America), or by e-mail at formationmetals@dfking.com.

FOR FURTHER INFORMATION PLEASE CONTACT:

David Christie
Vice President
Goodman & Company, Investment Counsel Inc.
(647) 253-1144



Toronto, June 13, 2013

Dear Fellow Formation Metals Shareholders:

Dundee Corporation:

Many of you know Dundee Corporation but, for those who might not know us, Dundee is a Canadian independent publicly traded holding company listed on the Toronto Stock Exchange ("TSX") under the symbol "DC.A" (www.dundeecorporation.com). Through its operating subsidiaries, Dundee is engaged in diverse business activities in the areas of its core competencies including investment advisory, corporate finance and private equity investment in natural resources, real estate, infrastructure, energy and agriculture. Dundee holds, directly and indirectly, a portfolio of investments mostly in these core areas, as well as other select investments in both publicly listed and private companies.

As the holder of 17.08% of the common shares of Formation Metals we are soliciting your support and proxy at the upcoming Annual General and Special Meetings (AGM) to be held on June 21, 2013 to vote for two experienced individuals as nominee directors to replace Mari-Ann Green and Scott Bending and to vote for other matters on the agenda for the AGM as herein discussed.

Our investment in Formation Metals:

We, like many of you, invested in Formation Metals in expectation that it would develop the Idaho cobalt project in a timely and efficient manner. We initially invested \$17,500,500 in an \$80 million prospectus financing in March, 2011 at \$1.50 per unit of one share and one half of a 3 year share purchase warrant exercisable at \$2.00 per share, for a total of 11,667,000 shares and 5,833,500 warrants. We acquired an additional 3,902,500 shares in the market in November, 2012 at an average cost of \$0.30 per share or \$1,170,750. Today our total investment of \$18,671,250 is represented by 15,519,500 shares (17.08% of the currently outstanding shares) at an average cost of \$1.20 per share. This is a long way from the price of \$0.07 at which the shares closed on the TSX on June 12, 2013 and the warrants are an even longer way from being in the money. The market capitalization of the Company was only \$6.4 million as at June 12, 2013 which is only approximately 36% of our entire investment.

To say the very least, we are not happy with the performance of our investment – nor should you be with yours. The Formation Metals shares have dropped more than 95% from \$1.50 to \$0.07 since we made our initial investment in March 2011, a mere two years ago. I suspect your investment looks just as bad.

What did current management promise?

In the prospectus filed for the \$80 million equity financing in March 2011 current management represented that the Idaho cobalt mine and refinery would be achievable for total cost of US\$138.7 million, of which US\$75mm was for the mine and mill and US\$63.7 was for the refinery. They also represented that the net proceeds of that \$80 million financing plus the

proceeds of the industrial development bonds already raised would suffice to pay all the remaining costs. However, as stated in the 2013 AIF recently filed, the estimated total cost has now risen to \$173.117 million, an increase of 25%, and the amount remaining to be spent is still \$118.3 million with \$54.8 million spent on the mine to-date (including amounts spent on long lead time items totalling \$16.5 million). This estimate no doubt would rise further if construction were to resume. What do we have to show for it?

With respect to the market for cobalt metal, current management has represented that completion of the mine, mill and refinery would make Formation Metals the leading primary producer of cobalt in North America, supplying a growing industry with ever-increasing demand for the metal. To date the project is neither completed nor producing, the industry is not growing and cobalt demand has declined. Furthermore, management of the Company has now discontinued construction of the cobalt mine and has purported to sell the refinery (without which the Company cannot, in our view, operate the mine) at a price we believe is imprudent and without shareholder approval.

Based on publicly available information, in our view the cobalt mine was barely economic from the beginning, and certainly is not economic now. The current estimated cost of the Company producing a pound of cobalt metal is approximately US\$10-12 before financing and administrative costs, whereas the world price currently is only in the range of US\$13-14 per pound.

In our view, the mine, mill and refinery are the wrong project at the wrong time in the wrong place. Management has done little to address this fact.

The Sunshine Refinery:

Despite the fact that Dundee is the largest shareholder of Formation Metals, and has tried to keep in contact with the Company with respect to its development, it was informed only on June 6, 2013 by a news release issued by the Company that it had entered into a binding letter agreement with Waterton Global Resource Management, Inc. to sell, for US\$9 million in cash, 100% of its Sunshine precious metals refinery ("Sunshine Refinery") and related facilities and lands in Idaho, USA (together, the "Complex"). For reasons unknown to Dundee, Formation Metals is rushing the sale of the Complex and proposes to execute a definitive purchase agreement for the sale of the Complex by June 20, 2013, the day before the scheduled date of Formation Metals' annual shareholders meeting (AGM). Dundee is of the view that the proposed sale of the Complex and the sales price are imprudent and not in the best interest of the Company and its shareholders. In addition, Dundee is of the opinion that the sale of the Complex requires the approval of the Formation Metals shareholders, being a sale of substantially all of the assets and undertaking of the Company when measured on either a quantitative or a qualitative basis. Accordingly, Dundee has commenced legal proceedings to enjoin the sale of the Complex unless the sale receives the requisite shareholder approval. Such proceedings include a claim against the current directors of Formation Metals for breach of their fiduciary duty to the Company.

Management's self-dealing:

Starting as early as 2005 current management began entering into employment contracts with Formation Metals under which they have rapidly built up their personal salaries and other monetary perks and awarded themselves generous severance packages in circumstances where management has not performed, the Company is not profitable and the Company is not being successful in funding and constructing the Idaho cobalt project.

In our view, and as the following table illustrates, the current management of the company has enriched itself at the expense of the shareholders and, at the same time, management has not

developed a viable business for the Company and has wasted the Company's assets, which were acquired at great expense.

The following table illustrates the cash and other compensation paid to the four executive officers over the last four years, as disclosed by the Company's Management Information Circulars:

Name	Year	Salary	Option Value	Other	Total
Mari-Ann Green CEO	2013	\$280,333	\$29,656	Nil	\$309,989
	2012	290,000	178,640	\$87,000	555,640
	2011	163,000	103,931	Nil	266,931
	2010	158,925	65,143	48,900	272,968
Four year total:		\$892,258	\$377,370	\$135,900	\$1,405,528
J. Scott Bending President	2013	\$238,573	\$25,612	Nil	\$264,185
	2012	246,800	146,160	\$61,700	454,660
	2011	140,600	84,595	Nil	225,195
	2010	137,085	52,928	35,150	225,163
Four year total:		\$763,058	\$309,295	\$96,850	\$1,169,203
William G. Scales Executive VP	2013	\$165,000	\$22,916	Nil	\$187,916
	2012	163,614	121,800	\$32,723	318,137
	2011	121,054	72,510	29,461	223,025
	2010	128,607	44,785	Nil	173,392
Four year total:		\$578,275	\$262,011	\$62,184	\$902,470
Paul Farquharson CFO	2013	\$177,770	\$22,916	Nil	\$200,686
	2012	183,900	121,800	\$45,975	351,675
	2011	120,500	67,676	Nil	188,176
	2010	137,487	40,714	30,125	208,326
Four year total:		\$619,657	\$253,106	\$76,100	\$948,863
GRAND TOTAL:					\$4,426,064

As if the total compensation was not abusive enough, under the circumstances, the members of current management, assisted by the Compensation Committee and Board of Directors, has awarded themselves employment contracts with extremely generous termination and change of control benefits. These employment agreements with the four executive officers listed in the table above are each for a three year term (with an automatic three year renewal) and provide that they will each be paid an amount ranging from 3 to 5 times their then current annual base salary to a maximum amount (not publically disclosed) in certain events. These events apparently include termination of employment other than for "cause" or if the executive should resign for "good reason" (not defined but including a 25% reduction in base annual salary, relocation of the executive or a "change of control" in "certain other circumstances").

In our opinion, these employment agreements are material to the Company and should have been, but are not filed on SEDAR in accordance with applicable securities laws. According to the 2013 annual financial statements the Company may be obligated to pay up to \$3.4 million in the event that the "golden parachutes" in these employment agreements are triggered. This would be in addition to the \$4.4 million they have already been paid in the last four years.

Not only are the employment agreements extremely generous but the generosity has been ramping up considerably over the last four years as have the salaries and other compensation. The Compensation Committee and the Board of Directors have clearly not been doing their jobs properly.

In our view, the current Board of Directors and its Compensation Committee have exhibited a disturbing lack of concern for shareholder interests, reflecting the Board's lack of independence from management, its interest in entrenching itself and management, and its excessive compensation.

It is time to reorganize the Board of Directors:

It is time for new leadership at Formation Metals. Dundee's shares have lost over 95% of their value in the last two years and yours must have suffered correspondingly. This is simply unacceptable. With the poor leadership by the current Board of Directors, Formation Metals has:

- Failed to make substantial progress on construction and development of the Idaho cobalt project;
- Failed to rationalize the operations of the valuable Sunshine Refinery and turn it into a profitable enterprise; in fact management now proposes to sell the Complex, including the Sunshine Refinery, at an imprudent price and without requisite shareholder approval;
- Failed to raise adequate and appropriate funding to carry out the completion of the Idaho mine, mill and refinery;
- Entered into an imprudent industrial development bond funding which has tied up \$44 million of the Company's cash as collateral – even current management has finally realized how imprudent this was and has recently redeemed the bonds; this has cost the Company \$2.6 million in net interest expense since the bond issue was undertaken;
- Failed to take adequate steps to develop the Company's position in the international cobalt metal market;
- Substantially, and imprudently, increased executive compensation and provided lucrative "golden parachutes" for senior management at a time when the Company is loss-making and has made no significant progress in developing a viable mining business;
- Demonstrated poor corporate governance; and
- Lost the confidence of the market.

As a concerned and committed shareholder Dundee believes it is time to change the composition of the Board of Directors so that Formation Metals can begin realizing on its potential and adjusting to the current reality of the mining industry so as to deliver appropriate returns for all shareholders.

Election of Directors:

Formation Metals currently has a Board of Directors consisting of eight members, including three who are senior officers of the Company. Effective December 31, 2012, the Toronto Stock Exchange mandated that all TSX listed companies must modify the procedure to elect directors so that all directors must be elected annually. Leniency is permitted if a company requires shareholder approval to modify its charter documents to enable the annual election of all directors, in which case such company must seek shareholder approval to the modification of its charter documents this year. Dundee sought legal advice from one of Canada's most prominent law firms who advised us that Formation Metal's Articles allow for its Board of Directors to amend its Articles, so it is entirely within the power of Formation Metals' Board of Directors to amend its Articles now and to allow for its shareholders to vote upon the election of the entire board at the AGM on June 21st. Accordingly, the staggered class voting employed by the Company must be changed so that all directors must be elected annually, commencing immediately.

However, in order to extend its mismanagement of the Company for another year, Formation Metal's management has chosen to put the amendment of its Articles in doubt by requiring an unnecessary special resolution at the AGM which will need the approval of a 2/3 majority of Formation Metals' shareholders voting at the meeting. If this special resolution passes, it would unnecessarily defer the implementation of election of the full board until 2014, thus further

entrenching current management's nominated directors. Dundee is opposed to this election deferral and believes that all Formation Metals shareholders should be opposed to this as well. However, we are voting for the special resolution amending the Articles even though we would have preferred that the election change take place immediately at this AGM.

While we think a Board of eight is too large for a company of the current stature of Formation, we are forced to stay with that number for the time being. At the AGM, shareholders are being asked to re-elect two management Class III director nominees, being Mari-Ann Green and Scott Bending, currently the Chairman and CEO and President, respectively. These highly-paid executives were co-founders of Formation and have been responsible for the mismanagement of the Company for several years, including the imprudent proposed sale of the Sunshine Refinery. In light of Dundee's significant concerns in respect of the governance of Formation Metals, it is Dundee's intention to withhold the vote of its substantial share interest in the Company in respect of the election of these two nominees and to vote in favour of two alternate candidates.

We ask you to vote the enclosed **BLUE** form of proxy in favour of our two nominees.

While two members of an eight member Board of Directors cannot expect to forcibly redirect the fate of the Company, our nominees, if elected, intend to make every effort possible to carry out our plan. Dundee, with its relationships in the mining and financial sectors will be available to assist.

What is our plan for Formation?

If our nominees are elected to the Board we would anticipate that they would immediately press the Board to undertake the following steps:

- Undertake a top-to-bottom review of the management structure of the Company and realign its functions to the current reality of Formation Metals;
- Create a strategic review of the viability of the construction and development of the Idaho cobalt project in the current cobalt market;
- Cancel the proposal to sell the Complex, including the valuable Sunshine Refinery, for an imprudent and depressed price and turn it into a profitable enterprise or make completion of that proposed sale conditional on obtaining shareholder approval by special resolution;
- Raise adequate funding to carry out whatever actions the strategic review determines for the Idaho cobalt project and the Sunshine Refinery;
- Consider how to better utilize the Company's net cash collateral which was covering the bonds, now that the imprudent industrial development bond funding has been collapsed; and
- Undertake a complete corporate review and restructuring in light of the current conditions of international mining markets and review the executive compensation arrangements including the size and composition of the management structure and the overly generous "golden parachutes" for senior management.

Here are our nominees:

David Christie, P.Geol: Mr. Christie is Vice-President of Goodman & Company, Investment Counsel Inc., a wholly owned subsidiary of Dundee Corporation. He has 27 years of experience in the resource sector, including 14 years as a geologist working for a number of mining companies including Agnico-Eagle Mines, Sudbury Contact Mines, Goldex Mines Ltd, Gold Fields Limited, W. A. Hubacheck Consultants and others, 12 years as a senior gold and mining equity analyst at both independent and bank-owned brokerages, including Newcrest Capital, TD Newcrest and Scotia Capital and one year in resource financing at Bellotti Capital Inc. as its President. Mr. Christie received a Bachelor of Science degree in Geology from McMaster University and is a Professional Geoscientist with APGO (the Association of Professional

Geoscientists of Ontario, which is the licensing and regulatory body responsible for Ontario's geoscientists) and NAPEG (which licenses and regulates Professional Engineers and Professional Geoscientists practicing in the Northwest Territories and Nunavut). He also is a Fellow of the Geological Association of Canada.

Paul A. Carroll, Q.C.: Mr. Carroll has had a 45 year career in the mining industry, both as a lawyer and as a director and officer of many mining companies. He is a director of Energy Fuels Inc., the largest producer of uranium from conventional sources in the United States and he is Chairman of War Eagle Mining Company Inc., a base metal developer in Mexico. He has been engaged in the mineral exploration and mining industry in Canada, the U.S., Mexico, Central and South America, Africa, China, Russia and Kazakhstan. Mr. Carroll is President of Carnarvon Capital Corporation, a private corporate management and advisory company based in Toronto. Prior to 2003 he was a partner of or counsel to Gowling Lafleur Henderson LLP, a major Canadian law firm, and its predecessor, Smith Lyons LLP. Companies with which he has been extensively involved include Dundee Corporation, Corona Corporation where he was a member of the Executive Committee, Zemex Corporation, Royex Gold Mining Corporation, Campbell Resources Inc., Cobra Emerald Mines Ltd., Lacana Mining Corporation where he was Chairman, Arcon International Resources plc where he was Chairman, Tahera Corporation, World Wide Minerals Ltd. where he is President and CEO, Poco Petroleum Ltd., Mascot Gold Mines Ltd., United Keno Hill Mines Ltd., Nova Scotia Savings and Loan Company, The Real Property Trust of Canada, Repadre Capital Corporation (now IAMgold Corporation), Crowflight Minerals Inc., Strategic Resource Acquisition Corp. where he was Chairman and Diadem Resources Ltd. where he was Chairman. In 2004–2005, as one of the Court-mandated committee of “independent directors” thereof, Mr. Carroll was a director of Argus Corporation Limited and Hollinger Inc. (and in 2005 he was CEO of Hollinger Inc.). He was a director of The Uranium Institute (now the World Nuclear Association) in 1998.

Our two nominees will add highly qualified Directors to the Board of Directors, with extensive experience in the mining industry that will be active in diligently supervising management and committed to adhering to appropriate corporate governance practices, as well as adopting internal financial controls.

Our recommendations:

- Vote **FOR** our two nominees on the **BLUE** form of proxy (or voting instruction form).
- Vote **FOR** or **AGAINST** or **WITHHOLD** vote on the **BLUE** form of proxy (or voting instruction form) on the other items of business at the AGM in your best judgment. We have indicated below how we intend to vote our shares on each of those items of business.

Our only goal is to maximize the value of our shares and your shares by ensuring independent governance of the Company by a Board of Directors that will guide the Company prudently.

Other Business of the Annual Meeting:

The AGM has been called to consider and approve other business, both general and special, as follows:

- Appointment of Deloitte LLP for the ensuing year – we recommend a vote **FOR** on the **BLUE** form of proxy (or voting instruction form) and we intend to vote our shares in favour.
- Authorizing the Board of Directors to adopt a Majority Voting Policy as described in the management information circular for the AGM - we recommend a vote **FOR** on the **BLUE** form of proxy (or voting instruction form) and we intend to vote our shares in favour.

- Authorizing the Board of Directors to adopt an Advance Notice Policy as described in the management information circular for the AGM - we recommend a vote **FOR** on the **BLUE** form of proxy (or voting instruction form) and we intend to vote our shares in favour.
- Authorizing the alteration of the Articles of the Company to provide for the annual election of all Directors, the full text of which is set forth in the management information circular for the AGM - we recommend a vote **FOR** on the **BLUE** form of proxy (or voting instruction form) and we intend to vote our shares in favour.
- Re-confirming the Company's Shareholder Rights Plan as described in the management information circular for the AGM - we recommend a vote **FOR** on the **BLUE** form of proxy (or voting instruction form) and we intend to vote our shares in favour.

At the AGM, shareholders also may consider other business that properly comes before the meeting. Dundee is not aware of any matters that may come before the meeting other than those indicated in the management information circular for the AGM or in the Information Circular that accompanies this letter. If any amendment, variation or other matter is properly brought before the meeting, the **BLUE** form of proxy confers discretionary authority to vote on such amendment, variation or other matter according to the best judgment of the person holding the **BLUE** form of proxy.

Where to find further information:

Please read carefully the Information Circular that accompanies this letter. I am confident that you will come to the same conclusions as Dundee has.

Your vote is crucial. Please refer to the voting instructions in the attached Information Circular and complete, date, sign and return the enclosed **BLUE** proxy at the place designated by no later than 6:00 pm (Pacific time) on Tuesday, June 18, 2013. Even if you have already signed and delivered a Management proxy, the later dated proxy will automatically revoke the earlier dated proxy.

If you have any questions about completing or delivering your proxy, or if you are a non-registered shareholder with your shares in a nominee name, such as your broker, please contact D.F. King & Co., Inc., our proxy solicitation agent, at 1-800-290-6431 toll-free in North America or collect at 1-212-269-5550 if outside North America, or by email at formationmetals@dfking.com.

Thank you for your support.



Ned Goodman
President and CEO
Dundee Corporation