



**CONCERNED SHAREHOLDER INFORMATION CIRCULAR  
(the "Circular")**

SOLICITATION OF PROXIES  
BY AND ON BEHALF OF

**DUNDEE CORPORATION**  
(the "Concerned Shareholder" or "Dundee")

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

**FORMATION METALS INC.**  
(**"Formation"**)

TO BE HELD ON FRIDAY, JUNE 21, 2013  
(the "Meeting")

This Proxy Circular solicits **BLUE** Proxies in Favour of the Concerned Shareholder.

**DUNDEE RECOMMENDS:**

Vote **FOR** the election of the two "Concerned Shareholder Nominees" named in the accompanying **BLUE** form of proxy or voting instruction form

- FOR David Christie, P. Geo**
- FOR Paul A. Carroll, Q.C.**

*This solicitation of proxies is made by the Concerned Shareholder and is NOT made by or on behalf of the management of Formation. Please follow the instructions set forth under "General Proxy Information – beginning at page 16 of this Circular to vote your **BLUE** form of proxy or voting instruction form today. You may support the Concerned Shareholder Nominees of the Concerned Shareholder even if you have previously deposited a proxy in support of management. Only the last proxy you validly submit will be counted at the Meeting.*

If you have any questions, or require any assistance in voting your shares, please call:

**D.F. King & Co., Inc.**

North American Toll-Free Phone:

**1-800-290-6431**

Outside North America Call Collect: 1-212-269-5550

Email: [formationmetals@dfking.com](mailto:formationmetals@dfking.com)

Fax: 1-212-709-3328

June 13, 2013





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](http://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 intends to commence legal proceedings to enjoin the sale of the Complex unless the sale receives the requisite shareholder approval. Such proceedings would likely include an action 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
<b>Four year total:</b>		<b>\$892,258</b>	<b>\$377,370</b>	<b>\$135,900</b>	<b>\$1,405,528</b>
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
<b>Four year total:</b>		<b>\$763,058</b>	<b>\$309,295</b>	<b>\$96,850</b>	<b>\$1,169,203</b>
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
<b>Four year total:</b>		<b>\$578,275</b>	<b>\$262,011</b>	<b>\$62,184</b>	<b>\$902,470</b>
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
<b>Four year total:</b>		<b>\$619,657</b>	<b>\$253,106</b>	<b>\$76,100</b>	<b>\$948,863</b>
<b>GRAND TOTAL:</b>					<b>\$4,426,064</b>

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.Geo:** 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 QC:** 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](mailto:formationmetals@dfking.com).

Thank you for your support.

A handwritten signature in black ink, appearing to read 'Ned Goodman', written in a cursive style.

Ned Goodman  
President and CEO  
Dundee Corporation



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## HOW TO VOTE YOUR BLUE PROXY

Time is of the essence. We urge you to seize this opportunity for change at Formation by completing, signing and returning the enclosed **BLUE** proxy as soon as possible.

In order to ensure that your **BLUE** proxy is received in time for the Meeting, we recommend that you vote in the following ways as soon as possible:

### 1. REGISTERED SHAREHOLDERS

If you are a registered shareholder (you hold a physical share certificate registered in your name), please complete, date, sign and return your **BLUE** proxy to D.F. King & Co., Inc.

- (a) By EMAIL to [formationmetals@dfking.com](mailto:formationmetals@dfking.com); or
- (b) By FAX at facsimile: 1-212-709-3328.

In order to be deposited with Formation's registrar and transfer agent in time to be used at the Meeting, we recommend that you send your **BLUE** proxy to D.F. King & Co., Inc. by fax or email as described above and on the **BLUE** proxy prior to 6 p.m. (Pacific Time) on Tuesday, June 18, 2013. However, if you cannot meet this deadline, we recommend that you fax or email your proxy to D.F. King & Co., Inc. in any event.

### 2. NON-REGISTERED SHAREHOLDERS

If you are a beneficial shareholder (and your share certificate is not registered in your name but is held by a bank, broker or other financial intermediary), please contact D.F. King & Co., Inc. at 1-800-290-6431 in North America, or 1-212-269-5550 outside of North America (collect calls accepted), or by e-mail at [formationmetals@dfking.com](mailto:formationmetals@dfking.com) for instructions on how to vote your shares.

PLEASE DISREGARD ANY PROXY RECEIVED FROM FORMATION'S MANAGEMENT AND NOTE THAT VOTING "WITHHOLD" ON THE MANAGEMENT FORM OF PROXY IS NOT A VOTE FOR THE CONCERNED SHAREHOLDER'S DIRECTOR NOMINEES. IF YOU SUPPORT THE CONCERNED SHAREHOLDER, ONLY COMPLETE AND RETURN THE **BLUE** FORM OF PROXY.

If you require assistance with voting, please direct your questions to D.F. King & Co., Inc. at 1-800-290-6431 in North America, or 1-212-269-5550 outside of North America (collect calls accepted), or by e-mail at [formationmetals@dfking.com](mailto:formationmetals@dfking.com)

For more information on how to vote your shares see the sections entitled "Registered Shareholders" and "Non-Registered Shareholders" below in this Circular.

For questions or assistance, please contact D.F. King & Co., Inc. at 1-800-290-6431 toll-free in North America, or at 1-212-269-5550 outside of North America (collect calls accepted), or by e-mail at [formationmetals@dfking.com](mailto:formationmetals@dfking.com)

**PROTECT YOUR INVESTMENT – VOTE YOUR BLUE PROXY TODAY.**

## NOTICE TO UNITED STATES SHAREHOLDERS

This solicitation of proxies is not subject to the requirements of Section 14(a) of the United States Securities Exchange Act of 1934, as amended (the "**U.S. Exchange Act**"). Accordingly, such solicitation is made in the United States with respect to securities of a Canadian foreign private issuer in accordance with Canadian corporate and securities laws and this Circular has been prepared in accordance with disclosure requirements applicable in Canada. Formation's shareholders in the United States should be aware that such requirements are different from those of the United States applicable to proxy statements under the U.S. Exchange Act.

### FORWARD-LOOKING STATEMENTS AND INFORMATION

Information included, attached to or incorporated by reference into this Concerned Shareholder dissident proxy circular (the "**Circular**") may contain forward-looking statements and forward-looking information within the meaning of applicable securities laws (collectively, "**forward-looking statements**"). All statements, other than statements of historical fact, included or incorporated by reference in this Circular are forward-looking statements, including, without limitation, statements regarding activities, events or developments that the Concerned Shareholder expects or anticipates may occur in the future. These forward-looking statements can be identified by the use of forward-looking words such as "will", "expect", "intend", "plan", "estimate", "anticipate", "believe" or "continue" or similar words or the negative thereof. There can be no assurance that the assumptions, plans, intentions or expectations upon which these forward-looking statements are based will occur. Although the Concerned Shareholder considers such forward-looking statements to be reasonable based on the information currently available, we caution readers not to place undue reliance on forward-looking statements contained in this Circular, which are not a guarantee of performance and are subject to a number of uncertainties and other factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements. These factors include general economic and market conditions, exploration and development risks, volatility of mineral prices, the speculative nature of mineral development, environmental concerns, changes in law and the ability to implement business strategies and pursue business opportunities, amongst others. Shareholders are cautioned that all forward-looking statements involve risks and uncertainties, including those risks and uncertainties detailed in Formation's filings with applicable Canadian securities commissions, copies of which are available for review under Formation's profile on the System for Electronic Document Analysis and Retrieval ("SEDAR") at [www.sedar.com](http://www.sedar.com). We urge you to carefully consider those factors.

The forward-looking statements contained in this Circular are expressly qualified in their entirety by this cautionary statement. The forward-looking statements included in this Circular are made as of the date of this Circular and the Concerned Shareholder undertakes no obligation to publicly update such forward-looking statements to reflect new information, subsequent events or otherwise, except as required by applicable laws.

### CURRENCY

Unless otherwise indicated, all currency reference in this Circular are stated in Canadian dollars.

For questions or assistance, please contact D.F. King & Co., Inc. at 1-800-290-6431 toll-free in North America, or at 1-212-269-5550 outside of North America (collect calls accepted), or by e-mail at [formationmetals@dfking.com](mailto:formationmetals@dfking.com)

**PROTECT YOUR INVESTMENT – VOTE YOUR BLUE PROXY TODAY.**

## CONCERNED SHAREHOLDER INFORMATION CIRCULAR

This information circular, including the letter to shareholders dated June 13, 2013, which is incorporated herein, and any further supplements or amendments and restatements hereof or thereof (together, the “**Circular**”) is furnished in connection with the solicitation by and on behalf of Dundee Corporation (the “**Concerned Shareholder**”, “**Dundee**”, “**we**” or “**our**”) of proxies to be used at the annual general and special meeting (the “**Meeting**”) of holders (“**Shareholders**”) of common shares (“**Shares**”) of Formation Metals Inc. (the “**Company**” or “**Formation**”) scheduled to be held on Friday, June 21, 2013, at 10:00 a.m.(Pacific time), at The Terminal City Club, 837 West Hastings Street, Vancouver, British Columbia, and at any adjournments or postponements thereof, for the purposes set forth in the Notice of Meeting forwarded to shareholders and accompanying the Management Circular referred to below.

**The solicitation of proxies is made by Dundee and is not made by or on behalf of management of the Company (“Management”).** Formation has previously caused to be forwarded to you a management information circular dated as of May 21, 2013 (the “Management Circular”) and a management form of proxy (the “Management Proxy”). For identification purposes, the form of proxy used by Dundee and accompanying this Circular is **BLUE**.

If you support the Concerned Shareholder, only use the **BLUE** form of proxy enclosed with this Circular. If you previously returned a Management Proxy, you are entitled to change your vote. Simply sign, date and return the Blue proxy. A timely delivered, later-dated **BLUE** proxy supersedes a previously completed Management Proxy.

There are currently eight directors serving on Formation’s board of directors elected into a Class (I, II or III) for a term not to exceed three years unless that person ceases to be a director. The term of two directors elected into Class III expires at the Meeting and Management is nominating the incumbent directors for re-election to the board at the Meeting (together, the “**Management Nominees**”). The Concerned Shareholder is soliciting proxies in support of the election of the following two nominees (the “**Concerned Shareholder Nominees**”) to the board of directors of Formation in place of the incumbent management nominees proposed for re-election by Management:

David Christie, P. Geo

Paul A. Carroll, Q.C.

***We recommend that you vote FOR the election of the Concerned Shareholder Nominees (David Christie and Paul A. Carroll, Q.C.).***

**USE ONLY THE BLUE PROXY**

***Please disregard any proxy that you have received or may receive from Management of Formation.***

For questions or assistance, please contact D.F. King & Co., Inc. at 1-800-290-6431 toll-free in North America, or at 1-212-269-5550 outside of North America (collect calls accepted), or by e-mail at [formationmetals@dfking.com](mailto:formationmetals@dfking.com)

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## INFORMATION REGARDING THE CONCERNED SHAREHOLDER AND REASONS FOR THE SOLICITATION

### ***Purpose of Solicitation***

The purpose of this solicitation of proxies by and on behalf of the Concerned Shareholder is to seek your support for the election of the Concerned Shareholder Nominees to the board of directors of Formation (the “**Board**”), as the Concerned Shareholder does not have confidence in the ability of the majority of members of the current board of directors of the Company (the “**Current Board**”) to manage the business and affairs of the Company in a manner which is consistent with the best interests of the Company and its Shareholders. A copy of this Circular, including the accompanying letter to Shareholders, may be obtained, on request, without charge from the Concerned Shareholder's proxy solicitors by contacting them at the respective numbers and addresses set out on the back page of this Circular, or may be obtained on SEDAR at [www.sedar.com](http://www.sedar.com).

### ***The Concerned Shareholder***

Dundee is a Canadian independent publicly traded asset management company listed on the Toronto Stock Exchange (the “**TSX**”) under the symbol “DC.A” ([www.dundeeincorporation.com](http://www.dundeeincorporation.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 and 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.

### ***Reasons for Solicitation***

Set forth below are the principal reasons that the Concerned Shareholder believes that new leadership is needed at Formation.

<b><i>Dismal Share Price Performance - Formation has failed to deliver shareholder value</i></b>
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We, like many of you, invested in Formation 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 (“**Unit**”), each Unit consisting of one Share and one half of a Share purchase warrant (“**Warrant**”) exercisable at \$2.00 per Share for a period of three years, for a total of 11,667,000 Shares and 5,833,500 Warrants. We acquired an additional 3,902,500 Shares in November, 2012 at an average cost of \$0.30 per share or \$1,170,750. 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 \$0.070 at which the Shares closed on the TSX on June 12, 2013 and the Warrants are even farther from being in the money. The market capitalization of the Company was only approximately \$6.4 million as at June 12, 2013, which is only approximately 34% 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 shares have dropped more than 95% from \$1.50 to \$0.070 since we made our initial investment in March 2011, a mere two years ago. We suspect your investment looks just as bad.

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***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\$75 million was for the mine and mill and US\$63.7 million 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 Formation's Annual Information Form dated May 27, 2013, the estimated total cost has now risen to \$173.117 million, an increase of 25% and the amount remaining to be spent is \$118.3 million with \$54.8 million spent on the mine to-date (including amounts spent on long lead times 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 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 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 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 expenses, 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.

***Imprudent and unauthorized sale of Sunshine Refinery***

Despite the fact that Dundee is the largest shareholder of Formation, 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 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 the Meeting. 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 Shareholders of Formation, 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 would include a claim against the current directors of Formation for breach of their fiduciary duty to the Company.

***Management's self-dealing***

Starting as early as 2005, current Management began entering into employment agreements with Formation (the "**Employment Agreements**") under which they have rapidly built up their personal salaries and other monetary perks and awarded themselves generous severance packages in

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circumstances where Management has not performed, the Company is not profitable and the Company is not successfully funding and constructing the Idaho cobalt project.

In our view, and as the following table illustrates, current Management 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 in the Company's management information circulars:

Name	Year	Salary	Option Value	Other	Total
Mari-Ann Green Chief Executive Officer	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
<b>Four year total:</b>		<b>\$892,258</b>	<b>\$377,370</b>	<b>\$135,900</b>	<b>\$1,405,528</b>
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
<b>Four year total:</b>		<b>\$763,058</b>	<b>\$309,295</b>	<b>\$96,850</b>	<b>\$1,169,203</b>
William G. Scales Executive Vice President	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
<b>Four year total:</b>		<b>\$578,275</b>	<b>\$262,011</b>	<b>\$62,184</b>	<b>\$902,470</b>
Paul Farquharson Chief Financial Officer	2013	\$177,770	\$262,011	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
<b>Four year total:</b>		<b>\$619,657</b>	<b>\$253,106</b>	<b>\$76,100</b>	<b>\$948,863</b>
<b>GRAND TOTAL:</b>					<b>\$4,426,064</b>

In addition to what the Concerned Shareholder views as excessive compensation, in our view current Management has awarded itself overly generous termination and change of control benefits given the performance of Management and the Company. The 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 up to an undisclosed maximum amount in certain events, including termination of employment other than for "cause" or if the executive should resign for "good reason" (including a 25% reduction in base annual salary of the executive, relocation of the executive or a "change of control" of Formation or in "certain other circumstances" which are not disclosed by Formation). Through the implementation of such Employment Agreements, the Concerned Shareholder believes that Management has effectively entrenched itself, contrary to the Shareholders' and Company's best interests.

According to the Company's 2013 annual financial statements, the Company may be obligated to pay up to \$3.4 million in the event that the "golden parachutes" in the Employment Agreements are triggered. This would be in addition to the \$4.4 million they have already been paid in the last four years.

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Not only are the Employment Agreements overly generous but the generosity has been ramping up considerably over the last four years as have the salaries and other compensation. It is unclear how the Compensation Committee and the Current Board can justify the payment of such compensation in light of the performance of the Company in that same period.

In our view, the Current Board 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. Furthermore, the Company has failed to publicly file the Employment Agreements on SEDAR, leaving Shareholders in the dark about the details and extent of such self-dealing. In our view, given the high levels of compensation provided in such Employment Agreements compared to the performance of the Company, the Employment Agreements are material to the Company, not entered into in the ordinary course of business, and should therefore have been filed on SEDAR in accordance with applicable securities laws.

### ***Failed Business Strategy***

With the poor leadership by the Current Board, Formation 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 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 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 losing money 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 so that Formation 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.

Dundee is not seeking to increase its voting position or exercise control over the Company. Rather, we are acting as the catalyst on behalf of shareholders who want to see change. We are taking these actions as a last resort to address Management's continuing failures and to protect shareholder value. Dundee is seeking Shareholder support for actions designed to enhance all Shareholders' investments since the current Chief Executive Officer and Current Board have failed to do so.

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## PROPOSED PLAN FOR FORMATION

***The Concerned Shareholder Nominees have the expertise, perspective, experience and track record to provide Formation with the ability to deliver maximum value to its Shareholders.***

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;
- 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.

The time has come for Formation to take a new strategic direction and benefit from a partially reconstituted Board, including the Concerned Shareholder Nominees. Dundee believes that the Concerned Shareholder Nominees individually and collectively possess the experience and skills required to help the Board address the critical issues facing Formation.

The profile of each Concerned Shareholder Nominee is set out in "Matters to be Acted Upon – Election of Directors" at pages 10 - 13.

***The Concerned Shareholder Nominees will practice good corporate governance principles***

When elected, the Concerned Shareholder Nominees will immediately press the Board to institute the following steps:

- the Board hold regular and effective Board meetings to ensure that Formation operates properly as a public company;
- the Board provide meaningful input on the strategic direction, Management, management succession planning, reward systems and major financing initiatives;

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- the Board appoint a functioning Audit Committee, with members that have the necessary education and experience required by National Instrument 52-110 *Audit Committees*, and that fulfills its responsibilities by:
  - assisting the Board with its responsibility for reviewing and approving the financial statements together with other financial information of the Company and for ensuring that Management fulfills its financial reporting responsibilities;
  - meeting with Management to review the financial reporting process and the financial statements together with other financial information of the Company; and
  - reporting its findings to the Board for its consideration in approving the financial statements together with other financial information of the Company for issuance to the shareholders;
- the Board has a functioning Compensation Committee which is able to complete the mandate contemplated by its charter.

**The re-election of the Management Nominees offers nothing more than a continuation of past practice, including an ineffective business strategy, lack of strategic direction, management self-dealing and sub-par corporate governance.**

### ***Conclusion***

In view of the foregoing, the Concerned Shareholder no longer has confidence in the ability of the majority of the members of the current Board to manage the business and affairs of Formation in a manner which is consistent with the best interests of Formation and its Shareholders and, as a result, the Concerned Shareholder favours the election of its Nominees as directors of Formation.

## **MATTERS TO BE ACTED UPON – ELECTION OF DIRECTORS**

### ***Election of Directors***

### ***Management Nominees***

The Current Board has eight members, including three who are senior officers of the Company. Each director of the Company is elected into a Class (I, II or III) for a term not to exceed three years unless that person ceases to be a director. The current Class III directors are J. Scott Bending and Mari-Ann Green whose term expires at the Meeting.

The Management Circular states that Management is nominating the incumbent directors for re-election to the Board as Class III directors for a three-year term expiring at the close of the Company's Annual General Meeting to be held in 2016 or until their earlier resignation or removal in accordance with the *Business Corporations Act* (British Columbia) and the articles of the Company.

### ***Concerned Shareholder Nominees***

Dundee is seeking the election of two Concerned Shareholder Nominees in place of the two Management Nominees.

The two nominees who receive the most “for” votes at the Meeting will be elected as Class III directors.

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The Concerned Shareholder proposes to nominate two highly qualified and experienced individuals set out below for election to the Board at the Meeting.

In the event a nominee is unable to serve or for good cause will not serve, an event that Concerned Shareholder has no reason to believe will occur, the Concerned Shareholder will nominate another person for election as director of the Company and, unless a Shareholder has specified in the accompanying BLUE form of proxy that the Shares represented by such proxy are to be withheld from voting for the election of directors, the Shares represented by such proxy will be voted for the election of the persons named in the following table as directors of the Company.

The following table sets out, in respect of each Concerned Shareholder Nominee, the individual's name, province or state and country of residence, their principal occupation and the number of Shares beneficially owned by them, directly or indirectly or over which they exercise control or direction:

Name and Province and Country of Residence	Principal Occupation <sup>(1)(2)</sup>	Number of FMI Shares Beneficially Owned or Controlled <sup>(3)(4)</sup>
David Christie, P. Geo Ontario, Canada	Vice-President, Goodman & Company, Investment Counsel Inc. (portfolio management and investment fund management firm)	Nil
Paul A. Carroll, Q. C. Ontario, Canada	President, Carnarvon Capital Corporation (corporate management and advisory firm)	Nil

(1) Neither of the Concerned Shareholder Nominees has been or is currently a director of Formation.

(2) The principal occupation of the Concerned Shareholder Nominees for the past five years are described more fully under the heading "*Concerned Shareholder Nominee Profiles*". Except as indicated below, the Concerned Shareholder Nominees have held the same occupation or employment for the five preceding years.

(3) The information as to the number of Shares of the Company beneficially owned or controlled, or directed, directly or indirectly by the Concerned Shareholder Nominees, not being within the knowledge of Concerned Shareholder, has been furnished by such persons as of the date indicated above.

Each of the Concerned Shareholder Nominees has delivered a consent to the Concerned Shareholder consenting to serve as a director, if elected, and meets the director eligibility requirements established under applicable Canadian law. If elected, each Concerned Shareholder Nominee will hold office until the close of the next annual general meeting of Shareholders or until his successor is elected or appointed, unless his office is earlier vacated. If elected, the Concerned Shareholder Nominees intend to discharge their duties as directors of the Company consistent with all applicable legal requirements, including fiduciary obligations imposed on all corporate directors. The Concerned Shareholder Nominees will add highly qualified Directors to the Board, 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. Each of the Concerned Shareholder Nominees is committed to using his own independent business judgment, gained over decades of business leadership, to create long-term value for all of Formation's Shareholders.

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### **Concerned Shareholder Nominee Profiles**

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

**David Christie, P. Geo:** 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, 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 Partners 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 Chief Executive Officer, 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 Chief Executive Officer of Hollinger Inc.). He was a director of the Uranium Institute (now the World Nuclear Association) in 1998.

### **Additional Information**

Neither of the Concerned Shareholder Nominees is, or has been, within 10 years before the date of the Circular, a director or executive officer of any company that, while acting in that capacity:

- (a) was the subject of a cease trade or similar order that denied the relevant company access to any exemption under securities legislation, in each case, that was in effect for a period of more than 30 consecutive days (an “**order**”) other than Mr. Carroll. Mr. Carroll is a director and President and CEO of World Wide Minerals Ltd., a Canadian public company which is subject to a cease trade order issued by the Ontario Securities Commission on May 9, 2011 for failure to file financial statements. Mr. Carroll was an independent director of Argus Corporation Limited from April 2004 to November 2004 and of Hollinger Inc. from August 2004 to July 2005. In those capacities he was subject to a management cease trade order issued by the Ontario Securities Commission on June 3, 2004, as varied, in respect of Argus, and June 1, 2004, as varied, in respect of

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Hollinger. Both management cease trade orders were issued because of Argus' and Hollinger's failure to file their respective financial statements and other requisite reports. Argus and Hollinger were not able to file such financial statements and reports as a result of the non-filing of financial statements by their subsidiary Hollinger International, Inc. (now Sun-Times Media Group, Inc.);

- (b) was subject to an order that was issued after the Concerned Shareholder Nominee ceased to be a director or executive officer and which resulted from an event that occurred while that person was acting in the capacity as director or executive officer; or
- (c) within a year of ceasing to act in the capacity of a director or executive officer, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Neither of the Concerned Shareholder Nominees is, as of the date of this Circular, or has been within 10 years before the date of this Circular, bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director.

Neither of the Concerned Shareholder Nominees has been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in deciding whether to vote for a proposed director.

Neither of the Concerned Shareholder Nominees is to be elected under any arrangement or understanding between such Concerned Shareholder Nominee and any other person or company.

## **OTHER MATTERS TO BE ACTED UPON**

### ***Appointment of Auditors***

The Management Circular states that Management has proposed that the firm Deloitte LLP, Chartered Accountants, be re-appointed as Formation's auditor to hold office until the close of the next annual general meeting of Shareholders and that the Board be authorized to set the remuneration of such auditor.

The representatives named in the accompanying BLUE proxy intend to vote the Shares represented by such proxy for the appointment of Deloitte LLP, Chartered Accountants, as auditor of the Company, to hold office until the close of the next annual meeting of Shareholders or until its successor is duly appointed, and to authorize the Board of Directors to fix its remuneration, unless instructed otherwise.

### ***Adoption of Majority Voting Policy***

The Management Circular states that Management has proposed the adoption of a majority voting policy as described in the Company's Management Circular.

For questions or assistance, please contact D.F. King & Co., Inc. at 1-800-290-6431 toll-free in North America, or at 1-212-269-5550 outside of North America (collect calls accepted), or by e-mail at [formationmetals@dfking.com](mailto:formationmetals@dfking.com)

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The representatives named in the accompanying BLUE proxy intend to vote the Shares represented by such proxy for the adoption of the majority voting policy for non-contested director elections described in the Company's Management Circular.

***Adoption of Advance Notice Policy***

The Management Circular states that Management has proposed the adoption of an advance notice policy for the nomination of directors as described in the Company's Management Circular.

The representatives named in the accompanying BLUE proxy intend to vote the Shares represented by such proxy for the adoption of the advance notice policy for the nomination of directors described in the Company's Management Circular.

***Alteration of Articles of the Company***

The Management Circular states that Management has proposed the alteration of the Articles of the Company to require the annual election of all directors of the Company.

The representatives named in the accompanying BLUE proxy intend to vote the Shares represented by such proxy for the alteration of the Articles of the Company to require the annual election of all directors of the Company described in the Company's Management Circular.

***Re-confirmation of Shareholder Rights Plan***

The Management Circular states that Management has proposed the re-confirmation of the Company's shareholder rights plan as described in the Company's Management Circular.

The representatives named in the accompanying BLUE proxy intend to vote the Shares represented by such proxy for re-confirmation of the Company's shareholder rights plan as described in the Company's Management Circular.

**RECOMMENDATIONS TO SHAREHOLDERS**

**DUNDEE RECOMMENDS**

- **Vote FOR the election of the Concerned Shareholder Nominees named in the accompanying BLUE form of proxy or voting instruction form.**
- **Vote FOR the re-appointment of Deloitte LLP as the auditors of Formation.**
- **Vote FOR the adoption of the majority voting policy for non-contested director elections as described in the Company's Management Circular.**
- **Vote FOR the adoption of the advance notice policy for the nomination of directors as described in the Company's Management Circular.**
- **Vote FOR the alteration of the Articles of the Company to require the annual election of all directors of the Company as described in the Company's Management Circular.**
- **Vote FOR re-confirmation of the Company's shareholder rights plan as described in the Company's Management Circular.**

For questions or assistance, please contact D.F. King & Co., Inc. at 1-800-290-6431 toll-free in North America, or at 1-212-269-5550 outside of North America (collect calls accepted), or by e-mail at [formationmetals@dfking.com](mailto:formationmetals@dfking.com)

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## HOW DUNDEE WILL VOTE THE BLUE PROXIES

The representatives of Dundee designated in the accompanying BLUE form of proxy or voting instruction form will vote your Shares represented by that proxy in accordance with your instructions on any ballot that may be called for at the Meeting.

If you specify a choice with respect to voting in the BLUE form of proxy or voting instruction form, your Shares will be voted accordingly. **If you do not specify a choice in such proxy or in an otherwise valid proxy, the representatives of Dundee designated in the accompanying BLUE form of proxy or voting instruction form currently intend, unless instructed otherwise, to cast the votes represented by each proxy to be submitted by Shareholders in favour of Dundee's proxyholders, as follows:**

- **FOR the election of two of the Concerned Shareholder Nominees named in the accompanying BLUE form of proxy or voting instruction form**
- **FOR the re-appointment of Deloitte LLP as the auditors of Formation .**
- **FOR the adoption of the majority voting policy for non-contested director elections as described in the Company's Management Circular.**
- **FOR the adoption of the advance notice policy for the nomination of directors as described in the Company's Management Circular.**
- **FOR the alteration of the Articles of the Company to require the annual election of all directors of the Company as described in the Company's Management Circular.**
- **FOR re-confirmation of the Company's shareholder rights plan as described in the Company's Management Circular.**

For further details, see "Election of Directors" and "Other Matters to be Acted upon" at pages 10 to 14 of this Circular.

The accompanying BLUE form of proxy or voting instruction form confers discretionary authority upon the persons named therein to vote in the judgment of those persons in respect of amendments or variations, if any, to matters identified in Formation's Notice of Annual General and Special Meeting dated as of May 21, 2013 accompanying the Management Circular and other matters, if any, which may properly come before the Meeting. Dundee knows of no other matters to come before the Meeting other than as set forth herein and in the Management Circular. Should any other matters properly come before the Meeting, the Shares represented by the relevant proxies will be voted on those matters in accordance with the judgment of the persons designated in the BLUE form of proxy or voting instruction form.

For questions or assistance, please contact D.F. King & Co., Inc. at 1-800-290-6431 toll-free in North America, or at 1-212-269-5550 outside of North America (collect calls accepted), or by e-mail at [formationmetals@dfking.com](mailto:formationmetals@dfking.com)

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## GENERAL PROXY INFORMATION

### IF YOU ARE A REGISTERED HOLDER OF SHARES:

If you are a registered shareholder of the Company (meaning your Shares are held by you directly and not by your broker or other intermediary), you should follow the procedures set out in the enclosed **BLUE** proxy and as set out below.

Please sign (in the exact name your Shares are registered) and date the enclosed **BLUE** form of proxy and return it today by fax or e-mail to D.F. King & Co., Inc.:

#### **D.F. King & Co., Inc.**

North American Toll-Free Phone:

**1-800-290-6431**

Outside North America Call Collect: 1-212-269-5550

Email: [formationmetals@dfking.com](mailto:formationmetals@dfking.com)

Fax: 1-212-709-3328

To allow sufficient time for your proxy to be delivered for use at the Meeting, we urge you to sign, date and return your proxy so that it is received **on or before 6 p.m. (Pacific Time) on Tuesday, June 18, 2013**, or if the Meeting is further postponed or adjourned, on or prior to the business day (excluding Saturdays, Sundays and holidays) preceding the date of any adjourned or postponed meeting. The Concerned Shareholder will also make every effort to deliver proxies received after that time for use at the meeting.

**DUE TO TIMING CONCERNS, IF POSSIBLE YOU SHOULD EMAIL OR FAX YOUR SIGNED BLUE PROXY, RATHER THAN FORWARDING BY MAIL, TO D.F. KING & CO., INC. AS SET OUT ABOVE.**

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

To allow sufficient time for your legal (restricted) proxy to be delivered for use at the Meeting, please contact D.F. King & Co., Inc. at 1-800-290-6431 toll-free in North America, or 1-212-269-5550 outside of North America (collect calls accepted), or by e-mail at [formationmetals@dfking.com](mailto:formationmetals@dfking.com) for instructions on how to vote your Shares. Please see the section "Non-Registered (Beneficial) Holders of Shares" on page 21 for additional details. **It is important that you act promptly.**

### ***Appointment and Revocation of Proxies***

The representatives of Dundee designated as proxyholders in the accompanying **BLUE** form of proxy or voting instruction form are David Christie, P. Geo, or failing him, Paul A. Carroll, Q.C.

**A Shareholder has the right to appoint a person (who need not be a Shareholder) other than the persons designated in any form of proxy or voting instruction form provided to the**

For questions or assistance, please contact D.F. King & Co., Inc. at 1-800-290-6431 toll-free in North America, or at 1-212-269-5550 outside of North America (collect calls accepted), or by e-mail at [formationmetals@dfking.com](mailto:formationmetals@dfking.com)

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**Shareholder, to represent the Shareholder at the Meeting. You may exercise this right by inserting the name of the person you wish to appoint as your representative in the blank space provided in the form of proxy or voting instruction form or by submitting another appropriate form of proxy.** If you beneficially own your Shares but are not the registered holder, see "Non-Registered (Beneficial) Holders of Shares" on page 19 of this Circular for important information about how to appoint a representative of the Concerned Shareholder as proxyholder for your Shares.

A properly completed form of proxy will automatically revoke an earlier form of proxy submitted by you in respect of the Meeting. If you are a registered holder of Shares you may also revoke a proxy you have already given to Management or any other form of proxy previously given by you by attending the Meeting and indicating your wish to vote in person.

### ***Revocation of Proxies***

If you are a registered holder of Shares and you have given a proxy, you may revoke it:

1. by completing and signing a valid proxy bearing a later date and returning it in accordance with the instructions contained in the accompanying BLUE form of proxy, or as otherwise provided in this Circular; or
2. by depositing an instrument in writing executed by you or by your attorney authorized in writing, as the case may be: (i) at the registered office of Formation and fax a copy to D.F. King & Co., Inc. at 1-212-709-3328, at any time up to and including the last business day preceding the day the Meeting or any adjournment or postponement of the Meeting is to be held, or (ii) with the chairman of the Meeting prior to its commencement on the day of the Meeting or any adjournment or postponement of the Meeting; or
3. in any other manner permitted by law.

If you are the beneficial owner, but not the registered holder, of your Shares, see "Non-Registered (Beneficial) Holders of Shares" on page 17 of this Circular for instructions on how to revoke any proxies you previously deposited in connection with the Meeting.

### ***Non-Registered (Beneficial) Holders of Shares***

Only registered holders of Shares, or the persons they appoint as their proxyholders, are entitled to vote at the Meeting. However, in many cases, Shares beneficially owned by a holder (a "Non-Registered Holder") are registered in the name of either:

1. an intermediary (each an "Intermediary") that the Non-Registered Holder deals with in respect of the Shares. Intermediaries include banks, trust companies, securities dealers or brokers, and trustees or administrators of self-administered RRSPs, RRIFs, RESPs and similar plans; or
2. a depository (such as The Canadian Depository for Securities Limited in Canada or Cede & Co. in the United States).

If you are a Non-Registered Holder and have received these materials, please contact D.F. King & Co., Inc. at **1-800-290-6431** toll-free in North America, or 1-212-269-5550 outside of North America (collect calls accepted), or by e-mail at [formationmetals@dfking.com](mailto:formationmetals@dfking.com) for instructions on how to vote your Shares.

A Non-Registered Holder may revoke a form of proxy or voting instructions given to an intermediary at any time by written notice to the intermediary in accordance with the instructions given to the Non-Registered Holder by D.F. King & Co., Inc.

For questions or assistance, please contact D.F. King & Co., Inc. at 1-800-290-6431 toll-free in North America, or at 1-212-269-5550 outside of North America (collect calls accepted), or by e-mail at [formationmetals@dfking.com](mailto:formationmetals@dfking.com)

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### ***Solicitation of Proxies***

This Circular is furnished in connection with the solicitation by and on behalf of Concerned Shareholder of proxies to be used at the Meeting. Proxies may be solicited by mail, telephone, fax, email or other electronic means and in person by or on behalf of the Concerned Shareholder. In addition, the Concerned Shareholder may solicit proxies by way of public broadcast, including press release, speech, publication, a statement or an advertisement through a broadcast medium or by a telephone conference call or electronic or other communication facility generally available to the public or in a newspaper, a magazine, a website or other publication generally available to the public and any other manner permitted under applicable Canadian laws.

The Concerned Shareholder has retained D.F. King & Co., Inc. to facilitate this solicitation for a fee of up to approximately \$50,000 for its services plus disbursements.

The costs incurred in the preparation of this Circular and the solicitation will be borne by the Concerned Shareholder. However, the Concerned Shareholder intends to seek reimbursement from the Company for its out of pocket expenses incurred in connection with the solicitation of proxies for the Meeting, including the fees and expenses paid to D.F. King & Co., Inc. and legal fees.

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

### **OUTSTANDING SHARES & PRINCIPAL HOLDERS**

#### ***Shareholders Entitled to Vote***

The Company has fixed May 21, 2013 as the record date (the "Record Date") for the purposes of determining holders of Shares entitled to receive notice of and to vote at the Meeting. The right to vote at the Meeting is limited to holders of Shares of record as at the close of business on the Record Date.

According to the Management Circular, there were 90,887,205 Shares outstanding as of the Record Date. In determining the number of outstanding Shares, Dundee has relied exclusively on the disclosure set out in the Management Circular.

#### ***Principal Holders of Voting Securities***

Except as set forth below, information regarding the beneficial ownership, control or direction over Shares held other than by Dundee is not within the knowledge of Dundee. For this information, please refer to the Management Circular.

As of the Record Date, Dundee owned an aggregate of 15,519,500 Shares, representing approximately 17.08% of the Shares outstanding as at the Record Date.

### **INTERESTS IN MATERIAL TRANSACTIONS AND MATTERS TO BE ACTED UPON AT THE MEETING**

Except as otherwise disclosed in this Circular, to the knowledge of Dundee, neither Dundee nor any of its managers, directors or officers, or any associates or affiliates of the foregoing, nor any of the Concerned Shareholder Nominees, or their respective associates or affiliates, has:

- any material interest, direct or indirect, in any transaction since the beginning of the

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Company's most recently completed financial year or in any proposed transaction that has materially affected or would materially affect the Company or any of its subsidiaries; or

- any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter currently known to be acted upon at the Meeting other than the election of directors.

Except as disclosed above, information concerning any material interests, direct or indirect, of any director or executive officer of the Company, any other "informed person" (as such term is defined in National Instrument 51-102 – *Continuous Disclosure Obligations*), any person who, to the knowledge of the directors or officers of the Company, beneficially owns or exercises control or direction over securities carrying more than 10% of the voting rights attached to any class of outstanding voting securities of the Company or any associate or affiliate of any of the foregoing, in any transaction since the beginning of the Company's most recently completed financial year or in any proposed transaction which has materially affected or would materially affect the Company or any of its subsidiaries, or in any matter to be acted upon at the Meeting, is not within the knowledge of Dundee. For this information, please refer to the Management Circular.

### INFORMATION CONTAINED IN THIS CIRCULAR

Certain information concerning the Company contained in this Circular has been taken from or is based upon publicly available documents or records on file with Canadian securities regulatory authorities (including the Management Circular) and other public sources. Although the Concerned Shareholder has no knowledge that would indicate that any statements contained in this Circular that are taken from or based upon those documents and records or other public sources are untrue or incomplete, the Concerned Shareholder does not assume and expressly disclaims any responsibility for the accuracy or completeness of the information taken from or based upon those documents, records and other public sources, or for any failure by the Company to disclose publicly events or facts that may have occurred or that may affect the significance or accuracy of any such information, but that are unknown to the Concerned Shareholder.

This Circular does not constitute an offer to sell, or a solicitation of an offer to purchase, any securities, or the solicitation of a proxy, by any person in any jurisdiction in which such an offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such an offer or solicitation of an offer or proxy solicitation. The delivery of this Circular will not, under any circumstances, create an implication that there has been no change in the information set forth herein since the date as of which such information is given in this Circular.

A copy of this Circular, including the accompanying letter to Shareholders, may be obtained, on request, without charge from Dundee's proxy solicitation agent, D.F. King & Co., Inc. by contacting them at the numbers or address set out on the back page of this Circular, or may be obtained on SEDAR at [www.sedar.com](http://www.sedar.com).

### INFORMATION REGARDING THE COMPANY

Additional information relating to the Company, including its Annual Information Form and the Management Circular, is filed with Canadian Securities Administrators. This information can be accessed through the SEDAR at [www.sedar.com](http://www.sedar.com).

For questions or assistance, please contact D.F. King & Co., Inc. at 1-800-290-6431 toll-free in North America, or at 1-212-269-5550 outside of North America (collect calls accepted), or by e-mail at [formationmetals@dfking.com](mailto:formationmetals@dfking.com)

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**CERTIFICATE**

Unless otherwise indicated, the information contained in this Circular is given as of the date of this Circular. The contents and sending of this Circular have been approved by Concerned Shareholder.

June 13, 2013

Dundee Corporation

A handwritten signature in black ink, appearing to read "Ned Goodman", written in a cursive style.

By:

Ned Goodman

President and Chief Executive Officer

For questions or assistance, please contact D.F. King & Co., Inc. at 1-800-290-6431 toll-free in North America, or at 1-212-269-5550 outside of North America (collect calls accepted), or by e-mail at [formationmetals@dfking.com](mailto:formationmetals@dfking.com)

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Any questions and requests for assistance may be directed to the  
Proxy Solicitation Agent:

**D.F. King & Co., Inc.**

**North American Toll Free Phone:**

**1-800-290-6431**

**Email: [formationmetals@dfking.com](mailto:formationmetals@dfking.com)**

**Facsimile: 1-212-709-3328**

**Outside North America, Banks and Brokers Call Collect: 1-212-269-5550**

For questions or assistance, please contact D.F. King & Co., Inc. at 1-800-290-6431 toll-free in North America, or at 1-212-269-5550 outside of North America (collect calls accepted), or by e-mail at [formationmetals@dfking.com](mailto:formationmetals@dfking.com)

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