



# **SHANE RESOURCES LTD.**

## **MANAGEMENT INFORMATION CIRCULAR FOR THE ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS**

**DATED JANUARY 6, 2014**

Meeting Date and Time: January 31, 2014  
at 10:00 a.m. (Saskatoon time)

Place: Suite 272, 2366 Avenue C North  
Saskatoon, Saskatchewan S7L 5X5



January 6, 2014

Dear Shareholder:

You are invited to attend the Annual General and Special Meeting (the "**Meeting**") of the shareholders of Shane Resources Ltd. ("**Shane**", or the "**Company**"). The Meeting will be held on January 31, 2014 at 10:00 a.m. (Saskatoon time), at the Company's head office at Suite 272, 2366 Avenue C North, Saskatoon, Saskatchewan.

At the Meeting, in addition to dealing with the election of directors and appointment of auditors, shareholders will be asked to consider and, if deemed advisable, to approve a special resolution (the "**Sale Resolution**") authorizing the sale of substantially all of the Company's assets, including its entire interest in its Don's Lake project, its Brownell Lake project, its Munro Lake project and its Golden Band NSR (collectively, the "**Shane Projects**") to Star Minerals Group Ltd. (the "**Purchaser**" or "**Star**") or such third party as may exercise an existing right of first refusal over any portion thereof, for a combination of cash and common shares of Star (the "**Transaction**"). After completion of the Transaction, the Company will have no further interest in the Shane Projects.

In addition, at the Meeting shareholders will be asked to consider, and if deemed advisable, to approve a special resolution authorizing the voluntary liquidation and dissolution of the Company (the "**Liquidation**"), including the payment and/or conversion of all outstanding liabilities of the Company into common shares of the Company and then a special dividend to all Shane shareholders of any remaining assets of the Company, which may include an *in specie* dividend of any publically traded shares received as part of the consideration for the sale of its assets (the "**Liquidation Resolution**").

In addition, at the Meeting shareholders will be asked to consider, and if deemed advisable, to approve a resolution on a "majority of the minority" basis authorizing the Company to de-list its securities from any applicable stock exchange (the "**De-listing Resolution**") (the Sale Resolution, the Liquidation Resolution and the De-listing Resolution collectively, the "**Transaction Resolutions**").

The transactions contemplated by the Transaction Resolutions have been unanimously recommended by the Company's directors. Despite the Company's efforts to conserve cash, including the deferral of management salaries, the liquidity position of the Company has deteriorated as a result of various factors, including unavoidable general and administrative costs, regulatory compliance costs and an inability to secure additional sources of financing to fund its working capital needs and project exploration. At a time of reduced industry interest in undeveloped mineral projects, the Company has been unsuccessful at attracting new funding. Due to these factors, together with the realization that Shane does not have the financial resources to be able to fund its ongoing operations, the Company decided that it should pursue a sale of its interests in the Shane Projects.

Absent the Transaction, and in light of current equity market conditions, it is unlikely that the Company would be able to raise the funds necessary to maintain operations and achieve its objectives, and as a result, there is serious and significant doubt cast on the Company's ability to continue as a going concern. If the Transaction is not completed the Company faces the real and present risk that it will have to undertake bankruptcy and insolvency proceedings, which are expected to prejudice the Company's ability to realize value for its assets both in the near future or at all. Given the current market climate, the board of directors of Shane (the "**Board**" or the "**Shane Board**") believes that there is significant uncertainty as to the value that might be realized for the Company's assets in an involuntary liquidation scenario, and that pursuit of the Transaction would be in the best interests of the Company and its stakeholders.

Star and the Company have entered into a purchase and sale agreement in respect of the Shane Projects (the “**Purchase Agreement**”), which provides that the purchase price shall be \$655,000, payable by the issuance and delivery to the Company of an aggregate of 12,000,000 common shares in the share capital of the Purchaser (the “**Consideration Shares**”) at a deemed value of \$0.05 per Consideration Share (calculated on a pre-consolidation basis) and \$55,000 in cash. It is a condition precedent of the Purchase Agreement that an existing right of first refusal held by Claude Resources Inc. (the “**ROFR**”) in respect of a portion of the Shane Projects be expired or waived. In the event that the ROFR is exercised the Sale Resolution will authorize the Shane Board to proceed with that alternative transaction. In the event that the transactions contemplated by the Purchase Agreement and the ROFR are not completed the Sale Resolution will authorize the Shane Board to seek out and complete an alternate sale transaction on such terms as the Shane Board may determine. On January 3, 2014 Claude Resources delivered notice to the Company that it had elected to not exercise its right of first refusal.

The net proceeds from the sale of the Shane Projects will be used to settle outstanding obligations of the Company and for general corporate purposes and any remaining proceeds will be distributed to the shareholders of Shane on a pro rata basis as described in the accompanying management information circular.

To be effective, each of the Sale Resolution and the Liquidation Resolution must be passed by at least 66<sup>2/3</sup>% of the votes cast by shareholders present in person or represented by proxy and the De-listing resolution must be passed on a “majority of the minority” basis. The closing of the Transaction is also subject to certain conditions as described in the accompanying management information circular.

**Our board of directors has unanimously determined that the transactions contemplated by the Transaction Resolutions are in the best interests of Shane and its shareholders. Accordingly, the Board is unanimously recommending that you vote in favour of the Transaction Resolutions at the Meeting.**

In connection with the Transaction, certain creditors, including management of the Company, have indicated a willingness to accept reduced cash payments and an aggregate of 1,200,000 of the Consideration Shares (calculated on a pre-consolidation basis) to be received by Shane as full and final settlement of all amounts owing to such persons, conditional upon the closing of the Transaction as contemplated by the Purchase Agreement.

The accompanying management information circular contains a detailed description of the Transaction and the Meeting. Please read this information carefully, and if you require assistance, consult your own legal, tax, financial or other professional advisor.

Yours truly,

*“Kyle Kozuska”*

Kyle Kozuska  
Chief Executive Officer, President and Director

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## NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT the Annual General and Special Meeting (the “**Meeting**”) of the shareholders (the “**Shareholders**”) of Shane Resources Ltd. (the “**Company**”) will be held at Suite 272, 2366 Avenue C North, Saskatoon, Saskatchewan, S7L 5X5 on January 31, 2014 at 10:00 a.m. (Saskatoon time) for the following purposes:

1. To receive the consolidated financial statements of the Company for the financial year ended December 31, 2012, together with the auditors’ report thereon and the unaudited interim financial statements of the Company for the period ended September 30, 2013.
2. To fix the number of directors elected at the Meeting at three (3).
3. To elect the directors of the Company for the ensuing year.
4. To reappoint Davidson & Company LLP, Chartered Accountants, as auditors of the Company to hold office until the next annual general meeting at a remuneration to be fixed by the board of directors.
5. To consider and, if deemed advisable, to approve, by way of an ordinary resolution on a “majority of the minority” basis, the de-listing of the Company’s common shares from any applicable stock exchange as described in the attached Information Circular, the full text of which resolution (the “**De-listing Resolution**”) is set out in Schedule “A” in the attached Information Circular.
6. To consider and, if deemed advisable, to approve, by way of special resolution, with or without variation, the sale of substantially all of the Company’s assets as described in the attached Information Circular, the full text of which resolution (the “**Sale Resolution**”) is set out in Schedule “A” in the attached Information Circular.
7. To consider and, if deemed advisable, to adopt a special resolution providing for the voluntary liquidation and dissolution of the Company pursuant to Section 204 of *The Business Corporations Act* (Saskatchewan) and a reduction of the stated capital account in respect of the Company’s common shares, as described in the attached Information Circular, the full text of which resolution (collectively, the “**Liquidation Resolution**”) is set out in Schedule “A” in the attached Information Circular.
8. To ratify and approve the continuation of the Company’s stock option plan.
9. To transact such further and other business as may be properly brought before the Meeting or any and all adjournments or postponements thereof.

Accompanying this Notice of Meeting is an Information Circular, a form of proxy and a reply card for use by Shareholders who wish to receive the Company’s financial statements. The accompanying Information Circular provides additional information relating to the matters to be dealt with at the Meeting and is incorporated into this Notice of Meeting.

Only shareholders of record at the close of business on December 30, 2013 will be entitled to receive notice of, and to vote at, the Meeting or any and all adjournments or postponements thereof.

Take notice that if you are a registered Shareholder, under applicable law, you are entitled to deliver a notice of dissent with respect to the Sale Resolution. Dissenting Shareholders must send any written notice of dissent to

the Company at its head office at Suite 272, 2366 Avenue C North, Saskatoon, Saskatchewan, S7L 5X5, or its registered office at 119 4th Avenue South, Saskatoon, Saskatchewan, S7L 5X2, or by facsimile at (306) 244-0042 by no later than the commencement of the Meeting.

If the Transaction Resolutions become effective and the Transaction is completed, Shareholders who validly exercise their dissent rights and do not withdraw their dissent will be entitled to receive the “fair value” of their common shares in accordance with the provisions of Section 184 of *The Business Corporations Act* (Saskatchewan) (the “SBCA”). Shareholders should be aware that simply voting against the resolutions to approve the Transaction at the Meeting does not constitute the exercise of dissent rights and a Shareholder will lose its right to dissent by voting in favour of the Transaction.

**The method of sending the notice of dissent in compliance with the articles of the Company and the SBCA is at the option and risk of the Shareholder sending such notice. The Company recommends that the notice of dissent be delivered by facsimile. If the notice of dissent is mailed, the Company recommends that registered mail with return receipt or acknowledgment of receipt be used. It is suggested that any such mailing be made 48 hours in advance of the Meeting.**

If you are a non-registered Shareholder, you can only exercise a right of dissent by contacting your broker or other financial intermediary and having them take the necessary steps to exercise dissent on your behalf.

DATED at Saskatoon, Saskatchewan, this 6<sup>th</sup> day of January, 2014.

BY ORDER OF THE BOARD

*“Kyle Kozuska”*

Kyle Kozuska  
President and Chief Executive Officer



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## INFORMATION CIRCULAR

as at January 6, 2014 (except as otherwise indicated)

**This Information Circular is furnished in connection with the solicitation of proxies by the management of Shane Resources Ltd. (the “Company”) for use at the annual and special meeting of its shareholders to be held on January 31, 2014 or any adjournment thereof (the “Meeting”) at the time and place and for the purposes set forth in the accompanying notice of the Meeting.**

In this Information Circular, references to the “Company,” “Shane,” “we” and “our” refer to Shane Resources Ltd. “Common Shares” or “Shares” means common shares without par value in the capital of the Company. “Beneficial Shareholders” means shareholders who do not hold Common Shares in their own name and “intermediaries” refers to brokers, investment firms, clearing houses and similar entities that own securities on behalf of Beneficial Shareholders.

## **GENERAL PROXY INFORMATION**

### **Solicitation of Proxies**

The solicitation of proxies by the Company for use at the Meeting will be primarily by mail, but proxies may be solicited personally or by telephone by directors, officers and regular employees of the Company. The Company will bear all costs of this solicitation. We have arranged for intermediaries to forward the meeting materials to beneficial owners of the Common Shares held of record by those intermediaries and we may reimburse the intermediaries for their reasonable fees and disbursements in that regard.

### **Appointment of Proxyholders**

The individuals named in the accompanying form of proxy (the “Proxy”) are officers and directors of the Company. **If you are a shareholder entitled to vote at the Meeting, you have the right to appoint a person or company other than either of the persons designated in the Proxy, who need not be a shareholder, to attend, act and vote for you and on your behalf at the Meeting. You may do so either by inserting the name of that other person in the blank space provided in the Proxy or by completing and delivering another suitable form of proxy.**

### **Voting by Proxyholder**

The persons named in the Proxy will vote or withhold from voting the Common Shares represented thereby in accordance with your instructions on any ballot that may be called for. If you specify a choice with respect to



any matter to be acted upon, your Common Shares will be voted accordingly. The Proxy confers discretionary authority on the persons named therein with respect to:

- (a) each matter or group of matters identified therein for which a choice is not specified, other than the appointment of an auditor and the election of directors;
- (b) any amendment to or variation of any matter identified therein; and
- (c) any other matter that properly comes before the Meeting.

In respect of a matter listed on the Proxy for which a choice is not specified in the Proxy, the persons named in the Proxy will vote the Common Shares represented by the Proxy “**FOR**” such matter.

### **Registered Shareholders**

Registered Shareholders may wish to vote by proxy whether or not they are able to attend the Meeting in person. Registered Shareholders electing to submit a proxy may do so by:

- (a) completing, dating and signing the enclosed form of proxy and returning it to the Company’s transfer agent, Computershare Investor Services Inc., by fax within Canada and the USA at 1-866-249-7775, outside Canada and the USA at (416) 263-9524, or by mail or by hand delivery at 3<sup>rd</sup> Floor, 510 Burrard Street, Saskatoon, Saskatchewan, Canada V6C 3B9;
- (b) using a touch-tone phone to transmit voting choices to 1-866-732-8683. Registered shareholders must follow the instructions of the voice response system and refer to the enclosed proxy form for the toll free number, the holder’s control number and the proxy access number; or
- (c) using the internet through the website of the Company’s transfer agent at [www.investorvote.com](http://www.investorvote.com). Registered Shareholders must follow the instructions that appear on the screen and refer to the enclosed form of Proxy for the holder’s control number and the proxy access number;

in all cases ensuring that the proxy is received at least 48 hours (excluding Saturdays, Sundays and holidays) before the Meeting or the adjournment thereof at which the proxy is to be used.

### **Beneficial Shareholders**

The following information is of significant importance to shareholders who do not hold Common Shares in their own name. Beneficial Shareholders should note that the only proxies that can be recognized and acted upon at the Meeting are those deposited by registered shareholders (those whose names appear on the records of the Company as the registered holders of Common Shares) or by an intermediary on behalf of a Beneficial Shareholder as set out below.

If Common Shares are listed in an account statement provided to a shareholder by a broker, then in almost all cases those Common Shares will not be registered in the shareholder’s name on the records of the Company and the holder would be considered a “Beneficial Shareholder”. Such Common Shares will more likely be registered under the names of the shareholder’s broker or an agent of that broker (an “intermediary”). In the United States, the vast majority of such Common Shares are registered under the name of Cede & Co. as nominee for The Depository Trust Company (which acts as depository for many U.S. brokerage firms and custodian banks), and in Canada, under the name of CDS & Co. (the registration name for The Canadian Depository for Securities Limited, which acts as nominee for many Canadian brokerage firms).

Intermediaries are required to seek voting instructions from Beneficial Shareholders on whose behalf they hold Shares in advance of voting those Shares at any meeting of shareholders. Every intermediary has its own procedures and provides its own return instructions to clients to seek voting instructions.

There are two kinds of Beneficial Owners: those who object to their name being made known to the issuers of securities which they own (called “**OBOs**” for Objecting Beneficial Owners) and those who do not object to the issuers of the securities they own knowing who they are (called “**NOBOs**” for Non-Objecting Beneficial Owners).

The Company is taking advantage of the provisions of National Instrument 54-101 - *Communication with Beneficial Owners of Securities of a Reporting Issuer* that permit it to directly deliver proxy-related materials to its NOBOs. As a result NOBOs can expect to receive a scannable Voting Instruction Form (“**VIF**”) from our transfer agent, Computershare Trust Company of Canada (“**Computershare**”). These VIFs are to be completed and returned to Computershare in the envelope provided or by facsimile. In addition, Computershare provides both telephone voting and internet voting as described on the VIF itself which contain complete instructions. Computershare will tabulate the results of the VIFs received from NOBOs and will provide appropriate instructions at the Meeting with respect to the Shares represented by the VIFs they receive.

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

By choosing to send these materials to you directly, the Company (and not the intermediary holding on your behalf) has assumed responsibility for (a) delivering these materials to you, and (b) executing your proper voting instructions. Please return your voting instructions as specified in your request for voting instructions.

***Beneficial Shareholders who are OBOs should follow the instructions of their intermediary carefully to ensure that their Common Shares are voted at the Meeting.***

The form of VIF supplied to you by your broker will be similar to the proxy provided to registered shareholders by the Company. However, its purpose is limited to instructing the intermediary on how to vote your Common Shares on your behalf. Most brokers now delegate responsibility for obtaining instructions from OBOs to Broadridge Financial Solutions, Inc. (“**Broadridge**”) in the United States and in Canada. Broadridge mails a VIF in lieu of a proxy provided by the Company. The VIF will name the same persons as the Company’s Proxy to represent you at the Meeting. You have the right to appoint a person (who need not be a Beneficial Shareholder of the Company), other than any of the persons designated in the VIF, to represent you at the Meeting. You may appoint yourself on your VIF to attend and vote your Shares at the Meeting. To exercise this right, you should insert the name of the desired representative (which may be yourself) in the blank space provided in the VIF. The completed VIF must then be returned to Broadridge by mail or facsimile or given to Broadridge by phone or over the internet, in accordance with Broadridge’s instructions. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Common Shares to be represented at the Meeting and the appointment of any shareholder’s representative.

**If you receive a VIF from Broadridge, the VIF must be completed and returned to Broadridge, in accordance with its instructions, well in advance of the Meeting in order to have your Common Shares voted or to have an alternate representative duly appointed to attend and to vote your Common Shares at the Meeting.**

## **Notice to Shareholders in the United States**

The solicitation of proxies involve securities of an issuer located in Canada and is being effected in accordance with the corporate laws of the Province of Saskatchewan, Canada and securities laws of the provinces of Canada. The proxy solicitation rules under the United States Securities Exchange Act of 1934, as amended, are not applicable to the Company or this solicitation, and this solicitation has been prepared in accordance with the disclosure requirements of the securities laws of the provinces of Canada. Shareholders should be aware that disclosure requirements under the securities laws of the provinces of Canada differ from the disclosure requirements under United States securities laws.

The enforcement by shareholders of civil liabilities under United States federal securities laws may be affected adversely by the fact that the Company is incorporated under *The Business Corporations Act* (Saskatchewan), as amended, certain of its directors and its executive officers are residents of Canada and a substantial portion of its assets and the assets of such persons are located outside the United States. Shareholders may not be able to sue a foreign company or its officers or directors in a foreign court for violations of United States federal securities laws. It may be difficult to compel a foreign company and its officers and directors to subject themselves to a judgment by a United States court.

## **Revocation of Proxies**

In addition to revocation in any other manner permitted by law, a registered shareholder who has given a proxy may revoke it by:

- (a) executing a proxy bearing a later date and depositing it as provided above;
- (b) executing a valid notice of revocation, and delivering it to the Company at Suite 272, 2366 Avenue C North Saskatoon, Saskatchewan S7L 5X5, at any time up to and including the last business day that precedes the day of the Meeting, or to the chairman of the Meeting on the day of the Meeting;
- (c) personally attending the Meeting and voting the registered shareholder's Common Shares; or
- (d) in any other manner provided by law.

Beneficial shareholders who wish to change their vote must arrange for their respective intermediaries to revoke a proxy on their behalf.

A revocation of a proxy will not affect a matter on which a vote has already been taken before the revocation.

## **FORWARD LOOKING STATEMENTS**

This Information Circular contains forward-looking statements and forward-looking information (collectively referred to as "forward-looking statements") regarding the expected timeline for holding the meeting of Shareholders; receipt of necessary approvals and completion of the Transaction, as well as the expected use of proceeds from the Transaction; Shane's expected financial position, including estimated assets and liabilities; the possibility of bankruptcy if the Transaction is not completed; the process and timing for completion of the Liquidation.

These forward-looking statements are based on assumptions and judgments of management regarding future events or results that may prove to be inaccurate as a result of the ability to obtain shareholder and regulatory approvals, market conditions for securities, commodities prices, the availability of capital on terms acceptable to Shane, and other risk factors beyond Shane's control.

Readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions which may have been used. Completion of the Transaction, Shane’s actual results and financial position and completion of the Liquidation could differ materially from those anticipated in such forward-looking statements as a result of numerous factors, many of which are beyond Shane’s control. These factors include, but are not necessarily limited to, shareholder and regulatory and other approvals, regulatory review and general market and industry conditions and the uncertainty of the available assets for distribution pursuant to the Liquidation. There is no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on this information. Shane does not undertake to update any forward-looking statements, except as, and to the extent required by, applicable securities laws. For more information about the risks and challenges of Shane’s business, investors should review this Information Circular, and its management’s discussion and analysis available at [www.sedar.com](http://www.sedar.com).

**INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON**

To the knowledge of management of the Company, no informed person or nominee for election as a director of the Company, or any associate or affiliate of an informed person or proposed director, has or had any material interest, direct or indirect, in any transaction during the 2012 financial year or completed interim periods in 2013 or in any proposed transaction which has materially affected or will materially affect the Company or any of its subsidiaries other than as set out herein.

**VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES**

The board of directors (the “**Board**” or “**Shane Board**”) of the Company has fixed December 30, 2013 as the record date (the “**Record Date**”) for determination of persons entitled to receive notice of and to vote at the Meeting. Only shareholders of record at the close of business on the Record Date who either attend the Meeting personally or complete, sign and deliver a form of proxy in the manner and subject to the provisions described above will be entitled to vote or to have their Common Shares voted at the Meeting. A quorum for the Meeting is two persons who are, or who represent by proxy, shareholders who, in the aggregate, hold at least 5% of the issued Common Shares entitled to be voted at the Meeting.

The Common Shares of the Company are listed for trading on the NEX board of the TSX Venture Exchange (the “**NEX**”). The Company is authorized to issue an unlimited number of Common Shares without par value. As of the Record Date there were 26,490,750 Common Shares issued and outstanding, each carrying the right to one vote. The Company is also authorized to issue an unlimited number of preferred shares, of which none are outstanding.

To the knowledge of the directors and executive officers of the Company, the only persons or corporations that beneficially owned, directly or indirectly, or exercised control or direction over, Common Shares carrying more than 10% of the voting rights attached to all outstanding Common Shares as at the Record Date are:

<b>Shareholder Name</b>	<b>Number of Common Shares Held<sup>(1)</sup></b>	<b>Percentage of Issued Common Shares</b>
Dale Tingley	4,420,000	16.7%

Note:

(1) This information was supplied to the Company by the shareholder.

## **VOTES NECESSARY TO PASS RESOLUTIONS**

At the Meeting, shareholders will be asked to pass the Sale Resolution, the Liquidation Resolution and the De-listing Resolution described in Schedule "A" to this Information Circular (the "**Transaction Resolutions**"). The Sale Resolution and the Liquidation Resolution each require a special resolution which must be approved by at least 66<sup>2/3</sup>% of the votes cast by the shareholders present in person or voting by proxy at the Meeting. The De-listing Resolution requires an ordinary resolution on a "majority of the minority" basis, which must be approved by a resolution passed by at least 50% of the votes cast by the shareholders present in person or voting by proxy at the Meeting other than those held by "Non-Arm's Length Parties" (as defined in the policies of the NEX), which includes directors, officers and insiders of the Company.

The election of directors, the appointment of the Company's auditor and the re-approval of the Company's stock option plan each requires an ordinary resolution which must be approved by a resolution passed by at least 50% of the votes cast by the shareholders present in person or voting by proxy at the Meeting.

If there are more nominees for election as directors than there are vacancies to fill, those nominees receiving the greatest number of votes will be elected or appointed, as the case may be, until all such vacancies have been filled. If the number of nominees for election or appointment is equal to the number of vacancies to be filled, all such nominees will be declared elected or appointed by acclamation.

## **PARTICULARS OF MATTERS TO BE ACTED UPON**

### **APPROVAL OF THE SALE OF SHANE'S INTEREST IN THE SHANE PROJECTS**

At the Meeting, shareholders will be asked to consider and, if deemed advisable, approve with or without variation the Transaction Resolutions authorizing sale of the Company's entire interest in the Shane Projects to Star Minerals Group Ltd. (the "**Purchaser**" or "**Star**"). Pursuant to the terms of an asset and share purchase agreement (the "**Purchase Agreement**") dated December 17, 2013 between the Company and the Purchaser, the Company has agreed to sell to the Purchaser all of its interest in the Shane Projects, for consideration of an aggregate of \$655,000, payable as to \$55,000 in cash and the balance by way of issuance of 12,000,000 common shares of Star (the "**Transaction**"), subject to adjustment as a result of the 3 to 1 consolidation of Star's common shares as announced on December 24, 2013. After completion of the Transaction, the Company will have no further interest in the Shane Projects.

The full text of the proposed resolutions to approve the Transaction is set out as the Transaction Resolutions in Schedule "A" attached hereto. The following is a description of the background to the Transaction, the reasons which led the Board to conclude that the Transaction is in the best interests of the Company and that shareholders should vote for the Transaction Resolutions approving the Transaction, a description of the proposed use of the proceeds from the Transaction and a summary of the material terms of the Purchase Agreement.

## **Background to the Transaction**

### ***The Shane Projects***

#### Brownell Lake

The Company owns a 100% interest in 2 claims numbered S-101336 and S-108957 consisting of approximately 900 hectares in the Brownell Lake area of Saskatchewan. The property hosts a long zone of copper-zinc mineralization which has been explored by several companies since the 1950's. To September 30, 2013, the Company had expended \$39,202 on acquisition and \$58,810 on exploration of these claims.

The Company had been considering the merits of an airborne survey with a modern EM unit to better define the parallel conductive zones, and to look for deeper conductors not found to date. The results of such an airborne survey might be used in planning future work. Once completed, a preliminary program of prospecting of the other conductive and magnetic anomalies would most likely be required.

The Company does not have the available funds to undertake any recommended work program at this time.

#### Munro Lake

The Company owns a 1.6% interest in a 6,000 acre claim (S-101081) in the Munro Lake area. The property was optioned to Wescan Gold Fields Inc., which deals with the Company on an arm's-length basis, and which earned a 98.4% interest in the property by spending \$246,627 on the property in 2008. No exploration activities have been conducted on the property. To September 30, 2013, the Company had expended \$172 on acquisition of the claims.

The Company is not planning further work at this time.

#### Don's Lake

The Company owns a minimum 49% interest in this property, sometimes referred to as "Pine East" (S-105301) and Claude Resources Inc. ("**Claude Resources**") owns a minimum 30% interest in the property, with the remaining interest subject to the terms of an option agreement dated April 27, 1999 (as amended) (the "**Claude Agreement**"). To date the Company has conducted a prospecting, stripping and trenching program on the property and Claude Resources has conducted four drill programs on this property which resulted in an aggregate of 38 core holes and approximately 9,607 meters of core samples. In addition, Claude Resources has carried out a high-sensitivity three-axis magnetic survey. To September 30, 2013, the Company had expended a total of \$78,149 on acquisition and \$258,767 on exploration of the claims. From 2003 to 2009 Claude Resources reported to Shane that it had expended an aggregate of \$1,044,956.47 in exploration costs on the Don's Lake property.

The Company had planned a two stage process, wherein, Stage 1 was to have consisted of the Company conducting a detailed GIS data compilation along with a 3D modelling of the existing drilling data and a ground magnetic and HLEM survey. Stage 2, dependent on the results of Stage 1, would have consisted of a confirmatory infill drilling program as well as further exploration drilling.

The Company does not have the available funds to undertake any recommended work program at this time.

#### Golden Band NSR

The Golden Band NSR (the “**Golden Band NSR**”) is a one percent net smelter royalty granted by Golden Band Resources Inc. (“**Golden Band**”) to the Company in connection with the acquisition of certain interests in the Greywacke gold property in northern Saskatchewan by Golden Band in 2006.

***Developments in 2012 and 2013***

In 2012 and 2013 the Company was forced to delay exploration expenditures due to its cash position. Throughout the period management pursued potential financings, however completion of financings by junior exploration companies remained extremely difficult given the general market conditions. Also during this period management maintained its policy of keeping general and administrative expenditures to a minimum. However, due to the Company’s continually weakening cash position management decided that it must consider a sale of assets to meet the Company’s liabilities.

***Discussions with Star***

As disclosed above, the Company reviewed its liquidity position and prospects of obtaining financing in the current market and determined that the sale of assets was the course of action most likely to put the Company in a position to meet its obligations. After consideration of the nature and possible market value of the Company’s assets management assessed whether any third parties might have an interest in entering in to a transaction.

Some of the key impediments to a sale process for the Company’s assets was the relatively small size of its asset pool, the nature and location of the Don’s Lake properties and the interest held by Claude Resources in the Don’s Lake properties (including the right of first refusal held by Claude Resources in respect of third party offers to purchase). The Don’s Lake properties constitute the most prospective of the Company’s properties, however they are subject to the interest held by Claude Resources and the lack of a completed joint venture agreement in respect thereof.

In March of 2013 Star appointed Mr. Jim Engdahl to its board of directors and in July of 2013 Star appointed Mr. Engdahl as its President and CEO. Mr. Engdahl was formerly the Vice President Finance and a director of Claude Resources, and his familiarity with the Don’s Lake properties led to a discussion between Star and the Company as to the possible acquisition of the properties by Star. The discussions with Star then evolved to include the possible purchase of all of the Company’s assets for cash and common share consideration as a means of providing shareholders of the Company with the opportunity to continue to participate in the potential upside of the Company’s properties, as well as Star’s properties.

In late 2013, Shane and Star continued discussions regarding possible valuations and transaction structures. The Company’s cash position continued to deteriorate and the possibility of completing a financing appeared increasingly unlikely. At this time management considered costs expected to be incurred in Q1 of 2014 in order to meet its continuous disclosure obligations and audit requirements and the outcome for shareholders of the Company should the Company remain in a negative working capital position and be unable to meet its regulatory requirements or forced into bankruptcy or other involuntary liquidation. On December 17, 2013 Shane and Star entered into the Purchase Agreement and on December 18, 2013 the Company provided Claude Resources with a formal notice commencing the 30 day right of first refusal period required by the Claude Agreement in respect of the Don’s Lake properties.

On December 17, 2013, Shane sought and obtained a trading halt for its common shares and on December 18, 2013, Shane disseminated its press release announcing the Transaction.

### ***Approval and Recommendation of the Board***

The Board believes that the Transaction is fair to the Company's shareholders and is in the best interests of the Company. Accordingly, the Board unanimously approved the Purchase Agreement and recommends that the shareholders vote their Common Shares in favour of the Transaction Resolutions.

### ***Reasons for Recommendation***

In making their decision to approve and recommend the Transaction, the Shane Board carefully reviewed and considered the terms of the Purchase Agreement, the Company's alternatives and all other factors deemed relevant. The following are some of the principal reasons for the Board's recommendation that the shareholders vote in favour of the Transaction Resolutions:

- **Value Provided to the Company.** After a review of the Company's financial position, the Board is satisfied that the Transaction provides the Company and its shareholders with the best value available for its interest in the Shane Projects in light of the need to complete a transaction quickly, the negative effect of an involuntary liquidation and the nature of the Shane Projects.
- **Purchase Price Shares.** The purchase price will be satisfied in part by the issuance of common shares of Star, which will allow Shane shareholders to participate in future successes of the Shane Properties and the other properties in Star's portfolio to the extent that shares remain available for distribution subsequent to the Liquidation and settlement of outstanding liabilities.
- **Avoidance of Insolvency and Bankruptcy.** The Transaction is intended to enable the Company to avoid a potential insolvency or bankruptcy. Without additional funding, the Company would not have sufficient financial resources to continue its business.
- **Compromises with Certain Creditors.** In connection with the Liquidation certain creditors have indicated their willingness to consider substantial discounts to the amounts owing and/or accept non-cash consideration in satisfaction of the outstanding liabilities. In an involuntary liquidation scenario there can be no assurance that such creditors would continue to be willing to consider such a compromise.
- **Purchaser's Knowledge of Shane Properties.** Management of Star and its principal consulting geologists are already familiar with the Don's Lake properties and will be in a position to advance them if funding becomes available in the future.
- **Ability to Respond to Superior Proposals.** The terms and conditions of the Purchase Agreement permit the Board to respond to an unsolicited third party proposing or making a Superior Proposal in respect of Shane.

The foregoing summary of the information and factors considered by the Shane Board is not intended to be exhaustive of the factors considered in reaching its conclusion and making their unanimous recommendation that the shareholders vote their Common Shares in favour of the Transaction Resolutions, but does include the material information, factors and analysis considered by them in reaching their conclusions and recommendations. The members of the Shane Board evaluated the various factors summarized above in light of their own knowledge of the business and the industry, financial condition and prospects of the Company, and based upon the advice of the Company's legal advisors. In view of the numerous factors considered in connection with the Shane Board's evaluation of the Transaction, they did not find it practical to, and did not, quantify or otherwise attempt to assign relative weight to specific factors in reaching their decision. In addition, individual



members may have given different weight to different factors. The conclusions and unanimous recommendations of the Shane Board were made after considering all of the information and factors involved.

### **Securityholder Approvals Required**

The full text of the Transaction Resolutions to approve the Transaction is set out in Schedule “A” to this Information Circular. The Sale Resolution requires a special resolution which must be approved by a resolution passed by at least 66<sup>2/3</sup>% of the votes cast by the shareholders present in person or voting by proxy at the Meeting. The Transaction is considered a sale of all or substantially all of the Company’s undertaking, and as such the Sale Resolution is being proposed pursuant to subsection 183(2) of the SBCA.

### **Use of Proceeds and Description of the Company after the Completion of the Transaction**

The net proceeds from the sale of the Shane Projects will be used to settle outstanding obligations of the Company as required by the SBCA and for general corporate purposes and any remaining proceeds will be distributed to the shareholders of Shane on a pro rata basis as described below in “*APPROVAL OF VOLUNTARY LIQUIDATION AND DISSOLUTION*”.

As at the date of this Information Circular the Company anticipates that an aggregate of \$148,660 of liabilities will be outstanding as at the closing of the Transaction, which will be settled by way of the payment of cash and the delivery of a minimum of 1,200,000 of the Consideration Shares to creditors (calculated on a pre-consolidation basis), resulting in approximately 10,800,000 Consideration Shares (3,600,000 calculated on a post-consolidation basis) available for distribution to the shareholders of the Company. Shareholders are cautioned that these amounts represent estimates only and there can be no guarantee that such amounts, or any amount, will be available for distribution. In the event that there is insufficient cash available to pay the claims of creditors and if alternate terms cannot be negotiated, the Company will be required to sell Consideration Shares for cash and use the proceeds to settle creditor claims.

### **Material Terms of the Purchase Agreement**

The following is a summary description of certain material provisions of the Purchase Agreement, is not comprehensive and is qualified in its entirety by reference to the full text of the Purchase Agreement, which is available under the Company’s profile at [www.sedar.com](http://www.sedar.com). Capitalized terms used but not otherwise defined herein have the meanings set out in the Purchase Agreement. Shareholders are urged to read the Purchase Agreement in its entirety.

### ***Purchase and Sale of Transferred Interests***

In exchange for the Purchase Price, the Company will sell, transfer and assign to the Purchaser all of the Company’s right, title and interest in and to the Transferred Interests. Upon closing of the Transaction (the “**Closing**”), the Company will cease to have any right, title or interest in the Transferred Interests.

### ***Payment of the Purchase Price***

Under the terms of the Purchase Agreement, Star has agreed to purchase substantially all of the assets of Shane for an aggregate of \$655,000, payable as to \$55,000 in cash and the balance in common shares of Star (the “**Consideration Shares**”). The deemed price of the Consideration Shares will be \$0.05 in accordance with the

terms of the Purchase Agreement, representing the minimum allowable issuance price of the Consideration Shares as prescribed by the policies of the TSX Venture Exchange as determined at the date of the Purchase Agreement. On December 24, 2013 Star announced a 3 to 1 consolidation of all of Star's issued and outstanding common shares, which will result in an aggregate of 4,000,000 Consideration Shares to be issued in connection with the Transaction on a post-consolidation basis. The Consideration Shares will be subject to a four month hold period pursuant to applicable securities laws.

### ***Representations, Warranties and Covenants of the Company***

The Purchase Agreement contains certain customary representations and warranties of the Company relating to, among other things, its incorporation and organization, its capacity and authority to enter into the Purchase Agreement and consummation of the Transaction, and the absence of need for approval and consent from a governmental authority or other person. The Company also made representations and warranties relating to its ownership, status and transferability of the Transferred Interests and the status of all of the project data, books and records relating to the Shane Projects.

The Purchase Agreement also contains certain representations of the Company with respect to the Transferred Interests including, among other things, ownership of and interest in the Transferred Interests, the absence of material actions or claim, the absence of agreements or options to acquire or purchase the Transferred Interests other than as disclosed to Star, and compliance with environmental regulations in respect of the activities conducted by the Company in connection with the Transferred Interests.

The representations and warranties of the Company under the Purchase Agreement will survive the closing of the transaction and will terminate 24 months thereafter.

The Purchase Agreement includes, among other things, certain covenants of the Company and/or conditions precedent customary for a transaction of this nature, relating to among other things, the holding of the Meeting and the submission and recommendation of the Transaction Resolutions to shareholders, Claude Resources having waived its right of first refusal or allowed it to lapse, the provision of information to the Purchaser in respect of various interim matters, the submission of the necessary applications to transfer the Transferred Interests; the notification to the Purchaser upon the occurrence of certain events; and other things necessary or desirable in order to consummate and make effective the transactions contemplated under the Purchase Agreement. On January 3, 2014 Claude Resources delivered notice to the Company that it had elected to not exercise its right of first refusal.

### ***Representations, Warranties and Covenants of the Purchaser***

The Purchase Agreement also contains customary representations and warranties of the Purchaser relating to, among other things, its incorporation and organization; its capacity and authority to enter into the Purchase Agreement; the need for approval and consent requirements; the absence of material liabilities not otherwise disclosed in its financial statements; the absence of any material facts or circumstances which have not been disclosed, which should be disclosed to the Company in order to prevent the representations in the Purchase Agreement from being materially misleading; and the Purchaser's status with respect to certain tax matters. The representations and warranties of the Purchaser under the Purchase Agreement will survive the closing of the transaction and will terminate 24 months thereafter.

The Purchase Agreement includes, among other things, certain covenants of the Purchaser customary for a transaction of this nature, relating to among other things, payment of the Purchase Price; satisfaction of the necessary conditions and deposits required by regulatory bodies with respect to the transactions contemplated by

the Purchas Agreement; certain tax matters, and other things necessary or desirable in order to consummate and make effective the transactions contemplated under the Purchase Agreement.

***Conditions to the Transaction***

The obligations of the Company and the Purchaser to complete the Transaction pursuant to the Purchase Agreement are subject to the satisfaction of certain conditions including, among other things:

- (a) approval of the Transaction Resolutions at the Meeting;
- (b) in respect of the Don's Lake property, Claude Resources Inc. having waived its right of first refusal or allowed it to lapse;
- (c) applicable regulatory approvals;
- (d) the receipt of all deliveries required to be made by the each party at Closing;
- (e) the absence of any order or injunction or other legal impediment initiated by any third party, that prohibits the Closing of the Transaction;
- (f) the absence of any pending litigation instituted by any Governmental Authority in Canada to restrain or otherwise interfere with the consummation of the Transaction; and
- (g) the receipt of all other required material consents, approvals, waivers and notifications.

***Non Solicitation Covenants and Rights to Accept a Superior Proposal***

Under the Purchase Agreement, the Company has agreed to certain covenants regarding non-solicitation which provide, among other things, that it (and its officers, directors, employees, representative, or agents) will not directly or indirectly:

- (a) solicit, assist, initiate, knowingly facilitate or encourage (including by way of furnishing information or permitting any visit to any facilities or entering into any agreement) the initiation of any inquiries, proposals or offers regarding an Acquisition Proposal;
- (b) enter into or participate in any discussions or negotiations with any person regarding an Acquisition Proposal;
- (c) withdraw, amend, modify or qualify, or propose publicly to withdraw, amend, modify or qualify, in a manner adverse to the Purchaser, the approval or recommendation of the Board or any committee thereof of the Purchase Agreement;
- (d) furnish or provide access to any information concerning the Company or its businesses, properties or assets to any person in connection with, or that could reasonably be expected to lead to or facilitate, an Acquisition Proposal;
- (e) waive any provisions of or release or terminate any confidentiality, nondisclosure or standstill agreement between the Company and any person relating to an actual or potential Acquisition Proposal,

or amend any such agreement or consent to the making of an Acquisition Proposal in accordance with the terms of such agreement;

- (f) accept, approve, endorse or recommend or remain neutral with respect to, or propose publicly to approve, endorse or recommend or remain neutral with respect to, any Acquisition Proposal; or
- (g) accept or enter into, or publicly propose to enter into, any contract in respect of an Acquisition Proposal (other than a confidentiality agreement permitted by Section 7.2(b) of the Purchase Agreement).

Notwithstanding the above, the Board may consider, participate in any discussions or negotiations, or enter into a confidentiality agreement and provide information in accordance with the terms of the Purchase Agreement, regarding an unsolicited bona fide written Acquisition Proposal that did not otherwise result from a breach of the Purchase Agreement and that the Board has determined in good faith, after consultation with financial advisors and outside legal counsel, that failure to take such action would be inconsistent with its fiduciary duties under all Applicable Laws.

The Company will notify the Purchaser, in the form and manner required by the Purchase Agreement, of any proposal, inquiry, offer (or any amendment thereto) or request relating to or constituting an Acquisition Proposal, in each case received after the date of the Purchase Agreement, of which any of its directors, officers, employees, representatives or agents are or become aware, or any amendments to the foregoing, any request for discussions or negotiations, or any request for non-public information relating to the Company in connection with an Acquisition Proposal or for access to the properties, books or records of the Company by any person that informs the Company that it is considering making, or has made, an Acquisition Proposal and any amendment thereto; and if in writing or electronic form the Company shall provide a copy thereof to the Purchaser, and if not in writing or electronic form, a description of the material terms and conditions of any such Acquisition Proposal or proposal, inquiry, offer or request and shall provide the identity of the person making any such Acquisition Proposal or proposal, inquiry, offer or request and such other details as the Purchaser may reasonably request.

If the Board determines, after consultation with its financial advisors and outside legal counsel, that the Acquisition Proposal is a Superior Proposal and that certain action is necessary to satisfy its fiduciary duties, the Board or any committee thereof may make a change in its recommendation or make any necessary disclosure to the shareholders.

Under the terms of the Purchase Agreement, a Superior Proposal is defined as an unsolicited bona fide written Acquisition Proposal, (i) that did not result from a breach of the Purchase Agreement; (ii) that is not subject to a financing condition and in respect of which any required financing to complete such Acquisition Proposal has been demonstrated to the satisfaction of Shane's Board, acting in good faith (after receipt of advice from its financial advisors and outside legal counsel) has been obtained or is reasonably likely to be obtained; (iii) that is not subject to a due diligence and/or access condition that would allow greater access to the books, records or personnel of the Company than was made available to the Purchaser prior to the date of the Purchase Agreement, which access shall not continue beyond the 10<sup>th</sup> business day after the day on which access is first afforded to the person making the Acquisition Proposal (such period referred to as the "**Due Diligence Period**") and provided the foregoing shall not restrict the ability of such third party to continue to review after such period information provided to it by the Company during such Due Diligence Period; (iv) that the Shane Board and any relevant committee thereof has determined in good faith (after receipt of advice from its financial advisors and its outside legal counsel) is reasonably capable of completion without undue delay taking into account all legal, financial, regulatory and other aspects of such Acquisition Proposal and the person making such Acquisition Proposal; and (v) in respect of which the Shane Board and any relevant committee thereof determines in good faith (after receipt of advice from its financial advisors with respect to (y) below and outside legal counsel with respect to (x) below) that (x) failure to recommend such Acquisition Proposal to the Company's shareholders

would be inconsistent with its fiduciary duties under all Applicable Laws, and (y) that such Acquisition Proposal would, if consummated in accordance with its terms (but not assuming away any risk of non-completion), reasonably be expected to result in a transaction more favourable to the Company's shareholders from a financial point of view than the transactions contemplated by the Purchase Agreement, after giving effect to any adjustment to the terms and conditions of the Purchase Agreement proposed by the Purchaser pursuant to Section 7.2(g) of the Purchase Agreement.

If the Company has complied with its covenants regarding non-solicitation, it may accept, approve, recommend or enter into an agreement in respect of an Acquisition Proposal provided:

- (a) the Acquisition Proposal constitutes a Superior Proposal;
- (b) the Company has complied with sections 7.2(a) through 7.2(g) in respect of such Superior Proposal;
- (c) the Company has provided the Purchaser with notice in writing of the Superior Proposal and provided all of the information regarding such Superior Proposal required under the Purchase Agreement;
- (d) if the Purchaser has proposed to amend the terms of the transactions contemplated in the Purchase Agreement in accordance with Section 7.2(g) of the Purchase Agreement, the Shane Board (after receiving advice from its financial advisors and outside legal counsel) has determined in good faith that the Acquisition Proposal is a Superior Proposal compared to the proposed amendment to the terms of the Purchase Agreement proposed by the Purchaser; and
- (e) the Company concurrently terminates the Purchase Agreement.

#### ***Purchaser's Right to Match***

During the five business days prior to the date on which the Company's Board proposes to accept, approve, recommend or enter into any agreement relating to such Superior Proposal referred to above, the Purchaser will have the right, but not the obligation, to propose to amend the terms of the transactions contemplated in the Purchase Agreement and the Company shall, and shall cause its counsel and other advisors to, co-operate with the Purchaser with respect thereto, including negotiating in good faith with the Purchaser and its counsel and other advisors to enable the Purchaser to make such adjustments to the terms and conditions of the Purchase Agreement as the Purchaser deems appropriate and as would enable the Purchaser to proceed with the transactions contemplated in the Purchase Agreement on such adjusted terms.

The Shane Board shall review any proposal by the Purchaser to amend the terms of the transactions contemplated in the Purchase Agreement in order to determine, in good faith in the exercise of its fiduciary duties, whether the Purchaser's proposal to amend the transactions contemplated by the Purchase Agreement would result in the Acquisition Proposal not being a Superior Proposal compared to the proposed amendment to the transactions contemplated by the Purchase Agreement. In the event that the Purchaser proposes to amend the terms of the transactions contemplated in the Purchase Agreement to provide that the Company shall receive value equal to or having a value greater than provided in the Acquisition Proposal and so advises the Shane Board within the period referred to in Section 7.2(f)(iii) of the Purchase Agreement, the Shane Board shall not: (i) accept, recommend, approve or enter into any agreement to implement such Superior Proposal; (ii) release the party making the Superior Proposal from any standstill provisions; and (iii) withdraw, modify or change its recommendation in respect of the Purchase Agreement.

For the purposes of the foregoing, each successive material modification of any Acquisition Proposal will constitute a new Acquisition Proposal for the purposes of section 7.2 of the Purchase Agreement.

### ***Indemnities***

For a period of two (2) years after the Closing Date, each of the Purchaser and the Company (the “**indemnifying parties**”) have agreed to indemnify and save harmless the other party (the “**indemnified parties**”), as and from the Effective Date, from and against any Demands which the indemnified parties or any of them may suffer as a result of the failure of any of the indemnifying parties to perform any covenant or agreement on its part under the Purchase Agreement or in any other document furnished pursuant to the Purchase Agreement or any incorrectness in or breach of any of its representations or warranties contained in the Purchase Agreement or in any certificate or other document furnished pursuant to the Purchase Agreement.

### ***Termination***

The Purchase Agreement can be mutually terminated by written agreement of the Company and the Purchaser or by either the Company or the Purchaser if there has been a material breach of the Purchase Agreement by the other and such breach has not been waived by the non-breaching party.

If any condition to be performed or complied with for the benefit of the Purchaser under the Purchase Agreement shall not have been performed or complied with at or prior to the Closing Date, the Purchaser may, without limiting any other right that the Purchaser may have, at its sole option, either: (a) rescind and terminate the Purchase Agreement by notice to the Company, and in such event the Purchaser shall be released from all obligations thereunder; or (b) waive compliance with any such condition in whole or in part on such terms as may be agreed upon without prejudice to any of its rights of rescission in the event of non-performance of any other condition in whole or in part.

If any condition to be performed or complied with for the benefit of the Company under the Purchase Agreement shall not have been performed or complied with at or prior to the Closing Date, the Company may, without limiting any other right that the Company may have, at its sole option, either: (a) rescind and terminate the Purchase Agreement by notice to the Purchaser, and in such event the Company shall be released from all obligations thereunder; or (b) waive compliance with any such condition in whole or in part on such terms as may be agreed upon without prejudice to any of its rights of rescission in the event of non-performance of any other condition in whole or in part.

### ***Dissent Rights***

Under the terms of *The Business Corporations Act* (Saskatchewan) (the “**SBCA**”), registered shareholders of the Company will be entitled to exercise dissent rights (the “**Dissent Rights**”) with respect to the Sale Resolution in accordance with the Dissent Rights in Section 184 of the SBCA. The Company is of the view that Shareholders registered as such on the Record Date may exercise Dissent Rights pursuant to and in the manner set forth in Section 184 of the SBCA. If the Transaction is completed, shareholders who validly exercise any of their Dissent Rights and do not withdraw their dissent (“**Dissenting Shareholders**”) will be entitled to receive the “fair value” of their Common Shares determined in accordance with Section 184 of the SBCA determined as at the day before the Sale Resolution is adopted by shareholders. If you are a Beneficial Shareholder, you can only exercise a right of dissent by contacting your broker or other financial intermediary or the registered shareholder and having them take the necessary steps to exercise dissent on your behalf.

**The following summary of the Dissent Rights is not a comprehensive description of the procedures to be followed in connection with the exercise of these Dissent Rights. The summary is qualified in its entirety by reference to the full text of Section 184 of the SBCA, which is set out in Schedule “B” to this Information Circular. Shareholders who are considering or intend to exercise Dissent Rights should seek legal and tax**

**advice and carefully consider and comply with the provisions of the Dissent Rights. Failure to comply with the applicable Dissent Rights provisions and to adhere to the procedures established therein may result in the loss of the Dissent Rights in respect of the Sale Resolution. Dissenting Shareholders must send their written notice of dissent in respect of the Sale Resolution pursuant to the Company, at its offices at Suite 272, 2366 Avenue C North, Saskatoon, Saskatchewan, S7L 5X5 or its registered office at Suite 272, 2366 Avenue C North, Saskatoon, Saskatchewan, S7L 5X5, or by facsimile at (306) 244-0042 at or before the commencement of the Meeting. Shareholders should be aware that simply voting against the Sale Resolution at the Meeting does not constitute the exercise of the applicable Dissent Right and that a vote in favour of the Sale Resolution will result in the shareholder losing its right to dissent.**

The method of sending the notice of dissent in compliance with the SBCA is at the option and risk of the Shareholder sending such notice. The Company recommends that the notice of dissent be delivered by facsimile. If the notice of dissent is mailed, the Company recommends that registered mail with return receipt or acknowledgement of receipt be used. It is suggested that any such mailing be made at least 48 hours in advance of the Meeting.

A shareholder of the Company intending to dissent in respect of the Sale Resolution must send written notice of dissent to the Company prior to the commencement of the Meeting at which the applicable resolution is to be voted upon and such written notice of dissent must otherwise strictly comply with the requirements of section 184 of the SBCA, including setting forth details of the ownership of shares of the Company. A Dissenting Shareholder may only dissent with respect to all of the Common Shares of the Company of which such Dissenting Shareholder is the registered and beneficial owner. Under the SBCA there is no right of partial dissent.

The delivery of a notice of dissent does not deprive a Dissenting Shareholder of its right to vote at the Meeting on the Sale Resolution. However, a vote against the Sale Resolution does not constitute notice of dissent under the SBCA and a shareholder who votes in favour of the Sale Resolution will not be considered a Dissenting Shareholder.

Within 10 days after the approval of the Sale Resolution, the Company must send notice of such fact to each Dissenting Shareholder who has not withdrawn a valid notice of dissent and who has not voted in favour of the Sale Resolution. Within 20 days of the date of such notice given by the Company, the Dissenting Shareholder must send to the Company or its transfer agent a written demand setting out such holder's name, address, the number of Common Shares of the Company that are subject to the objection and a demand for payment of the fair value of such Common Shares. The Dissenting Shareholder must within 30 days of sending such demand for payment send to the Company or its transfer agent any certificates representing the Common Shares subject to the demand for payment.

Upon the sending of such notice to the Company containing the demand for payment, the Dissenting Shareholder is deemed to have sold the Common Shares to the Company and the Company is deemed to have purchased such Common Shares. Accordingly, after the sending of such notice, the Dissenting Shareholder ceases to have any rights as a shareholder other than the right to be paid the fair value of his shares as determined under section 184 of the SBCA except where: (a) the Dissenting Shareholder withdraws his notice before the Company makes an offer under Section 184(12) of the SBCA; (b) the Company fails to make an offer in accordance with Section 184(12) of the SBCA and the Dissenting Shareholder withdraws his notice; or (c) the Board revokes the Sale Resolution, in which case his rights as a shareholder are reinstated as of the date he sent the demand for payment.

The Company shall, within seven days after the later of the Closing Date of the Transaction or the day the Company received the demand for payment from the Dissenting Shareholder, send to each such Dissenting Shareholder (a) a written offer to pay for his shares in an amount considered by the Board to be the fair value

thereof, accompanied by a statement showing how the fair value was determined; or (b) if applicable, a notification that the Company is unable lawfully to pay dissenting shareholders for their shares due to the Company having reasonable grounds to believe that the Company is or would after the payment be unable to pay its liabilities as they become due; or that the realizable value of the Company's assets would thereby be less than the aggregate of its liabilities.

The Company must make such payment within 10 days after the offer has been accepted but any such offer lapses if the Company does not receive an acceptance thereof within 30 days after the offer has been made. In the event that the Company fails to make an offer to a Dissenting Shareholder, or in the event that such offer is not accepted, the Company or the Dissenting Shareholder may apply to court to fix a fair value for the Common Shares of the Dissenting Shareholder. The SBCA contains provisions governing such court application.

Section 184 of the SBCA outlines certain events when Dissent Rights will cease to apply where such events occur before payment is made to the Dissenting Shareholder of the fair value of the shares, (including if the applicable resolution does not pass or is otherwise not proceeded with). In such events, the Dissenting Shareholder will be entitled to the return of the applicable share certificate(s), if any, and rights as a shareholder of the Company in respect of the applicable Common Shares will be regained.

The discussion above is only a summary of the Dissent Rights which are technical and complex. A shareholder who intends to exercise Dissent Rights should carefully consider and comply with the provisions of the SBCA, including Section 184. Persons who are non-registered holders of Common Shares registered in the name of an intermediary such as a broker, custodian, nominee, other intermediary, or in some other name, who wish to dissent should be aware that only the registered owner of such Common Shares is entitled to dissent.

**It is suggested that any shareholder considering availing himself or herself of the Dissent Rights seek his or her own legal and tax advice as failure to comply strictly with the applicable provisions of the SBCA may prejudice the availability of such Dissent Rights. Dissenting Shareholders should note that the exercise of Dissent Rights can be a complex, time-consuming and expensive process.**

### **Risk Factors - Transaction**

Shareholders should carefully consider the following risk factors relating to the Transaction before deciding to vote or instruct their vote to be cast to approve the matters relating to the Transaction.

Additional risk and uncertainties, including those currently unknown or considered immaterial by the Company, may also adversely affect the business of the Company following completion of the Transaction. See the risk factors contained in our management discussion and analysis available on SEDAR at [www.sedar.com](http://www.sedar.com) for additional risks and uncertainties.

#### *The Purchase Agreement may be terminated in certain circumstances*

Each of the Company and the Purchaser have the right to terminate the Purchase Agreement in certain circumstances. Accordingly, there is no certainty, nor can the Company provide any assurance, that the Purchase Agreement will not be terminated by either the Company or the Purchaser before the completion of the Transaction.

#### *There can be no certainty that all conditions precedent to the Purchase Agreement will be satisfied*

The completion of the Transaction is subject to a number of conditions precedent, certain of which are outside the control of the Company, including the following: (i) Shane shareholder approval; and (ii) in respect of the



Don's Lake property, Claude Resources Inc. having waived its right of first refusal or allowed it to lapse; and (iii) applicable regulatory approvals.

Certain additional conditions include holders of no more than 5% of the outstanding Common Shares having exercised Dissent Rights and the receipt of all required material consents, waivers, approvals and notifications.

There can be no certainty, nor can the Company provide any assurance, that these conditions will be satisfied or, if satisfied, when they will be satisfied. If, for any reason, the conditions to the Purchase Agreement are not satisfied or waived and the Transaction is not completed, the market price of the Common Shares may decline to the extent that the current market price may reflect a market assumption that the Transaction will be completed. If the Transaction is not completed and the Board decides to seek another transaction, there can be no assurance that it will be able to find a party willing to pay an equivalent or more attractive price than the total consideration payable pursuant to the Purchase Agreement. In addition, the Company foresees a high risk of insolvency or bankruptcy should the Transaction not be completed.

*The Company has not received a fairness opinion of formal valuation of the Shane Properties*

The Company has been unable to obtain a formal valuation of the Shane Properties or a fairness opinion in connection with the Transaction. The Shane Properties are early stage exploration properties, which by their nature are difficult to value objectively and any fair market value or deemed value ascribed to the Shane Properties in connection with the Transaction may not reflect the amount of historical expenditures on the properties. The Company does not have the funds to obtain expert reports in respect of these matters..

*The Company will need additional funds, and there is no guarantee that it will be able to raise such funds*

Additional capital is required. To meet these needs the Company will need to pursue debt financing, equity financing or other means. Additional financing may not be available when needed or, if available, the terms of such financing might not be favourable and might involve substantial dilution to existing shareholders. The Company may not be successful in locating suitable financing transactions in the time period required or at all, may not obtain the capital required by other means. A failure to raise capital when needed would have a material adverse effect on the business, financial condition and results of operations of the Company. Any future issuance of common shares to raise required capital will likely be dilutive to shareholders.

*Competition in the mining industry may adversely affect the Company's ability to acquire additional properties*

The mining industry is highly competitive. If the Liquidation Resolution is not approved competition for new mining properties may prevent the Company from acquiring interests in attractive additional properties or mining operations at reasonable cost. Accordingly, there can be no assurance that the Company will acquire any interest in additional properties that would be able to increase the likelihood of additional financing.

**The Shane Board recommends that the shareholders vote FOR the Sale Resolution.**

## **APPROVAL OF VOLUNTARY LIQUIDATION AND DISSOLUTION**

At the Meeting, shareholders will be asked to consider and if deemed advisable, approve resolutions authorizing the liquidation and dissolution of the Company. If the proposal to liquidate the Company is approved and upon receipt by the director under the SBCA (the "**Director**") of a statement of an intent to dissolve, the Company

will cease to carry on business except to the extent necessary for the Liquidation, but its corporate existence will continue until the Director issues a certificate of dissolution.

Management will be authorized to sell or otherwise deal with all the assets of the Company, pay all the Company's creditors and then distribute all remaining funds to the shareholders of the Company once all liabilities have been discharged subject to the provisions of the SBCA.

If the Liquidation Resolution is not approved, the Company will have limited alternatives to continue any future operations. See "*If Liquidation Resolution Not Approved*" below.

### **Background to the Liquidation and Dissolution**

As discussed above, on December 18, 2013 the Company announced that it had entered into the Purchase Agreement and would propose the Transaction and the Liquidation. The Liquidation was proposed as a step subsequent to the Transaction due, in part, to the lack of prospects for additional funding, the risk of insolvency and/or bankruptcy and the possible negative effect such circumstances may have on the ability to preserve any remaining shareholder value.

The Shane Board believes that the Company should carry on its business in a prudent, but financially secure manner. At the time that it considered the Transaction, the Board believed the best outcome after closing the sale of the Shane Projects would be to apply the proceeds of the sale to satisfy the outstanding obligations of the Company and distribute any remaining assets to the Company's shareholders. When considering the relative costs/benefits of the Liquidation, the Board took note of the potentially materially negative effect of being required to sell assets of the Company on a non-voluntary basis.

### **Advantage of Liquidation over Insolvency or Bankruptcy**

The Company believes that a liquidation will treat all shareholders equally and rateably. The benefits of proceeding by way of a voluntary liquidation and dissolution are as follows:

- (a) the Liquidation process will ensure that all liabilities of the Company are properly settled prior to the distribution of remaining assets, including any Consideration Shares held at such time;
- (b) the Liquidation will avoid the potentially materially negative effect of being required to sell assets of the Company on a non-voluntary basis;
- (c) the Liquidation will allow the Company to distribute the remaining Consideration Shares to the shareholders of the Company;
- (d) The liquidation distribution is not expected to be subject to dividend tax rates or withholding tax for non-resident shareholders. For Canadian resident shareholders, a dividend would be taxed at the applicable dividend tax rate. In Saskatchewan, the highest marginal dividend tax rate for an "eligible dividend" received by an individual is approximately 26%. For non-resident shareholders, the dividend payment would be subject to Canadian withholding taxes at the rate of 25%, subject to lower withholding rates where so provided under applicable tax treaties; and
- (e) The liquidation process would efficiently utilize the Company's high level of paid up capital. Given the Company's significant paid up capital, and depending on the adjusted cost base for the Common Shares held by each shareholder, the Company believes a liquidation distribution on a return of capital would

be a more efficient means by which to return funds to shareholders. Assuming the total liquidation distribution consists of 10,800,000 Consideration Shares (3,600,000 Consideration Shares on a post-consolidation basis) having a market value of \$180,000 based on the last reported trade of Star's common shares as reported on the CNSX on January 3, 2014), resulting in a return of capital of \$0.00679, if a shareholder's adjusted cost base is greater than \$0.00679 per Common Share, then the liquidation distribution on a return of capital is expected to be a tax-free distribution in Canada. Again assuming a liquidation distribution on a return of capital of \$0.00679 per Common Share, if a shareholder's adjusted cost base is lower than \$0.00679 per Common Share, then the return of capital would be subject to capital gains tax, but only to the extent that the \$0.00679 per Common Share distribution exceeds the shareholder's adjusted cost base per Common Share.

For additional tax disclosure, see "*Certain Canadian Federal Income Tax Considerations*" in this Information Circular. **Shareholders are encouraged to consult their own tax advisors regarding the possible tax consequences of the transactions described in this Information Circular.**

**No further meeting of shareholders is required to complete the Liquidation if the Liquidation Resolution is approved.**

#### **Timing of the Liquidation**

The payment(s) received by shareholders through the Liquidation (the "**Liquidation Payment**") would be made in an orderly manner once all liabilities have been identified and settled and the appropriate clearance certificate has been obtained from the Canada Revenue Agency. The Company expects that the final Liquidation Payment will not be paid until a reasonable period of time after the closing of the Transaction.

#### **Shane's Summary Financial Position**

The following table summarizes the estimated available cash and actual and contingent liabilities of the Company estimated as at the date of this Information Circular, assuming the completion of the sale of the Shane Projects. Shareholders are cautioned that additional accounts payable and other liabilities will accrue subsequent to the date hereof and that the Company may be required to sell a portion of the Consideration Shares to settle outstanding liabilities.

<b>ASSETS</b>	
<b>Current</b>	
Cash	\$55,556
Receivables	\$626
Prepaid expenses	\$1,984
Consideration Shares <sup>(1)</sup>	\$180,000
<b>Total</b>	<b>\$238,166</b>
<b>LIABILITIES</b>	
<b>Current</b>	
Accounts payable and accrued liabilities <sup>(1)</sup>	\$133,660
Meeting and Liquidation Costs <sup>(2)</sup>	\$15,000
<b>Total</b>	<b>\$148,660</b>

Notes:

- (1) For the purposes of this table, it is assumed all employees and consultants will be terminated without severance or termination costs being payable. As at the date of this Information Circular the President and Chief Executive Officer has agreed to accept 400,000 Consideration

Shares (calculated on a pre-consolidation basis) in full and final payment of all amounts outstanding under his employment contract for unpaid services. As at the date of this Information Circular the Chief Financial Officer has agreed to accept 800,000 (calculated on a pre-consolidation basis) Consideration Shares in full and final payment of all amounts outstanding under her consulting contract for unpaid services. The estimated value of the Consideration Shares for the purposes of this table is \$0.05 per Consideration Share (on a post-consolidation basis) as reported by the CNSX on January 3, 2014.

- (2) Includes legal, accounting, printing and other costs for the Meeting.
- (3) The above estimated liabilities and future costs do not include any contingent liabilities, or other claims that may be made after the Meeting. The actual obligations of the Company may vary materially from the estimates set forth above, which are based on the Company's estimates of the amount which may be required to satisfy the current liabilities of the Company and to pay the costs and expenses of operating the Company until the date of dissolution of the Company if the Liquidation Resolution is approved.

### **Timing and Amount of Liquidation Payment**

The Board expects that, if the Liquidation Resolution is approved, as a result of the liquidation and dissolution of the Company, shareholders will receive the balance of any remaining Consideration Shares, which amount may be distributed in one or more installments. In determining the amount for the estimated liquidation range per Common Share, the Company has assumed that the Company is not required to sell any of the Consideration Shares.

***Additional unforeseen tax liabilities or other liabilities or costs could arise which would materially reduce the number of Consideration Shares available for distribution to shareholders. The distribution to shareholders could occur later than anticipated depending on the factors described under "APPROVAL OF VOLUNTARY LIQUIDATION AND DISSOLUTION - Distribution to Shareholders".***

Distributions to shareholders under the liquidation process will remain at the discretion of management and no assurances can be given as to the amount and timing of distributions under the liquidation process.

While the Company believes its estimate of the anticipated assets available for distribution to shareholders is reasonable, a number of factors could cause the net assets available for distribution to shareholders upon dissolution to be lower than expected, including without limitation the following: (i) unanticipated fees or expenses incurred in connection with the Liquidation; (ii) other unforeseen expenses, liabilities or obligations; or (iii) decreases in the value of non-cash assets. If the Company's expenses, liabilities and obligations are higher than current estimates, or if any unforeseen expenses, liabilities or obligations arise, the actual amount distributed to shareholders may be lower, and possibly substantially lower, than the amounts estimated above.

### **If Liquidation Resolution Not Approved**

If the Liquidation Resolution is not approved, there is a high likelihood that the costs of ongoing continuous disclosure and regulatory requirements will force the Company to sell any remaining assets, including the Consideration Shares and management and the Board expect that Shane may be forced into insolvency and/or bankruptcy proceedings.

### **Liquidation Steps**

If the shareholders approve the Liquidation Resolution, the Company will then file a statement of intent to dissolve with the Director under the SBCA. Upon receipt of a statement of intention to dissolve the Director shall issue a certificate of intent to dissolve in accordance with Section 255 of the SBCA.

The following events will then occur (not necessarily in the following order):

- upon issuance of a certificate of intent to dissolve the Company will cease to carry on business except to the extent necessary for the Liquidation, but its corporate existence will continue until the Director issues a certificate of dissolution;

- management will review the Company's property and non-cash assets as part of the liquidation process;
- management will identify and notify its creditors, and establish and resolve the rights of any remaining creditors of the Company (the "**Claims Process**"); and
- following the liquidation of the Company and the final payments to the Company's creditors and the final distribution to its shareholders, the Company will be dissolved.

The Company will hold undistributed cash or other assets of the Company as a reserve to satisfy the costs of the liquidation and the winding down of the affairs of the Company and its ultimate dissolution. See "*Shane's Summary Financial Position*".

No step of the liquidation will require approval by the shareholders of the Company, other than provided by the adoption by shareholders of the Liquidation Resolution at the Meeting. The Company will have full power and authority to implement the Liquidation or any step thereof, and the dissolution of the Company, without further approval of shareholders.

### **Claims Process**

The Company will initiate a process to identify and notify its creditors, and establish and resolve any remaining Claims against the Company, referred to herein as the Claims Process. This will include sending notices to creditors in accordance with the requirements of the SBCA. As part of the Claims Process, the Company will take appropriate measures to identify and quantify the amount of any remaining contingent liabilities.

References to "**Claims**" in this Information Circular refer to the rights of any person against the Company which constitutes indebtedness of the Company or a liability or obligation of the Company, which are in existence at the determination date or based in whole or in part on facts which exist before or at the determination date and any interest that may be accrued thereon.

### **Distribution to Shareholders**

Shareholders will rank *pari passu* with each other in receiving their pro rata share of any distributions out of the Company's assets prior to dissolution. The timing of each relevant step of the Liquidation, including the timing of the distribution to shareholders, will be determined by management in its discretion. The final distribution to shareholders is not expected to occur by approximately April 30, 2014 in order to allow any remaining contingent liabilities to be otherwise settled or provided for.

### **Certain Canadian Federal Income Tax Considerations**

The following is a summary of the principal Canadian federal income tax considerations generally applicable to shareholders receiving a Liquidation Payment on the Liquidation.

This summary is based on the current provisions of the Income Tax Act (Canada), as amended (the "**ITA**"), the regulations thereunder (the "**Regulations**"), and our understanding of the current administrative practice of the Canada Revenue Agency. This summary also takes into account the amendments to the ITA and Regulations publicly announced by the Minister of Finance (Canada) prior to the date hereof (the "**Proposed Amendments**") and assumes that all such Proposed Amendments will be implemented in their present form. However, no assurances can be given that the Proposed Amendments will be implemented in their current form or at all. The summary is not exhaustive of all possible Canadian federal income tax considerations and, except for the Proposed Amendments, does not take into account or anticipate any changes in law, whether by

legislative, administrative or judicial decision or action, nor does it take into account provincial, territorial or foreign income tax legislation or considerations, which may differ significantly from the Canadian federal income tax considerations described herein. The summary also assumes that any Liquidation Payment will be considered to be made “on” the Liquidation by way of reduction of stated capital (to the extent available) for purposes of the ITA, and the discussion below is qualified accordingly.

This summary is of a general nature only, is not comprehensive of all possible Canadian federal income tax considerations, and it is not intended to be, and should not be construed to be, legal, business or tax advice to any particular shareholder. Accordingly, all shareholders should consult their own tax advisors for advice with respect to their particular circumstances.

#### *Shareholders Resident in Canada*

This portion of the summary is applicable only to a shareholder that, for purposes of the ITA and at all relevant times (i) is, or is deemed to be, resident in Canada for the purposes of the ITA, (ii) holds Shares as capital property, and (iii) deals at arm’s length with, and is not affiliated with, the Company. A shareholder that meets all of the foregoing requirements is referred to herein as a “**Resident Shareholder**”, and this portion of the summary only addresses such Resident Shareholders.

This summary is not applicable to a Resident Shareholder (i) that is a “**financial institution**” for the purposes of the “**mark-to-market**” rules (both as defined in the ITA), (ii) that is a “**specified financial institution**” as defined in the ITA, (iii) that has made an election under the functional currency rules in section 261 of the ITA, (iv) an interest in which is a “**tax shelter investment**” as defined in the ITA, or (v) who acquired their Shares on the exercise of employee stock options.

#### *Deemed Dividend on Liquidation Payment*

In general, a Resident Shareholder that receives a Liquidation Payment on the Liquidation would be deemed to have received a taxable dividend equal to the amount, if any, by which the Liquidation Payment distributed to the Resident Shareholder by the Company in respect of the Common Shares held by such Resident Shareholder on the Liquidation exceeds the “**paid-up capital**” of such Common Shares, as determined for the purposes of the ITA. The Company expects that the aggregate amount of all Liquidation Payments is unlikely to exceed the paid-up capital of the Common Shares. Provided that this expectation is correct, no deemed dividend should arise as a consequence of a Liquidation Payment on the Liquidation. However, whether such expectation is satisfied is a question of fact that will only be fully determined after payment of all Liquidation Payments. If and to the extent that a Liquidation Payment is treated as a taxable dividend, the dividend so arising will be subject to the normal rules under the ITA.

#### *Capital Gain on Liquidation Payment*

The Resident Shareholder will be required to reduce the “**adjusted cost base**” of the Resident Shareholder’s Common Shares by the amount by which the paid-up capital of those shares is reduced by the Liquidation Payment. If the adjusted cost base of the Resident Shareholder’s Common Shares thereby becomes a negative amount, the Resident Shareholder will be deemed to have realized a capital gain from the disposition of property equal to the negative amount, and the adjusted cost base of the Resident Shareholder’s Common Shares will then be restored to nil. Any capital gain so arising will be subject to tax as described below (see “*Shareholders Resident in Canada – Capital Gains and Losses*”).

#### *Cancellation of Shares on Conclusion of Liquidation*

Each Resident Shareholder will realize a capital loss on cancellation of the Resident Shareholder’s Common Shares on the final dissolution of the Company equal to the positive amount, if any, of the adjusted cost base of

the Resident Shareholder's Common Shares determined immediately before that time. Any capital loss so arising will be deductible as described below (see "Capital Gains and Losses" below).

#### *Capital Gains and Losses*

A Resident Shareholder who realizes or is deemed to realize a capital gain in a taxation year as a result of having a negative adjusted cost base in respect of the Resident Shareholder's Common Shares as described above generally will be required to include one half of any such capital gain (a "**taxable capital gain**") in the Resident Shareholder's income for the year. The Resident Shareholder generally will be entitled to deduct one half of any capital loss (an "**allowable capital loss**") that the Resident Shareholder realizes on an actual or deemed disposition of Shares (including as a result of the cancellation of those shares on the final dissolution of the Company as described above) in the year and, to the extent not so deductible, in any of the three preceding taxation years or any subsequent taxation year to the extent and under the circumstances described in the ITA.

The amount of a capital loss realized on the disposition of a Share by a Resident Shareholder that is a corporation may, to the extent and under the circumstances set out in the ITA, be reduced by the amount of any dividends that the Resident Shareholder previously received or was deemed to have received on the Resident Shareholder's Common Shares. Similar rules may apply where Shares are owned by a partnership or trust of which a corporation, trust or partnership is a member or beneficiary. Resident Shareholders to whom these rules may be relevant should consult their own tax advisers in this regard.

A Resident Shareholder that is throughout the year a "**Canadian-controlled private corporation**" (as defined in the ITA) may be liable to pay an additional tax of 6<sup>2/3</sup>%, refundable in certain circumstances, on certain investment income, including taxable capital gains.

In general terms, a Resident Shareholder who is an individual (other than certain trusts) who realizes a capital gain on the disposition or deemed disposition of the Common Shares may be liable for a minimum tax under the ITA. Resident Shareholders that are individuals should consult their own tax advisers in this regard.

#### *Non-Resident Shareholders*

This portion of the summary is applicable only to a Shareholder that, for the purposes of the ITA and at all relevant times (i) is not, and is not deemed to be, resident in Canada, (ii) does not and will not use or hold, or be deemed to use or hold, the Common Shares in, or in the course of, carrying on business in Canada, and (iii) is not, and is not deemed to be, an insurer who carries on an insurance business in Canada and elsewhere. A shareholder that meets all of the foregoing requirements is referred to herein as a "**Non-Resident Shareholder**", and this portion of the summary only addresses such Non-Resident Shareholders.

#### *Deemed Dividend on Liquidation Payment*

In general, a Non-Resident Shareholder that receives a Liquidation Payment on the Liquidation would be deemed to have received a taxable dividend equal to the amount, if any, by which the Liquidation Payment distributed to the Non-Resident Shareholder by the Company in respect of the Common Shares held by such Non-Resident Shareholder on the Liquidation exceeds the "**paid-up capital**" of such Common Shares, as determined for the purposes of the ITA. Any dividend that is, or is deemed to be, received by a Non-Resident Shareholder will be subject to Canadian withholding tax at a rate of 25% or such lower rate as may be provided under the terms of an applicable Canadian income tax treaty or convention. The Company expects that the aggregate amount of all Liquidation Payments is unlikely to exceed the paid-up capital of the Common Shares. Provided that this expectation is correct, no deemed dividend should arise as a consequence of a Liquidation Payment on the Liquidation. However, whether such expectation is satisfied is a question of fact that will only be fully determined after payment of all Liquidation Payments.

### *Capital Gain on Liquidation Payment*

The Non-Resident Shareholder will also be required to reduce the “**adjusted cost base**” of the Non-Resident Shareholder’s Common Shares by the amount by which the paid-up capital of those shares is reduced by the Liquidation Payment as described above in respect of Resident Shareholders. A Non-Resident Shareholder will not be subject to tax under the ITA in respect of a capital gain so realized unless the Common Shares constitute “**taxable Canadian property**” for the purposes of the ITA. In general, provided the Common Shares are then listed on a “**designated stock exchange**” for purposes of the ITA (which includes the NEX), the Common Shares will not constitute taxable Canadian property of a Non-Resident Shareholder at the time of disposition unless, at any time during the 60 month period immediately preceding the disposition, (i) the Non-Resident Shareholder, persons with whom the Non-Resident Shareholder did not deal at “arm’s length” (for purposes of the ITA), or the Non-Resident Shareholder together with all such persons, owned 25% or more of the issued shares of any class or series of the Company AND (ii) more than 50% of the fair market value of the shares was derived directly or indirectly from one or any combination of real or immovable property situated in Canada, Canadian resource properties or timber resource properties (as defined in the ITA), or an option, interest or right in or to any of the foregoing property, whether or not such property exists. In addition, the Common Shares may be deemed to constitute taxable Canadian property to a particular Non-Resident Shareholder in certain other circumstances under the ITA.

In the event that the Common Shares constitute taxable Canadian property to a particular Non-Resident Shareholder, the Non-Resident Shareholder should consult with its own tax advisors in this regard.

### *Cancellation of Shares on Conclusion of Liquidation*

Each Non-Resident Shareholder will realize a capital loss on cancellation of the Non-Resident Shareholder’s Common Shares on the final dissolution of the Company as described above in respect of capital gains and losses of Resident Shareholders.

### **Dissolution**

Following the liquidation of the Company and the final payments to the Company’s creditors and the distribution to the Company’s shareholders, the Company will be dissolved.

### **Status as a Reporting Issuer**

Until an application is made and an order is issued by the Canadian securities regulatory authorities deeming the Company to no longer be a “reporting issuer”, the Company will continue to be subject to ongoing disclosure and other obligations as a reporting issuer under applicable securities legislation in Canada.

### **Risk Factors - Liquidation**

Shareholders should carefully consider the following risk factors before deciding to vote or instruct their vote to be cast to approve the matters relating to the Liquidation.

Additional risk and uncertainties, including those currently unknown or considered immaterial by the Company, may also adversely affect the business of the Company. See our most recently filed MD&A for additional risks and uncertainties.

### *Liquidation Process and Amount of Liquidation Distribution*



The process of voluntarily liquidating a public company such as Shane involves significant uncertainties that affect both the amount that can be distributed to shareholders and the time to complete the Liquidation. Some of the principal uncertainties relate to the process of obtaining tax clearance certificates and the potential for tax liabilities or other contingent liabilities. In addition, ongoing corporate costs of the Company will reduce the amount available for distribution to shareholders. Until completion of the Liquidation process, the Company will remain a reporting issuer and will incur the attendant costs. Accordingly, the amount of any assets to be distributed to shareholders cannot currently be quantified with certainty, and shareholders may receive substantially less than their pro rata share of the current estimated amounts available for distribution to shareholders under the Liquidation.

### **Securityholder Approvals Required**

At the Meeting, shareholders will be asked to consider and, if deemed advisable, approve with or without variation the Liquidation Resolution under section 204 of the SBCA providing for the voluntary liquidation and dissolution of the Company through the distribution of its remaining assets to its shareholders, after providing for outstanding liabilities, contingencies and costs of the liquidation, and the ultimate dissolution of the Company in the future once all of the liquidation steps have been completed.

The full text of the Liquidation Resolution to approve the Liquidation is set out in Schedule “A” to this Information Circular.

The Liquidation Resolution requires a special resolution which must be approved by a resolution passed by at least 66<sup>2/3</sup>% of the votes cast by the shareholders present in person or voting by proxy at the Meeting. The Liquidation is being proposed pursuant to section 204 of the SBCA.

**The Shane Board recommends that the shareholders vote FOR the Liquidation Resolution.**

## **APPROVAL OF DE-LISTING**

### **Background to the De-listing**

Pursuant to the policies of the NEX, certain transactions such as contemplated by the Purchase Agreement require the prior approval of the NEX. In some circumstances the preparation of a valuation and/or geological report is a condition precedent to receipt of such approval from the exchange. Due to the working capital position of the Company, procuring a geological report or valuation of the Company’s properties is not practical or possible. Also, in connection with the proposed Liquidation and dissolution the Company would be de-listed from the NEX.

### **Securityholder Approvals Required**

The full text of the De-listing Resolution to approve the De-listing is set out in Schedule “A” to this Information Circular. The De-listing Resolution requires an ordinary resolution on a “majority of the minority” basis, which must be approved by a resolution passed by at least 50% of the votes cast by the shareholders present in person or voting by proxy at the Meeting other than those held by “Non-Arm’s Length Parties” (as defined in the policies of the NEX), which includes directors, officers and insiders of the Company. The De-listing is being proposed pursuant to Policy 12.2 of the NEX.

## **Risk Factors - De-Listing**

Shareholders should carefully consider the following risk factors before deciding to vote or instruct their vote to be cast to approve the matters relating to the De-listing.

Additional risk and uncertainties, including those currently unknown or considered immaterial by the Company, may also adversely affect the business of the Company. See our most recently filed MD&A for additional risks and uncertainties.

### *De-listing and Liquidity of Common Shares*

By approving the De-listing shareholders will be materially affecting their ability to sell any Common Shares they hold. In the event the Transaction takes place as anticipated and if the Liquidation is not approved, shareholders may be unable to sell their Common Shares.

**The Shane Board recommends that the shareholders vote FOR the De-listing Resolution.**

## **APPROVAL OF THE OPTION PLAN**

The NEX requires that each company listed on the NEX have a stock option plan if the Company intends to grant options. In order to comply with NEX policy, and to provide incentive to senior officers, employees, management and others who provide services to the Company or any subsidiary to act in the best interests of the Company, the Board and the shareholders re-approved the stock option plan on March 2, 2011 (the “**Option Plan**”).

Under the Option Plan, the board of directors may, from time to time, grant options to purchase common shares (“**Options**”) to certain directors, officers, employees and consultants of the Company. The Option Plan is administered by the board of directors, or if appointed, by a special committee of directors appointed from time to time by the board of directors (the “**Committee**”). The aggregate number of common shares which may be reserved for issuance under the Option Plan shall not exceed 10% of the Company’s issued and outstanding common shares from time to time. The number of common shares subject to an Option to a participant shall be determined by the Committee, but no participant shall be granted an Option which exceeds the maximum number of shares permitted by any stock exchange on which the common shares are then listed, or other regulatory body having jurisdiction. The exercise price of the common shares covered by each Option shall be determined by the Committee, provided however, that the exercise price shall not be less than the price permitted by any stock exchange on which the common shares are then listed, or other regulatory body having jurisdiction. The maximum length of any option shall be ten (10) years from the date the Option is granted, provided that such participant’s Options shall expire on date that is the later of ninety (90) days after a participant ceases to act for the Company, subject to extension at the discretion of the board of directors, except upon the death of a participant, in which case the participant’s estate shall have twelve (12) months in which to exercise the outstanding Options. Under the rules of the NEX, listed issuers with stock option plans that reserve a percentage of the issued and outstanding voting securities in the capital stock of the listed issuer from time to time for the issuance of stock options pursuant to the listed issuer’s incentive stock option plan must have that stock option plan approved at each annual meeting of shareholders of the listed issuer. The Option Plan also takes into account employee stock option withholding obligations.

As of the date hereof, all outstanding Options had exercise prices that were above the current trading price for the Common Shares.

At the Meeting, shareholders will be asked to vote on the following ordinary resolution:

“Resolved that:

1. the continuation of the Company’s Option Plan, be ratified and approved; and
2. any one or more of the directors and officers of the Company be authorized to perform all such acts, deeds and things and execute, under seal of the Company or otherwise, all such documents as may be required to give effect to this resolution.”

An “*ordinary resolution*” is a resolution passed by the shareholders of the Company at a general meeting by a simple majority of the votes cast in person or by proxy.

**The Board recommends that each shareholder vote FOR the resolution continuing the Option Plan.**

## **ELECTION OF DIRECTORS**

### **Size of the Board**

The Board is currently comprised of three directors. At the Meeting, Shareholders will be asked to approve an ordinary resolution to fix the size of the Board at three directors.

**The Board recommends that shareholders vote FOR the resolution to fix the size of the Board at three directors.**

### **Election of Directors**

The term of office of each of the current directors will end at the conclusion of the Meeting. Unless the director’s office is earlier vacated in accordance with the provisions of the SBCA, each director elected will hold office until the conclusion of the next annual general meeting of the Company, or if no director is then elected, until a successor is elected.

The following table sets out the names of management’s three nominees for election as directors, all major offices and positions with the Company each now holds, each nominee’s principal occupation, business or employment for the five preceding years for new director nominees, the period of time during which each has been a director of the Company and the number of Common Shares of the Company beneficially owned by each, directly or indirectly, or over which each exercised control or direction, as at the Record Date:

Name, Positions and Residence	Date Appointed Director or Officer	Principal Occupations for the Previous Five Years	Number and Percentage of Common Shares Held or Controlled as at the Effective Date <sup>(1)(2)</sup>
Kyle Kozuska <sup>(3)</sup> Saskatoon, Saskatchewan	Director since October 17, 2007	President & Chief Executive Officer of Paradigm Portfolio Management Corporation.	661,380 (2.52%)
Michael Der <sup>(3)</sup> Calgary, Alberta	Director since December 2, 2009	Associate with the law firm of Davis LLP since 2009. Prior thereto, an associate with the law firm of Bennett Jones LLP since 2005.	56,000 (0.2%)
Gregory Birch <sup>(3)</sup> Port Moody, British Columbia	Director since October 3, 2012	President of CFO Executive Services	nil

Notes:

- (1) Common Shares beneficially owned, directly or indirectly, or over which control or direction is exercised, as at the Effective Date, based upon information furnished to the Corporation by the above individuals.
- (2) Assumes a total of 26,490,750 Common Shares issued and outstanding as at the Effective Date.
- (3) Member of the Audit Committee.

**Management recommends that shareholders vote FOR the above nominees as directors of the Company.**

### **Cease Trade Orders, Bankruptcies, Penalties or Sanctions**

#### *Cease Trade Orders or Bankruptcies*

Other than as described below, no proposed director, within 10 years before the date of this Information Circular, has been a director, chief executive officer or chief financial officer of any company that:

- (a) was subject to: (i) a cease trade order; (ii) an order similar to a cease trade order; or (iii) an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days (collectively, an “**Order**”) that was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer; or
- (b) was subject to an Order that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

No proposed director, within 10 years before the date of this Information Circular, has been a director or executive officer of any company that, while the proposed director was acting in that capacity, or within a year of the proposed director ceasing to act in that capacity, 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.

### *Personal Bankruptcies*

No proposed director has, within 10 years before the date of this Information Circular, become 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 such proposed director.

### *Penalties and Sanctions*

Other than as set forth herein, no proposed director 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 securityholder in deciding whether to vote for a proposed director.

### **Directorships**

Certain of the directors are also directors of other reporting issuers, the details of which are as follows:

<b>Name of Director</b>	<b>Name of Reporting Issuer</b>
Kyle Kozuska	Star Minerals Group Ltd. Karoo Exploration Corp.
Michael Der	Karoo Exploration Corp.

### **APPOINTMENT OF AUDITOR**

Davidson & Company LLP, Chartered Accountants, 1200 - 609 Granville Street, P.O. Box 10372, Pacific Centre Vancouver, British Columbia V7Y 1G6, are currently the auditors of the Company and they will be nominated at the Meeting for re-appointment as auditor of the Company.

**The Board unanimously recommends that each shareholder vote FOR the appointment of Davidson & Company LLP as auditor of the Company.**

### **CORPORATE GOVERNANCE**

Corporate governance relates to the activities of the board of directors, the members of which are elected by and are accountable to the shareholders, and takes into account the role of the individual members of management who are appointed by the board of directors and who are charged with the day-to-day management of the Company. The Board is committed to sound corporate governance practices, which are both in the interest of its shareholders and contribute to effective and efficient decision making.

Pursuant to National Instrument 58-101 - *Disclosure of Corporate Governance Practices* (“NI 58-101”) the Company is required to disclose its corporate governance practices, as summarized below. The Board will continue to monitor such practices on an ongoing basis and when necessary implement such additional practices as it deems appropriate.

### **Board of Directors**

The board of directors is currently composed of three directors, Messrs. Kyle Kozuska, Michael Der and Gregory Birch. NI 58-101 suggests that the board of directors of a public company should be constituted with a majority of individuals who qualify as “independent” directors. An “independent” director is a director who is independent of management and is free from any interest and any business or other relationship which could, or could reasonably be perceived to materially interfere with the director’s ability to act with a view to the best interests of the Company, other than interests and relationships arising from shareholding.

The board of directors is responsible for determining whether a director is an independent director. Kyle Kozuska, as a member of management, is not an independent director. Michael Der, as a lawyer providing legal services to the Company, is not an independent director. Gregory Birch is an independent director of the Company, as he does not hold a management position with the Company. Mr. Birch has no ongoing interest or relationship with the Company other than serving as a director.

### **Orientation and Continuing Education**

Each new director is given an outline of the nature of the Company’s business, its corporate strategy, and current issues within the Company. New directors are also required to meet with management of the Company to discuss and better understand the Company’s business and are given the opportunity to meet with counsel to the Company to discuss their legal obligations as directors of the Company.

In addition, management of the Company takes steps to ensure that its directors and officers are continually updated as to the latest corporate and securities policies which may affect the directors, officers and committee members of the Company as a whole. The Company continually reviews the latest securities rules and policies. Any such changes or new requirements are then brought to the attention of the Company’s directors either by way of director or committee meetings or by direct communications from management to the directors.

### **Ethical Business Conduct**

The Board promotes ethical business conduct through the nomination of board members it considers ethical. The Board has also established a “whistleblower” policy which details complaint procedure for financial concern.

In addition, as the directors of the Company also serve as directors and officers of other companies engaged in similar business activities, the Board must comply with the conflict of interest provisions of the SBCA, as well as the relevant securities regulatory instruments, in order to ensure that directors exercise independent judgment in considering transactions and agreements in respect of which a director or officer has a material interest. Any interested director would be required to declare the nature and extent of his interest and would not be entitled to vote at meetings of directors which evoke any such conflict.

### **Nomination of Directors**

The Company’s management is continually in contact with individuals involved in the mineral exploration industry and public sector resource issuers. From these sources the Company has made numerous contacts and in the event that the Company were in a position to nominate any new directors, such individuals would be brought to the attention of the board of directors. The Company conducts the due diligence, reference and

background checks on any suitable candidate. New nominees must have a track record in general business management, special expertise in an area of strategic interest to the Company, the ability to devote the time required and a willingness to serve.

### **Compensation**

The Board has the responsibility for determining the compensation of the CEO and does so with reference to industry standards and the Company's financial situation. The Board has the responsibility for determining the compensation of the directors who currently are not compensated in their capacity as directors but do receive stock options.

### **Other Board Committees**

The Company does not have any committees other than an Audit Committee.

### **Assessments**

Being a venture issuer with limited administration resources, the Board works closely with management and, accordingly, are in a position to assess individual director's performance on an ongoing basis.

## **AUDIT COMMITTEE**

Pursuant to the provisions of Section 165 of the SBCA, the Company is required to have an Audit Committee comprised of at least three directors, the majority of whom must not be officers or employees of the Company.

The Company must also, pursuant to the provisions of National Instrument 52-110 - *Audit Committees* ("NI 52-110"), have a written charter which sets out the duties and responsibilities of its audit committee. In providing the following disclosure, the Company is relying on the exemption provided under NI 52-110, which allows for the short form disclosure of the audit committee procedures of venture issuers. A copy of the Company's Audit Committee Charter is attached as Schedule "C".

### **Composition of the Audit Committee**

For the purposes of the following, the terms "Independent" and "Financially Literate" have the meaning ascribed to them in NI 52-110. The following are the members of the Audit Committee:

- (a) Kyle Kozuska, Not Independent, Financially Literate;
- (b) Michael Der, Not Independent, Financially Literate; and
- (c) Gregory Birch, Independent, Financially Literate.

### **Relevant Education and Experience**

In addition to each member's general business experience, the education and experience of each Audit Committee member that is relevant to the performance of his responsibilities as an Audit Committee member is as follows:

Kyle Kozuska – Mr. Kyle Kozuska is a director and the Chief Executive Officer of a portfolio management corporation, and has reviewed the financial performance of corporations for many years.

Michael Der – Mr. Michael Der is a commercial and securities lawyer who specializes in transactions involving listed issuers.

Gregory Birch – Mr. Gregory Birch is an independent businessman who holds a CGA designation along with a Bachelor of Administration from Simon Fraser University. He provides consulting services to public and private companies in a variety of industries.

### **Audit Committee Oversight**

At no time since the commencement of the Company’s most recent completed financial year was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board of Directors.

### **Reliance on Certain Exemptions**

At no time since the commencement of the Company’s most recently completed financial year has the Company relied on the exemption in Section 2.4 of NI 52-110 (De Minimis Non-audit Services), or an exemption from NI 52-110, in whole or in part, granted under Part 8 of NI 52-110.

### **Pre-Approval Policies and Procedures**

The Audit Committee has adopted specific policies and procedures for the engagement of non-audit services as described in Schedule “C” under the heading “*External Auditors*”.

### **External Auditor Service Fees**

The aggregate fees billed by the Company’s external auditors in each of the last two fiscal years for audit fees are as follows:

<b>Financial Year Ending</b>	<b>Audit Fees</b>	<b>Audit Related Fees<sup>(1)</sup></b>	<b>Tax Fees<sup>(2)</sup></b>	<b>All Other Fees<sup>(3)</sup></b>
2011	\$31,381	\$7,550	nil	nil
2012	\$16,735	nil	\$1,500	nil

Notes:

- (1) Fees charged for assurance and related services reasonably related to the performance of an audit, and not included under “Audit Fees”.
- (2) Fees charged for tax compliance, tax advice and tax planning services.
- (3) Fees for services other than disclosed in any other column.

## **EXECUTIVE COMPENSATION**

### **Compensation and Discussion Analysis**

#### *Objectives of the Compensation Program*

The Board is responsible for setting the overall compensation strategy of the Company and administering the Company’s executive compensation program. The Board approves the appointment and remuneration of the Company’s executive officers, including the Named Executive Officers identified in the Summary



Compensation Table. The Board is also responsible for reviewing the Corporation's compensation policies and guidelines generally.

The objective of the executive compensation program is to engage senior management by motivating and rewarding corporate, individual or shareholder success. It is designed to ensure that compensation is competitive with other companies of similar size and is commensurate with the experience, performance and contribution of the individuals involved and the overall performance of the Company. The Company believes that a competitive, goal oriented compensation policy is critically important to the creation of value for stockholders. To that end, the Company has created a compensation program intended to reward performance.

The goals of the compensation program are to align compensation with the successful accomplishment of business objectives and performance to enable us to attract and retain high quality executive officers and other key employees, reward them for the Company's progress and motivate them to enhance long-term stockholder value. The compensation program is intended to implement the following principles:

- Compensation should be related to the value created for shareholders.
- The Compensation program should be tied to short-term and long-term strategic goals and the Company's corporate objectives.
- The Compensation program should reflect and promote the Company's values and reward individuals for contributions to the Company's success.
- The Company's compensation program should be designed to attract and retain well-qualified executives.

In evaluating performance, the Board gives consideration to the Company's long-term interests and quantitative financial objectives, as well to the qualitative aspects of the individual's performance and achievements. In addition, the Board will receive and review recommendations of the Chief Executive Officer ("CEO") relating to the general compensation structure and policies and programs for the Company and the salary and benefit levels for the executive officers.

#### *Risk Considerations*

The Board monitors the most significant risks facing the Company, including strategic, operational and reputational risks, which build upon management's risk assessment and mitigation processes. Specifically, the Board monitors the risks associated with the Company's compensation programs and practices, including the retention of key senior management personnel. The Board reviews from time to time the risk implications of the Company's compensation programs, including specifically compensation risks as they relate to the Company's strategic plans, desired performance measures, overall corporate performance and risk management principles generally. The Board believes that the Company's compensation policies do not create an environment where an executive or any individual is encouraged to take excessive risk, and that the compensation offered by the Company rewards prudent business judgment and appropriate risk taking over the short and long term, without creating risk that is reasonably likely to have a material adverse impact on the Corporation.

#### *Anti-Hedging*

The Company's policies prohibit directors and officers of the Company from purchasing any financial instrument that is designed to hedge or offset any decrease in the market value of the Company's common shares.

### *Elements of Compensation*

The executive compensation program is comprised of two principal components: base salaries and a stock option plan which are designed to provide a combination of cash and equity-based compensation to effectively retain and motivate the executive officers to achieve the corporate goals and objectives. Each component of the executive compensation program is described below.

#### *Base Salaries*

The base compensation of the Named Executive Officers was previously established at the time the Corporation offered employment to the said Named Executive Officers. The Board reviews on a regular basis the base compensation of the Named Executive Officers (“NEOs”). NEOs are paid a base salary to compensate them for providing the leadership and specific skills needed to fulfill their responsibilities. The Company’s approach to base salary compensation is to offer salaries which are targeted at the competitive median for similar Canadian focused junior mining exploration companies to attract and retain high quality individuals. In recent years, due to the Company’s cash position the NEOs have received lower than average compensation.

For the purpose of establishing these levels, the Board reviews competitive market data, including salaries for comparable positions in other public Canadian junior mining exploration companies. Salaries of the NEOs are not determined based on benchmarks or a specific formula. The Board determines the salary of the CEO. The Board then considers the salaries recommended by the CEO for the other executive officers of the Company. Based upon its reviews of industry data and the state of the Company, the Board determined that the base salaries of the NEOs were appropriate. The Board reviews the salaries of the CEO and other executive officers annually. Salaries may be increased based upon the individual’s performance and contribution or increases in median competitive pay levels.

#### *Stock Option Plan*

The Company has adopted the Option Plan pursuant to which Options may be granted to directors, officers, employees and consultants of the Company. The Option Plan is designed, through the grant of Options, to reward key individuals in relation to the share price of the Company. The Option Plan is an integral component of the Company’s total compensation program in terms of attracting and retaining key employees and enhances shareholder value by aligning the interests of executives and employees with the growth and profitability of the Corporation. The longer-term focus of the Option Plan complements and balances the short-term elements of the compensation program of the Company.

Pursuant to the Option Plan, the Board may grant, from time to time, to directors, officers, employees and consultants of the Corporation, Options. In determining the number of Options to be granted to the executive officers, the Board considers the amount, terms and vesting levels of existing Options held by the officers and also the number of Options remaining available for grant by the Company in the future to attract and retain qualified technical and administrative staff. Generally, the number of Options granted to any optionee is a function of the level of authority and responsibility of the optionee, the contribution that has been made by the optionee to the business and affairs of the Company, the number of Options that have already been granted to the optionee and such other factors as the Board may consider relevant. Please refer to “*Particulars of Matters to Be Acted Upon – Approval of the Option Plan*” for further details regarding the Option Plan.

#### *Share –based and Option–based Awards*

The process the Corporation follows in respect of the grant of option-based awards is set out under “*Compensation Discussion and Analysis – Stock Option Plan*”.

## *Compensation Governance*

The Company's compensation policies are designed to attract and retain key members of the Company's management team. The Company is committed to a compensation policy that rewards and retains individuals of exceptional skill while encouraging those individuals to put forth maximum effort for the success of the Company. The compensation policy further attempts to focus management of the Company on operating and financial performance and long-term shareholder return.

### **Executive Officers of the Company**

The following table contains information about the compensation paid to, or earned by, those who were, at December 31, 2012 and December 31, 2013:

- (a) the Company's chief executive officer (or an individual who acted in a similar capacity);
- (b) the Company's chief financial officer (or an individual who acted in a similar capacity);
- (c) each of the Company's three other most highly compensated executive officers (except those whose total salary and bonus does not exceed \$150,000); and
- (d) any additional individuals whose total salary and bonus exceeded \$150,000 during the year ended December 31, 2012 or December 31, 2013.

<b>SUMMARY COMPENSATION TABLE</b>									
Name and Principal Position	Year Ended Dec 31	Salary (\$)	Share-Based Awards (\$) <sup>(1)</sup>	Option-Based Awards (\$) <sup>(2)(4)</sup>	Non-Equity Incentive Plan Compensation (\$)		Pension Value (\$)	All Other Compensation (\$)	Total Compensation (\$)
					Annual Incentive Plans	Long-Term Incentive Plans			
<b>Kyle Kozuska<sup>(3)</sup> Director and Chief Executive Officer</b>	2011	nil	nil	nil	nil	nil	nil	nil	nil
	2012	nil	nil	11,677	nil	nil	nil	nil	11,677
	2013	nil	nil	nil	nil	nil	nil	nil	nil
<b>Lorilee Kozuska Chief Financial Officer</b>	2011	nil	nil	nil	nil	nil	nil	30,000	30,000
	2012	nil	nil	15,570	nil	nil	nil	10,000	25,570
	2013	nil	nil	nil	nil	nil	nil	nil	nil

Notes:

- (1) "Share-Based Award" means an award under an equity incentive plan of equity-based instruments that do not have option-like features, including, for greater certainty, common shares, restricted shares, restricted share units, deferred share units, phantom shares, phantom share units, common share equivalent units and stock.
- (2) "Option-Based Award" means an award under an equity incentive plan of options, including, for greater certainty, stock options, stock appreciation rights and similar instruments that have option-like features.
- (3) Mr. Kozuska did not receive any additional compensation for serving as a director of the Corporation while serving as a Named Executive Officer.
- (4) The "grant date fair value" has been determined by using the Black-Scholes option pricing model.

## Incentive Plan Awards

### *Outstanding Share-Based Awards and Option-Based Awards - Named Executive Officers*

The following table sets forth details of all awards outstanding for each NEO of the Company as of the most recent financial year end, including awards granted before the most recently completed financial year. None of the awards disclosed in the table below have been transferred at other than fair market value.

Name and Title	Option-Based Awards				Share-Based Awards		
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised in-the-money Option <sup>(1)(2)</sup> (\$)	Number of Shares or Units of Shares that have not vested (#)	Market or Payout Value of Share-Based Awards that have not vested (\$)	Market or Payout Value of vested Share-Based Awards not paid out or distributed (\$)
<b>Kyle Kozuska</b> Director and Chief Executive Officer	200,000	\$0.11	Jan. 15, 2020	nil	nil	nil	nil
	150,000	\$0.10	Apr. 13, 2022				
<b>Lorilee Kozuska</b> Chief Financial Officer	250,000	\$0.11	Jan. 15, 2020	nil	nil	nil	nil
	200,000	\$0.01	Apr. 13, 2022				

Notes:

- (1) Unexercised "in-the-money" options refer to the options in respect of which the market value of the underlying securities as at the financial year end exceeds the exercise or base price of the option.
- (2) The aggregate of the difference between the market value of the Common Shares as at December 31, 2011, being \$nil per Common Share, and the exercise price of the options.

### *Incentive Plan Awards - Value Vested or Earned During the Year - Named Executive Officers*

The following table sets forth the value of option-based awards and share-based awards which vested or were earned by each NEO during the 2012 and 2013 financial years:

Name and Title	Option-Based Awards – Value vested during the year (\$)	Share-Based Awards – Value vested during the year (\$)	Non-Equity Incentive Plan Compensation – Value earned during the year (\$)
<b>Kyle Kozuska</b> Director and Chief Executive Officer	2012 - 11,677 2013 - nil	2012 - nil 2013 - nil	2012 - nil 2013 - nil

<b>Lorilee Kozuska Chief Financial Officer</b>	2012 - 15,570 2013 - nil	2012 - nil 2013 - nil	2012 - nil 2013 - nil
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### **Pension Plan Benefits**

The Company does not have in place any deferred compensation plan or pension plan that provides for payments or benefits at, following or in connection with retirement.

### **Option and SAR Re-pricings**

There were no re-pricings of stock options held by senior management and directors under the Plan or otherwise during the Company's completed financial year ended December 31, 2012 or December 31, 2013.

### **Defined Benefit or Actuarial Plan**

The Company did not have a defined benefit or actuarial plan during the financial year ended December 31, 2012 or December 31, 2013.

### **Termination and Change of Control Benefits**

Other than in respect of the CEO, the Company was not a party to any contract, agreement, plan or arrangement that provides for payments to a Named Executive Officer at, following or in connection with any termination (whether voluntary, involuntary or constructive), resignation, retirement, a change in control of the Company or a change in a Named Executive Officer's responsibilities during the financial year ended December 31, 2012 or December 31, 2013. As at the date of this Information Circular the CEO has agreed to waive any severance provisions applicable to his employment agreement.

## **DIRECTOR COMPENSATION**

The Company currently has three directors, one of which is also a Named Executive Officer. For a description of the compensation paid to the Named Executive Officers of the Company who also act or acted as directors of the Corporation, see "*EXECUTIVE COMPENSATION - SUMMARY COMPENSATION TABLE*".

### **Director Compensation Table**

The following table sets forth all compensation provided to directors who are not also Named Executive Officers ("**Outside Directors**") of the Corporation for the financial years ended December 31, 2012 and December 31, 2013:

Name	Fees Earned (\$)	Share-Based Awards (\$) <sup>(1)</sup>	Option-Based Awards (\$) <sup>(2)(3)</sup>	Non-Equity Incentive Plan Compensation (\$)	Pension Value (\$)	All Other Compensation (\$)	Total (\$)
<b>Michael Der</b>	nil	nil	nil	nil	nil	nil	nil
<b>Gregory Birch</b>	nil	nil	nil	nil	nil	nil	nil

Notes:

- (1) "Share-Based Award" means an award under an equity incentive plan of equity-based instruments that do not have option-like features, including, for greater certainty, common shares, restricted shares, restricted share units, deferred share units, phantom shares, phantom share units, common share equivalent units and stock.
- (2) "Option-Based Award" means an award under an equity incentive plan of options, including, for greater certainty, stock options, stock appreciation rights and similar instruments that have option-like features.
- (3) The "grant date fair value" has been determined by using the Black-Scholes option pricing model.

## Incentive Plan Awards

### *Outstanding Share-Based Awards and Option-Based Awards - Outside Directors*

The following table sets forth details of all awards outstanding for each Outside Director of the Company as of the two most recent financial year ends, including awards granted before December 31, 2013:

Name	Option-Based Awards				Share-Based Awards		
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised in-the-money Option <sup>(1)(2)</sup> (\$)	Number of Shares or Units of Shares that have not vested (#)	Market or Payout Value of Share-Based Awards that have not vested (\$)	Market or Payout Value of vested Share-Based Awards not paid out or distributed (\$)
Michael Der	nil	nil	nil	nil	nil	nil	nil
Gregory Birch	nil	nil	nil	nil	nil	nil	nil

Notes:

- (1) Unexercised "in-the-money" options refer to the options in respect of which the market value of the underlying securities as at the financial year end exceeds the exercise or base price of the option.
- (2) The aggregate of the difference between the market value of the Common Shares as at December 31, 2012 and December 31, 2013, being \$nil per Common Share, and the exercise price of the options.

None of the awards disclosed in the table above have been transferred at other than fair market value.

### *Incentive Plan Awards - Value Vested or Earned During the Year - Outside Directors*

The following table sets forth the value of option-based awards and share-based awards which vested or were earned during the financial years ended December 31, 2012 and December 31, 2013 for Outside Directors of the Company:

Name	Option-Based Awards – Value vested during the year (\$)	Share-Based Awards – Value vested during the year (\$)	Non-Equity Incentive Plan Compensation – Value earned during the year (\$)
Michael Der	nil	nil	nil

<b>Gregory Birch</b>	nil	nil	nil
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The significant terms of the Option Plan are disclosed in this Information Circular under “*Particulars Of Matters To Be Acted Upon - Approval of the Option Plan*”.

### **Other Compensation**

Other than as set forth herein, the Company did not pay any other compensation to executive officers or directors (including personal benefits and securities or properties paid or distributed which compensation was not offered on the same terms to all full time employees) during the last two completed financial years other than benefits and perquisites which did not amount to \$10,000 or greater per individual.

### **SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS**

As of the financial years ended December 31, 2012 and December 31, 2013, the Option Plan was the only equity compensation plan under which securities were authorized for issuance. The following table sets forth information with respect to the Option Plan as at the years ended December 31, 2012 and December 31, 2013:

<b>Plan Category</b>	<b>Number of Securities to be issued upon exercise of outstanding options, warrants and rights</b>	<b>Weighted average exercise price of outstanding options, warrants and rights</b>	<b>Number of securities remaining available for issuance under equity compensation plans (excluding outstanding securities reflected in Column 1)<sup>(1)</sup></b>
Equity compensation plans approved by securityholders	2012 - 1,350,000 2013 - 1,150,000	2012 - \$0.11 2013 - \$0.11	2012 - 1,299,075 2013 - 1,499,075
Equity compensation plans not approved by securityholders	2012 - nil 2013 - nil	2012 - nil 2013 - nil	2012 - nil 2013 - nil

Note:

1. The aggregate number of Common Shares that may be reserved for issuance under the Option Plan shall not exceed 10% of the Company’s issued and outstanding Common Shares. As at December 31, 2012 and December 31, 2013, the number of Common Shares issued and outstanding was 26,240,750 and 26,490,750 respectively.

### **INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS**

No directors, proposed nominees for election as directors, executive officers or their respective associates or affiliates, or other management of the Company were indebted to the Company as of the end of the two most recently completed financial years or as at the date hereof.

### **INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

To the knowledge of management of the Company, no informed person or nominee for election as a director of the Company, or any associate or affiliate of an informed person or proposed director, has or had any material interest, direct or indirect, in any transaction during the 2012 or 2013 financial year or in any proposed

transaction which has materially affected or will materially affect the Company or any of its subsidiaries other than as set out herein.

### **MANAGEMENT CONTRACTS**

Except as set out herein, there are no management functions of the Company, which are to any substantial degree performed by a person or company other than the directors or executive officers of the Company.

### **ADDITIONAL INFORMATION**

The management's discussion and analysis and financial statements of the Company for the year ended December 31, 2012 (audited) and the interim period ended September 30, 2013 (unaudited) will be placed before the Meeting. The Company's Notice of Meeting and this Information Circular will be mailed to the shareholders. Additional copies may be obtained free of charge from the Company upon request and will be available at the Meeting.

Copies of any documents incorporated by reference, the financial statements and management's discussion and analysis may be obtained from SEDAR at [www.sedar.com](http://www.sedar.com) under the Company's profile and upon request from the Company at the above noted address and contact numbers on the first page of this document, attention Mr. Kyle Kozuska. Copies of documents may be obtained free of charge by a shareholder of the Company.

### **OTHER MATTERS**

The Board is not aware of any other matters which it anticipates will come before the Meeting as of the date of mailing of this Information Circular.

The contents of this Information Circular and its distribution to shareholders have been approved by the Board.

**DATED** at Saskatoon, Saskatchewan, this 6<sup>th</sup> day of January, 2014.

### **BY ORDER OF THE BOARD**

*"Kyle Kozuska"*

Kyle Kozuska  
President and Chief Executive Officer



## SCHEDULE "A" - TRANSACTION RESOLUTIONS

### De-listing Resolution:

“**BE IT RESOLVED**, as an ordinary resolution of the shareholders, that:

- (a) the Company be and is hereby authorized to proceed with the De-listing of its common shares from the NEX board of the TSX Venture Exchange (the “**De-listing**”);
- (b) any director or officer of the Company be and is hereby authorized, for and on behalf of, and in the name of, the Company, to execute and deliver any documents and instruments and take any such action as such director or officer may determine to be necessary or desirable to implement this resolution and the matters authorized hereby, such determination to be conclusively evidenced by the execution and delivery of any such documents or instruments and the taking of any such action; and
- (c) notwithstanding the approval of the De-listing, the shareholders of the Company hereby expressly authorize the board of Directors of the Company to revoke this resolution at any time without requiring further approval of the shareholders in that regard.”

### Sale Resolution:

“**BE IT RESOLVED**, as a special resolution of the shareholders, that:

- (a) the sale of all of the Company’s interest in the Shane Projects to the Purchaser (the “**Transaction**”) pursuant to the Purchase Agreement, as such agreement may be amended from time to time and as described in the accompanying Information Circular is hereby authorized and approved;
- (b) any one director or officer of the Company is hereby authorized, for and on behalf of and in the name of the Company, to do all acts and things, at such time as is considered appropriate by such person, to execute, under the Company’s common seal or otherwise, and deliver all documents and instruments, to give all notices and to deliver and file with the regulatory authorities, or otherwise, or distribute, all documents and information which may, in the opinion of such person, be necessary or desirable to implement this special resolution or otherwise in connection with the matters authorized hereby, such determination to be conclusively evidenced by the execution and delivery of such document or instruction and the taking of such action; and
- (c) notwithstanding that this resolution has been duly passed by the shareholders, the directors of the Company are hereby authorized and empowered, without further notice to, or approval of, the shareholders to amend the Purchase Agreement to the extent permitted thereby, or, subject to the terms of the Purchase Agreement, not to proceed with the Transaction.”

**Liquidation Resolution:**

“**BE IT RESOLVED**, as a special resolution of the shareholders, that:

- (a) the Company be and is hereby authorized to proceed with a liquidation and dissolution pursuant to Section 204 of *The Business Corporations Act* (Saskatchewan) (the “**Liquidation**”);
- (b) the Company be and is hereby authorized to reduce the stated capital account maintained in respect of the common shares of the Company pursuant to Section 36 of *The Business Corporations Act* (Saskatchewan) (the “**Reduction of Capital**”) in connection with the Liquidation, with such reduction being in such amount as may be determined by any officer or Director of the Company;
- (d) any one director or officer of the Company is hereby authorized, for and on behalf of and in the name of the Company, to do all acts and things, at such time as is considered appropriate by such person, to execute, under the Company’s common seal or otherwise, and deliver all documents and instruments, to give all notices and to deliver and file with the regulatory authorities, or otherwise, or distribute, all documents and information which may, in the opinion of such person, be necessary or desirable to implement this special resolution or otherwise in connection with the matters authorized hereby, such determination to be conclusively evidenced by the execution and delivery of such document or instruction and the taking of such action; and
- (e) notwithstanding that this resolution has been duly passed by the shareholders, the Directors of the Company are hereby authorized and empowered, without further notice to, or approval of, the shareholders to revoke any portion or all of these resolutions, or not to proceed with the Liquidation, the Reduction of Capital or any part of such actions.

**SCHEDULE "B" - DISSENT PROVISIONS OF *THE BUSINESS CORPORATIONS ACT***  
**(SASKATCHEWAN)**

**Borrowing powers**

183(1) Unless the articles or bylaws of, or a unanimous shareholder agreement relating to, a corporation otherwise provide, the articles of a corporation are deemed to state that the directors of a corporation may, without authorization of the shareholders:

- (a) borrow money upon the credit of the corporation;
- (b) issue, reissue, sell or pledge debt obligations of the corporation;
- (c) subject to section 42, give a guarantee on behalf of the corporation to secure performance of an obligation of any person; and
- (d) mortgage, hypothecate, pledge or otherwise create a security interest in all or any property of the corporation, owned or subsequently acquired, to secure any debt obligation of the corporation.

**Delegation of borrowing powers**

(1.1) Notwithstanding subsection 110(3) and clause 116(a), unless the articles or bylaws of, or a unanimous shareholder agreement relating to, a corporation otherwise provide, the directors may, by resolution, delegate the powers mentioned in subsection (1) to a director, a committee of directors or an officer.

**Extraordinary sale, lease or exchange**

(2) A sale, lease or exchange of all or substantially all the property of a corporation other than in the ordinary course of business of the corporation requires the approval of the shareholders in accordance with subsections (3) to (7).

**Notice of meeting**

(3) A notice of meeting of shareholders complying with section 129 shall be sent in accordance with that section to each shareholder and shall:

- (a) include or be accompanied by a copy or summary of the agreement of sale, lease or exchange; and
- (b) state that a dissenting shareholder is entitled to be paid the fair value of his shares in accordance with section 184, but failure to make that statement does not invalidate a sale, lease or exchange referred to in subsection (2).

**Shareholder approval**

(4) At the meeting referred to in subsection (3) the shareholders may authorize the sale, lease or exchange and may fix or authorize the directors to fix any of the terms and conditions thereof.

**Right to vote**

(5) Each share of the corporation carries the right to vote in respect of a sale, lease or exchange referred to in subsection (2) whether or not it otherwise carries the right to vote.

**Class vote**

(6) The holders of shares of a class or series of shares of the corporation are entitled to vote separately as a class or series in respect of a sale, lease or exchange referred to in subsection (2) only if such class or series is affected by the sale, lease or exchange in a manner different from the shares of another class or series.

**Shareholder approval**

(7) A sale, lease or exchange referred to in subsection (2) is adopted when the holders of each class or series entitled to vote thereon have approved of the sale, lease or exchange by a special resolution.

**Termination**

(8) The directors of a corporation may, if authorized by the shareholders approving a proposed sale, lease or exchange, and subject to the rights of third parties, abandon the sale, lease or exchange without further approval of the shareholders.

**Delegation of powers mentioned in subsection (1)**

(9) Notwithstanding subsection (3) of section 110 and clause (a) of section 116, unless the articles or bylaws of, or a unanimous shareholder agreement relating to, a corporation otherwise provide, the directors may by resolution delegate the powers mentioned in subsection (1) to a director, a committee of directors, or an officer.

**Right to dissent**

184(1) Subject to sections 185 and 234, a holder of shares of any class of a corporation may dissent if the corporation is subject to an order under clause 186.1(4)(d) that affects the holder or if the corporation resolves to:

- (a) amend its articles under section 167 or 168 to add, change or remove any provisions restricting or constraining the issue, transfer or ownership of shares of that class;
- (b) amend its articles pursuant to section 167 to add, change or remove any restriction on:
  - (i) the business or businesses that the corporation may carry on; or
  - (ii) the powers that the corporation may exercise;
- (c) amalgamate with another corporation, otherwise than under section 178;
- (d) be continued under the laws of another jurisdiction under section 182; or
- (e) sell, lease or exchange all or substantially all its property under subsection (2) of section 183.

**Further right**

(2) The articles of a corporation may provide that a holder of any class or series of shares of a corporation, except a holder of shares of a distributing corporation, who is entitled to vote under section 170 may dissent if the corporation resolves to amend its articles in a manner described in that section.

**Payment for shares**

(3) In addition to any other right he may have, but subject to subsection (26), a shareholder who complies with this section is entitled, when the action approved by the resolution from which he dissents or an order made under subsection 186.1(4) becomes effective, to be paid by the corporation the fair value of the shares held by him in respect of which he dissents, determined as of the close of business on the day before the resolution was adopted or the order was made.

**No partial dissent**

(4) A dissenting shareholder may only claim under this section with respect to all the shares of a class held by him on behalf of any one beneficial owner and registered in the name of the dissenting shareholder.

**Objection**

(5) A dissenting shareholder shall send to the corporation, at or before any meeting of shareholders at which a resolution referred to in subsection (1) or (2) is to be voted on, a written objection to the resolution, unless the corporation did not give notice to the shareholder of the purpose of the meeting and of his right to dissent.

**Notice of resolution**

(6) The corporation shall, within ten days after the shareholders adopt the resolution, send to each shareholder who has filed the objection referred to in subsection (5) notice that the resolution has been adopted, but such notice is not required to be sent to any shareholder who voted for the resolution or who has withdrawn his objection.

**Demand for payment**

(7) A dissenting shareholder shall, within twenty days after he receives a notice under subsection (6) or, if he does not receive such notice, within twenty days after he learns that the resolution has been adopted, send to the corporation a written notice containing;

- (a) his name and address;
- (b) the number and class of shares in respect of which he dissents; and
- (c) a demand for payment of the fair value of such shares.

**Share certificate**

(8) A dissenting shareholder shall, within thirty days after sending a notice under subsection (7), send the certificates representing the shares in respect of which he dissents to the corporation or its transfer agent.

**Forfeiture**

(9) A dissenting shareholder who fails to comply with subsection (8) has no right to make a claim under this section.

**Endorsing certificate**

(10) A corporation or its transfer agent shall endorse on any share certificate received under subsection (8) a notice that the holder is a dissenting shareholder under this section and shall forthwith return the share certificates to the dissenting shareholder.

**Suspension of rights**

(11) On sending a notice under subsection (7), a dissenting shareholder ceases to have any rights as a shareholder other than the right to be paid the fair value of his shares as determined under this section except where:

- (a) the dissenting shareholder withdraws his notice before the corporation makes an offer under subsection (12);
- (b) the corporation fails to make an offer in accordance with subsection (12) and the dissenting shareholder withdraws his notice; or
- (c) the directors revoke a resolution to amend the articles under subsection (2) of section 167 or subsection (4) of section 168, terminate an amalgamation agreement under subsection (6) of section 177 or an application for continuance under subsection (6) of section 182, or abandon a sale, lease or exchange under subsection (8) of section 183;

in which case his rights as a shareholder are reinstated as of the date he sent the notice mentioned in subsection (7).

**Offer to pay**

(12) A corporation shall, not later than seven days after the later of the day on which the action approved by the resolution is effective or the day the corporation received the notice referred to in subsection (7), send to each dissenting shareholder who has sent such notice:

- (a) a written offer to pay for his shares in an amount considered by the directors of the corporation to be the fair value thereof, accompanied by a statement showing how the fair value was determined; or
- (b) if subsection (26) applies, a notification that it is unable lawfully to pay dissenting shareholders for their shares.

**Same terms**

(13) Every offer made under subsection (12) for shares of the same class or series shall be on the same terms.

**Payment**

(14) Subject to subsection (26), a corporation shall pay for the shares of a dissenting shareholder within ten days after an offer made under subsection (12) has been accepted, but any such offer lapses if the corporation does not receive an acceptance thereof within thirty days after the offer has been made.

**Corporation application to court**

(15) Where a corporation fails to make an offer under subsection (12), or where a dissenting shareholder fails to accept an offer, the corporation may, within fifty days after the action approved by the resolution is effective or within such further period as a court may allow, apply to a court to fix a fair value for the shares of any dissenting shareholder.

**Shareholder application to court**

(16) If a corporation fails to apply to a court under subsection (15), a dissenting shareholder may apply to a court for the same purpose within a further period of twenty days or within any further period of time that the court may allow.

**Venue**

(17) An application under subsection (15) or (16) shall be made to a court having jurisdiction in the place where the corporation has its registered office or in the province where the dissenting shareholder resides if the corporation carries on business in that province.

**No security for costs**

(18) A dissenting shareholder is not required to give security for costs in an application made under subsection (15) or (16).

**Parties**

(19) Upon an application to a court under subsection (15) or (16):

- (a) all dissenting shareholders whose shares have not been purchased by the corporation shall be joined as parties and are bound by the decision of the court; and
- (b) the corporation shall notify each affected dissenting shareholder of the date, place and consequences of the application and of his right to appear and be heard in person or by counsel.

**Powers of court**

(20) Upon an application to a court under subsection (15) or (16), the court may determine whether any other person is a dissenting shareholder who should be joined as a party, and the court shall then fix a fair value for the shares of all dissenting shareholders.

**Appraisers**

(21) A court may in its discretion appoint one or more appraisers to assist the court to fix a fair value for the shares of the dissenting shareholders.

**Final order**

(22) The final order of a court shall be rendered against the corporation in favour of each dissenting shareholder and for the amount of his shares as fixed by the court.

**Interest**

(23) A court may in its discretion allow a reasonable rate of interest on the amount payable to each dissenting shareholder from the date the action approved by the resolution is effective until the date of payment.

**Notice that subsection (26) applies**

(24) If subsection (26) applies, the corporation shall, within ten days after the pronouncement of an order under subsection (22), notify each dissenting shareholder that it is unable lawfully to pay dissenting shareholders for their shares.

**Effect where subsection (26) applies**

(25) If subsection (26) applies, a dissenting shareholder, by written notice delivered to the corporation within thirty days after receiving a notice under subsection (24), may:

- (a) withdraw his notice of dissent, in which case the corporation is deemed to consent to the withdrawal and the shareholder is reinstated to his full rights as a shareholder; or
- (b) retain a status as a claimant against the corporation, to be paid as soon as the corporation is lawfully able to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of the corporation but in priority to its shareholders.

**Limitation**

(26) A corporation shall not make a payment to a dissenting shareholder under this section if there are reasonable grounds for believing that:

- (a) the corporation is or would after the payment be unable to pay its liabilities as they become due; or
- (b) the realizable value of the corporation's assets would thereby be less than the aggregate of its liabilities.

## SCHEDULE "C" - AUDIT COMMITTEE CHARTER

### *Mandate*

The company is relying on the exemption contained in Part 6.1 of National Instrument 52-110. The primary function of the audit committee (the "**Audit Committee**") is to assist the Board in fulfilling its financial oversight responsibilities by reviewing the financial reports and other financial information provided by the Company to regulatory authorities and shareholders, the Company's systems of internal controls regarding finance and accounting, and the Company's auditing, accounting and financial reporting processes. Consistent with this function, the Audit Committee will encourage continuous improvement of, and should foster adherence to, the Company's policies, procedures and practices at all levels. The Audit Committee's primary duties and responsibilities are to:

- serve as an independent and objective party to monitor the Company's financial reporting and internal control systems and review the Company's financial statements;
- review and appraise the performance of the Company's external auditors; and
- provide an open avenue of communication among the Company's auditors, financial and senior management and the Board.

### *Composition*

The Audit Committee shall be comprised of three directors as determined by the Board of Directors, the majority of whom shall be free from any relationship that, in the opinion of the Board of Directors, would reasonably interfere with the exercise of his or her independent judgment as a member of the Audit Committee. At least one member of the Audit Committee shall have accounting or related financial management expertise. All members of the Audit Committee that are not financially literate will work towards becoming financially literate to obtain a working familiarity with basic finance and accounting practices. For the purposes of the Audit Committee's Charter, the definition of "financially literate" is the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can presumably be expected to be raised by the Company's financial statements. The members of the Audit Committee shall be elected by the Board of Directors at its first meeting following the annual shareholders' meeting.

### *Meetings*

The Audit Committee shall meet at least four times annually, or more frequently if circumstances dictate. The Committee also discusses items by telephone and signs resolutions in lieu of meetings, as circumstances dictate. As part of its job to foster open communication, the Audit Committee will meet at least annually with the CEO and the external auditors in separate sessions.

### *Responsibilities and Duties*

To fulfill its responsibilities and duties, the Audit Committee shall:

#### Documents/Reports Review

- (a) Review and update this Charter annually
- (b) Review the Company's financial statements, MD&A and any annual and interim earnings, press releases before the Company publicly discloses this information and any reports or other financial information (including quarterly financial statements), which are submitted to any



governmental body, or to the public, including any certification, report, opinion, or review rendered by the external auditors.

- (c) Confirm that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements.

#### External Auditors

- (a) Review annually, the performance of the external auditors who shall be ultimately accountable to the Board of Directors and the Audit Committee as representatives of the shareholders of the Company.
- (b) Obtain annually, a formal written statement of the external auditors setting forth all relationships between the external auditors and the Company, consistent with the Independence Standards Board Standard 1.
- (c) Review and discuss with the external auditors any disclosed relationships or services that may impact the objectivity and independence of the external auditors.
- (d) Take, or recommend that the full Board of Directors, take appropriate action to oversee the independence of the external auditors.
- (e) Recommend to the Board of Directors the selection and compensation and, where applicable, the replacement of the external auditors nominated annually for shareholder approval.
- (f) At each meeting, consult with the external auditors, without the presence of management, about the quality of the Company's accounting principles, internal controls and the completeness and accuracy of the Company's financial statements.
- (g) Review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Company.
- (h) Review with management and the external auditors the audit plan for the year-end financial statements and intended template for such statements.
- (i) Review and pre-approve all audit and audit-related services and the fees and other compensation related thereto, and any non-audit services, provided by the Company's external auditors. The pre-approval requirement is waived with respect to the provision of non-audit services if:
  - a. the aggregate amount of all such non-audit services provided to the Company constitutes not more than five percent of the total amount of fees paid by the Company to its external auditors during the fiscal year in which the non-audit services are provided;
  - b. such services were not recognized by the Company at the time of the engagement to be non-audit services; and
  - c. such services are promptly brought to the attention of the Audit Committee by the Company and approved prior to the completion of the audit by the Audit Committee or by one or more members of the Audit Committee who are members of the Board of

Directors to whom authority to grant such approvals has been delegated by the Audit Committee. Provided the pre-approval of the non-audit services is presented to the Audit Committee's first scheduled meeting following such approval, such authority may be delegated by the Audit Committee to one or more independent members of the Audit Committee.

*Financial Reporting Processes*

- (a) In consultation with the external auditors, review with management the integrity of the Company's financial reporting process, both internal and external.
- (b) Consider the external auditors' judgments about the quality and appropriateness of the Company's accounting principles as applied in its financial reporting.
- (c) Consider and approve, if appropriate, changes to the Company's auditing and accounting principles and practices as suggested by the external auditors and management.
- (d) Review significant judgments made by management in the preparation of the financial statements and the view of the external auditors as to appropriateness of such judgments.
- (e) Following completion of the annual audit, review separately with management and the external auditors any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information.
- (f) Review any significant disagreement among management and the external auditors in connection with the preparation of the financial statements.
- (g) Review with the external auditors and management the extent to which changes and improvements in financial or accounting practices have been implemented.
- (h) Review any complaints or concerns about any questionable accounting, internal accounting controls or auditing matters.
- (i) Review certification process.
- (j) Establish a procedure for the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

*Other*

Review any related-party transactions.

## **ADDENDUM “A” TO THE AUDIT COMMITTEE CHARTER WHISTLE BLOWER POLICY**

### **Introduction**

Shane Resources Ltd. (“**Shane Resources**” or the “**Company**”) is committed to the highest standards of openness, honesty and accountability. In line with that commitment, we expect employees and others that we deal with who have serious concerns about any aspect of the Company’s activities and operations to come forward and voice those concerns.

Employees are often the first to realize that there may be something seriously wrong within a Company. However, they may decide not to express their concerns because they feel that speaking up would be disloyal to their colleagues or to the Company. They may also fear recrimination, harassment or victimization. In these circumstances, they may feel it would be easier to ignore the concern rather than report what may just be a suspicion of wrong-doing.

This policy document makes it clear that employees can report wrong-doings or suspected wrong-doings without fear of victimization, subsequent discrimination or disadvantage. This Whistle Blowing Policy is intended to encourage and enable employees to raise serious concerns within the Company rather than overlooking a problem or seeking a resolution of the problem outside the Company.

This Policy applies to all employees and those contractors working for Shane Resources. It is also intended to provide a method for other stakeholders (suppliers, customers, shareholders etc.) to voice their concerns regarding the Company’s business conduct.

The Policy is also intended as a clear statement that if any wrongdoing by the Company or any of its employees or by any of its contractors or suppliers is identified and reported to the Company, it will be dealt with expeditiously and thoroughly investigated and remedied. The Company will further examine and implement the means of ensuring that such wrongdoing can be prevented in future.

A whistleblowing or reporting mechanism invites all employees and other stakeholders to act responsibly to uphold the reputation of their organization and maintain public confidence. Encouraging a culture of openness within the organization will also help this process. This Policy aims to ensure that serious concerns are properly raised and addressed within the Company.

### **Background**

#### **1. What is Whistleblowing?**

Employees are usually the first to know when something is going seriously wrong. A culture of turning a “blind eye” to such problems means that the alarm is not sounded and those in charge do not get the chance to take action before real damage is done. Whistleblowing can therefore be described as giving information about potentially illegal and/or underhanded practices i.e. wrong doing.

#### **2. What is wrong doing?**

Wrong doing involves any unlawful, illegal or otherwise improper behavior and can include:

- An unlawful act whether civil or criminal;
- Breach of or failure to implement or comply with any approved policy of Shane Resources, including the internal financial controls approved by Shane Resources;
- Knowingly breaching federal or provincial laws or regulations;
- Unprofessional conduct or conduct that is not consistent with recognized, established standards of practice;
- Questionable accounting or auditing practices;

- Dangerous practice likely to cause physical harm/damage to any person/property;
- Failure to rectify or take reasonable steps to report a matter likely to give rise to a significant and avoidable cost or loss to the Company;
- Abuse of power or authority for any unauthorized or ulterior purpose;
- Unfair discrimination in the course of employment or provision of services.

This list is not definitive, but is intended to give an indication of the kind of conduct which might be considered as “wrong doing”.

### **3. Who is protected?**

This Policy is set in the context of the regulatory provisions of National Instrument 52-110 - *Audit Committees* (“NI 52-110”). Any employee who makes a disclosure or raises a concern under this Policy will be protected if the employee:

- Discloses the information in good faith;
- Believes it to be substantially true;
- Does not act maliciously or make knowingly false allegations; and
- Does not seek any personal or financial gain.

### **4. Who should you contact?**

Anyone with a complaint or concern about the Company should try to contact the Chief Executive Officer or Chief Financial Officer at (306) 664-3828.

### **5. How the Company will respond?**

The Company will respond positively to your concerns. Where appropriate, the matters raised may:

- (a) be investigated by management, the Board of Directors, internal audit (when implemented), or through the disciplinary process;
- (b) be referred to the police;
- (c) be referred to the external auditor or external legal counsel;
- (d) form the subject of an independent inquiry.

In order to protect individuals and those accused of misdeeds or possible malpractice, initial enquiries will be made to decide whether an investigation is appropriate and, if so, what form it should take. Some concerns may be resolved by agreed action without the need for investigation. If urgent action is required, this will be taken before any investigation is conducted.

Within ten working days of a concern being raised, the responsible officer will write to you:

- (a) acknowledging that the concern has been received;
- (b) indicating how he/she proposes to deal with the matter;
- (c) giving an estimate of how long it will take to provide a response;
- (d) telling you whether any initial enquiries have been made; and

- (e) telling you whether further investigations will take place and if not, why not.

The amount of contact between the officers considering the issues and you will depend on the nature of the matters raised, the potential difficulties involved and the clarity of the information provided. If necessary, the Company will seek further information from you.

The Company will take steps to minimize any difficulties which you may experience as a result of raising a concern. For instance, if you are required to give evidence in criminal or disciplinary proceedings, the Company will arrange for you to receive advice about the procedure.

The Company accepts that you need to be assured that the matter has been properly addressed. Thus, subject to legal constraints, we will inform you of the outcomes of any investigation.

## **6. Time Frames**

Concerns will be investigated as quickly as possible. It should be borne in mind that it may be necessary to refer a matter to an external agency and this may result in an extension of the investigative process. It should also be borne in mind that the seriousness and complexity of any complaint may have an impact on the time taken to investigate a matter. A designated person will indicate at the outset the anticipated time frame for investigating the complaint.

## **7. Prevention of Recriminations, Victimization or Harassment**

The Company will not tolerate an attempt on the part of anyone to apply any sanction or detriment to any person who has reported to the Company a serious and genuine concern that they may have about an apparent wrongdoing.

## **8. Confidentiality and Anonymity**

The Company will respect the confidentiality of any whistle blowing complaint received by the Company where the complainant requests that confidentiality. However, it must be appreciated that it will be easier to follow up and to verify complaints if the complainant is prepared to give his or her name.

## **9. False and Malicious Allegations**

The Company is proud of its reputation with the highest standards of honesty. It will therefore ensure that substantial and adequate resources are put into investigating any complaint which it receives. However, the Company will regard the making of any deliberately false or malicious allegations by any employee of the Company as a serious disciplinary offence which may result in disciplinary action, up to and including dismissal for cause.