



**ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS**

**TO BE HELD ON DECEMBER 22, 2014**

**NOTICE OF MEETING AND  
MANAGEMENT PROXY AND INFORMATION CIRCULAR**

*THIS NOTICE OF MEETING AND MANAGEMENT INFORMATION CIRCULAR IS FURNISHED IN CONNECTION WITH THE SOLICITATION BY THE MANAGEMENT OF BLACKHAWK RESOURCE CORP. OF PROXIES TO BE VOTED AT THE ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS OF BLACKHAWK RESOURCE CORP. TO BE HELD ON MONDAY, DECEMBER 22, 2014.*

**TO BE HELD AT:**

**1000, 250 - 2<sup>nd</sup> Street S.W.  
Livingston Place  
Calgary, Alberta**

**at 10:00 a.m.**

**Dated: November 25, 2014**

*Neither the TSX Venture Exchange Inc. nor any securities regulatory authority has in any way passed upon the merits of the proposed change of business described in this management information circular.*

**BLACKHAWK RESOURCE CORP.**

**NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS  
TO BE HELD ON DECEMBER 22, 2014**

**NOTICE IS HEREBY GIVEN THAT AN ANNUAL GENERAL AND SPECIAL MEETING** (the "**Meeting**") of holders of common shares ("**Common Shares**") of Blackhawk Resource Corp. (the "**Corporation**") will be held at 1000, 250 - 2<sup>nd</sup> Street S.W., Livingston Place, Calgary, Alberta, at 10:00 a.m., on Monday, December 22, 2014 for the following purposes:

1. to receive and consider the audited financial statements of the Corporation for the financial year ended June 30, 2014 and the report of the auditor thereon;
2. to fix the number of directors of the Corporation to be elected at the Meeting at four (4);
3. to elect the board of directors of the Corporation for the ensuing year;
4. to appoint the auditor of the Corporation for the ensuing year and to authorize the Board of Directors to fix the auditor's remuneration;
5. to consider and, if deemed advisable, to pass, with or without variation, an ordinary resolution, as more particularly set forth in the accompanying Management Information Circular, relating to the re-approval of the stock option plan of the Corporation;
6. to consider and, if deemed advisable, to pass, with or without variation, an ordinary resolution, as more particularly set forth in the accompanying Management Information Circular, approving a change of business of the Corporation from an "oil and gas issuer" to an "investment issuer" pursuant to the policies of the TSX Venture Exchange Inc. (the "**Proposed COB**");
7. to consider and, if deemed advisable, to pass, with or without variation, a special resolution, as more particularly set forth in the accompanying Management Information Circular, approving the name change of the Corporation to "Blackhawk Management Corp." or such other name that is acceptable to the board of directors of the Corporation, upon completion of the Proposed COB; and
8. to transact such other business as may be properly brought before the Meeting or any adjournment thereof.

DATED this 25<sup>th</sup> day of November, 2014.

**BY ORDER OF THE BOARD OF DIRECTORS**

*"David Antony"*

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David Antony

Chief Executive Officer and Director

**IMPORTANT**

**It is desirable that as many shares as possible be represented at the Meeting. If you do not expect to attend and would like your Common Shares represented, please complete the enclosed instrument of proxy and return it as soon as possible in the envelope provided for that purpose. All proxies, to be valid, must be received by Computershare Trust Company of Canada, Attn: Proxy Department, 100 University Avenue, 9<sup>th</sup> Floor, Toronto, Ontario M5J 2Y1, at least 48 hours, excluding Saturdays, Sundays and holidays, before the Meeting or any adjournment thereof. Late proxies may be accepted or rejected by the Chairman of the Meeting in his discretion, and the Chairman is under no obligation to accept or reject any particular late proxy.**

**TABLE OF CONTENTS**

**GLOSSARY OF DEFINED TERMS..... ii**  
**CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING INFORMATION..... iii**  
**DOCUMENTS INCORPORATED BY REFERENCE..... iv**  
**SUMMARY ..... 1**  
**MANAGEMENT INFORMATION CIRCULAR ..... 1**  
**SOLICITATION OF PROXIES..... 1**  
**APPOINTMENT AND REVOCATION OF PROXIES ..... 1**  
**ADVICE TO BENEFICIAL SHAREHOLDERS ..... 1**  
**VOTING OF PROXIES..... 2**  
**QUORUM..... 3**  
**VOTING SHARES AND PRINCIPAL HOLDERS THEREOF ..... 3**  
**MANAGEMENT CONTRACTS ..... 10**  
**INDEBTEDNESS OF DIRECTORS, EXECUTIVE OFFICERS AND SENIOR OFFICERS ..... 10**  
**INTERESTS OF INFORMED PERSONS IN MATERIAL TRANSACTIONS..... 10**  
**INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON ..... 10**  
**PARTICULARS OF MATTERS TO BE ACTED UPON ..... 15**  
**INFORMATION REGARDING THE CORPORATION FOLLOWING THE PROPOSED COB..... 24**  
**RISK FACTORS..... 33**  
**GENERAL MATTERS..... 37**  
**BOARD APPROVAL..... 37**  
**CERTIFICATE OF BLACKHAWK RESOURCE CORP..... 1**

**SCHEDULES**

- SCHEDULE "A" – INVESTMENT POLICY**
- SCHEDULE "B" – AUDIT COMMITTEE TERMS OF REFERENCE**

## GLOSSARY OF DEFINED TERMS

The following is a glossary of certain terms used in this Circular including the Summary and schedules attached hereto. Terms and abbreviations used in the Summary and schedules to this Circular may be defined separately and any subsequent definitions and abbreviations shall supersede the following definitions and abbreviations for the purposes of the Summary and schedules they are subsequently defined in.

- (a) "**ABCA**" means the *Business Corporations Act* (Alberta), as may be amended or replaced from time to time;
- (b) "**Board**" means the board of directors of the Corporation;
- (c) "**Change of Business**" means a transaction or series of transactions which will redirect an issuer's resources and which changes the nature of its business, for example, through the acquisition of an interest in another business which represents a material amount of the issuer's market value, assets or operations, or which becomes the principal enterprise of the issuer;
- (d) "**Circular**" means this management information circular of the Corporation dated as at November 25, 2014;
- (e) "**Common Shares**" means the common shares in the capital of the Corporation;
- (f) "**Corporation**" means Blackhawk Resource Corp.;
- (g) "**Exchange**" or "**TSX-V**" means the TSX Venture Exchange Inc.;
- (h) "**Final Exchange Bulletin**" means the bulletin issued by the Exchange following closing of the Proposed COB and the submission of all Post-Approval Documents which evidences the final acceptance by the Exchange of the Proposed COB;
- (i) "**Meeting**" means the annual general and special meeting of the shareholders of the Corporation to be held on December 22, 2014 at 10:00 a.m. (Calgary time);
- (j) "**Name Change**" means the name change of the Corporation to "Blackhawk Management Corp." or such other name that is acceptable to the Board, following completion of the Proposed COB;
- (k) "**Notice of Meeting**" means the notice of the Meeting of the Corporation dated November 25, 2014, which accompanies this Circular;
- (l) "**Oil and Gas Assets**" means: (i) the Bodo property is located in and around Township 38, Range 1 West of the Fourth Meridian (three 100% owned producing oil wells and two producing gas wells (owned 100% and 6.25%)); (ii) the following non-operated properties: Wood River (four producing natural gas wells with an average working interest of 37.5%), Queenstown (two producing oil and gas wells with a working interest of 30%), Greencourt (one producing oil well with a working interest of 21%) and Edson Cardium (horizontal well with a working interest of 22%); and (iii) non-producing properties held in the Peoria, Carrot Creek and Esther areas of Alberta;
- (m) "**Policy 2.2**" means Exchange Policy 2.2 – *Sponsorship and Sponsorship Requirements*;
- (n) "**Policy 5.2**" means Exchange Policy 5.2 – *Change of Business and Reverse Takeovers*;
- (o) "**Post-Approval Documents**" means the documents prescribed as such in Policy 5.2;
- (p) "**Proposed COB**" means the proposed Change of Business of the Corporation from an "oil and gas issuer" to an "investment issuer", as more particularly described in this Circular; and
- (q) "**Record Date**" means November 27, 2014, being the date set for determining which shareholders of the Corporation are entitled to receive notice of and vote at the Meeting.

Words importing the singular include the plurals and vice versa and words importing any gender include all genders. All references in this Circular to "dollars" or "\$" are to Canadian dollars.

## CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING INFORMATION

Certain statements contained in this Circular (including the schedules attached hereto and the documents incorporated by reference herein) constitute "forward-looking information" within the meaning of applicable Canadian securities legislation. The use of any of the words "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "goal", "predict", "potential", "should", "believe", "intend" or the negative of these terms and similar expressions are intended to identify forward-looking information and statements. The information and statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information and statements. Such statements reflect the Corporation's current views with respect to certain events, and are subject to certain risks, uncertainties and assumptions. Many factors could cause the Corporation's actual results, performance, or achievements to vary from those described in this Circular (including the schedules attached hereto and the documents incorporated by reference herein). Should one or more of these risks or uncertainties materialize, or should assumptions underlying forward-looking statements prove incorrect, actual results may vary materially from those described in this Circular as intended, planned, anticipated, believed, estimated, or expected.

The reader is further cautioned that the preparation of financial statements in accordance with IFRS or another accounting method, as the case may be, requires management to make certain judgments and estimates that affect the reported amounts of assets, liabilities, revenues and expenses. These estimates may change, having either a negative or positive effect as further information becomes available, and as the economic environment changes.

The forward-looking statements contained herein are based on certain key expectations and assumptions, including: (a) timing of receipt of required shareholder and regulatory approvals and any applicable third party consents, if any, and the satisfaction of other conditions to the completion of the Proposed COB; and (b) expectations and assumptions concerning the success of the operation of the Corporation after completion of the Proposed COB.

With respect to the forward-looking statements contained herein, although the Corporation believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements, because no assurance can be given that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to: the Exchange not approving the Proposed COB; the Corporation's lack of operating history as an investment company; portfolio exposure risks and sensitivity to macro-economic conditions; the availability of sources of income to generate cash flow and revenue; risks relating to investments in private issuers and illiquid securities; the volatility of the Corporation's stock price; risks relating to the trading price of the Common Shares relative to net asset value; risks relating to available investment opportunities and competition for investments; the volatility of the share prices of investments in public companies; risks relating to the concentration of investments; the dependence on management and directors; risks relating to additional funding requirements; due diligence risks; exchange rate risks; risks relating to non-controlling interests; potential conflicts of interest; and potential transaction and legal risks, as more particularly described under the heading "*RISK FACTORS*" in this Circular.

The forward-looking statements contained in this Circular, including the documents incorporated by reference herein, identify additional factors that could affect the operating results and performance of the Corporation. We urge you to consider those factors. The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement. The forward-looking statements speak only as of the date of this Circular. The Corporation does not intend or assume any obligation to update these forward-looking statements to reflect new information, subsequent events or otherwise, except as required by law.

## DOCUMENTS INCORPORATED BY REFERENCE

**Information has been incorporated by reference in this Circular from documents filed with the securities commissions or similar authorities in Alberta and British Columbia (collectively, the "Commissions").** Copies of the documents incorporated herein by reference may be obtained on request without charge from the Chief Executive Officer of the Corporation, at Suite 650, 816 – 7<sup>th</sup> Avenue S.W., Calgary, Alberta T2P 1A1 (telephone number: (403) 531-1710, and are also available electronically at [www.sedar.com](http://www.sedar.com).

The following documents filed with the Commissions are specifically incorporated by reference into, and form an integral part of this Circular:

1. the audited financial statements of the Corporation, together with the accompanying notes thereto, as at and for the years ended June 30, 2014 and 2013, and the independent auditor's reports thereon, and filed on SEDAR on November 14, 2014;
2. the management's discussion and analysis of the financial position and results of operations of the Corporation for the year ended June 30, 2014, and filed on SEDAR on November 14, 2014;
3. the audited financial statements of the Corporation, together with the accompanying notes thereto, as at and for the years ended June 30, 2013 and 2012, and the independent auditor's reports thereon, and filed on SEDAR on September 16, 2013;
4. the management's discussion and analysis of the financial position and results of operations of the Corporation for the year ended June 30, 2013, and filed on SEDAR on September 16, 2013; and
5. notice of meeting and management proxy and information circular dated November 23, 2013 relating to the annual general and special meeting of shareholders held on December 19, 2013 and filed on SEDAR on November 27, 2013.

**Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this Circular to the extent that a statement contained herein or in any other subsequently filed document which also is, or is deemed to be, incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Circular.**

## SUMMARY

*The following is a summary of information relating to the Corporation contained elsewhere in this Circular assuming completion of the Proposed COB and should be read together with the more detailed information and financial data and statements contained elsewhere or incorporated by reference in this Circular. This Summary is qualified in its entirety by the more detailed information and financial data appearing or referred to elsewhere in the Notice of Meeting and this Circular, including the schedules attached hereto. Certain capitalized words and terms used in this Summary are defined in the Glossary of Defined Terms above.*

### **The Meeting**

The Meeting will be held at 1000, 250 - 2<sup>nd</sup> Street S.W., Livingston Place, Calgary, Alberta, at 10:00 a.m. (Calgary time), on Monday, December 22, 2014, for the purposes set forth in the accompanying Notice of Meeting.

The Record Date for determining the shareholders of the Corporation eligible to receive notice of and to vote at the Meeting is November 27, 2014.

### **Proposed COB Resolutions**

At the Meeting, in addition to certain annual general meeting matters, shareholders will be asked to consider and, if thought fit, to pass, with or without variation:

- (1) an ordinary resolution approving the Proposed COB of the Corporation from an "oil and gas issuer" to an "investment issuer" pursuant to the policies of the Exchange; and
- (2) a special resolution approving the Name Change of the Corporation to "Blackhawk Management Corp.", or such other name that is acceptable to the Board.

### **Background to the Proposed COB**

On February 18, 2014, the Corporation announced that it will be pursuing a change in business. After a thorough evaluation of the Corporation's existing resources and a review of strategic options for the Corporation generally, the Corporation determined that to optimize shareholder value, it would refocus its business operations from an "oil and gas issuer" to an "investment issuer". The Corporation believes that its network of business contacts, the depth of experience of its management team and its overall entrepreneurial approach will enable it to identify and capitalize upon investment opportunities as an "investment issuer".

On February 28, 2014, the Corporation received conditional approval from the TSX-V for the Proposed COB.

On June 3, 2014, the Corporation announced that it disposed of certain of the Oil and Gas Assets to an arm's length private company for cash proceeds of \$380,000 and a gross overriding royalty ("**GORR**") on the properties.

Since receiving conditional approval for the Proposed COB, the Corporation began to evaluate investment opportunities and made the following arm's length investments during the year ended June 30, 2014: (i) three (3) loans in the aggregate amount of \$450,000 to three (3) separate private companies, all with maturity dates of less than one (1) year; (ii) one (1) debenture investment in the aggregate principal amount of \$150,000; and (iii) numerous public company investments in aggregate amount of approximately \$2,000,000. Subsequent to the year ended June 30, 2014, the Corporation continued to evaluate and allocate funds to various investments.

The Corporation earned net income of \$646,249 for the year ended June 30, 2014 compared with a loss of \$1,237,164 for the year ended June 30, 2013. For further information, please see "*Results of Operations for the Year Ended June 30, 2014*" in the management's discussion and analysis of the financial position and results of operations of the Corporation for the year ended June 30, 2014, which is incorporated by reference herein.

In time the Corporation hopes to be able to distribute a portion of these earnings back to its shareholders through a sustainable dividend.

***Available Funds and Composition of Investment Portfolio***

As at September 30, 2014, the Corporation had estimated available funds in the amount of \$3,250,000. The Corporation intends to use its available funds to invest in each of equity, debt instruments and direct asset investments as part of its focus as an investment issuer and for general and administrative expenses. The Corporation intends to allocate its estimated available funds as follows:

Description	Amount (\$)
Investments	2,637,165 <sup>(1)</sup>
General and Administrative Expenses	384,000 <sup>(2)</sup>
Unallocated	228,835
<b>Total</b>	<b>3,250,000</b>

**Notes:**

- (1) Represents investments made as at September 30, 2014. Please see below for further information.
- (2) Represents an estimate of the general and administrative expenses for the 12 months following September 30, 2014.

As at September 30, 2014, the Corporation held investments totaling \$2,637,165. The investments were in the sectors and debt instruments as set forth in the following tables:

Investments at Fair Value by Sector			
Sector	Cost (\$)	Total fair value (\$)	% of total fair value
Construction and real estate	211,000	228,505	13%
Oil and gas producers	591,696	510,377	30%
Mining	472,415	567,090	33%
Technology and other	421,909	411,438	24%
<b>Total</b>	<b>1,697,020</b>	<b>1,717,610</b>	<b>100%</b>

Debt Instruments	
Type	Amount (\$)
Short term loans	760,728
Debenture	158,827
<b>Total investments held to maturity</b>	<b>919,555</b>

The Corporation also holds certain producing non-operated oil and gas properties, as well as the GORR acquired during the year ended June 30, 2014. These oil and gas properties are carried at a value of \$244,307 as at September 30, 2014.

The amounts at which the investments could be disposed of may differ from their carrying values.

Please also see "*INFORMATION REGARDING THE CORPORATION FOLLOWING THE PROPOSED COB – Available Funds and Composition of Investment Portfolio*" for further information.



### ***Investment Strategy***

In connection with the Proposed COB, the Corporation has adopted an investment policy (the "**Investment Policy**") to govern its investment activities and investment strategy. A copy of the Investment Policy is attached hereto as Schedule "A".

The Investment Policy provides, among other things, that: (a) the Corporation's objective as an investment company is to enhance shareholder value over the long term on a per share basis; (b) the Corporation will seek to accomplish this objective by making use of the experience, expertise and opportunity flow of its management and Board to opportunistically make investments in situations that the Corporation believes will provide superior returns over the long term; and (c) such investments may include, without limitation, the acquisition of equity, debt or other securities of publicly traded or private companies or other entities and the acquisition of all or part of one or more businesses, portfolios or other assets, in each case that the Corporation believes will enhance value for the shareholders of the Corporation over the long-term.

The Investment Policy provides the Corporation with broad authority in regards to the types of investments that may be made and held by the Corporation with a view to enhancing value for its shareholders over the long term. The Investment Policy states that the Corporation will invest with a preference for opportunities in Canada or the United States, but may from time to time also pursue opportunities internationally. The Investment Policy does not preclude the Corporation from investing in any particular industry and has no specific policy with respect to investment diversification, although over time it will be the goal of the Corporation to acquire and hold investments that the Corporation believes will collectively provide superior returns over the long term.

The Investment Policy also states that, depending upon the Corporation's assessment of market conditions and investment opportunities, the Corporation may, from time to time, be fully invested, partially invested or entirely uninvested such that the Corporation is holding only cash or cash-equivalent balances while the Corporation actively seeks to redeploy such cash or cash-equivalent balances in suitable investment opportunities.

Notwithstanding the foregoing, the Corporation's investment objective, investment strategy and investment restrictions may be amended from time to time as approved by the Board. Additionally, notwithstanding the Investment Policy, the Board may, from time to time, authorize such additional investments outside of the disciplines set forth therein as it sees fit for the benefit of the Corporation and its shareholders.

### ***Nature of Involvement***

The Corporation may, from time to time and in appropriate circumstances, seek a more active role in regards to investment situations and investee companies where the involvement of the Corporation is expected to make a significant difference to the success of the Corporation's investment. In appropriate circumstances, this may involve the Corporation, either alone or jointly with other shareholders, seeking to influence the governance of public or private issuers by seeking board seats, launching proxy contests or taking other actions to enhance shareholder value, or becoming actively involved in the management or board oversight of investee companies.

### ***Investment Evaluation Process***

The management and Board will work jointly to uncover appropriate investment opportunities that meet the Corporation's investment strategy as outlined above and the Corporation's objective of enhancing shareholder value over the long term on a per share basis. These individuals have a broad range of business and investing experience and networks through which potential investments are expected to be identified. All investments considered by the Corporation will be subject to rigorous analysis and evaluation, and all major investments and dispositions will be subject to prior approval of the Board in such manner as it may determine appropriate from time to time.

In reaching an investment decision regarding an investment in any particular issuer, the Corporation will consider, among other things, the following factors:

- the anticipated rate of return and level of risk;
- the financial condition and financial performance of the issuer and its anticipated future results;
- the quality of an issuer's management and board of directors and the issuer's alignment with the Corporation's investment objectives;
- exit strategies and criteria;
- the size of the investment, its price and valuation; and
- the Corporation's ability to efficiently finance its investment.

All investment decisions will be made consistent with the objective of enhancing shareholder value over the long term on a per share basis.

#### ***Directors and Management Following the Proposed COB***

There will be no change to the current Board or management of the Corporation as a result of the Proposed COB except that David M. Fuchs will not stand for re-election at the Meeting.

#### ***Share/Security Structure Following the Proposed COB***

The Corporation expects that there will be no change in the existing share structure of the Corporation as a result of the Proposed COB, and that no Common Shares or other securities of the Corporation will be issued in connection with the Proposed COB.

#### **Recommendation of the Board of Directors**

The Board, after careful consideration of a number of factors, has determined unanimously that the Proposed COB is in the best interests of the Corporation and its shareholders and authorized the submission of the Proposed COB to shareholders for approval at the Meeting. **The Board unanimously recommends that the Corporation's shareholders vote IN FAVOUR of the Proposed COB.**

#### **Name Change**

After completion of the Proposed COB, the Corporation intends to change its name to "Blackhawk Management Corp.", or such other name that is acceptable to the Board and applicable regulatory authorities. The Corporation's Articles will be amended to effect the Name Change. Assuming the completion of the Proposed COB, the Common Shares will trade on the Exchange under the stock symbol "BKH", or such other symbol as approved by the Exchange.

#### **Shareholder Approval**

Policy 5.2 requires the Corporation to obtain shareholder approval of the Proposed COB, which constitutes a Change of Business, by way of an ordinary resolution passed by the majority of the votes cast at the Meeting. The resolution approving the Proposed COB requires approval by a simple majority of the votes cast by shareholders present in person or represented by proxy at the Meeting. The special resolution approving the Name Change must be passed, with or without variation, by at least 66 $\frac{2}{3}$ % of the votes cast by the shareholders present in person or by proxy at the Meeting.

#### **Regulatory Approvals**

The Proposed COB constitutes a Change of Business pursuant to the policies of the Exchange. Prior to mailing of this Circular, the Exchange has provided conditional acceptance of the Proposed COB, subject to the Corporation fulfilling all of the requirements of the TSX-V. There can be no assurance that the Corporation will be able to

satisfy the requirements of the Exchange such that the Exchange will provide approval of the Proposed COB and issue the Final Exchange Bulletin.

### Sponsorship

The Exchange granted the Corporation a waiver from the sponsorship requirements of Policy 2.2 in connection with the Proposed COB.

### Selected Financial Information

The following information is summarized from the audited financial statements of the Corporation for the fiscal years ended June 30, 2014, 2013 and 2012 and should be read in conjunction with the financial statements incorporated by reference in this Circular.

	Year Ended June 30, 2012 (Audited) (\$)	Year Ended June 30, 2013 (Audited) (\$)	Year Ended June 30, 2014 (Audited) (\$)
Revenue	1,902,488	831,446	1,389,946
Total Expenses	1,474,470	2,068,610	743,697
Net Income (Loss)	422,665	(1,237,164)	646,249
Assets	5,310,328	3,927,700	4,903,059
Liabilities	1,073,344	880,885	1,158,188
Share Capital	6,405,065	6,405,065	6,405,065
Deficit	(2,848,634)	(4,085,798)	(3,439,549)

### Trading Price and Volume

The Common Shares are listed and posted for trading on the TSX-V under the symbol "BLR". The following table sets out the high and low trading prices and aggregate volume of trading of the Common Shares on the TSX-V for the following periods (as reported by the TSX-V).

Period	High (\$)	Low (\$)	Volume
<b>2013</b>			
November <sup>(1)</sup>	0.115	0.105	105,457
December	0.115	0.060	903,114
<b>2014</b>			
January	0.090	0.080	595,803
February	0.145	0.090	48,000
March	0.120	0.095	64,365
April	0.115	0.060	317,653
May	0.110	0.100	63,684
June	0.120	0.100	389,920
July	0.110	0.105	90,514
August	0.110	0.100	196,786

September	0.100	0.095	297,534
October <sup>(2)</sup>	0.070	0.060	49,765
November 1-25 <sup>(2)</sup>	N/A	N/A	N/A

**Notes:**

- (1) The Common Shares were halted from April 3, 2013 to November 25, 2013 at the request of the Corporation in connection with a potential transaction.
- (2) Effective October 31, 2014, the TSX-V suspended trading in Common Shares as a result of a cease trade order dated October 31, 2014 issued by the Alberta Securities Commission due to the Corporation's delayed filing of its year ended June 30, 2014 financial information. A cease trade order dated November 5, 2014 was also issued against the Corporation by the British Columbia Securities Commission. On November 21, 2014, the Alberta Securities Commission and the British Columbia Securities Commission each revoked the cease trade orders issued against the Corporation and it is anticipated that the Common Shares will resume trading on the TSX-V on November 26, 2014.

**Interests of Insiders**

The directors and officers of the Corporation and their associates and affiliates, as a group, beneficially own, or control or direct, directly or indirectly, an aggregate of 1,283,098 Common Shares and 2,016,667 options, representing approximately 5.8% of the outstanding Common Shares and approximately 97.6% of the outstanding options, respectively (and, which together represent approximately 13.6% of the outstanding Common Shares on a fully-diluted basis).

**Interests of Experts**

There is no person or company who is named as having prepared or certified a statement, report or valuation in respect of the Corporation in this Circular and whose profession or business gives authority to the statement, report or valuation made by the person or company other than Grant Thornton LLP, Chartered Accountants, the Corporation's auditor.

Grant Thornton LLP, Chartered Accountants has confirmed it is independent with respect to the Corporation within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

**Non-Arm's Length Party Transactions**

Other than as otherwise disclosed in the management's discussion and analysis of the financial position and results of operations of the Corporation for the year ended June 30, 2014, which is incorporated by reference herein, the Corporation has not acquired any assets or services from any director or officer of the Corporation, or any shareholder who beneficially owns more than 10% of the Common Shares.

**Conflicts of Interest**

There are potential conflicts of interest to which some of the directors, officers, insiders and promoters of the Corporation will be subject in connection with the operations of the Corporation. All of the directors, officers, insiders and promoters are engaged in and will continue to be engaged in corporations or businesses which may be in competition with the business of the Corporation. Accordingly, situations may arise where some or all of the directors, officers, insiders and promoters will be in direct competition with the Corporation. Conflicts, if any, will be subject to the procedures and remedies as provided under the ABCA.

**Risk Factors**

Certain risk factors associated with the Proposed COB and those risk factors specific to the Corporation which shareholders should consider include:

- the Exchange not approving the Proposed COB;
- the Corporation's lack of operating history as an investment company;
- portfolio exposure risks and sensitivity to macro-economic conditions;
- the availability of sources of income to generate cash flow and revenue;
- risks relating to investments in private issuers and illiquid securities;
- the volatility of the Corporation's stock price;
- risks relating to the trading price of the Common Shares relative to net asset value;
- risks relating to available investment opportunities and competition for investments;
- the volatility of the share prices of investments in public companies;
- risks relating to the concentration of investments;
- the dependence on management and directors;
- risks relating to additional funding requirements;
- due diligence risks;
- exchange rate risks;
- risks relating to non-controlling interests;
- potential conflicts of interest; and
- potential transaction and legal risks,

as more particularly described under the heading "*RISK FACTORS*" in this Circular.

**MANAGEMENT INFORMATION CIRCULAR**  
**SOLICITATION OF PROXIES**

**THIS CIRCULAR IS PROVIDED IN CONNECTION WITH THE SOLICITATION BY MANAGEMENT OF BLACKHAWK RESOURCE CORP.** of proxies from the holders of Common Shares for the Meeting, or at any adjournment thereof for the purposes set out in the accompanying Notice of Meeting.

Although it is expected that the solicitation of proxies will be primarily by mail, proxies may also be solicited personally or by telephone, facsimile or other proxy solicitation services. In accordance with National Instrument 54-101 — *Communication with Beneficial Owners of Securities of a Reporting Issuer*, arrangements have been made with brokerage houses and other intermediaries, clearing agencies, custodians, nominees and fiduciaries to forward solicitation materials to Beneficial Shareholders (as defined below) held of record by such persons and the Corporation may reimburse such persons for reasonable fees and disbursements incurred by them in doing so. The costs thereof will be borne by the Corporation.

**APPOINTMENT AND REVOCATION OF PROXIES**

**The persons named (the "Management Designees") in the enclosed instrument of proxy ("Instrument of Proxy") have been selected by the directors of the Corporation and have indicated their willingness to represent as proxy the shareholder who appoints them. A shareholder has the right to designate a person (whom need not be a shareholder) other than the Management Designees to represent him or her at the Meeting.** Such right may be exercised by inserting in the space provided for that purpose on the Instrument of Proxy the name of the person to be designated and by deleting therefrom the names of the Management Designees, or by completing another proper form of proxy and delivering the same to the transfer agent of the Corporation. Such shareholder should notify the nominee of the appointment, obtain the nominee's consent to act as proxy and should provide instructions on how the shareholder's shares are to be voted. The nominee should bring personal identification with him to the Meeting. In any case, the form of proxy should be dated and executed by the shareholder or an attorney authorized in writing, with proof of such authorization attached (where an attorney executed the proxy form). In addition, a proxy may be revoked by a shareholder personally attending at the Meeting and voting his shares.

A form of proxy will not be valid for the Meeting or any adjournment thereof unless it is completed and delivered to the Corporation's transfer agent, Computershare Trust Company of Canada, Attn: Proxy Department, 100 University Avenue, 9<sup>th</sup> Floor, Toronto, Ontario M5J 2Y1, at least 48 hours, excluding Saturdays, Sundays and holidays, before the Meeting or any adjournment thereof. Late proxies may be accepted or rejected by the Chairman of the Meeting in his discretion, and the Chairman is under no obligation to accept or reject any particular late proxy.

A shareholder who has given a proxy may revoke it as to any matter upon which a vote has not already been cast pursuant to the authority conferred by the proxy. In addition to revocation in any other manner permitted by law, a proxy may be revoked by depositing an instrument in writing executed by the shareholder or by his authorized attorney in writing, or, if the shareholder is a corporation, under its corporate seal by an officer or attorney thereof duly authorized, either at the registered office of the Corporation or with Computershare Trust Company of Canada, Attn: Proxy Department, 100 University Avenue, 9<sup>th</sup> Floor, Toronto, Ontario M5J 2Y1, at any time up to and including the last business day preceding the date of the Meeting, or any adjournment thereof at which the proxy is to be used, or by depositing the instrument in writing with the Chairman of such Meeting on the day of the Meeting, or any adjournment thereof. In addition, a proxy may be revoked by the shareholder personally attending the Meeting and voting his shares.

**ADVICE TO BENEFICIAL SHAREHOLDERS**

**The information set forth in this section is of significant importance to many shareholders, as a substantial number of shareholders do not hold Common Shares in their own name.** Shareholders who hold their

Common Shares through their brokers, intermediaries, trustees or other persons, or who otherwise do not hold their Common Shares in their own name (referred to in this Circular as "**Beneficial Shareholders**") should note that only proxies deposited by shareholders who appear on the records maintained by the Corporation's registrar and transfer agent as registered holders of Common Shares will be recognized and acted upon at the Meeting. If Common Shares are listed in an account statement provided to a Beneficial Shareholder by a broker, those Common Shares will, in all likelihood, *not* be registered in the shareholder's name. Such Common Shares will more likely be registered under the name of the shareholder's broker or an agent of that broker. In Canada, the vast majority of such shares are registered under the name of CDS & Co. (the registration name for The Canadian Depository for Securities, which acts as nominee for many Canadian brokerage firms). Common Shares held by brokers (or their agents or nominees) on behalf of a broker's client can only be voted (for or against resolutions) at the direction of the Beneficial Shareholder. Without specific instructions, brokers and their agents and nominees are prohibited from voting shares for the broker's clients. **Therefore, each Beneficial Shareholder should ensure that voting instructions are communicated to the appropriate person well in advance of the Meeting.**

Existing regulatory policy requires brokers and other intermediaries to seek voting instructions from Beneficial Shareholders in advance of shareholders' meetings. The various brokers and other intermediaries have their own mailing procedures and provide their own return instructions to clients, which should be carefully followed by Beneficial Shareholders in order to ensure that their Common Shares are voted at the Meeting. The form of proxy supplied to a Beneficial Shareholder by its broker (or the agent of the broker) is substantially similar to the Instrument of Proxy provided directly to registered shareholders by the Corporation. However, its purpose is limited to instructing the registered shareholder (i.e., the broker or agent of the broker) how to vote on behalf of the Beneficial Shareholder. The vast majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. ("**Broadridge**") in Canada. Broadridge typically prepares a machine-readable voting instruction form, mails those forms to Beneficial Shareholders and asks Beneficial Shareholders to return the forms to Broadridge, or otherwise communicate voting instructions to Broadridge (by way of the Internet or telephone, for example). Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of shares to be represented at the Meeting. **A Beneficial Shareholder who receives a Broadridge voting instruction form cannot use that form to vote Common Shares directly at the Meeting. The voting instruction forms must be returned to Broadridge (or instructions respecting the voting of Common Shares must otherwise be communicated to Broadridge) well in advance of the Meeting in order to have the Common Shares voted. If you have any questions respecting the voting of Common Shares held through a broker or other intermediary, please contact that broker or other intermediary for assistance.**

Although a Beneficial Shareholder may not be recognized directly at the Meeting for the purposes of voting Common Shares registered in the name of his broker, a Beneficial Shareholder may attend the Meeting as proxyholder for the registered shareholder and vote the Common Shares in that capacity. **Beneficial Shareholders who wish to attend the Meeting and indirectly vote their Common Shares as proxyholder for the registered shareholder, should enter their own names in the blank space on the form of proxy provided to them and return the same to their broker (or the broker's agent) in accordance with the instructions provided by such broker.**

All references to shareholders in this Circular and the accompanying Instrument of Proxy and Notice of Meeting are to registered shareholders unless specifically stated otherwise.

### **VOTING OF PROXIES**

Each shareholder may instruct his proxy how to vote his Common Shares by completing the blanks on the Instrument of Proxy. All Common Shares represented at the Meeting by properly executed proxies will be voted or withheld from voting (including the voting on any ballot), and where a choice with respect to any matter to be acted upon has been specified in the Instrument of Proxy, the Common Shares represented by the proxy will be voted in accordance with such specification. **In the absence of any such specification as to voting on the Instrument of**

**Proxy, the Management Designees, if named as proxy, will vote in favour of the matters set out therein. In the absence of any specification as to voting on any other form of proxy, the Common Shares represented by such form of proxy will be voted in favour of the matters set out therein.**

**The enclosed Instrument of Proxy confers discretionary authority upon the Management Designees, or other persons named as proxy, with respect to amendments to or variations of matters identified in the Notice of Meeting and any other matters which may properly come before the Meeting. As of the date hereof, the Corporation is not aware of any amendments to, variations of or other matters that may come before the Meeting. In the event that other matters come before the Meeting, the Management Designees intend to vote in accordance with the judgment of management of the Corporation.**

### **QUORUM**

The by-laws of the Corporation provide that a quorum of shareholders is present at a meeting of shareholders of the Corporation if at least two (2) persons are present in person or by proxy, each of whom is entitled to vote at the meeting, and who holds or represents by proxy not less than five (5%) percent of the shares entitled to vote at the meeting.

### **VOTING SHARES AND PRINCIPAL HOLDERS THEREOF**

The Corporation is authorized to issue an unlimited number of Common Shares and an unlimited number of preferred shares. As at the effective date of this Circular (the "**Effective Date**"), which is November 25, 2014, the Corporation has 22,179,706 Common Shares issued and outstanding. There are no other shares of any class issued and outstanding. The Common Shares are the only shares entitled to be voted at the Meeting, and holders of Common Shares are entitled to one (1) vote for each Common Share held.

Holders of Common Shares of record at the Record Date are entitled to vote such Common Shares at the Meeting on the basis of one vote for each Common Share held except to the extent that, (a) the holder has transferred the ownership of any of his Common Shares after the Record Date, and (b) the transferee of those Common Shares produces properly endorsed share certificates, or otherwise establishes that he owns the Common Shares, and demands not later than 10 days before the day of the Meeting that his name be included in the list of persons entitled to vote at the Meeting, in which case the transferee will be entitled to vote his Common Shares at the Meeting.

To the knowledge of the directors and the executive officers of the Corporation, as at the Effective Date, no person or company beneficially owns, directly or indirectly, or controls or directs, voting securities carrying 10% or more of the voting rights attached to any class of voting securities of the Corporation.

### **EXECUTIVE COMPENSATION**

#### **Compensation Discussion and Analysis**

The compensation program of the Corporation is designed to attract, motivate, reward and retain knowledgeable and skilled executives required to achieve the Corporation's corporate objectives and increase shareholder value. The main objective of the compensation program is to recognize the contribution of the executive officers to the overall success and strategic growth of the Corporation. The compensation program is designed to reward management performance by aligning a component of the compensation with the Corporation's business performance and share value. The philosophy of the Corporation is to maintain a close monitoring over costs during its start-up phase and then to pay management a total compensation amount that is competitive with other junior investment companies in Canada and is consistent with the experience and responsibility level of management. The purpose of executive compensation is to reward the executives for their contributions to the achievements of the Corporation on both an annual and long term basis.



The Corporate Governance and Compensation Committee has adopted a compensation program that covers three key elements: (i) a base amount of salary and benefits; (ii) a performance based cash bonus; and (iii) stock options. A description of the criteria used in each element of compensation is set forth below.

### ***Base Salary***

The objective of base salary compensation is to reward and retain Named Executive Officers (defined below). The program is designed to reward Named Executive Officers for maximizing shareholder value in a volatile commodity based business in a safe, environmentally responsible, regulatory compliant and ethical manner. In setting base compensation levels, consideration is given to such factors as level of responsibility, experience, expertise and the amount of time devoted to the affairs of the Corporation. The goal is to maintain modest base salaries during the start-up phase of the Corporation.

### ***Bonus Plan***

The Corporation's compensation philosophy will be to encourage the maximization of shareholder value at all levels of the organization by making cash bonuses a component of compensation, taking into consideration performance by both the Corporation and the respective executive officer.

Although no formal bonus plan has been implemented, all executive officers are eligible to receive a bonus. Bonus levels, if any, will be established by the Corporate Governance and Compensation Committee. Bonus awards for executive officers are discretionary and bonuses are not foreseen to be paid until the Corporation grows significantly.

### ***Stock Options***

The maximization of shareholder value is encouraged by the granting of stock options at all levels. The Corporation has in place a stock option plan (the "**Plan**") under which awards have been made to executive officers in amounts relative to positions, performance, and what is considered competitive in the industry. The objective of the Plan is to reward and retain Named Executive Officers. The program is designed to reward Named Executive Officers for maximizing shareholder value in a volatile commodity based business in a safe, environmentally responsible, regulatory compliant and ethical manner.

The Corporation has reviewed the public disclosure available for other junior investment companies in Canada to assist in determining the competitiveness of stock option awards. The Chief Executive Officer makes recommendations to the Corporate Governance and Compensation Committee based on this information. The recommendations do not generally take into account awards made in the previous year. The Corporate Governance and Compensation Committee assesses the Chief Executive Officer's recommendations and then makes recommendations to the Board who ratify the recommendations. The Corporate Governance and Compensation Committee makes its own recommendations directly to the Board with respect to Chief Executive Officer stock option awards. In general, stock options are granted under the Plan to executive officers upon their commencement of service. Additional grants are made periodically to recognize the exemplary performance of, or the special contribution by eligible individuals. An annual grant may be made to eligible individuals based on individual performance and performance of the Corporation during the most recently completed financial year in relation to performance expected.

### **Risk Implications Associated with Compensation Policies and Practices**

The Board is satisfied that there were not any identified risks arising from the Corporation's compensation plans or policies that would have had any negative or material impact on the Corporation.

## Restrictions on Purchase of Financial Instruments

The Corporation's Insider Trading Policy provides that the practice of selling "short" securities of the Corporation and the practice of buying or selling a "call" or "put" or any other derivative security in respect of any securities of the Corporation is not permitted at any time by the directors, officers and employees of the Corporation.

## Summary Compensation Table

The following table sets forth all annual and long term compensation for the financial years ended June 30, 2014, 2013 and 2012 for services in all capacities to the Corporation and its subsidiaries in respect of individual(s) who were acting as, or were acting in a capacity similar to, a chief executive officer or chief financial officer and the three (3) most highly compensated individuals whose total compensation exceeded \$150,000 per annum for the year ended June 30, 2014 (the "Named Executive Officers").

SUMMARY COMPENSATION TABLE									
Name and Principal Position	Year Ended June 30	Salary (\$)	Share-Based Awards (\$) <sup>(1)</sup>	Option-Based Awards (\$) <sup>(2)(3)</sup>	Non-Equity Incentive Plan Compensation (\$)		Pension Value (\$)	All Other Compensation (\$)	Total Compensation (\$)
					Annual Incentive Plans	Long-Term Incentive Plans			
David Antony <sup>(4)</sup>	2014	95,000 <sup>(5)</sup>	Nil	11,839	Nil	Nil	Nil	Nil	106,839
Chief Executive Officer	2013	65,000 <sup>(5)</sup>	Nil	Nil	Nil	Nil	Nil	Nil	65,000
	2012	60,000 <sup>(5)</sup>	Nil	45,690	Nil	Nil	Nil	Nil	105,690
Charidy Lazorko	2014	81,000 <sup>(6)</sup>	Nil	5,920	Nil	Nil	Nil	Nil	86,920
Chief Financial Officer	2013	58,500 <sup>(6)</sup>	Nil	Nil	Nil	Nil	Nil	Nil	58,500
	2012	54,000 <sup>(6)</sup>	Nil	22,845	Nil	Nil	Nil	Nil	76,845

### 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, share options, share 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. See discussion below.
- (4) Mr. Antony did not receive any additional compensation for serving as a director of the Corporation.
- (5) Represents compensation paid to RHM Management Inc., a company which is wholly-owned by Mr. Antony, for services provided to the Corporation. The Corporation paid no salary directly to Mr. Antony.
- (6) Represents compensation paid to FCross Consulting Ltd., a company which is wholly-owned by Mrs. Lazorko, for services provided to the Corporation. The Corporation paid no salary directly to Mrs. Lazorko.

### Narrative Discussion

During the financial year ended June 30, 2014, the Corporation granted 200,000 stock options valued at \$11,839 to David Antony and 100,000 stock options valued at \$5,920 to Charidy Lazorko.

Calculating the value of stock options using the Black-Scholes option pricing model is very different from a simple "in-the-money" value calculation. In fact, stock options that are well out-of-the-money can still have a significant "grant date fair value" based on a Black-Scholes option pricing model, especially where, as in the case of the

Corporation, the price of the share underlying the option is highly volatile. Accordingly, caution must be exercised in comparing grant date fair value amounts with cash compensation or an in-the-money option value calculation.

## Incentive Plan Awards

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

The following table sets forth details of all awards outstanding for each Named Executive Officer of the Corporation as of the most recent financial year end, including awards granted before the most recently completed financial year.

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 (\$)
David Antony	200,000	0.10	December 18, 2018	2,000	N/A	N/A
Chief Executive Officer	266,667	0.30	December, 7 2016	Nil		
Charidy Lazorko	100,000	0.10	December 18, 2018	1,000	N/A	N/A
Chief Financial Officer	133,333	0.30	December, 7 2016	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 June 30, 2014, being \$0.11 per Common Share, and the exercise price of the stock 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*

The following table sets forth the value of option-based awards and share-based awards which vested or were earned during the most recently completed financial year for each Named Executive Officer.

Name and Title	Option-Based Awards - Value vested during the year (\$) <sup>(1)</sup>	Share-Based Awards - Value vested during the year (\$)	Non-Equity Incentive Plan Compensation - Value earned during the year (\$)
David Antony	Nil	N/A	N/A
Chief Executive Officer			
Charidy Lazorko	Nil	N/A	N/A
Chief Financial Officer			

#### Note:

- (1) Based on the difference between the market price of the options at the vesting date and the exercise price.

### *Narrative Discussion*

The Corporation has a stock option plan (defined herein as the "**Plan**") previously approved by the shareholders of the Corporation on December 19, 2013. The details of the Plan are described under "*PARTICULARS OF MATTERS TO BE ACTED UPON - Re-Approval of Stock Option Plan*".

### **Pension Plan Benefits**

The Corporation 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.

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

During the year ended June 30, 2014, the Corporation 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 Corporation, its subsidiaries or affiliates or a change in a Named Executive Officer's responsibilities.

## **DIRECTOR COMPENSATION**

The Corporation currently has five (5) directors, one (1) of which, David Antony, is also Named Executive Officer. For a description of the compensation paid to the Named Executive Officer who also acts as a director of the Corporation, see "*EXECUTIVE COMPENSATION*".

### **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 year ended June 30, 2014.

<b>Name</b>	<b>Fees Earned (\$)</b>	<b>Share-Based Awards (\$)<sup>(1)</sup></b>	<b>Option-Based Awards (\$)<sup>(2)(3)</sup></b>	<b>Non-Equity Incentive Plan Compensation (\$)</b>	<b>Pension Value (\$)</b>	<b>All Other Compensation (\$)</b>	<b>Total (\$)</b>
Raymond Antony	Nil	Nil	5,920	Nil	Nil	Nil	5,920
David M. Fuchs	Nil	Nil	5,920	Nil	Nil	Nil	5,920
Mike Smith <sup>(4)</sup>	Nil	Nil	14,101	Nil	Nil	12,600 <sup>(7)</sup>	26,701
W. Scott McGregor <sup>(5)</sup>	Nil	Nil	16,362	Nil	Nil	Nil	16,362
Michael Bowie <sup>(6)</sup>	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, share options, share 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. See discussion below.
- (4) Mr. Smith was appointed to the Board on December 19, 2013.
- (5) Mr. McGregor was appointed to the Board on February 24, 2014.
- (6) Mr. Bowie resigned from the Board on December 19, 2013.
- (7) This amount represents consulting fees paid by the Corporation to Solomon Oilfield Services, a company wholly owned by Mr. Smith, during the year ended June 30, 2014.

## *Narrative Discussion*

The Corporation has no arrangements, standards or otherwise, pursuant to which directors are compensated by the Corporation for their services in their capacity as directors, or for committee participation, except for the granting from time to time of stock options pursuant to the Plan and in accordance with the policies of the TSX-V. The purpose of granting such stock options is to assist the Corporation in compensating, attracting, retaining and motivating the directors of the Corporation and to closely align the personal interests of such person to that of the shareholders.

During the financial year ended June 30, 2014, the Corporation granted 100,000 stock options valued at \$5,920 to Raymond Antony, 100,000 stock options valued at \$5,920 to David M. Fuchs, 200,000 stock options valued at \$14,101 to Mike Smith and 200,000 stock options valued at \$16,362 to W. Scott McGregor.

Calculating the value of stock options using the Black-Scholes option pricing model is very different from a simple "in-the-money" value calculation. In fact, stock options that are well out-of-the-money can still have a significant "grant date fair value" based on a Black-Scholes option pricing model, especially where, as in the case of the Corporation, the price of the share underlying the option is highly volatile. Accordingly, caution must be exercised in comparing grant date fair value amounts with cash compensation or an in-the-money option value calculation.

## **Incentive Plan Awards**

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

The following table sets forth details of all awards outstanding for each Outside Director of the Corporation as of the most recent financial year end, including awards granted before the most recently completed financial year.

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 (\$)
Raymond Antony	100,000	0.10	December 18, 2018	1,000	N/A	N/A
	200,000	0.30	December 7, 2016	Nil		
David M. Fuchs	100,000	0.10	December 18, 2018	1,000	N/A	N/A
	200,000	0.30	March 9, 2017	Nil		
Mike Smith	100,000	0.10	February 27, 2019	1,000	N/A	N/A
	100,000	0.10	December 18, 2018	1,000		
W. Scott McGregor	200,000	0.10	February 27, 2019	2,000	N/A	N/A
Michael Bowie	50,000	0.10	December 18, 2018	500	N/A	N/A
	200,000	0.30	December 7, 2016	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 June 30, 2014, being \$0.11 per Common Share, and the exercise price of the stock 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***

The following table sets forth the value of option-based awards and share-based awards which vested or were earned during the most recently completed financial year for the Outside Directors of the Corporation.

<b>Name</b>	<b>Option-Based Awards - Value vested during the year (\$)<sup>(1)</sup></b>	<b>Share-Based Awards - Value vested during the year (\$)</b>	<b>Non-Equity Incentive Plan Compensation - Value earned during the year (\$)</b>
Raymond Antony	Nil	N/A	N/A
David M. Fuchs	Nil	N/A	N/A
Mike Smith	Nil	N/A	N/A
W. Scott McGregor	Nil	N/A	N/A
Michael Bowie	Nil	N/A	N/A

**Note:**

- (1) Based in the difference between the market price of the options at the vesting date and the exercise price.

***Narrative Discussion***

The significant terms of the Plan are disclosed in this Circular under "*PARTICULARS OF MATTERS TO BE ACTED UPON – Re-Approval of Stock Option Plan*".

**Other Compensation**

Other than as set forth herein, the Corporation 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 completed financial year other than benefits and perquisites which did not amount to \$10,000 or greater per individual.

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

The following table sets forth securities of the Corporation that are authorized for issuance under equity compensation plans as at the end of the Corporation's most recently completed financial year.

<b>Plan Category</b>	<b>Number of securities to be issued upon exercise of outstanding options, warrants and rights</b>	<b>Weighted average exercise price of outstanding options, warrants and rights</b>	<b>Number of securities remaining available for issuance under equity compensation plans (excluding outstanding securities reflected in Column 1)<sup>(1)</sup></b>
Equity compensation plans approved by securityholders	2,208,333 Common Shares	\$0.22	9,638 Common Shares
Equity compensation plans not approved by securityholders	N/A	N/A	N/A
<b>Total</b>	<b>2,208,333 Common Shares</b>		<b>9,638 Common Shares</b>

**Note:**

- (1) The aggregate number of Common Shares that may be reserved for issuance under the Plan shall not exceed 10% of the Corporation's issued and outstanding Common Shares. As at June 30, 2014, the number of Common Shares issued and outstanding was 22,179,706.

**MANAGEMENT CONTRACTS**

During the most recently completed financial year, no management functions of the Corporation were to any substantial degree performed by a person or company other than the directors or executive officers (or private companies controlled by them, either directly or indirectly) of the Corporation.

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

No director, executive officer, employee or former director, executive officer or employee of the Corporation or its subsidiaries nor any of their associates or affiliates, is, or has been at any time since the beginning of the last completed financial year, indebted to the Corporation or its subsidiaries nor has any such person been indebted to any other entity where such indebtedness is the subject of a guarantee, support agreement, letter of credit or similar arrangement or understanding, provided by the Corporation except as disclosed in the audited financial statements.

**INTERESTS OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

Other than as set forth herein or as previously disclosed, the Corporation is not aware of any material interests, direct or indirect, by way of beneficial ownership or otherwise, of any director or executive officer, proposed nominee for election as a director or any shareholder holding more than 10% of the voting rights attached to the Common Shares or any associate or affiliate of any of the foregoing in any transaction in the preceding financial year or any proposed or ongoing transaction of the Corporation which has or will materially affect the Corporation.

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

Other than as set forth herein, or as previously disclosed, the Corporation is not aware of any material interests, direct or indirect, by way of beneficial ownership of securities or otherwise, of any director or executive officer, proposed nominee for election as a director or any shareholder holding more than 10% of the voting rights attached to the Common Shares or any associate or affiliate of any of the foregoing in any transaction in the preceding financial year or any proposed or ongoing transaction of the Corporation which has or will materially affect the Corporation or its subsidiaries.

**AUDIT COMMITTEE**

The Audit Committee is a committee of the Board to which the Board delegates its responsibility for oversight of the financial reporting process. The Audit committee is also responsible for managing, on behalf of the shareholders, the relationship between the Corporation and the external auditor.

Pursuant to National Instrument 52-110 — *Audit Committees* ("**NI 52-110**") the Corporation is required to disclose certain information with respect to its Audit Committee, as summarized below.

**Audit Committee Terms of Reference**

The Corporation must, pursuant to NI 52-110, have a written charter which sets out the duties and responsibilities of its Audit Committee. The terms of reference of the Audit Committee are attached hereto as Schedule "B".

**Audit Committee Composition**

The following are the members of the Audit Committee as at the date hereof:

Raymond Antony	Independent <sup>(1)</sup>	Financially Literate <sup>(1)</sup>
Mike Smith	Independent <sup>(1)</sup>	Financially Literate <sup>(1)</sup>
David Antony	Not Independent <sup>(1)</sup>	Financially Literate <sup>(1)</sup>

**Note:**

(1) As defined by NI 52-110.

**Relevant Education and Experience**

All of the members of the Audit Committee have been either directly involved in the preparation of the financial statements, filing of quarterly and annual financial statements, dealing with auditors, or as a member of the Audit Committee. All members have the ability to read, analyze and understand the complexities surrounding the issuance of financial statements.

Raymond Antony

- Mr. Antony has been a Chartered Accountant for more than 30 years and has obtained significant financial experience and exposure to accounting and financial issues as a director and audit committee member of a number of public companies.

Mike Smith

- Mr. Smith is a Professional Engineer with over 13 years of experience in the oil and gas sector including five years in senior roles. Mr. Smith was formerly the President and Chief Executive Officer of Paramax Resources Ltd. (now Sabre Graphite Corp.). Prior thereto, Mr. Smith was a Vice President at The Codeco Energy Group. Prior to that appointment, Mr. Smith was the President of Fire Creek Resources.

David Antony

- Mr. Antony is a Chartered Accountant with over 19 years of experience in financial and business planning services with both public and private companies, and has been a Chief Financial Officer and Chief Executive Officer of numerous public companies.

**Audit Committee Oversight**

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

**Reliance on Certain Exemptions**

At no time since the commencement of the Corporation's most recently completed financial year has the Corporation 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 had adopted specific policies and procedures for the engagement of non-audit services as described in the terms of reference of the Audit Committee attached hereto as Schedule "B" under the heading "*External Auditors*".



### **External Auditor Service Fees**

The aggregate fees billed by the Corporation's external auditors in each of the last two (2) fiscal years for audit and other fees are as follows:

<b>Financial Year Ending</b>	<b>Audit Fees (\$)<sup>(1)</sup></b>	<b>Audit Related Fees (\$)<sup>(2)</sup></b>	<b>Tax Fees (\$)<sup>(3)</sup></b>	<b>All Other Fees (\$)<sup>(4)</sup></b>
2014	65,000	Nil	2,500	Nil
2013	77,254	Nil	1,099	Nil

**Notes:**

- (1) Audit fees include fees necessary to perform the annual audit and quarterly reviews of the Corporation's consolidated financial statements. Audit fees include fees for review of tax provisions and for accounting consultations on matters reflected in the financial statements. Audit fees also include audit or other attest services required by legislation or regulation, such as comfort letters, consents, reviews of securities filings and statutory audits.
- (2) Audit-related fees include services that are traditionally performed by the auditor. These audit-related services include employee benefit audits, due diligence assistance, accounting consultations on proposed transactions, internal control reviews and audit or attest services not required by legislation or regulation.
- (3) Tax fees include fees for all tax services other than those included in audit fees and audit-related fees. This category includes fees for tax compliance, tax planning and tax advice.
- (4) All other fees include fees for products and services provided by the Auditor, other than the services reported above.

### **Exemption**

The Corporation is relying upon the exemption in section 6.1 of NI 52-110.

## **CORPORATE GOVERNANCE**

Corporate governance relates to the activities of the Board, the members of which are elected by and are accountable to the shareholders, and takes into account the role of the individual members of management who are appointed by the Board and who are charged with the day to day management of the Corporation. 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. To achieve this goal, the Corporation has implemented a Board Mandate, a Code of Business Conduct, an Investment Policy, an Audit Committee Terms of Reference, a Whistle Blower Policy, a Corporate Governance and Compensation Committee Terms of Reference, an Insider Trading and Reporting Policy, and a Disclosure and Confidentiality Policy.

Pursuant to National Instrument 58-101 — *Disclosure of Corporate Governance Practices*, the Corporation is required to disclose its corporate governance practices as summarized below.

### **Board of Directors**

The Board is currently comprised of the following five (5) members: David Antony, Raymond Antony, David M. Fuchs, Mike Smith and W. Scott McGregor. All of these directors, except for David M. Fuchs, are being nominated for re-election at the Meeting.

Raymond Antony, David M. Fuchs, Mike Smith and W. Scott McGregor are independent directors of the Corporation and have no ongoing interest or relationship with the Corporation other than their security holdings in the Corporation and serving as directors.

David Antony, the Chief Executive Officer of the Corporation, is a member of management and, as a result, is not an independent director. The Board is responsible for determining whether a director is an independent director.

National Policy 58-201 — *Corporate Governance Guidelines* suggests that the board of directors of a public Corporation should be constituted with a majority of individuals who qualify as "independent" directors. An "independent" director is a director who has no direct or indirect material relationship with the Corporation. A material relationship is a relationship which could, in the view of the Board, reasonably interfere with the exercise of a director's independent judgment. The Board is comprised of a majority of independent directors.

### **Directorships**

The following directors of the Corporation are directors of other reporting issuers:

<b>Director</b>	<b>Other Reporting Issuers</b>
David Antony	Southern Pacific Resource Corp. North Sea Energy Inc. Sabre Graphite Corp. Iron Tank Resources Corp. Great Bear Resources Ltd. Africa Hydrocarbons Inc. Valencia Ventures Inc.
Raymond Antony	Canyon Services Group Inc. Sabre Graphite Corp. Marsa Energy Inc.

### **Orientation and Continuing Education**

At present, each new director is given an outline of the nature of the Corporation's business, its corporate strategy, and current issues with the Corporation along with a description of the committees constituted by the Board. New directors are also expected to be required to meet with management of the Corporation to discuss and better understand the Corporation's business and will be advised by counsel to the Corporation of their legal obligations as directors of the Corporation. New directors are also given copies of the Corporation's policies.

The introduction and education process will be reviewed on an annual basis by the Board and will be revised as necessary.

### **Ethical Business Conduct**

The Board has adopted a written Code of Business Conduct which applies to all directors, officers, employees and consultants of the Corporation. The Code of Business Conduct addresses such matters as ethical, honest and fair conduct of the Corporation's directors, officers, employees and consultants, safety, personal gain, dealings with public officials, conflicts of interest and the protection and proper use of the Corporation's assets.

The Board has established a Whistle Blower Policy, which establishes the complaint procedure for concerns about any aspect of the Corporation's activities and operations. The Corporation has also adopted an Insider Trading and Reporting Policy which establishes procedures for when insiders may trade securities of the Corporation. The Corporation has also adopted a Disclosure and Confidentiality Policy which establishes procedures for ensuring adequate disclosure and compliance with disclosure requirements as well as procedures for maintaining confidentiality.

The Board has found that the fiduciary duties placed on individual directors by the Corporation's governing corporate legislation and the common law and the restrictions placed by applicable corporate legislation on an individual director's participation in decisions of the Board in which the director has an interest have been sufficient to ensure that the Board operates independently of management and in the best interests of the Corporation. The Board has also found that the in camera sessions of the independent directors held in conjunction

with Board meetings also help to ensure that directors exercise independent judgment in considering transactions and agreements.

Under corporate legislation, a director is required to act honestly and in good faith with a view to the best interests of the Corporation and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. In addition, as some of the directors of the Corporation also serve as directors and officers of other companies engaged in similar business activities, directors must comply with the conflict of interest provisions of the ABCA, 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 such a conflict.

### **Nomination of Directors**

The Board have not appointed a nominating committee; however, pursuant to the Board Mandate, the Corporate Governance and Compensation Committee is responsible for recommending potential directors to the Board. The Board selects new nominees for election by the shareholders to the Board. The nominees are selected pursuant to criteria found in the Board Mandate such as personal qualities, characteristics, accomplishments, reputations, contacts in the business community, ability to commit time, fit and diversity of view point.

### **Compensation**

The Corporate Governance and Compensation Committee is composed of a majority of independent directors. The members of the Corporate Governance and Compensation Committee are listed under "*PARTICULARS OF MATTERS TO BE ACTED UPON – Election of Directors*". The responsibilities of the Corporate Governance and Compensation Committee in respect of compensation matters include reviewing and recommending to the Board the compensation policies and guidelines for supervisory management and personnel, corporate benefits, bonuses and other incentives, reviewing and approving corporate goals and objectives relevant to Chief Executive Officer compensation; non-CEO officer and director compensation; the review of executive compensation disclosure; succession plans for officers and for key employees; and material changes and trends in human resources policy, procedure, compensation and benefits. The responsibilities of the Corporate Governance and Compensation Committee in respect of corporate governance matters include addressing all governance issues identified by securities regulators and any additional issues as they arise by virtue of the operations and growth of the Corporation as being emerging progressive issues of corporate governance.

The Corporate Governance and Compensation Committee has unrestricted access to the Corporation's personnel and documents and is provided with the resources necessary, including, as required, the engagement and compensation of outside advisors, to carry out its responsibilities.

See also "*EXECUTIVE COMPENSATION – Compensation Discussion and Analysis*" for further information on the process by which the Board determines the compensation for the Corporation's directors and officers.

### **Other Board Committees**

Other than the Audit and Corporate Governance and Compensation Committees, the Corporation has established an Investment Committee. The Investment Committee is responsible for the Corporation's investment activities and investment strategy and for monitoring the performance of such activities and strategy. The members of the Investment Committee are listed under "*PARTICULARS OF MATTERS TO BE ACTED UPON – Election of Directors*".

## Assessments

The Board has not implemented a formal process for assessing its, or its members', effectiveness although the Board Mandate requires an annual self-assessment of the entire Board and its committees. As a result of the Corporation's size, its stage of development and the limited number of individuals on the Board, the Board consider a formal assessment process (other than the above mentioned self-evaluation) to be inappropriate at this time. The Board plans to continue evaluating its own effectiveness on an annual basis.

The Board does not formally assess the performance or contribution of individual members or committee members.

## PARTICULARS OF MATTERS TO BE ACTED UPON

To the knowledge of the Board, the only matters to be brought before the Meeting are those matters set forth in the accompanying Notice of Meeting.

### **1. Report and Financial Statements**

The Board has approved all of the information in the audited financial statements of the Corporation for the year ended June 30, 2014 and the report of the auditor thereon.

### **2. Fix Number of Directors to be Elected at the Meeting**

Shareholders of the Corporation will be asked to consider and, if thought appropriate, to approve and adopt an ordinary resolution fixing the number of directors to be elected at the Meeting. In order to be effective, an ordinary resolution requires the approval of a majority of the votes cast by shareholders who vote in respect of the resolution.

At the Meeting, it will be proposed that four (4) directors be elected to hold office until the next annual general meeting or until their successors are elected or appointed. **Unless otherwise directed, it is the intention of the Management Designees, if named as proxy, to vote in favour of the ordinary resolution fixing the number of directors to be elected at the Meeting at four (4).**

### **3. Election of Directors**

The following table sets forth the name of each of the persons proposed to be nominated for election as a director, all positions and offices in the Corporation presently held by such nominee, the nominee's municipality of residence, principal occupation at the present and during the preceding five (5) years, the period during which the nominee has served as a director, and the number and percentage of Common Shares that the nominee has advised are beneficially owned by the nominee, directly or indirectly, or over which control or direction is exercised, as of the Effective Date.

**Unless otherwise directed, it is the intention of the Management Designees, if named as proxy, to vote for the election of the persons named in the following table to the Board.** Management does not contemplate that any of such nominees will be unable to serve as directors; however, if for any reason any of the proposed nominees do not stand for election or are unable to serve as such, proxies held by Management Designees will be voted for another nominee in their discretion unless the shareholder has specified in his form of proxy that his Common Shares are to be withheld from voting in the election of directors. Each director elected will hold office until the next annual general meeting of shareholders or until his successor is duly elected, unless his office is earlier vacated in accordance with the by-laws of the Corporation or the provisions of the ABCA to which the Corporation is subject.

Name, Municipality of Residence, Office and Date Became a Director	Present Occupation and Positions Held During the Last Five (5) Years	Number and Percentage of Common Shares Held or Controlled as at the Effective Date <sup>(4)(5)</sup>
David Antony <sup>(1)(3)</sup> Calgary, Alberta, Canada Chief Executive Officer Director since February 23, 2009	Mr. Antony is a Chartered Accountant and has over 19 years of experience in assisting companies in structuring transactions, accessing capital and corporate governance. In the last five years, Mr. Antony has been Chief Executive Officer of Southern Pacific Resource Corp. where he continues as Chairman of the board. He is also currently the Chief Executive Officer and a director of both the Corporation and Sabre Graphite Corp. and he is a director of North Sea Energy Inc., Great Bear Resources Ltd., Africa Hydrocarbons Inc., Valencia Ventures Inc. and Iron Tank Resources Corp. In addition, Mr. Antony sits on both the Local Advisory and National Advisory Committees for the TSX-V.	760,245 (3.4%)
Raymond Antony <sup>(1)(2)(3)</sup> Calgary, Alberta, Canada Director since February 23, 2009	Mr. Antony has been a Chartered Accountant for more than 30 years and an independent business man since 1996.	211,333 (less than 1%)
Mike Smith <sup>(1)(2)(3)</sup> Calgary, Alberta, Canada Director since December 19, 2013	Mr. Smith is a Professional Engineer with over 13 years of experience in the oil and gas sector including five years in senior roles. Mr. Smith was formerly the President and Chief Executive Officer of Paramax Resources Ltd. (now Sabre Graphite Corp.). Prior thereto, Mr. Smith was a Vice President at The Codeco Energy Group. Prior to that appointment, Mr. Smith was the President of Fire Creek Resources.	Nil
W. Scott McGregor <sup>(3)</sup> Calgary, Alberta, Canada Director since February 24, 2014	Mr. McGregor has 17 years of energy and corporate finance experience, most recently with Casimir Capital LP where he was a Managing Director, Investment Banking in their Calgary Office from February 2013 to January 2014 upon the closing of the Casimir office in Calgary. Prior thereto, he was with Acumen Capital Partners in the capacity of Vice-President, Investment Banking from 2006 to 2013 and with Octagon Capital Corporation from 1999 to 2006. From 1998 to 1999, Mr. McGregor was similarly employed by Levesque Beaubien Geoffrion. Prior to his career in Investment Banking, Mr. McGregor spent two years in a finance/treasury role at Numac Energy Inc. Mr. McGregor holds a Master of Business Administration from the University of Toronto as well as a Bachelor of Arts (Hons) from Queen's University.	100,000 (less than 1%)

**Notes:**

- (1) Member of the Audit Committee.
- (2) Member of the Corporate Governance and Compensation Committee.
- (3) Member of the Investment Committee.
- (4) Common Shares beneficially owned, directly or indirectly, or over which control or direction is exercised, as at the Effective Date, based on information furnished to the Corporation by the above individuals.
- (5) Assumes a total of 22,179,706 Common Shares issued and outstanding as at the Effective Date.

*Cease Trade Orders or Bankruptcies*

No proposed director, within 10 years before the date of this Circular, has been, a director or executive officer of any company that, while that person was acting in that capacity:

- (a) was the subject of a cease trade or similar order, or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days;
- (b) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or
- (c) within a year of that person ceasing to act in such 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 Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of such person.

#### *Penalties and Sanctions*

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,

other than a settlement agreement entered into before December 31, 2000 that would likely not be important to a reasonable securityholder in deciding whether to vote for a proposed director.

#### **4. Appointment of Auditor**

The shareholders of the Corporation will be asked to vote for the re-appointment of Grant Thornton LLP, Chartered Accountants, as auditor of the Corporation. **Unless directed otherwise by a proxy holder, or such authority is withheld, the Management Designees, if named as proxy, intend to vote the Common Shares represented by any such proxy in favour of a resolution appointing Grant Thornton LLP, Chartered Accountants, as auditor of the Corporation for the next ensuing year,** to hold office until the close of the next annual general meeting of shareholders or until the firm of Grant Thornton LLP, Chartered Accountants, is removed from office or resigns as provided by the Corporation's by-laws, and the Management Designees also intend to vote the Common Shares represented by any such proxy in favour of a resolution authorizing the Board to fix the compensation of the auditor. Grant Thornton LLP has been the auditor of the Corporation since December 9, 2010.

#### **5. Re-Approval of Stock Option Plan**

The Plan was previously approved by shareholders of the Corporation on December 19, 2013. A copy of the Plan is attached as Schedule "B" to the Management Information Circular of the Corporation dated February 6, 2012 and filed on SEDAR on February 15, 2012. The policies of the TSX-V require that stock option plans which reserve for issuance up to 10% of a listed corporation's shares be re-approved annually by the shareholders of the listed

corporation. That approval is being sought at the Meeting.

The Plan complies with the policies of the TSX-V and the Toronto Stock Exchange ("TSX"). Under the Plan, the Board may, from time to time, grant options to purchase Common Shares to certain directors, officers, employees and consultants of the Corporation and of its subsidiaries and affiliates. The maximum number of Common Shares issuable under the Plan and all other security based compensation arrangements of the Corporation is 10% of the Common Shares outstanding from time to time, subject to the following additional limitations:

- (a) the aggregate number of Common Shares reserved for issuance to any one person under the Plan, together with all other security based compensation arrangements of the Corporation, must not exceed five (5%) percent of the then outstanding Common Shares (on a non-diluted basis);
- (b) in the aggregate, no more than 10% of the issued and outstanding Common Shares (on a non-diluted basis) may be reserved at any time for insiders under the Plan, together with all other security based compensation arrangements of the Corporation;
- (c) the number of securities of the Corporation issued to insiders, within any one year period, under all security based compensation arrangements, cannot exceed 10% of the issued and outstanding Common Shares;
- (d) options shall not be granted if the exercise thereof would result in the issuance of more than two (2%) percent of the issued Common Shares of the Corporation in any 12 month period to any one (1) consultant of the Corporation (or any of its subsidiaries); and
- (e) options shall not be granted if the exercise thereof would result in the issuance of more than two (2%) percent of the issued Common Shares of the Corporation in any 12 month period to persons employed to provide investor relations activities. Options granted to consultants performing investor relations activities will contain vesting provisions such that vesting occurs over at least 12 months with no more than one-quarter (¼) of the options vesting in any three (3) month period.

The Plan includes a black out provision. Pursuant to the policies of the Corporation respecting restrictions on trading, there are a number of periods each year during which directors, officers and certain employees are precluded from trading in the Corporation's securities. These periods are referred to as "black out periods". A black out period is designed to prevent a person from trading while in possession of material information that is not yet available to other shareholders. The TSX recognizes these black out periods might result in an unintended penalty to employees who are prohibited from exercising their options during that period because of their company's internal trading policies. As a result, the TSX provides a framework for extending options that would otherwise expire during a black out period. The Plan includes a provision that should an option expiration date fall within a black out period or immediately following a black out period, the expiration date will automatically be extended for 10 business days following the end of the black out period.

Pursuant to the Plan, the exercise price of the Common Shares subject to each option shall be determined by the Board, subject to TSX-V approval, at the time any option is granted. In no event shall such exercise price be lower than the exercise price permitted by the TSX-V. The Plan also provides that the Board may, in its sole discretion, determine the time during which options shall vest and the method of vesting, subject to any vesting restrictions imposed by the TSX-V.

Based on the policies of the TSX, the Plan specifies the types of amendments to the Plan and the options granted thereunder that can be made by the Board without the approval of the shareholders. The Plan allows the Board to terminate or discontinue the Plan at any time without the consent of the option holders provided that such termination or discontinuance shall not alter or impair any option previously granted under the Plan. The only amendments to the Plan that would be subject to shareholder approval or disinterested shareholder approval are amendments that would:

- (a) reduce the exercise price of an option held by an insider of the Corporation;
- (b) extend the expiry date of an option held by an insider of the Corporation (subject to such date being extended by virtue of the black out provision noted above);
- (c) amend the limitations on the maximum number of Common Shares reserved or issued to insiders;
- (d) increase the maximum number of Common Shares issuable pursuant to the Plan; or
- (e) amend the amendment provisions of the Plan.

Policy 4.4 of the TSX-V requires that rolling stock option plans must receive shareholder approval yearly, at an issuer's annual general meeting. In accordance with Policy 4.4, shareholders will be asked to consider and if thought fit, approve an ordinary resolution approving, adopting and ratifying the Plan as the Corporation's stock option plan.

The text of the ordinary resolution to be considered at the Meeting will be substantially as follows:

**"BE IT HEREBY RESOLVED** as an ordinary resolution of the Corporation that:

1. the stock option plan of the Corporation in substantially the form attached as Schedule "B" to the Management Information Circular of the Corporation dated February 6, 2012 (the "**Plan**") be and is hereby ratified, approved and adopted as the stock option plan of the Corporation;
2. the form of the Plan may be amended in order to satisfy the requirements or requests of any regulatory authorities without requiring further approval of the shareholders of the Corporation;
3. all issued and outstanding stock options previously granted are hereby continued under and governed by the Plan;
4. the shareholders of the Corporation hereby expressly authorize the Board of Directors to revoke this resolution before it is acted upon without requiring further approval of the shareholders in that regard; and
5. any one (or more) director or officer of the Corporation is authorized and directed, on behalf of the Corporation, to take all necessary steps and proceedings and to execute, deliver and file any and all declarations, agreements, documents and other instruments and do all such other acts and things (whether under corporate seal of the Corporation or otherwise) that may be necessary or desirable to give effect to this ordinary resolution."

**Unless otherwise directed, it is the intention of the Management Designees to vote proxies in favour of the resolution approving the Plan.** In order to be effective, an ordinary resolution requires approval of a majority of the votes cast by shareholders who vote in respect to the resolution.

## **6. Approval of Change of Business**

At the Meeting, the shareholders of the Corporation will be asked to consider and, if deemed advisable, to pass, with or without variation, an ordinary resolution, substantially in the form noted below, approving the Proposed COB of the Corporation from an "oil and gas issuer" to an "investment issuer".

The text of the ordinary resolution to be considered at the Meeting will be substantially as follows:



**"BE IT HEREBY RESOLVED** as an ordinary resolution of the Corporation that:

1. the Corporation be, and is hereby, authorized and directed to proceed with the proposed change of business of the Corporation from an "oil and gas issuer" to an "investment issuer", as more particularly described in the Management Information Circular of the Corporation dated November 25, 2014 (the "**Proposed COB**");
2. the Corporation be and it is hereby authorized to prepare and file any application for orders, consents and approvals and any other documents reasonably considered necessary under applicable laws in connection with the Proposed COB;
3. notwithstanding that this ordinary resolution has been duly passed by the shareholders of the Corporation, the Board of Directors may revoke this resolution at any time and determine not to proceed with the Proposed COB as contemplated hereby if such revocation is considered desirable by the Board of Directors without further approval of the shareholders of the Corporation; and
4. any one director or officer of the Corporation be, and is hereby, authorized and directed to do all such acts and things and to execute and deliver all agreements, instruments and documents as such director or officer shall deem necessary to give full force and effect to the foregoing resolutions."

**Unless otherwise directed, it is the intention of the Management Designees to vote proxies in favour of the resolution approving the Proposed COB.** In order to be effective, an ordinary resolution requires approval of a majority of the votes cast by shareholders who vote in respect to the resolution.

The following discussion considers the current business of the Corporation and outlines the proposed business of the Corporation assuming completion of the Proposed COB.

### ***Background to the Proposed COB***

On February 18, 2014, the Corporation announced that it will be pursuing a change in business. After a thorough evaluation of the Corporation's existing resources and a review of strategic options for the Corporation generally, the Corporation determined that to optimize shareholder value, it would refocus its business operations from an "oil and gas issuer" to an "investment issuer". The Corporation believes that its network of business contacts, the depth of experience of its management team and its overall entrepreneurial approach will enable it to identify and capitalize upon investment opportunities as an "investment issuer".

On February 28, 2014, the Corporation received conditional approval from the TSX-V for the Proposed COB.

On June 3, 2014, the Corporation announced that it disposed of certain of the Oil and Gas Assets to an arm's length private company for cash proceeds of \$380,000 and a GORR on the properties.

Since receiving conditional approval for the Proposed COB, the Corporation began to evaluate investment opportunities and made the following arm's length investments during the year ended June 30, 2014: (i) three (3) loans in the aggregate amount of \$450,000 to three (3) separate private companies, all with maturity dates of less than one (1) year; (ii) one (1) debenture investment in the aggregate principal amount of \$150,000; and (iii) numerous public company investments in aggregate amount of approximately \$2,000,000. Subsequent to the year ended June 30, 2014, the Corporation continued to evaluate and allocate funds to various investments. Please also see "*INFORMATION REGARDING THE CORPORATION FOLLOWING THE PROPOSED COB – Available Funds and Composition of Investment Portfolio*" for further information.

The Corporation earned net income of \$646,249 for the year ended June 30, 2014 compared with a loss of \$1,237,164 for the year ended June 30, 2013. For further information, please see "*Results of Operations for the Year Ended June 30, 2014*" in the management's discussion and analysis of the financial position and results of operations of the Corporation for the year ended June 30, 2014, which is incorporated by reference herein.

In time the Corporation hopes to be able to distribute a portion of these earnings back to its shareholders through a sustainable dividend.

### ***Investment Strategy***

In connection with the Proposed COB, the Corporation has adopted the Investment Policy to govern its investment activities and investment strategy. A copy of the Investment Policy is attached hereto as Schedule "A".

The Investment Policy provides, among other things, that: (a) the Corporation's objective as an investment company is to enhance shareholder value over the long term on a per share basis; (b) the Corporation will seek to accomplish this objective by making use of the experience, expertise and opportunity flow of its management and Board to opportunistically make investments in situations that the Corporation believes will provide superior returns over the long term; and (c) such investments may include, without limitation, the acquisition of equity, debt or other securities of publicly traded or private companies or other entities and the acquisition of all or part of one or more businesses, portfolios or other assets, in each case that the Corporation believes will enhance value for the shareholders of the Corporation over the long-term.

The Investment Policy provides the Corporation with broad authority in regards to the types of investments that may be made and held by the Corporation with a view to enhancing value for its shareholders over the long term. The Investment Policy states that the Corporation will invest with a preference for opportunities in Canada or the United States, but may from time to time also pursue opportunities internationally. The Investment Policy does not preclude the Corporation from investing in any particular industry and has no specific policy with respect to investment diversification, although over time it will be the goal of the Corporation to acquire and hold investments that the Corporation believes will collectively provide superior returns over the long term.

The Investment Policy also states that, depending upon the Corporation's assessment of market conditions and investment opportunities, the Corporation may, from time to time, be fully invested, partially invested or entirely uninvested such that the Corporation is holding only cash or cash-equivalent balances while the Corporation actively seeks to redeploy such cash or cash-equivalent balances in suitable investment opportunities.

Notwithstanding the foregoing, the Corporation's investment objective, investment strategy and investment restrictions may be amended from time to time as approved by the Board. Additionally, notwithstanding the Investment Policy, the Board may, from time to time, authorize such additional investments outside of the disciplines set forth therein as it sees fit for the benefit of the Corporation and its shareholders.

### ***Nature of Involvement***

The Corporation may, from time to time and in appropriate circumstances, seek a more active role in regards to investment situations and investee companies where the involvement of the Corporation is expected to make a significant difference to the success of the Corporation's investment. In appropriate circumstances, this may involve the Corporation, either alone or jointly with other shareholders, seeking to influence the governance of public or private issuers by seeking board seats, launching proxy contests or taking other actions to enhance shareholder value, or becoming actively involved in the management or board oversight of investee companies.

### ***Investment Evaluation Process***

The management and Board will work jointly to uncover appropriate investment opportunities that meet the Corporation's investment strategy as outlined above and the Corporation's objective of enhancing shareholder value

over the long term on a per share basis. These individuals have a broad range of business and investing experience and networks through which potential investments are expected to be identified. All investments considered by the Corporation will be subject to rigorous analysis and evaluation, and all major investments and dispositions will be subject to prior approval of the Board in such manner as it may determine appropriate from time to time.

In reaching an investment decision regarding an investment in any particular issuer, the Corporation will consider, among other things, the following factors:

- the anticipated rate of return and level of risk;
- the financial condition and financial performance of the issuer and its anticipated future results;
- the quality of an issuer's management and board of directors and the issuer's alignment with the Corporation's investment objectives;
- exit strategies and criteria;
- the size of the investment, its price and valuation; and
- the Corporation's ability to efficiently finance its investment.

All investment decisions will be made consistent with the objective of enhancing shareholder value over the long term on a per share basis.

### ***Conflicts of Interest***

The Corporation has no restrictions with respect to investing in companies or other entities in which a member of the Corporation's management or Board may already have an interest or involvement. However, prior to the Corporation making an investment, all members of senior management and the Board shall be obligated to disclose any such other interest or involvement. In the event that a conflict is determined to exist, the Corporation may only proceed after receiving approval from disinterested directors of the Board. The Corporation is also subject to the "related party" transaction policies of the Exchange, which mandates disinterested shareholder approval for certain transactions.

The management and directors of the Corporation may be involved in other activities which may on occasion cause a conflict of interest with his or her duties to the Corporation. These include serving as directors, officers, promoters, advisers or agents of other public and private companies, including of companies in which the Corporation may invest, or being shareholders or having an involvement or financial interest in one or more shareholders of existing or prospective investee companies of the Corporation. The management and directors of the Corporation may also engage from time to time in transactions with the Corporation where any one or more of such persons is acting in his or her capacity as financial or other advisor, broker, intermediary, principal, or counterparty.

The management and directors of the Corporation are aware of the existence of laws governing the accountability of directors and officers for corporate opportunities and requiring disclosure of conflicts of interest, and the Corporation will rely upon such laws in respect of any conflict of interest. Further, to the extent that management or directors of the Corporation engage in any transactions with the Corporation, such transactions will be carried out on customary and arm's-length commercial terms.

### ***Monitoring***

The investment activities of the Corporation will be actively monitored on an ongoing basis by the Corporation's management, and by the Board in such manner as it determines appropriate from time to time. The Board will receive regular reporting from the Corporation's management and meet no less than quarterly to review the Corporation's investments.

### *Recommendation of the Board*

**THE BOARD, AFTER CAREFUL CONSIDERATION OF A NUMBER OF FACTORS, HAS DETERMINED UNANIMOUSLY THAT THE PROPOSED COB IS IN THE BEST INTERESTS OF THE CORPORATION AND ITS SHAREHOLDERS. THE BOARD HAS UNANIMOUSLY DETERMINED TO RECOMMEND TO SHAREHOLDERS OF THE CORPORATION THAT THEY VOTE IN FAVOUR OF THE PROPOSED COB.**

### *Shareholder Approval*

Policy 5.2 of the Exchange requires the Corporation to obtain shareholder approval of the Proposed COB, which constitutes a Change of Business, by way of an ordinary resolution passed by the majority of the votes cast at the Meeting. In the event that the resolution is not passed or if the Corporation is unable to obtain Exchange approval, then the Proposed COB may not be completed and the Corporation will have to sell all or portion of its current investments in an orderly manner and seek alternative transactions. There can be no guarantee that the Corporation will be able to obtain Exchange approval. The resolution approving the Proposed COB requires approval by a simple majority of the votes cast by shareholders present in person or by proxy at the Meeting.

### *Regulatory Approval*

The Proposed COB constitutes a Change of Business pursuant to the policies of the Exchange. Prior to mailing of this Circular, the Exchange has provided conditional acceptance of the Proposed COB, subject to the Corporation fulfilling all of the requirements of the TSX-V. There can be no assurance that the Corporation will be able to satisfy the requirements of the Exchange such that the Exchange will provide approval of the Proposed COB and issue the Final Exchange Bulletin.

## **7. Approval of Name Change**

At the Meeting, the shareholders of the Corporation will be asked to consider and, if deemed advisable, to pass, with or without variation, conditional upon the Proposed COB being approved, a special resolution, substantially in the form noted below, approving the Name Change of the Corporation to "Blackhawk Management Corp." or such other name that is acceptable to the Board.

The text of the special resolution to be considered at the Meeting will be substantially as follows:

**"BE IT HEREBY RESOLVED** as a special resolution of the Corporation that:

1. the Corporation be, and is hereby, authorized to amend its articles to change the Corporation's name to "Blackhawk Management Corp." or such other name that is acceptable to the Board;
2. notwithstanding that this resolution has been passed (and the change of name of the Corporation approved) by the shareholders of the Corporation, the directors of the Corporation are hereby authorized and empowered without further notice to or approval of the shareholders of the Corporation to not proceed with the change of the Corporation's name to "Blackhawk Management Corp." or such other name that is acceptable to the Board; and
3. any director or officer of the Corporation is hereby authorized and directed, acting for, in the name of and on behalf of the Corporation, to execute or cause to be executed, under the seal of the Corporation or otherwise, and to deliver or cause to be delivered, such other documents and instruments, and to do or cause to be done all such other acts and things, as may in the opinion of such director or officer of the Corporation be necessary or desirable to carry out the intent of the foregoing resolution."

**Unless otherwise directed, it is the intention of the Management Designees to vote proxies in favour of the resolution approving the Name Change.** In order to be effective, a special resolution requires approval of at least 66⅔% of the votes cast by shareholders who vote in respect to the resolution.

### **Other Matters Which May Come Before the Meeting**

While there is no other business other than that business mentioned in the Notice of Meeting to be presented for action by the shareholders at the Meeting, **it is intended that the proxies hereby solicited will be exercised upon any other matters and proposals that may properly come before the Meeting or any adjournment or adjournments thereof, in accordance with the discretion of the persons authorized to act thereunder.**

## **INFORMATION REGARDING THE CORPORATION FOLLOWING THE PROPOSED COB**

### **Name and Incorporation**

The Corporation was incorporated as "Rich Minerals Corporation" pursuant to the ABCA on March 25, 1986. The Articles of the Corporation were amended by Certificate of Amendment on May 12, 2009, to change the name of the Corporation to "Blackhawk Resource Corp."

The registered office of the Corporation is located at Suite 1000, 250 – 2<sup>nd</sup> Street, S.W., Calgary, Alberta, T2P 0C1 and the head office is located at Suite 650, 816 – 7<sup>th</sup> Avenue S.W., Calgary, Alberta T2P 1A1.

The Corporation is a reporting issuer in the Provinces of Alberta and British Columbia. The Common Shares are listed on the Exchange under the symbol "BLR".

After completion of the Proposed COB, the Corporation intends to change its name to "Blackhawk Management Corp.", or such other name that is acceptable to the Board and applicable regulatory authorities. The Corporation's Articles will be amended to effect the Name Change. Assuming the completion of the Proposed COB, the Common Shares will trade on the Exchange under the stock symbol "BKH", or such other symbol as approved by the Exchange.

### **Intercorporate Relationships**

The Corporation has two wholly-owned subsidiaries, Blackhawk Resource Operating Corp., which is incorporated under the laws of the Province of Alberta and RMC Exploração Petrolífera Ltda, which is incorporated under the laws of Brazil.

### **Corporate History**

The Corporation was initially engaged in heavy equipment operations in the natural resource sectors, through its former wholly owned subsidiary, Rich Contracting Ltd. As the construction company continued to operate, the Corporation was successful in purchasing oil and gas assets, entering into arrangements to participate in exploring for gold and other precious metals, and purchasing an interest in a gemstone project. During 2005, the Corporation took specific actions to substantially reduce its direct involvement in construction and contracting activities and focused its attention on business prospects in the natural resource sector. In 2007, the Corporation was awarded two onshore blocks in the Potiguar Basin, Brazil. In 2009, the Corporation reorganized its management team and completed acquisition of two principal producing properties, Wood River and Bodo, located in the Western Canadian Sedimentary Basin. Please see "*PARTICULARS OF MATTERS TO BE ACTED UPON – Approval of Change of Business – Background to the Proposed COB*" for further information.

Effective October 31, 2014, the TSX-V suspended trading in Common Shares as a result of a cease trade order dated October 31, 2014 issued by the Alberta Securities Commission due to the Corporation's delayed filing of its year ended June 30, 2014 financial information. A cease trade order dated November 5, 2014 was also issued

against the Corporation by the British Columbia Securities Commission. On November 21, 2014, the Alberta Securities Commission and the British Columbia Securities Commission each revoked the cease trade orders issued against the Corporation and it is anticipated that the Common Shares will resume trading on the TSX-V on November 26, 2014.

### Narrative Description of the Business

Please see "*PARTICULARS OF MATTERS TO BE ACTED UPON – Approval of Change of Business – Background to the Proposed COB*" and "*INFORMATION REGARDING THE CORPORATION FOLLOWING THE PROPOSED COB – Available Funds and Composition of Investment Portfolio*" for further information.

### Available Funds and Composition of Investment Portfolio

As at September 30, 2014, the Corporation had estimated available funds in the amount of \$3,250,000. The Corporation intends to use its available funds to invest in each of equity, debt instruments and direct asset investments as part of its focus as an investment issuer and for general and administrative expenses. The Corporation intends to allocate its estimated available funds as follows:

Description	Amount (\$)
Investments	2,637,165 <sup>(1)</sup>
General and Administrative Expenses	384,000 <sup>(2)</sup>
Unallocated	228,835
<b>Total</b>	<b>3,250,000</b>

#### Notes:

- (1) Represents investments made as at September 30, 2014. Please see below for further information.  
(2) Represents an estimate of the general and administrative expenses for the 12 months following September 30, 2014.

As at September 30, 2014, the Corporation held investments totaling \$2,637,165. The investments were in the sectors and debt instruments as set forth in the following tables:

Investments at Fair Value by Sector			
Sector	Cost (\$)	Total fair value (\$)	% of total fair value
Construction and real estate	211,000	228,505	13%
Oil and gas producers	591,696	510,377	30%
Mining	472,415	567,090	33%
Technology and other	421,909	411,438	24%
<b>Total</b>	<b>1,697,020</b>	<b>1,717,610</b>	<b>100%</b>

Debt Instruments	
Type	Amount (\$)
Short term loans	760,728
Debenture	158,827
<b>Total investments held to maturity</b>	<b>919,555</b>

The Corporation also holds certain producing non-operated oil and gas properties, as well as the GORR acquired during the year ended June 30, 2014. These oil and gas properties are carried at a value of \$244,307 as at September 30, 2014.

The amounts at which the investments could be disposed of may differ from their carrying values

## **Selected Consolidated Financial Information and Management's Discussion and Analysis**

### ***Selected Consolidated Financial Information***

The following information is summarized from the audited financial statements of the Corporation for the fiscal years ended June 30, 2014, 2013 and 2012 and should be read in conjunction with the financial statements incorporated by reference in this Circular.

	<b>Year Ended June 30, 2012 (Audited) (\$)</b>	<b>Year Ended June 30, 2013 (Audited) (\$)</b>	<b>Year Ended June 30, 2014 (Audited) (\$)</b>
Revenue	1,902,488	831,446	1,389,946
Total Expenses	1,474,470	2,068,610	743,697
Net Income (Loss)	422,665	(1,237,164)	646,249
Assets	5,310,328	3,927,700	4,903,059
Liabilities	1,073,344	880,885	1,158,188
Share Capital	6,405,065	6,405,065	6,405,065
Deficit	(2,848,634)	(4,085,798)	(3,439,549)

### ***Management's Discussion and Analysis***

Management's discussion and analysis of the financial position and results of operations of the Corporation for the years ended June 30, 2014 and June 30, 2013 are available on SEDAR at [www.sedar.com](http://www.sedar.com) and are incorporated by reference in this Circular. Such management's discussion and analysis of the financial position and results of operations should be read in conjunction with the audited financial statements of the Corporation as at and for the years ended June 30, 2014 and 2013 and the audited financial statements of the Corporation as at and for the years ended June 30, 2013 and 2012, which are each available on SEDAR at [www.sedar.com](http://www.sedar.com) and are incorporated by reference in this Circular.

## **Description of Securities**

### ***Common Shares***

The Corporation is authorized to issue an unlimited number of Common Shares without nominal or par value. As at the date of this Circular, 22,179,706 Common Shares are issued and outstanding as fully paid and non-assessable. The Common Shares carry the right to: (a) vote at any meeting of shareholders of the Corporation; (b) receive any dividend declared by the Corporation; and (c) receive the remaining property of the Corporation upon dissolution.

### ***Preferred Shares***

The Corporation is authorized to issue an unlimited number of preferred shares. As at the date of this Circular, there are no preferred shares issued or outstanding.

## Effect of the Proposed COB on the Corporation's Share/Security Structure

As at June 30, 2014, the Corporation had 22,179,706 Common Shares issued and outstanding, 2,208,333 stock options of the Corporation outstanding and a deficit of \$3,439,549. The Corporation expects that there will be no change in the existing share structure of the Corporation as a result of the Proposed COB, and that no Common Shares or other securities of the Corporation will be issued in connection with the Proposed COB. As at the date hereof, the Corporation had 22,179,706 Common Shares issued and outstanding and 2,066,667 stock options of the Corporation outstanding. See also "*Options to Purchase Securities*".

### Fully Diluted Share Capital

The following table states the fully diluted share capital of the Corporation upon completion of the Proposed COB.

	Number of Securities
Common Shares outstanding as at the date of this Circular	22,179,706
Common Shares reserved pursuant to stock options of the Corporation	2,066,667 <sup>(1)</sup>
<b>Total Fully Diluted</b>	<b>24,246,373</b>

#### Note:

- (1) The Corporation has an additional 151,304 stock options of the Corporation remaining available for issuance under the Plan. See also "*Options to Purchase Securities*".

### Stock Option Plan

There will be no changes to the Plan as a result of the Proposed COB. The details of the Plan are described under "*PARTICULARS OF MATTERS TO BE ACTED UPON - Re-Approval of Stock Option Plan*".

### Options to Purchase Securities

The following table sets out information on options to purchase Common Shares that will be held upon completion of the Proposed COB.

Holder	Number of Common Shares Issuable if Option is Fully Exercised
Officers of the Corporation as a group <sup>(1)</sup>	816,667 <sup>(3)</sup>
Directors of the Corporation as a group (excluding directors who are also officers) <sup>(2)</sup>	1,000,000 <sup>(4)</sup>
All other employees of the Corporation as a group	Nil
All other consultants of the Corporation as a group	250,000 <sup>(5)</sup>
<b>Total</b>	<b>2,066,667<sup>(6)</sup></b>

#### Notes:

- (1) The officers include David Antony, Charidy Lazorko and Trevor Wong-Chor.
- (2) The directors include Raymond Antony, David M. Fuchs, Mike Smith and W. Scott McGregor.
- (3) 466,667 of these options have an exercise price of \$0.30 per Common Share and expire on December 7, 2016 and 350,000 of these options have an exercise price of \$0.10 per Common Share and expire on December 18, 2018.
- (4) 200,000 of these options have an exercise price of \$0.30 per Common Share and expire on December 7, 2016, 200,000 of these options have an exercise price of \$0.30 per Common Share and expire on March 9, 2017, 300,000 of these options have an exercise price of \$0.10 per Common Share and expire on December 18, 2018 and 300,000 of these options have an exercise price of \$0.10 per Common Share and expire on February 27, 2019.
- (5) 200,000 of these options have an exercise price of \$0.30 per Common Share and expire on December 7, 2016 and 50,000 of these options have an exercise price of \$0.10 per Common Share and expire on December 18, 2018.



- (6) The Corporation has an additional 151,304 stock options of the Corporation remaining available for issuance under the Plan. See also "*Stock Option Plan*".

### Dividend Record and Policy

The Corporation has not declared or paid any dividends on the Common Shares since incorporation. Any decision to pay dividends on the Common Shares will be made by the Board on the basis of the Corporation's earnings, financial requirements and other conditions existing at such future time.

### Prior Sales

Other than the grant of 1,000,000 stock options of the Corporation, no securities of the Corporation were issued within the last 12 months. See also "*Options to Purchase Securities*".

### Trading Price and Volume

The Common Shares are listed and posted for trading on the TSX-V under the symbol "BLR". The following table sets out the high and low trading prices and aggregate volume of trading of the Common Shares on the TSX-V for the following periods (as reported by the TSX-V).

Period	High (\$)	Low (\$)	Volume
<b>2013</b>			
November <sup>(1)</sup>	0.115	0.105	105,457
December	0.115	0.060	903,114
<b>2014</b>			
January	0.090	0.080	595,803
February	0.145	0.090	48,000
March	0.120	0.095	64,365
April	0.115	0.060	317,653
May	0.110	0.100	63,684
June	0.120	0.100	389,920
July	0.110	0.105	90,514
August	0.110	0.100	196,786
September	0.100	0.095	297,534
October <sup>(2)</sup>	0.070	0.060	49,765
November 1-25 <sup>(2)</sup>	N/A	N/A	N/A

#### Notes:

- (1) The Common Shares were halted from April 3, 2013 to November 25, 2013 at the request of the Corporation in connection with a potential transaction.
- (2) Effective October 31, 2014, the TSX-V suspended trading in Common Shares as a result of a cease trade order dated October 31, 2014 issued by the Alberta Securities Commission due to the Corporation's delayed filing of its year ended June 30, 2014 financial information. A cease trade order dated November 5, 2014 was also issued against the Corporation by the British Columbia Securities Commission. On November 21, 2014, the Alberta Securities Commission and the British Columbia Securities Commission each revoked the cease trade orders issued against the Corporation and it is anticipated that the Common Shares will resume trading on the TSX-V on November 26, 2014.

## **Directors and Management Following the Proposed COB**

There will be no change to the current Board or management of the Corporation as a result of the Proposed COB except that David M. Fuchs will not stand for re-election at the Meeting. Following the Meeting, the Board will be comprised of the following four (4) members: David Antony, Raymond Antony, Mike Smith and W. Scott McGregor. Please see "*PARTICULARS OF MATTERS TO BE ACTED UPON – Election of Directors*" for further information with respect to the directors of the Corporation.

The current officers of the Corporation are as follows:

*David Antony, Chief Executive Officer, Age 51*

Mr. Antony is a Chartered Accountant and has over 19 years of experience in assisting companies in structuring transactions, accessing capital and corporate governance. In the last five years, Mr. Antony has been Chief Executive Officer of Southern Pacific Resource Corp. where he continues as Chairman of the board. He is also currently the Chief Executive Officer and a director of both the Corporation and Sabre Graphite Corp. and he is a director of North Sea Energy Inc., Great Bear Resources Ltd., Africa Hydrocarbons Inc., Valencia Ventures Inc. and Iron Tank Resources Corp. In addition, Mr. Antony sits on both the Local Advisory and National Advisory Committees for the TSX-V. Mr. Antony owns or controls 760,245 Common Shares as at the date hereof. Mr. Antony will devote 75% of his time to the business and affairs of the Corporation following completion of the Proposed COB.

*Charidy Lazorko, Chief Financial Officer, Age 34*

Ms. Lazorko is a Certified General Accountant and is currently the Chief Financial Officer of the Corporation. Ms. Lazorko has over 10 years' of financial services and public company experience, with an emphasis on small-cap corporate restructurings, amalgamations and asset acquisitions. She has also acted as financial advisor on numerous private transactions in the oil and gas industry. Ms. Lazorko is also currently the Chief Financial Officer of Africa Hydrocarbons Inc., Iron Tank Resources Corp. and Sabre Graphite Corp. Ms. Lazorko owns or controls 134,900 Common Shares as at the date hereof. Ms. Lazorko will devote 75% of her time to the business and affairs of the Corporation following completion of the Proposed COB.

*Trevor Wong-Chor, Corporate Secretary, Age 46*

Since September 17, 2004, Barrister and Solicitor with Davis LLP. Mr. Wong-Chor owns or controls 76,620 Common Shares as at the date hereof. Mr. Wong-Chor will devote his time as necessary to the affairs of the Corporation following completion of the Proposed COB.

### ***Interests of Insiders***

The directors and officers of the Corporation and their associates and affiliates, as a group, beneficially own, or control or direct, directly or indirectly, an aggregate of 1,283,098 Common Shares and 2,016,667 options, representing approximately 5.8% of the outstanding Common Shares and approximately 97.6% of the outstanding options, respectively (and, which together represent approximately 13.6% of the outstanding Common Shares on a fully-diluted basis).

### ***Corporate Cease Trade Orders or Bankruptcies***

No director or officer of the Corporation or, to the knowledge of the Corporation, any securityholder anticipated to hold sufficient securities of the Corporation to affect materially the control of the Corporation has, within the 10 years prior to the date hereof, been a director, officer or promoter of any person or company that, while that person was acting in that capacity, was the subject of a cease trade or similar order or an order that denied the other issuer access to any exemptions under applicable securities laws for a period of more than 30 consecutive days, or was

declared 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.

### ***Penalties or Sanctions***

No director or officer of the Corporation or, to the knowledge of the Corporation, any securityholder anticipated to hold sufficient securities of the Corporation to affect materially the control of the Corporation, has been subject to 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 been subject to any other penalties or sanctions imposed by a court or regulatory body, including a self-regulatory body, that would likely to be considered important to a reasonable securityholder making a decision about the Proposed COB.

### ***Personal Bankruptcies***

No director or officer of the Corporation or, to the knowledge of the Corporation, any securityholder anticipated to hold sufficient securities of the Corporation to affect materially the control of the Corporation, or the personal holding company of any such persons, has, within the 10 years prior to the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold his/her assets.

### ***Other Reporting Issuer Experience***

The following table sets out the officers and directors of the Corporation after completion of the Proposed COB that are, or have been within the last five years, directors, officers or promoters of other reporting issuers:

Name	Reporting Issuer	Position(s) Held	Market Traded On	From		To	
				MM	YY	MM	YY
David Antony	North Sea Energy Inc.	CEO, Director	TSX-V	07	00		
	Southern Pacific Resource Corp.	CEO, Director	TSX	03	06		
	Sabre Graphite Corp.	CEO, Director	TSX-V	05	08		
	Blackhawk Resource Corp.	CEO, Director	TSX-V	02	09		
	Iron Tank Resources Corp.	CEO, Director	TSX-V	03	12		
	Africa Hydrocarbons Inc.	Director	TSX-V	11	13		
	Valencia Ventures Inc.	Director	TSX-V	02	14		
	Bridge Resources Corp.	Director	TSX-V	01	05	12	10
Raymond Antony	Canyon Services Group Inc.	Director	TSX	08	04		
	Blackhawk Resource Corp.	Director	TSX-V	02	09		
	Sabre Graphite Corp.	Director	TSX-V	11	08		
	Marsa Energy Inc.	Director	TSX-V	09	14		
	Eaglewood Energy Ltd.	Director	TSX-V	09	96	07	14
	Gran Tierra Energy Ltd.	Director	TSX	11	08	05	13
	Birch Lake Capital Inc.	Director	TSX-V	03	08	02	12
	Standard Exploration Ltd.	Director	TSX-V	07	10	03	12

	Velo Energy Inc.	Director	TSX-V	09	09	03	10
Mike Smith	Sabre Graphite Corp.	CEO, Director	TSX-V	09	10	10	12
Charidy Lazorko	Sabre Graphite Corp.	CFO	TSX-V	11	08		
	Blackhawk Resource Corp.	CFO	TSX-V	02	09		
	Iron Tank Resources Corp.	CFO	TSX-V	11	13		
	Africa Hydrocarbons Inc.	CFO	TSX-V	04	12		
Trevor Wong-Chor	Southern Pacific Resource Corp.	Secretary	TSX	03	06		
	Cortex Business Solutions Inc.	Secretary	TSX-V	10	06		
	Sabre Graphite Corp.	Secretary	TSX-V	11	08		
	Blackhawk Resource Corp.	Secretary	TSX-V	02	09		
	Octant Energy Corp.	Secretary	TSX-V	03	12		
	Africa Hydrocarbons Inc.	Secretary	TSX-V	11	13		
	Canacol Energy Ltd.	Secretary	TSX	03	05	01	12
	North Sea Energy Inc.	Secretary	TSX-V	06	06	10	11
	Bridge Resources Corp.	Secretary	TSX-V	09	06	12	10
	Primera Energy Resources Ltd.	Secretary	TSX-V	01	07	12	12
	Skywest Energy Corp.	Secretary	TSX-V	06	10	12	11
	Standard Exploration Ltd.	Secretary	TSX-V	09	10	07	13
	Stealth Ventures Ltd.	Secretary	TSX-V	02	11	01	13
	Gallic Energy Ltd.	Secretary	TSX-V	04	11	12	12

### Executive Compensation Following the Proposed COB

Following the completion of the Proposed COB, the Corporation's executive compensation amounts, objectives and policies will remain the same. Please "*EXECUTIVE COMPENSATION*" and "*DIRECTOR COMPENSATION*" for disclosure with respect to the Corporation's executive and director compensation.

### Principal Securityholders

Following the completion of the Proposed COB, to the knowledge of the directors and executive officers of the Corporation, it is anticipated that no person or company will beneficially own, directly or indirectly, or exercise control or direction over, voting securities of the Corporation carrying 10% or more of the voting rights attached to the Common Shares.

### Sponsorship

The Exchange granted the Corporation a waiver from the sponsorship requirements of Policy 2.2 in connection with the Proposed COB.

### Escrow Arrangements

To the knowledge of the directors and executive officers of the Corporation, as at the date hereof, no securities of the Corporation are currently held in escrow and it is anticipated that there will be no escrow in connection with Proposed COB.

### **Indebtedness of Directors and Senior Officers**

No individual who is or was a director, executive officer or employee of the Corporation or any of its subsidiaries, any proposed nominee for election as a director of the Corporation or any associate of such director or officer, is as at the date hereof, or at any time since the beginning of the most recently completed financial year, indebted to the Corporation or any of its subsidiaries, or is as at the date hereof, or at any time since the beginning of the most recently completed financial year, indebted to another entity that is or has been the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation or any of its subsidiaries during that period.

### **Legal Proceedings**

Management knows of no legal proceedings, contemplated or actual, involving the Corporation, which could materially affect the Corporation.

### **Material Contracts**

There are no contracts of the Corporation, other than contracts entered into in the ordinary course of business, that are material to the Corporation and that were entered into by the Corporation within the most recently completed financial year or were entered into since incorporation and are still in effect.

### **Non-Arm's Length Party Transactions**

Other than as otherwise disclosed in the management's discussion and analysis of the financial position and results of operations of the Corporation for the year ended June 30, 2014, which is incorporated by reference herein, the Corporation has not acquired any assets or services from any director or officer of the Corporation, or any shareholder who beneficially owns more than 10% of the Common Shares.

### **Investor Relations Arrangements**

The Corporation has not entered into (and does not presently intend to enter into) any written or oral agreement or understanding with any person or company to provide any promotional or investor relation services for the Corporation or its securities.

### **Conflicts of Interest**

There are potential conflicts of interest to which some of the directors, officers, insiders and promoters of the Corporation will be subject in connection with the operations of the Corporation. All of the directors, officers, insiders and promoters are engaged in and will continue to be engaged in corporations or businesses which may be in competition with the business of the Corporation. Accordingly, situations may arise where some or all of the directors, officers, insiders and promoters will be in direct competition with the Corporation. Conflicts, if any, will be subject to the procedures and remedies as provided under the ABCA.

### **Auditor, Transfer Agents And Registrars**

The auditor of the Corporation is Grant Thornton LLP, Chartered Accountants, located at Suite 900, 833 4<sup>th</sup> Avenue S.W., Calgary, AB, T2P 3T5.

Computershare Trust Company of Canada, at its principal office in Calgary, Alberta, is the registrar and transfer agent for the Common Shares.

## **RISK FACTORS**

The Proposed COB exposes the Corporation to a number of additional risks, which even a combination of careful evaluation, experience and knowledge may not eliminate. The following outlines certain risk factors associated with the Proposed COB and those risk factors specific to the Corporation.

### **No Assurance of Exchange Approval**

The Proposed COB constitutes a Change of Business pursuant to the policies of the Exchange. Prior to mailing of this Circular, the Exchange has provided conditional acceptance of the Proposed COB, subject to the Corporation fulfilling all of the requirements of the TSX-V. There can be no assurance that the Corporation will be able to satisfy the requirements of the Exchange such that the Exchange will provide approval of the Proposed COB and issue the Final Exchange Bulletin.

### **No Operating History as an Investment Issuer**

The Corporation does not have any record of operating as an investment issuer or undertaking merchant banking operations. As such, upon completion of the Proposed COB, the Corporation will be subject to all of the business risks and uncertainties associated with any new business enterprise, including the risk that the Corporation will not achieve its financial objectives as estimated by management or at all. Furthermore, past successes of management, the Board does not guarantee future success.

### **Portfolio Exposure and Sensitivity to Macro-Economic Conditions**

Given the nature of the Corporation's proposed investment activities, the results of operations and financial condition of the Corporation will be dependent upon the market value of the securities that will comprise the Corporation's investment portfolio. Market value can be reflective of the actual or anticipated operating results of companies in the portfolio and/or the general market conditions that affect a particular sector. Various factors affecting a sector could have a negative impact on the Corporation's portfolio of investments and thereby have an adverse effect on its business. Additionally, the Corporation may invest in small-cap businesses that may never mature or generate adequate returns or may require a number of years to do so. This may create an irregular pattern in the Corporation's investment gains and revenues (if any).

Macro factors such as fluctuations in commodity prices and global political and economic conditions could also negatively affect the Corporation's portfolio of investments. The Corporation may be adversely affected by the falling share prices of the securities of investee companies; as such, share prices may directly and negatively affect the estimated value of the Corporation's portfolio of investments. Moreover, company-specific risks could have an adverse effect on one or more of the investments that may comprise the portfolio at any point in time. Company-specific and industry-specific risks that may materially adversely affect the Corporation's investment portfolio may have a materially adverse impact on operating results. The factors affecting current macro economic conditions are beyond the control of the Corporation.

### **Cash Flow and Revenue**

Assuming completion of the Proposed COB, it is expected that the Corporation's revenue and cash flow will be generated primarily from financing activities and proceeds from the disposition of investments. The availability of these sources of income and the amounts generated from these sources are dependent upon various factors, many of which are outside of the Corporation's direct control. The Corporation's liquidity and operating results may be adversely affected if its access to capital markets is hindered, whether as a result of a downturn in market conditions generally or to matters specific to the Corporation, or if the value of its investments decline, resulting in losses upon disposition.

### **Private Issuers and Illiquid Securities**

The Corporation may invest in securities of private issuers, illiquid securities of public issuers and publicly-traded securities that have low trading volumes. The value of these investments may be affected by factors such as investor demand, resale restrictions, general market trends and regulatory restrictions. Fluctuation in the market value of such investments may occur for a number of reasons beyond the control of the Corporation and there is no assurance that an adequate market will exist for investments made by the Corporation. Many of the investments made by the Corporation may be relatively illiquid and may decline in price if a significant number of such investments are offered for sale by the Corporation or other investors.

### **Volatility of Stock Price**

The market price of the Common Shares have been and may continue to be subject to wide fluctuations in response to factors such as actual or anticipated variations in its results of operations, changes in financial estimates by securities analysts, general market conditions and other factors. Market fluctuations, as well as general economic, political and market conditions such as recessions, interest rate changes or international currency fluctuations, may adversely affect the market price of the Common Shares, even if the Corporation is successful in maintaining revenues, cash flows or earnings. The purchase of the Common Shares involves a high degree of risk and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. Securities of the Corporation should not be purchased by persons who cannot afford the possibility of the loss of their entire investment.

### **Trading Price of the Common Shares Relative to Net Asset Value**

Assuming completion of the Proposed COB, the Corporation will neither be a mutual fund nor an investment fund and, due to the nature of its business and investment strategy and the composition of its investment portfolio, the market price of the Common Shares, at any time, may vary significantly from the Corporation's net asset value per Common Share. This risk is separate and distinct from the risk that the market price of the Common Shares may decrease.

### **Available Opportunities and Competition for Investments**

Assuming completion of the Proposed COB, the success of the Corporation's operations will depend upon, among others: (a) the availability of appropriate investment opportunities; (b) the Corporation's ability to identify, select, acquire, grow and exit those investments; and (c) the Corporation's ability to generate funds for future investments. the Corporation can expect to encounter competition from other entities having similar investment objectives, including institutional investors and strategic investors. These groups may compete for the same investments as the Corporation, will have a longer operating history and may be better capitalized, have more personnel and have different return targets. As a result, the Corporation may not be able to compete successfully for investments. In addition, competition for investments may lead to the price of such investments increasing, which may further limit the Corporation's ability to generate desired returns. There can be no assurance that there will be a sufficient number of suitable investment opportunities available to invest in or that such investments can be made within a reasonable period of time. There can also be no assurance that the Corporation will be able to identify suitable investment opportunities, acquire them at a reasonable cost or achieve an appropriate rate of return. Identifying attractive opportunities is difficult, highly competitive and involves a high degree of uncertainty. Potential returns from investments will be diminished to the extent that the Corporation is unable to find and make a sufficient number of investments.

### **Share Prices of Investments**

Investments in securities of public companies are subject to volatility in the share prices of such companies. There can be no assurance that an active trading market for any of the subject shares comprising the Corporation's investment portfolio is sustainable. The trading prices of such subject shares could be subject to wide fluctuations

in response to various factors beyond the Corporation's control, including, but not limited to, quarterly variations in the subject companies' results of operations, changes in earnings, results of exploration and development activities, estimates by analysts, conditions in the resource industry and general market or economic conditions. In recent years, equity markets have experienced extreme price and volume fluctuations. These fluctuations have had a substantial effect on market prices, often unrelated to the operating performance of the specific companies. Such market fluctuations could adversely affect the market price of the Corporation's investments.

### **Concentration of Investments**

Other than as described herein, assuming completion of the Proposed COB, there are no restrictions on the proportion of the Corporation's funds and no limit on the amount of funds that may be allocated to any particular investment. The Corporation may participate in a limited number of investments and, as a consequence, its financial results may be substantially adversely affected by the unfavourable performance of a single investment. Completion of one or more investments may result in a highly concentrated investment in a particular company, commodity or geographic area, resulting in the performance of the Corporation depending significantly on the performance of such company, commodity or geographic area.

### **Dependence on Management, Directors and Investment Committee**

Assuming completion of the Proposed COB, the Corporation will be dependent upon the efforts, skill and business contacts of key members of management and the Board for, among other things, the information and deal flow they generate during the normal course of their activities and the synergies that exist amongst their various fields of expertise and knowledge. Accordingly, the Corporation's success may depend upon the continued service of these individuals to the Corporation. The loss of the services of any of these individuals could have a material adverse effect on the Corporation's revenues, net income and cash flows and could harm its ability to maintain or grow assets and raise funds.

From time to time, the Corporation will also need to identify and retain additional skilled management to efficiently operate its business. Recruiting and retaining qualified personnel is critical to the Corporation's success and there can be no assurance of its ability to attract and retain such personnel. If the Corporation is not successful in attracting and training qualified personnel, the Corporation's ability to execute its business model and growth strategy could be affected, which could have a material and adverse impact on its profitability, results of operations and financial condition.

### **Additional Financing Requirements**

The Corporation anticipates ongoing requirements for funds to support its growth and may seek to obtain additional funds for these purposes through public or private equity, or debt financing. There are no assurances that additional funding will be available at all, on acceptable terms or at an acceptable level. Any limitations on the Corporation's ability to access the capital markets for additional funds could have a material adverse effect on its ability to grow its investment portfolio.

### **No Guaranteed Return**

There is no guarantee that an investment in the securities of the Corporation will earn any positive return in the short-term or long-term. The task of identifying investment opportunities, monitoring such investments and realizing a significant return is difficult. Many organizations operated by persons of competence and integrity have been unable to make, manage and realize a return on such investments successfully. The Corporation's past performance provides no assurance of its future success.



## **Due Diligence**

The due diligence process undertaken by the Corporation in connection with investments may not reveal all facts that may be relevant in connection with an investment. Before making investments, the Corporation will conduct due diligence that it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. When conducting due diligence, the Corporation may be required to evaluate important and complex business, financial, tax, accounting, environmental and legal issues. Outside consultants, legal advisors, accountants and investment banks may be involved in the due diligence process in varying degrees depending on the type of investment. Nevertheless, when conducting due diligence and making an assessment regarding an investment, the Corporation will rely on resources available, including information provided by the target of the investment and, in some circumstances, third-party investigations. The due diligence investigation that is carried out with respect to any investment opportunity may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. Moreover, such an investigation will not necessarily result in the investment being successful.

## **Exchange Rate Fluctuations**

Assuming completion of the Proposed COB, it is anticipated that a proportion of the Corporation's investments will be made in Canadian dollars and the Corporation may also invest in securities denominated or quoted in U.S. dollars or other foreign currencies. Changes in the value of the foreign currencies in which the Corporation's investments are denominated could have a negative impact on the ultimate return on its investments and overall financial performance.

## **Non-Controlling Interests**

The Corporation's investments are likely to consist only of debt instruments and equity securities of companies that it does not control. These investments will be subject to the risk that the company in which the investment is made may make business, financial or management decisions with which the Corporation does not agree or that the majority stakeholders or the management of the investee company may take risks or otherwise act in a manner that does not serve the Corporation's interests. If any of the foregoing were to occur, the values of the Corporation's investments could decrease and its financial condition, results of operations and cash flow could suffer as a result.

## **Potential Conflicts of Interest**

Certain of the directors and officers of the Corporation are or may, from time to time, be involved in other financial investments and professional activities that may on occasion cause a conflict of interest with their duties to the Corporation. These include serving as directors, officers, advisers or agents of other public and private companies, including companies involved in similar businesses to the Corporation or companies in which the Corporation may invest, management of investment funds, purchases and sales of securities and investment and management counselling for other clients. Such conflicts of the Corporation's directors and officers may result in a material and adverse effect on the Corporation's results of operations and financial condition.

## **Potential Transaction and Legal Risks**

The Corporation intends to manage transaction risks through allocating and monitoring its capital investments in circumstances where the risk to its capital is minimal, carefully screening transactions, and engaging qualified personnel to manage transactions, as necessary. Nevertheless, transaction risks may arise from the Corporation's investment activities. These risks include market and credit risks associated with its operations. An unsuccessful investment may result in the total loss of such an investment and may have a material adverse effect on the Corporation's business, results of operations, financial condition and cash flow.

The Corporation may also be exposed to legal risks in its business, including potential liability under securities or other laws and disputes over the terms and conditions of business arrangements. The Corporation also faces the

possibility that counterparties in transactions will claim that it improperly failed to inform them of the risks involved or that they were not authorized or permitted to enter into such transactions with the Corporation and that their obligations to the Corporation are not enforceable. During a prolonged market downturn, the Corporation expects these types of claims to increase. These risks are often difficult to assess or quantify and their existence and magnitude often remains unknown for substantial periods of time. The Corporation may incur significant legal and other expenses in defending against litigation involved with any of these risks and may be required to pay substantial damages for settlements and/or adverse judgments. Substantial legal liability or significant regulatory action against the Corporation could have a material adverse effect on its results of operations and financial condition.

## **GENERAL MATTERS**

### **Relationships**

There are no actual or anticipated agreements between the Corporation or any registrant to provide sponsorship or corporate finance services either now or in the future.

### **Interest of Experts**

Grant Thornton LLP, Chartered Accountants, the auditors of the Corporation, does not: (a) have a direct or indirect interest in the property of the Corporation or the expected property of the Corporation following completion of the Proposed COB; or (b) beneficially own, directly or indirectly, any securities of the Corporation or any associate or affiliate of the Corporation.

Grant Thornton LLP, Chartered Accountants has confirmed it is independent with respect to the Corporation within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

### **Additional Information**

Additional information relating to the Corporation is available on SEDAR at [www.sedar.com](http://www.sedar.com). Financial information of the Corporation's most recently completed financial year is provided in the Corporation's comparative financial statements and management discussion and analysis available on SEDAR. A shareholder may contact the Corporation at Suite 650, 816 - 7<sup>th</sup> Avenue S.W., Calgary, Alberta T2P 1A1, Attn: Chief Financial Officer to obtain a copy of the Corporation's most recent financial statements and management discussion and analysis.

### **Resolutions**

**Unless otherwise directed, it is management's intention to vote proxies in favour of the resolutions set forth herein.** All ordinary resolutions require, for the passing of the same, a simple majority of the votes cast at the Meeting by the holders of Common Shares. All special resolutions, if any, to be brought before the Meeting require, for the passing of the same, a 66 $\frac{2}{3}$ % majority of the votes cast at the Meeting by the holders of Common Shares. All approvals by disinterested shareholders, if any, require the approval of the shareholders not affected by, or interested in, the matter to be approved.

## **BOARD APPROVAL**

The contents and the sending of this Circular have been approved by the Board.

**DATED** this 25<sup>th</sup> day of November, 2014.

**CERTIFICATE OF BLACKHAWK RESOURCE CORP.**

The foregoing document constitutes full, true and plain disclosure of all material facts relating to the securities of the Blackhawk Resource Corp. assuming completion of the Proposed COB.

Dated as of November 25, 2014.

(signed) "*David Antony*"  
David Antony, Chief Executive Officer

(signed) "*Charidy Lazorko*"  
Charidy Lazorko, Chief Financial Officer

**ON BEHALF OF THE BOARD OF DIRECTORS**

(signed) "*Raymond Antony*"  
Raymond Antony, Director

(signed) "*Mike Smith*"  
Mike Smith, Director

## **SCHEDULE "A"**

### **INVESTMENT POLICY**

#### **Investment Objective**

Blackhawk Resource Corp. (the "Corporation") is an investment company that carries on business with the objective of enhancing shareholder value over the long term on a per share basis. The Corporation will seek to accomplish this objective by making use of the experience, expertise and opportunity flow of its management and board of directors to opportunistically make investments in situations that the Corporation believes will provide superior returns over the long term. Such investments may include, without limitation, the acquisition of equity, debt or other securities of publicly traded or private companies or other entities and the acquisition of all or part of one or more businesses, portfolios or other assets, in each case that the Corporation believes will enhance value for the shareholders of the Corporation over the long-term.

#### **Investment Strategy**

The following shall be the guidelines for the Corporation's investment strategy:

- The Corporation may invest in securities of both public and private companies or other entities that the Corporation believes have the potential for superior long-term investment returns. The Corporation may also acquire all or part of one or more businesses, portfolios or other assets, in each case that the Corporation believes will enhance value for the shareholders of the Corporation over the long-term.
- The Corporation will not purchase or sell commodities.
- The Corporation will invest opportunistically in equity, debt and derivative securities, with a preference for equity and equity-related securities. The Corporation may also invest in a wide range of other instruments including, without limitation, preferred shares, warrants, convertible debentures, royalties, secured or unsecured debt, and bridge financing or other short term capital. Appropriate mineral and/or oil and gas properties or related assets may be purchased directly. The Corporation reserves the right to acquire a mineral property, oil and gas property or asset of significant value such that the transaction results in a change of control or reverse takeover, in which case the Corporation may require shareholder approval to the transaction and may revert to a resource issuer.
- The Corporation will not be precluded from investing in any particular industry. The Corporation's management and board of directors have experience and expertise in a wide range of industry sectors and will pursue opportunities in those sectors that the Corporation believes from time to time offer the best opportunities for the creation of long term value for the Corporation's shareholders. Similarly, there are no restrictions on the size or market capitalization of companies or other entities in which the Corporation may invest.
- The Corporation has no specific policy with respect to investment diversification, although over time it will be the goal of the Corporation to acquire and hold investments that the Corporation believes will collectively provide superior returns over the long term. Each investment will be assessed on its own merits and based upon its potential to generate long term gains for the Corporation.
- The Corporation will invest with a preference for opportunities in Canada or the United States, but may from time to time also pursue opportunities internationally.
- While the Corporation will consider the liquidity of a particular investment in its evaluation, this will not be an immediate requirement, and will be a secondary consideration to the attractiveness of the investment opportunity and/or the quality of the underlying business. From time to time, the relative proportion of the

Corporation's assets invested in publicly traded investments that are readily saleable versus investments that have limited or no immediate liquidity will vary based upon the Corporation's assessment of which investment opportunities offer the potential to generate the greatest long term gains for the Corporation.

- The Corporation may, from time to time and in appropriate circumstances, seek a more active role in regards to investment situations and investee companies where the involvement of the Corporation is expected to make a significant difference to the success of the Corporation's investment. In appropriate circumstances, this may involve the Corporation, either alone or jointly with other shareholders, seeking to influence the governance of public or private issuers by seeking board seats, launching proxy contests or taking other actions to enhance shareholder value, or becoming actively involved in the management or board oversight of investee companies.
- The Corporation may also make investments in special situations, including event-driven situations such as corporate restructurings, mergers, spin offs, friendly or hostile take-overs, bankruptcies or leveraged buyouts. Such special situations may include, without limitation, investments in one or more public companies, by take-over bid or otherwise, where there is an opportunity to invest to gain control over the strategic direction of such public companies, whether using the shares of the Corporation as currency or otherwise. Such situations may also involve the Corporation lending money, directly or indirectly.
- Depending upon market conditions and applicable laws, the Corporation may seek to sell any or all of its investments when it concludes that those investments no longer offer the potential to generate appropriate long term gains for the Corporation, or when other investment opportunities reasonably available to the Corporation are expected to offer superior returns. This may include the disposition of any or all of the Corporation's investments in a particular sector or of a particular nature, or any or all of the Corporation's investments more generally, without prior notice to the Corporation's shareholders.
- Subject to applicable laws and regulatory requirements, the Corporation may also from time to time seek to utilize its capital to repurchase shares of the Corporation.
- The Corporation may, from time to time, use borrowed funds to purchase or make investments or to fund working capital requirements.
- Depending upon the Corporation's assessment of market conditions and investment opportunities, the Corporation may, from time to time, be fully invested, partially invested or entirely uninvested such that the Corporation is holding only cash or cash-equivalent balances while the Corporation actively seeks to redeploy such cash or cash-equivalent balances in suitable investment opportunities. Funds that are not invested or expected to be invested in the near-term, while the Corporation actively seeks to redeploy such funds in one or more suitable investment opportunities, may be placed into money market investments including government, municipal and corporate debt instruments as the Corporation determines appropriate.
- All investments shall be made in compliance with applicable laws in relevant jurisdictions, and shall be made in accordance with the rules and policies of any applicable regulatory authorities.

From time to time, the Corporation's board of directors may authorize such additional or other investments outside of the guidelines described herein as it sees fit for the benefit of the Corporation and its shareholders.

### **Implementation**

The management and board of directors of the Corporation will work jointly to uncover appropriate investment opportunities that meet the Corporation's investment strategy as outlined above and the Corporation's objective of enhancing shareholder value over the long term on a per share basis. These individuals have a broad range of

business and investing experience and networks through which potential investments are expected to be identified. All investments considered by the Corporation will be subject to rigorous analysis and evaluation, and all major investments and dispositions will be subject to prior approval of the Corporation's board of directors in such manner as it may determine appropriate from time to time.

In reaching an investment decision regarding an investment in any particular issuer, the Corporation will consider, among other things, the following factors:

- the anticipated rate of return and level of risk;
- the financial condition and financial performance of the issuer and its anticipated future results;
- the quality of an issuer's management and board of directors and the issuer's alignment with the Corporation's investment objectives;
- exit strategies and criteria;
- the size of the investment, its price and valuation; and
- the Corporation's ability to efficiently finance its investment.

All investment decisions will be made consistent with the objective of enhancing shareholder value over the long term on a per share basis.

### **Conflicts of Interest**

The Corporation has no restrictions with respect to investing in companies or other entities in which a member of the Corporation's management or board of directors may already have an interest or involvement. However, prior to the Corporation making an investment, all members of senior management and the board of directors shall be obligated to disclose any such other interest or involvement. In the event that a conflict is determined to exist, the Corporation may only proceed after receiving approval from disinterested directors of the board of directors of the Corporation. The Corporation is also subject to the "related party" transaction policies of the TSX Venture Exchange, which mandates disinterested shareholder approval for certain transactions.

The management and directors of the Corporation may be involved in other activities which may on occasion cause a conflict of interest with his or her duties to the Corporation. These include serving as directors, officers, promoters, advisers or agents of other public and private companies, including of companies in which the Corporation may invest, or being shareholders or having an involvement or financial interest in one or more shareholders of existing or prospective investee companies of the Corporation. The management and directors of the Corporation may also engage from time to time in transactions with the Corporation where any one or more of such persons is acting in his or her capacity as financial or other advisor, broker, intermediary, principal, or counterparty.

The management and directors of the Corporation are aware of the existence of laws governing the accountability of directors and officers for corporate opportunities and requiring disclosure of conflicts of interest, and the Corporation will rely upon such laws in respect of any conflict of interest. Further, to the extent that management or directors of the Corporation engage in any transactions with the Corporation, such transactions will be carried out on customary and arm's-length commercial terms.

### **Monitoring**

The investment activities of the Corporation will be actively monitored on an ongoing basis by the Corporation's management, and by the Corporation's board of directors in such manner as it determines appropriate from time to time. The Corporation's board of directors will receive regular reporting from the Corporation's management and meet no less than quarterly to review the Corporation's investments.

**Amendment**

This investment policy may be amended from time to time with the prior approval of the Corporation's board of directors.

**SCHEDULE "B"**  
**AUDIT COMMITTEE TERMS OF REFERENCE**

**I. Mandate**

The primary function of the audit committee (the "**Committee**") is to assist the board of directors of the Corporation (the "**Board of Directors**") in fulfilling its financial oversight responsibilities by reviewing the financial reports and other financial information provided by the Corporation to regulatory authorities and shareholders, the Corporation's systems of internal controls regarding finance and accounting, and the Corporation's auditing, accounting and financial reporting processes. Consistent with this function, the Committee will encourage continuous improvement of, and should foster adherence to, the Corporation's policies, procedures and practices at all levels. The Committee's primary duties and responsibilities are to:

- Serve as an independent and objective party to monitor the Corporation's financial reporting and internal control system and review the Corporation's financial statements.
- Review and appraise the performance of the Corporation's external auditors.
- Provide an open avenue of communication among the Corporation's auditors, financial and senior management and the Board of Directors.

**II. Composition**

The Committee shall be comprised of three directors as determined by the Board of Directors, the majority of whom shall be independent directors, pursuant to the policies of the TSX Venture Exchange.

At least one member of the Committee shall have accounting or related financial management expertise. All members of the 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 this Terms of Reference, 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 Corporation's financial statements.

The members of the Committee shall be elected by the Board of Directors at its first meeting following the annual shareholders' meeting. Unless a Chair is elected by the full Board of Directors, the members of the Committee may designate a Chair by a majority vote of the full Committee membership.

**III. Meetings**

The Committee shall meet at least twice annually, or more frequently as circumstances dictate. As part of its job to foster open communication, the Committee will meet at least annually with management and the external auditors in separate sessions.

The minutes of the Committee meetings shall accurately record the decisions reached and shall be distributed to the Committee members with copies to the Board of Directors, the Chief Financial Officer or such other officer acting in the capacity and the external auditor.

**IV. Responsibilities and Duties**

To fulfill its responsibilities and duties, the Committee shall:



### ***Documents/Reports Review***

1. Review and update this Terms of Reference annually.
2. Review the Corporation's financial statements, MD&A and any annual and interim earnings press releases before the Corporation 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.
3. Review and assess the Corporation's procedures for the review of its public disclosure of financial information extracted or derived from the Corporation's financial statements, other than the public disclosure referred to in paragraph 2 above and periodically assess the adequacy of those procedures.

### ***External Auditors***

4. Require the external auditors to report directly to the Committee.
5. Review annually the performance of the external auditors who shall be ultimately accountable to the Board of Directors and the Committee as representatives of the shareholders of the Corporation.
6. Obtain annually, a formal written statement of external auditors setting forth all relationships between the external auditors and the Corporation and confirming their independence from the Corporation.
7. Review and discuss with the external auditors any disclosed relationships or services that may impact the objectivity and independence of the external auditors.
8. Take, or recommend that the full Board of Directors take, appropriate action to oversee the independence of the external auditors.
9. Recommend to the Board of Directors the selection and, where applicable, the replacement of the external auditors nominated annually for shareholder approval and the compensation of the external auditors.
10. Review with management and the external auditors the terms of the external auditors' engagement letter.
11. At each meeting, consult with the external auditors, without the presence of management, about the quality of the Corporation's accounting principles, internal controls and the completeness and accuracy of the Corporation's financial statements.
12. Review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Corporation.
13. Review with management and the external auditors the audit plan for the year-end financial statements and intended template for such statements.
14. 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 Corporation's external auditors. The pre-approval requirement is waived with respect to the provision of non-audit services if:

- (i) the aggregate amount of all such non-audit services provided to the Corporation constitutes not more than five percent of the total amount of revenues paid by the Corporation to its external auditors during the fiscal year in which the non-audit services are provided;
- (ii) such services were not recognized by the Corporation at the time of the engagement to be non-audit services; and
- (iii) such services are promptly brought to the attention of the Committee by the Corporation and approved prior to the completion of the audit by the Committee or by one or more members of the Committee who are members of Board of Directors to whom authority to grant such approvals has been delegated by the Committee.

Provided the pre-approval of the non-audit services is presented to the Committee's first scheduled meeting following such approval such authority may be delegated by the Committee to one or more independent members of the Committee.

### ***Financial Reporting Processes***

- 15. In consultation with the external auditors, review with management the integrity of the Corporation's financial reporting process, both internal and external.
- 16. Consider the external auditors' judgments about the quality and appropriateness of the Corporation's accounting principles as applied in its financial reporting.
- 17. Consider and approve, if appropriate, changes to the Corporation's auditing and accounting principles and practices as suggested by the external auditors and management.
- 18. 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.
- 19. 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.
- 20. Review any significant disagreement among management and the external auditors regarding financial reporting.
- 21. Review with the external auditors and management the extent to which changes and improvements in financial or accounting practices have been implemented.
- 22. Review certification process.
- 23. Establish procedures for:
  - (i) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and
  - (ii) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

***Other***

23. Review any related-party transactions.

**V. Authority**

The Committee may:

- (a) engage independent outside counsel and other advisors as it determines necessary to carry out its duties;
- (b) set and pay the compensation for any advisors employed by the Committee; and
- (c) communicate directly with the internal and external auditors.

The Committee shall have unrestricted access to the Corporation's personnel and documents and will be provided with the resources necessary to carry out its responsibilities.