

# MILLSTREAM MINES LTD.

5700-100 KING STREET WEST  
TORONTO, ON M5X 1C7

## INFORMATION CIRCULAR

THIS INFORMATION CIRCULAR IS FURNISHED IN CONNECTION WITH THE SOLICITATION BY MANAGEMENT OF PROXIES to be used at the Annual and Special Meeting of shareholders of **MILLSTREAM MINES LTD.** (the "Company") to be held May 31, 2016, at 2:00 p.m. (Toronto time) at 25 ADELAIDE STREET EAST, SUITE 1301, TORONTO, ONTARIO . Proxies will be solicited primarily by mail and may also be solicited by the directors and/or officers of the Company at nominal cost. The Company will bear the cost of solicitation of proxies.

### ELECTION OF DIRECTORS

The board of directors consists of four (4) directors to be elected annually. The following table and the notes thereto state the names of all the persons proposed to be nominated by management for election as directors, all other positions and offices with the company now held by them, their principal occupations or employments, the period or periods of service as directors of the Company and the approximate number of voting securities of the Company beneficially owned, directly or indirectly, over which control or direction is exercised by each of them as of the date hereof.

Name, Office and Principal Occupation	Director Since	No. of Voting Securities Owned, Controlled or Directed as at April 20, 2016 (2)
Ernest W. Harrison (1) Chairman, Chief Executive Officer and Director Mining Engineer	August 14, 1986	20,907,060 common
Robert J. Chase President, Chief Financial Officer, Treasurer and Director Financial Consultant	July 26, 2001	6,837,395 common
Fred Sharpley, P. Geo. (1) Director Geologist	February 27, 2014	NIL
Stephen G. Mlot, P. Eng. Director Geologist	Proposed	NIL

(1) Member of audit committee.

(2) The information as to voting shares beneficially owned, not being within the knowledge of the Company has been furnished by the respective nominees individually.

The principal occupations of the directors and officers for the past five years are as follows:

Mr. Ernest Harrison is a mining engineer and has been President of Patrick Harrison Global Investments Limited since 1980.

Mr. Robert J. Chase has been Treasurer of Millstream Mines Ltd. since 1997. Mr. Chase has held several leading posts during a ten-year span in the financial industry including Associate Director of the Treasury Department of the Bank of Nova Scotia, and Chief Funding Officer for Scotia McLeod Inc.

Mr. Fred Sharpley has 50 years of experience as a Professional Geologist and has been involved in the exploration of gold, silver, base metals, and uranium all over the world.

Mr. Stephen G. Mlot has 35 years of experience incorporate management, mine development, planning and construction and gold production.

The term of office of each director will be from the date of the meeting at which he is elected until the annual meeting next following, or until his successor is elected or appointed.

PROXIES RECEIVED IN FAVOUR OF MANAGEMENT WILL BE VOTED FOR THE ELECTION OF THE ABOVE NAMED NOMINEES, UNLESS THE SHAREHOLDER HAS SPECIFIED IN THE PROXY THAT HIS SHARES ARE TO BE WITHHELD FROM VOTING IN RESPECT THEREOF. MANAGEMENT HAS NO REASON TO BELIEVE THAT ANY OF THE NOMINEES WILL BE UNABLE TO SERVE AS A DIRECTOR BUT, IF A NOMINEE IS FOR ANY REASON UNAVAILABLE TO SERVE AS A DIRECTOR, PROXIES IN FAVOUR OF MANAGEMENT WILL BE VOTED IN FAVOUR OF THE REMAINING NOMINEES AND MAY BE VOTED FOR A SUBSTITUTE NOMINEE UNLESS THE SHAREHOLDER HAS SPECIFIED IN THE PROXY THAT HIS SHARES ARE TO BE WITHHELD FROM VOTING IN RESPECT OF THE ELECTION OF DIRECTORS.

### **EXECUTIVE COMPENSATION**

The Company has two executive officers as such term is defined under the Regulations to the Securities Act (Ontario), Mr. Ernest W. Harrison, the Chairman and Chief Executive Officer of the Company, and Mr. Robert J. Chase, President, Chief Financial Officer and Treasurer. During the fiscal years ended August 31, 2015 and August 31, 2014, Mr. Ernest W. Harrison, and Mr. Robert J. Chase were paid no executive compensation.

### **COMPENSATION OF DIRECTORS**

No compensation was paid to the directors of the Company during the fiscal years ended August 31, 2015 and August 31, 2014 in respect of directors fees.

### **REPORT OF AUDITORS AND AUDITED FINANCIAL STATEMENTS**

The 2015 and 2014 Annual Report, including the financial statements for the years ended August 31, 2015 and August 31, 2014 and the report of the auditors thereon will be submitted to the meeting of shareholders. Receipt at such meeting of the auditors' report and the Company's financial statements for its last two completed fiscal periods will not constitute approval or disapproval of any matters referred to therein.

## **APPOINTMENT OF AUDITORS**

PROXIES RECEIVED IN FAVOUR OF MANAGEMENT WILL BE VOTED IN FAVOUR OF THE APPOINTMENT OF ABRAHAM CHAN LLP, CHARTERED ACCOUNTANTS, 300 NEW TORONTO STREET, UNIT 3B, TORONTO, ONTARIO, M8V 2E8, AS AUDITORS OF THE COMPANY TO HOLD OFFICE UNTIL THE NEXT ANNUAL MEETING OF SHAREHOLDERS AND THE AUTHORIZATION OF THE DIRECTORS TO FIX THEIR REMUNERATION, UNLESS THE SHAREHOLDER HAS SPECIFIED IN THE PROXY THAT HIS SHARES ARE TO BE WITHHELD FROM VOTING IN RESPECT THEREOF.

## **FEES FOR AUDIT SERVICES RENDERED**

Abraham Chan LLP, Chartered Accountants billed the Company \$12,240 for audit fees during the year ended August 31, 2015 and ND LLP, Chartered Accountants billed the Company \$11,950 for audit fees during the year ended August 31, 2014. Abraham Chan nor ND LLP billed the Company for any audit related, tax nor other fees as described in Multilateral Instrument 52-110.

## **STOCK OPTION PLAN**

On January 20, 1995, the directors of the Company established a stock option plan (the "Plan") to encourage common share ownership in the Company by directors, officers, employees and consultants of the Company. The Plan will be administered by the Board of Directors. The total number of shares which are reserved and set aside for issue to eligible persons together with all other management options outstanding may not exceed 10% of the number of common shares of the Company issued and outstanding at the date of the grant. The number of shares reserved for issuance to any one person may not exceed 5% of the issued and outstanding common shares of the Company at the date of the grant. During December 2003, the TSX Venture Exchange conditionally accepted the Plan, subject to shareholder approval, which was received at the annual and special meeting of shareholders held on March 30, 2004.

Options may be granted under the Plan only to directors, officers, employees and consultants of the Company or any affiliate thereof (the "Options") or to a personal holding company wholly owned by such optionee as designated from time to time by the Board of Directors. Pursuant to the Plan, the options are non-assignable; the option price will be such price as is fixed by the Board of Directors, but shall not be less than the fair market value of the shares at the time the option is granted; the term of the options any not exceed 5 years; and payment for the optioned shares shall be made in full of the exercise of the options.

The options granted under the Plan also contain provisions for adjustment in number of shares in the event of a stock split, stock dividend, consolidation of shares, merger or other relevant change in the Company's capitalization. The Board of Directors may from time to time amend or revise the terms of the Plan or may discontinue the Plan at any time. There are no options outstanding.

The approval of the Plan constitutes shareholder approval of future stock options granted to directors, officers, employees and consultants provided same are authorized by the Plan. The Plan will not be instituted if its establishment is not confirmed by a majority of votes cast at the meeting. A copy of the resolution approving the creating of the Plan is attached hereto as Schedule "A".

The board of directors recommends that shareholders vote FOR the approval of the Plan.

PROXIES RECEIVED IN FAVOUR OF MANAGEMENT WILL BE VOTED FOR THE APPROVAL OF THE RESOLUTION OF THE OPTION PLAN, UNLESS THE SHAREHOLDER HAS SPECIFIED IN THE PROXY THAT HIS SHARES ARE TO BE VOTED AGAINST SUCH RESOLUTION.

### **OTHER MATTERS WHICH MAY COME BEFORE THE MEETING**

THE MANAGEMENT KNOWS OF NO MATTERS TO COME BEFORE THE ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS OTHER THAN AS SET FORTH IN THE NOTICE OF MEETING. HOWEVER, IF OTHER MATTERS WHICH ARE NOT KNOWN TO THE MANAGEMENT SHOULD PROPERLY COME BEFORE THE MEETING, THE ACCOMPANYING PROXY WILL BE VOTED ON SUCH MATTERS IN ACCORDANCE WITH THE BEST JUDGMENT OF THE PERSONS VOTING THE PROXY.

### **APPOINTMENT AND REVOCATION OF PROXIES**

The persons named in the enclosed form of proxy represent management of the Company. A SHAREHOLDER DESIRING TO APPOINT SOME OTHER PERSON TO REPRESENT HIM AT THE MEETING MAY DO SO by filling in the name of such person in the blank space provided in the proxy or by completing another proper form of proxy and in either case, depositing the completed proxy with the Company's transfer agent and registrar, Trans Canada Transfer Inc., 25 Adelaide Street East, Suite 1301, Toronto, Ontario, M5C 3A1, on or before the close of business on the last day preceding the day of the meeting or any adjournment thereof at which the proxy is to be used, or delivering it to the Chairman of the meeting on the day of the meeting or any adjournment thereof prior to the time of voting. A proxy should be executed by the shareholder or his attorney duly authorized in writing or, if the shareholder is a corporation by an officer or attorney thereof duly authorized.

In addition to any other manner permitted by law, a proxy may be revoked before it is exercised by instrument in writing executed in the same manner as a proxy and deposited at the head office of the Company at any time up to and including the last business day preceding the day of the meeting, or any adjournment thereof, at which the proxy is to be used or with the Chairman of the meeting on the day of such meeting or any adjournment thereof and thereupon the proxy is revoked. A shareholder attending the meeting has the right to vote in person and if he does so, his proxy is nullified with respect to the matters such person votes upon and any subsequent matters thereafter to be voted upon at the meeting or any adjournment thereof.

### **EXERCISE OF DISCRETION BY PROXIES**

PROXIES RECEIVED IN FAVOUR OF MANAGEMENT WILL BE VOTED AND WHERE A CHOICE IS SPECIFIED, WILL BE VOTED IN ACCORDANCE WITH THE CHOICE SO SPECIFIED IN THE PROXY. WHERE NO CHOICE IS SPECIFIED, THE PROXY WILL CONFER DISCRETIONARY AUTHORITY AND WILL BE VOTED FOR THE ELECTION OF DIRECTORS, FOR THE APPOINTMENT OF AUDITORS AND THE AUTHORIZATION OF THE DIRECTORS TO FIX THEIR REMUNERATION, FOR THE APPROVAL OF THE EXISTING STOCK OPTION PLAN ENACTED IN 1995 IN ACCORDANCE WITH THE POLICIES OF THE TSX VENTURE EXCHANGE AND TO APPROVE AND CONFIRM ALL PREVIOUS DIRECTORS MEETINGS, MINUTES OF ALL PREVIOUS SHAREHOLDER MEETINGS AND ALL THE ACTS OF THE DIRECTORS OF THE COMPANY SINCE THE LAST SHAREHOLDER MEETING, AS STATED ELSEWHERE IN THIS CIRCULAR. THE ENCLOSED FORM OF PROXY ALSO CONFERS DISCRETIONARY AUTHORITY UPON THE PERSONS NAMED THEREIN TO VOTE WITH RESPECT TO ANY AMENDMENTS OR VARIATIONS TO THE MATTERS IDENTIFIED IN THE NOTICE OF MEETING AND WITH RESPECT TO OTHER MATTERS WHICH MAY PROPERLY COME BEFORE THE MEETING IN SUCH MANNER AS SUCH NOMINEE IN HIS JUDGMENT MAY DETERMINE. AT THE TIME OF

PRINTING OF THIS CIRCULAR, THE MANAGEMENT OF THE COMPANY KNOWS OF NO SUCH AMENDMENTS, VARIATIONS OR OTHER MATTERS TO COME BEFORE THE MEETING.

### AUDIT COMMITTEE CHARTER

Multilateral Instrument 52-110 (the “Instrument”) relating to the composition and function of audit committees was implemented for Alberta reporting companies effective March 30, 2004 and, accordingly, applies to every TSX Venture Exchange listed company, including the Company. The Instrument requires all affected issuers to have a written Audit Committee Charter (the “Charter”) which must be disclosed, as stipulated by Form 52-110F2, in the management information circular of the Company wherein management solicits proxies from the shareholders of the Company for the purpose of electing directors to the Board. This Charter has been adopted by the Board in order to comply with the Instrument and to more properly define the role of the Committee in the oversight of the financial reporting process of the Company. Nothing in this Charter is intended to restrict the ability of the directors nor audit committee to alter or vary procedures to comply more fully with the Instrument, as amended from time to time. A copy of the Audit Committee Charter is attached hereto as Schedule “B”.

### VOTING OF SHARES

Persons registered on the books of the Company at the close of business on April 29, 2016, (the “record date”) and persons who are transferees of any shares acquired after the record date and who have produced properly endorsed certificates evidencing such shares or who otherwise have established ownership thereof and demand, not later than 10 days before the ANNUAL AND SPECIAL MEETING, that their names be included in the list of shareholders, are entitled to vote at the annual and special meeting of the Company.

At the date of this information circular, the Company has outstanding 41,763,620 common shares of its capital stock, each of which carries one vote. So far as the directors and officers of the company are aware, the only persons or companies beneficially owning, directly or indirectly, or exercising control or direction over voting securities carrying in excess of 10% of the voting rights attached to the common shares of the Company are those set out as follows:

<u>NAME &amp; ADDRESS</u>	<u>NO &amp; CLASS OF SHARES</u>	<u>PERCENTAGE OF CLASS</u>
Ernest W. Harrison Callander, Ontario	20,907,960 common	51%
CDS & CO. Toronto, Ontario (a)	18,799,077 common	45%
Robert J. Chase Toronto, Ontario	6,837,395 common	16%

- (a) The beneficial owners of these shares is unknown to the Company.

### CORPORATE GOVERNANCE

The Company’s Board of Directors has ultimate responsibility for the management of the Company. The Board of Directors discharges its responsibilities directly and through its Audit Committee. The Board of Directors meet at least two times per year with additional meetings being held as required.

The Company is a small corporation with no full-time employees and only three directors. Responsibility for the day-to-day management of the Company is undertaken by the officers (Chairman/Chief Executive Officer, and the President/Chief Financial Officer/Treasurer and Executive V.P.) who also undertakes

primary responsibility for effective communication between Company, its shareholders and the public. Shareholders communication, particularly financial communication, is reviewed by the Company's Board of Directors which also meets with the Company's auditor prior to the completion of the annual audit. Having regard to the size of the board and the amount of time required to administer the business and affairs of the Company most corporate governance activities and issues are dealt with by the full board.

Two of the directors of the Company are related within the meaning of the guidelines published by the Toronto Stock Exchange. The board members who would be considered related would be Ernest W. Harrison, the Chairman and Chief Executive Officer, and Robert J. Chase, the President, Chief Financial Officer and Treasurer. The remaining director, Fred Sharpley is not employed by the Company, has material consulting contracts with the Company nor receives remuneration from the Company.

Compensation of the directors and officers of the Company is subject to the supervision of the board which consists entirely of unrelated directors.

### **Directorships**

Ernest W. Harrison and Robert J. Chase are directors of Kenartha Oil and Gas Company Limited.

Fred Sharpley is not a director of another reporting issuers (or equivalent) in a jurisdiction or a foreign jurisdiction.

Stephen Mlot is a director of Silver Shield Resources Corp. which is listed on the CSE.

### **Orientation and Continuing Education**

The Company does not provide formal continuing education to its directors. The Board's continuing education is typically derived from correspondence with the Company's solicitors to remain up to date in relevant corporate and securities law matters. In addition, historically, Board members have been nominated who are familiar with the Company and the nature of its business.

### **Ethical Business Conduct**

The role of the Board is to oversee the conduct of the Company's business, to set corporate policy and to supervise management, which is responsible to the Board for the day-to-day conduct of business. However, given the size of the Company, all material transactions are addressed at Board level.

The Board discharges five specific responsibilities as part of its overall "stewardship responsibility".

These are:

- **Strategic Planning Process:** given the Company's size, the strategic plan is elaborated directly by management, with input from, and the assistance of, the Board;
- **Managing Risk:** the Board directly oversees most aspects of the business of the Company and thus does not require the elaboration of "systems" or the creation of committees to effectively monitor and manage the principal risks of all aspects of the business of the Company;
- **Appointing, Training and Monitoring Senior Management:** no formal system of selection, training and assessment of management has been established; however, the Board closely monitors management's performance, which is measured against the overall strategic plan, through reports and regular meetings with management;

In the past, the Company has made available, at the Company's expense, outside legal advisors to the monitors management's performance, which is measured against the overall strategic plan, through reports and regular meetings with management;

- **Communication Policy:** it is and always has been the unwritten policy of the Board to communicate effectively with its shareholders, other stakeholders and the public generally through statutory filings and mailings, as well as news releases. The Company's shareholders are provided the opportunity to make comments to the Board by telephone or written communications, or at shareholder meetings; and
- **Ensuring the Integrity of the Company's Internal Control and Management System:** given the involvement of the Board in operations, the reports from and the meetings with management, the Board is able to effectively track and monitor the implementation and operation of approved strategies.

### **Nomination of Directors**

The Board performs the function of a nominating committee with responsibility for the appointment and assessment of directors. The Board believes that this is a practical approach at this stage of the Company's development and given the small size of the Board.

While there are no specific criteria for Board membership, the Company attempts to attract and maintain directors with business knowledge and industry experience related to the Company's emerging line of business and a particular knowledge in management and development or other areas such as finance which would assist in guiding the Company's officers in the performance of their roles.

### **Assessments**

The Board assesses, on an annual basis, the contribution of the Board as a whole and of each of the individual directors, in order to determine whether each is functioning effectively.

In the past, the Company has made available, at the Company's expense, outside legal advisors to the directors of the Company on an "as needed" basis. Fred Sharpley, the outside current director of the Company and Stephen Mlot, who is proposed as an outside director of the Company, have extensive experience as directors of public corporations and as such are fully qualified to discharge their functions as outside directors. Based upon this and on the size and simplicity of the Company's operations, the Company has not implemented at this time all of the formal corporate governance guidelines established by the Toronto Stock Exchange.

The undersigned hereby certifies that the contents and the sending of this information circular have been approved by the directors of the company.

“ERNEST W. HARRISON”

Ernest W. Harrison  
Chairman and Chief Executive Officer

April 29, 2016

SCHEDULE “A”

**RESOLUTION OF SHAREHOLDERS**  
**OF MILLSTREAM MINES LTD.**

(The “Company”)



## **Approval of the Company's Stock Option Plan**

**BE IT RESOLVED**, that:

1. The Company maintain the existing Stock Option Plan (the "Plan"), substantially upon the terms and conditions of the Plan attached to the Management Information Circular dated May 31, 2016; and
2. the directors and proper officers of the Company are hereby authorized to take all such steps and execute and deliver for and on behalf of the Company all such documents as they deem necessary or desirable to give effect to the foregoing, and to reserve and set aside sufficient common shares of the Company for the purposes of the Plan, and such directors and proper officers are hereby authorized to make such changes, additions and alterations thereto as such regulatory authorities may require.

SCHEDULE "B"

**MILLSTREAM MINES LTD. (THE "COMPANY")**  
**AUDIT COMMITTEE CHARTER**

**MAY 12, 2005**

## **1.0 Purpose of the Committee**

- 1.1 The purpose of the Audit Committee is to assist the Board in its oversight of the integrity of the Company's financial statements and other relevant public disclosures, the Company's compliance with legal and regulatory requirements relating to financial reporting, the external auditors' qualifications and independence and the performance of the internal audit function and the external auditors.

## **2.0 Members of the Audit Committee**

- 2.1 At least one Member must be "financially literate" as defined under Multilateral Instrument 52-110 (the "Instrument") having sufficient accounting or related financial management expertise to read and understand a set of financial statements, including the related notes, that present a breadth and level of complexity of the accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.
- 2.2 The Audit Committee shall consist of no less than three directors.
- 2.3 A majority of the Members of the Audit Committee shall be "independent" as defined under the Instrument, while the Company is in the developmental stage of its businesses.

## **3.0 Relationship with External Auditors**

- 3.1 The external auditors are the independent representatives of the shareholders, but the external auditors are also accountable to the Board of Directors and the Audit Committee.
- 3.2 The external auditors must be able to complete their audit procedures and reviews with professional independence, free from any undue interference from the management or directors.
- 3.3 The Audit Committee must direct and ensure that the management fully co-operates with the external auditors in the course of carrying out their professional duties.
- 3.4 The Audit Committee will have direct communications access at all times with the external auditors.

## **4.0 Non-Audit Services**

- 4.1 The external auditors are prohibited from providing any non-audit services to the Company, without the express written consent of the Audit Committee. In determining whether the external auditors will be granted permission to provide non-audit services to the Company, the Audit Committee must consider that the benefits to the Company from the provision of such services, outweighs the risk of any compromise to or loss of the independence of the external auditors in carrying out their auditing mandate.
- 4.2 Notwithstanding section 4.1, the external auditors are prohibited at all times from carrying out any of the following services, while they are appointed the external auditors of the Company:
  - (i) acting as an agent of the Company for the sale of all or substantially all of the undertaking

of the Company; and

- (ii) performing any non-audit consulting work for any director or senior officer of the Company in their personal capacity, but not as a director, officer or insider of any other entity not associated or related to the Company.

## **5.0 Appointment of Auditors**

- 5.1 The external auditors will be appointed each year by the shareholders of the Company at the annual meeting of the shareholders.
- 5.2 The Audit Committee will nominate the external auditors for appointment, such nomination to be approved by the Board of Directors.

## **6.0 Evaluation of Auditors**

- 6.1 The Audit Committee will review the performance of the external auditors on at least an annual basis, and notify the directors and the external auditors in writing of any concerns in regards to the performance of the external auditors, or the accounting or auditing methods, procedures, standards, or principles applied by the external auditors, or any other accounting or auditing issues which come to the attention of the Audit Committee.

## **7.0 Renumeration of the Auditors**

- 7.1 The remuneration of the external auditors will be determined by the Board of Directors, upon the annual authorization of the shareholders at each annual meeting of the shareholders.
- 7.2 The remuneration of the external auditors will be determined based on the time required to complete the audit and preparation of the audited financial statements, and the difficulty of the audit and performance of the standard auditing procedures under generally accepted auditing standards and generally accepted accounting principles of Canada.

## **8.0 Termination of the Auditors**

- 8.1 The Audit Committee has the power to terminate the services of the external auditors, with or without the approval of the Board of Directors, acting reasonably.

## **9.0 Funding of Auditing and Consulting Services**

- 9.1 Auditing expenses will be funded by the Company. The auditors must not perform any other consulting services for the Company, which could impair or interfere with their role as the independent auditors of the Company.

## **10.0 Role and Responsibilities of the Internal Auditor**

- 10.1 At this time, due to the Company's size and limited financial resources, the Secretary of the Company shall be responsible for implementing internal controls and performing the role as the internal auditor to ensure that such controls are adequate.

## **11.0 Oversight of Internal Controls**

11.1 The Audit Committee will have the oversight responsibility for ensuring that the internal controls are implemented and monitors, and that such internal controls are effective.

**12.0 Continuous Disclosure Requirements**

12.1 At this time, due to the Company's size and limited financial resources, the Secretary of the Company is responsible for ensuring that the Company's continuous reporting requirements are met and in compliance with applicable regulatory requirements.

**13.0 Other Auditing Matters**

13.1 The Audit Committee may meet with the Auditors independently of the management of the Company at any time, acting reasonably.

13.2 The Auditors are authorized and directed to respond to all enquiries from the Audit Committee in a thorough and timely fashion, without reporting these enquiries or actions to the Board of Directors or the management of the Company.

**14.0 Annual Review**

14.1 The Audit Committee Charter will be reviewed annually by the Board of Directors and the Audit Committee to assess the adequacy of this Charter.

**15.0 Independent Advisers**

15.1 The Audit Committee shall have the power to retain legal, accounting or other advisors to assist the Committee.