



October 5, 2016

Dear Shareholders:

On behalf of the board of directors of Khan Resources Inc. ("**Khan**" or the "**Corporation**"), I would like to invite you to attend Khan's special meeting of shareholders (the "**Meeting**") to be held on Thursday, November 10, 2016 at 10:00 a.m. (Eastern Standard Time) at the offices of Davies Ward Phillips & Vineberg LLP, 40<sup>th</sup> Floor, 155 Wellington Street West Toronto, Ontario.

At the Meeting, shareholders will be asked to approve the voluntary liquidation and dissolution of Khan (the "**Winding Up**"), which proceedings will include the distribution of cash to shareholders in two or more instalments as part of the Winding Up. Khan anticipates that the initial distribution of CDN\$0.85 per share will be made as promptly as practicable following the approval of the shareholders of the Winding Up, by way of a return of capital. Any further distribution of cash will be made in one or more instalments following receipt of funds pursuant to the liquidation of the remaining assets of Khan and the winding up its remaining subsidiary, and the satisfaction of all liabilities, including expenses of the Winding Up, on a distribution date to be determined by the liquidator pursuant to the plan of liquidation and dissolution (the "**Liquidation Plan**"). At this time, Khan anticipates that any further distributions of cash as part of the Winding Up would aggregate between CDN\$0.01 and \$0.08 per share.

In order to proceed with the Winding Up, shareholder approval by special resolution is required. The enclosed Management Information Circular ("**Circular**") describes the business to be conducted at the Meeting, including approval of the Winding Up and the Liquidation Plan.

The board of directors of Khan (the "**Board of Directors**") has determined that it is in the best interests of Khan and its shareholders to distribute the net proceeds of Khan's recent international arbitration settlement with the Government of Mongolia to its shareholders and to voluntarily wind up the Corporation. **The Board of Directors is unanimously recommending that shareholders vote FOR the Winding Up resolution on the enclosed proxy form.**

Your participation in the Meeting is important, regardless of the number of shares you hold. Whether or not you intend to attend the Meeting, please complete the enclosed form of proxy in accordance with the instructions set out therein and in the Circular and promptly return the form of proxy in the enclosed envelope.

I would like to personally express my appreciation to all shareholders for your support during our international arbitration with the Government of Mongolia. Through this arbitration, we were able to obtain US\$70 million as compensation for the Government of Mongolia's actions in relation to the cancellation of Khan's uranium licenses in 2009. The Board of Directors believes

that, in the circumstances, the distribution of these settlement proceeds and the Winding Up of the Corporation is the best possible outcome for Khan and its shareholders.

We hope that we will have the opportunity to welcome you to the Meeting.

Sincerely,

GRANT A. EDEY (signed)  
Chairman, President and Chief Executive Officer

# KHAN RESOURCES INC.



*The Exchange Tower, 130 King Street West, Suite 1800  
Toronto, Ontario, Canada, M5X 1E3*

## NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

NOTICE is hereby given that the special meeting of the shareholders (the "**Meeting**") of Khan Resources Inc. (the "**Corporation**" or "**Khan**") will be held at the offices of Davies Ward Phillips & Vineberg LLP, 40<sup>th</sup> Floor, 155 Wellington Street West Toronto, Ontario on Thursday, November 10, 2016 at 10:00 a.m. (Toronto time) in order to:

1. approve as a special resolution, (i) the voluntary winding up of the Corporation pursuant to the *Business Corporations Act* (Ontario), (ii) the plan of liquidation and distribution substantially in the form attached hereto as Appendix B, and (iii) an initial distribution to shareholders of \$0.85 per share in cash in the course of the winding up and discontinuance of Khan's business by way of a return of stated capital; and
2. transact such other business as may properly be brought before the Meeting and any postponement or adjournment thereof.

Khan's Board of Directors has fixed the close of business on October 4, 2016 as the record date for determining shareholders entitled to receive notice of, attend and to vote at, the Meeting and any postponement or adjournment of the Meeting. Only shareholders of record at the close of business on the record date are entitled to have their votes counted at the Meeting.

DATED at Toronto, Ontario, this 5<sup>th</sup> day of October, 2016.

By Order of the Board of Directors,

Grant A. Edey (signed)  
Chairman, President and Chief Executive Officer

Shareholders are cordially invited to attend the Meeting. Shareholders are urged to complete and return the enclosed proxy or voting instruction form promptly. **To be effective, Khan proxies must be received at the Toronto office of TMX Equity Transfer Services ("TMX Equity"), the Corporation's registrar and transfer agent, by 10:00 a.m. (Toronto time) on November 8, 2016 or the last business day prior to any adjourned or postponed Meeting.** Shareholders whose shares are held by a nominee may receive either a voting instruction form or form of proxy from such nominee and should carefully follow the instructions provided by the nominee in order to have their shares voted at the Meeting.

*Proxies will be counted and tabulated by TMX Equity, the Corporation's registrar and transfer agent, in such a manner as to protect the confidentiality of how a particular shareholder votes except where they contain comments clearly intended for management, in the case of a proxy contest, or where it is necessary to determine the proxy's validity or to permit management and the Board of Directors to discharge their legal obligations to the Corporation or its shareholders.*

## **NOTICE TO UNITED STATES SHAREHOLDERS**

The solicitation of proxies and the transactions contemplated herein involve securities of a Canadian reporting issuer and are being effected in accordance with Canadian corporate and securities laws. The proxy rules under the U.S. Securities Exchange Act of 1934 are not applicable to the Corporation or this solicitation and, therefore, this solicitation is not being effected in accordance with U.S. securities laws. This Circular has been prepared in accordance with disclosure requirements applicable in Canada. Shareholders should be aware that requirements under such Canadian laws may differ from requirements under U.S. corporate and securities laws relating to U.S. corporations.

United States shareholders are advised to consult their tax advisors to determine the particular tax consequences to them of the transactions contemplated by the Corporation.

Enforcement by shareholders of civil remedies under U.S. federal securities laws may be adversely affected by the fact that the Corporation is organized under the laws of a jurisdiction outside of the United States, that its officers and directors are not resident in the United States, that its auditors are not resident in the United States and that a substantial portion of their respective assets are located outside the United States. You may not be able to sue the Corporation or its officers or directors, or enforce judgments of a U.S. court, in a Canadian court for violations of U.S. securities laws.

## **FORWARD-LOOKING STATEMENTS**

Certain information in this Circular may contain forward-looking statements within the meaning of applicable securities laws including, among others, statements relating to Khan's objectives, beliefs, plans, estimates and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Forward-looking statements generally can be identified by words such as "may", "will", "expect", "intend", "estimate", "anticipate", "believe", "should", "plans" or "continue" or similar expressions suggesting future outcomes or events. Such forward-looking statements reflect Khan's current beliefs and are based on information currently available to management. Forward-looking statements are provided for the purpose of presenting information about management's current expectations and plans relating to the future, and readers are cautioned that such statements may not be appropriate for other purposes. These statements are not guarantees of future results and are based on Khan's estimates and assumptions that are subject to risks and uncertainties. Those risks and uncertainties include, among other things, risks related to: the availability of cash for distributions in connection with the Winding Up; the potential for shareholder liability in connection with the Winding Up; discontinuance of the Winding Up; the future listing of Common Shares on the CSE; tax laws; and interest rate and other debt-related risks. See "Risk Factors". Khan cautions that this list of factors is not exhaustive. Although the forward-looking statements contained in this Circular are based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. All forward-looking statements in this Circular are qualified by these cautionary statements. The forward-looking statements are made only as of the date on which such statements are or were made and Khan assumes no obligation to update or revise them to reflect new information or the occurrence of future events or circumstances, except as required by applicable law.

# KHAN RESOURCES INC.



*The Exchange Tower, 130 King Street West, Suite 1800  
Toronto, Ontario, Canada, M5X 1E3*

## MANAGEMENT INFORMATION CIRCULAR AND PROXY STATEMENT

**This Management Information Circular and Proxy Statement, including all Appendices hereto (the "Circular") is furnished in connection with the solicitation of proxies by the management of Khan Resources Inc. (the "Corporation" or "Khan") for use at the Special Meeting of shareholders (or any postponement or adjournment thereof) of Khan (the "Meeting") to be held at 10:00 a.m. (Toronto time) on Thursday, November 10, 2016 for the purposes set forth in the accompanying Notice of Meeting.**

The solicitation of proxies will be primarily by mail, but proxies may also be solicited personally, by telephone, by e-mail, by internet or other means of communication by regular employees, officers and agents of the Corporation for which no additional compensation will be paid. The cost of preparing, assembling and mailing this Circular, the Notice of Meeting, the proxy form, the voting instruction form and any other material relating to the Meeting and the cost of soliciting proxies has been or will be borne by Khan. It is anticipated that copies of this Circular, the Notice of Meeting, and accompanying proxy form or voting instruction form will be distributed to shareholders on or about October 19, 2016.

This Circular provides the information that you need to vote at the Meeting.

- If you are a registered holder of common shares of Khan (the "**Common Shares**"), we have enclosed a proxy form that you can use to vote at the Meeting.
- If your Common Shares are held by a nominee, you may receive either a form of proxy or voting instruction form from such nominee and should carefully follow the instructions provided by the nominee in order to have your Common Shares voted at the Meeting.

Unless otherwise indicated, the information in this Circular is given as at October 5<sup>th</sup>, 2016 and all references to financial results are based on our financial statements prepared in accordance with International Financial Reporting Standards. Unless otherwise indicated, all references to "\$" are to Canadian dollars.

These security holder materials are being sent to both registered and non-registered owners of the securities. If you are a non-registered owner, and Khan or its agent has sent these materials directly to you, your name and address and information about your holdings of securities have been obtained in accordance with applicable securities regulatory requirements from the intermediary holding on your behalf. By choosing to send these materials to you directly, Khan (and not the intermediary holding on your behalf) has assumed responsibility for (i) delivering these materials to you and (ii) executing your proper voting instructions. Please return your voting instructions as specified in the request for voting instructions.

## VOTING INFORMATION

### Voting Matters

At the Meeting, shareholders are voting to approve the following matters as a special resolution attached hereto as Appendix A (the "**Special Resolution**"): (i) the voluntary winding up of the Corporation pursuant to the *Business Corporations Act* (Ontario) (the "**OBCA**"), (ii) the plan of liquidation and distribution substantially in the form attached hereto as Appendix B (the "**Liquidation Plan**"), and (iii) an initial distribution to shareholders of \$0.85 per share in cash in the course of the winding up and discontinuance of Khan's business by way of a return of stated capital.

## **Who Can Vote**

The record date for the Meeting is October 4, 2016. Holders of record of Common Shares as of the close of business on October 4, 2016 are entitled to vote at the Meeting. Each Common Share is entitled to one vote on those items of business identified in the Notice of Meeting.

## **Voting your Common Shares**

### **Registered Shareholders**

If you are a registered shareholder, you may attend and vote in person at the Meeting or give another person authority to represent you and vote your shares at the Meeting, as described below under "Voting by Proxy".

### **Non-registered Shareholders**

Your Common Shares may not be registered in your name but in the name of a nominee, which is usually a trust company, securities broker or other financial institution. If your Common Shares are registered in the name of a nominee, you are a non-registered shareholder. Your nominee is required to seek your instructions as to how to vote your shares. You may vote your Common Shares through your nominee or in person.

To vote your Common Shares through your nominee, you should carefully follow the instructions of your nominee with respect to the procedures to be followed for voting. Generally, nominees will provide non-registered shareholders with either: (a) a voting instruction form for completion and execution by you, or (b) a proxy form, executed by the nominee and restricted to the number of shares owned by you, but otherwise uncompleted. These procedures are to permit non-registered shareholders to direct the voting of the Common Shares that they beneficially own.

If you are a non-registered shareholder, to vote your shares in person at the Meeting, you should take the following steps:

- (1) appoint yourself as the proxy holder by writing your own name in the space provided on the voting instruction form or form of proxy; and
- (2) follow the nominee's instructions for return of the executed form or other method of response.

Do not otherwise complete the form as your vote, or the vote of your designate, will be taken at the Meeting.

### **Voting by Proxy**

If you will not be at the Meeting or do not wish to vote in person, you may still vote by using the enclosed proxy form. A proxy must be in writing and must be executed by you or by your attorney authorized in writing.

#### *Your Proxy Vote*

On the proxy form, you can indicate how you want to vote your Common Shares, or you can let your proxy holder decide for you.

All Common Shares represented by properly completed proxies received at the Toronto office of TMX Equity Transfer Services ("**TMX Equity**") by 10:00 a.m. (Toronto time) on November 8, 2016 or the last business day before any adjourned or postponed Meeting will be voted or withheld from voting, in accordance with your instructions as specified in the proxy, on any ballot votes that take place at the Meeting. If you give directions on how to vote your shares, your proxy holder must vote your shares according to your instructions. If you have not specified how to vote on a particular matter, then your proxy holder can vote your shares as he or she sees fit. **If neither you nor your proxy holder gives specific instructions, your Common Shares will be voted as follows:**

- **FOR** the Special Resolution as set out in Appendix A of this Circular.

### *Appointing a Proxy holder*

A proxy holder is the person you appoint to act on your behalf at the Meeting and to vote your shares. **You may choose anyone to be your proxy holder, including someone who is not a shareholder of Khan.** Simply fill in the name in the blank space provided on the enclosed proxy form. If you leave the space in the proxy form blank, the persons designated in the form, who are officers of Khan, are appointed to act as your proxy holder.

Your proxy authorizes the proxy holder to vote and act for you at the Meeting, including any continuation after an adjournment or postponement of the Meeting.

### *Revoking Your Proxy*

If you give a proxy, you may revoke it at any time before it is used by doing any one of the following:

- You may send another proxy form with a later date to the Toronto office of TMX Equity, but it must reach TMX Equity by 10:00 a.m. (Toronto time) on November 8, 2016 or the last business day before any adjourned or postponed Meeting.
- You may revoke a proxy as set out below or in any other manner permitted by law:
  - by depositing an instrument in writing that is signed by the shareholder or by an attorney who is authorized by a document that is signed in writing or by electronic signature; or
  - by transmitting, by telephonic or electronic means, a revocation that is signed by an electronic signature if the means of electronic signature permits a reliable determination that the document was created or communicated by or on behalf of the shareholder or the attorney, as the case may be.

The instrument or revocation must be received at the registered office of the Corporation, located at The Exchange Tower, 130 King Street West, Suite 1800, Toronto, Ontario, M5X 1E3 or by facsimile at (416) 947-0167, at any time up to and including the last business day preceding the day of the Meeting, or any adjournment of it, at which the proxy is to be used, or by the Chairman of the Meeting on the day of the Meeting, or any adjournment of the Meeting.

## ADDITIONAL MATTERS PRESENTED AT THE SPECIAL MEETING

The enclosed proxy form or voting instruction form confers discretionary authority upon the persons named as proxies therein 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.

If you sign and return the proxy form for Common Shares and any matter is presented at the Meeting in addition to the matters described in the Notice of Meeting, the Khan officers named as proxies will vote in their best judgment. When this Circular went to press, management of Khan was not aware of any matters to be considered at the Meeting other than the matters described in the Notice of Meeting or any amendments or variations to the matters described in such notice.

## VOTING SHARES

The Common Shares are the only shares entitled to vote at the Meeting. As at the date hereof, 88,666,482 Common Shares were issued and outstanding. The holders of Common Shares are entitled to one vote per Common Share.

## PRINCIPAL HOLDERS OF VOTING SHARES

To the knowledge of the directors and senior officers of Khan, no person beneficially owns, directly or indirectly, or exercises control or direction over, directly or indirectly, voting securities carrying ten percent (10%) or more of the voting rights attached to any class of voting securities of the Corporation, except as disclosed below:

Name of Shareholder	Number of Common Shares beneficially owned, controlled or directed, directly or indirectly	Percentage of Common Shares beneficially owned, controlled or directed, directly or indirectly
Camac Partners, LLC	13,296,821 <sup>(1)</sup>	15.0% <sup>(2)</sup>
VR Global Partners, L.P.	16,639,000 <sup>(3)</sup>	18.8% <sup>(4)</sup>
West Face Long Term Opportunities Global Master L.P.	14,621,500 <sup>(5)</sup>	16.5% <sup>(6)</sup>

Notes:

- (1) Based on Camac Partners, LLC's SEDI filings.
- (2) Camac Partners, LLC holds 14.7% of the Common Shares on a fully diluted basis (diluted Common Shares outstanding of 90,166,482).
- (3) Based on VR Global Partners, L.P.'s SEDI filings.
- (4) VR Global Partners, L.P. holds 18.5% of the Common Shares on a fully diluted basis (diluted Common Shares outstanding of 90,166,482).
- (5) Based on the Alternative Monthly Report filed on SEDAR at [www.sedar.com](http://www.sedar.com), under Khan's corporate profile by West Face Capital Inc., as portfolio manager of West Face Long Term Opportunities Global Master L.P. dated April 8, 2016.
- (6) West Face Long Term Opportunities Global Master L.P. holds 16.2% of the Common Shares on a fully diluted basis (diluted Common Shares outstanding of 90,166,482).

## WINDING UP OF THE CORPORATION

The Board of Directors of the Corporation proposes, for the reasons described below, to voluntarily wind up the Corporation (the "**Winding Up**") pursuant to section 193 of the *Business Corporations Act* (Ontario) (the "**OBCA**"), which Winding Up will become effective and commence upon passing of the Special Resolution. For a brief summary of the steps required to complete the Winding Up and the anticipated timing of each step, see "Overview of Steps to Complete the Winding Up" below. **Notwithstanding shareholder approval of the Special Resolution, at any time until appointment of the Liquidator (as defined herein), the Board of Directors will retain the discretion to discontinue the Winding Up if they determine that continuing with the Winding Up is no longer in the best interests of the Corporation and its shareholders.** See "Winding Up Procedure" beginning on page 9.



Khan anticipates that the initial distribution of \$0.85 per share will be made as promptly as practicable following the approval of the shareholders of the Winding Up.

The Board expects that the distributions to be made to shareholders following shareholder approval of the Winding Up, including the initial distribution of \$0.85 per share, will be made by way of a reduction of stated capital, to the extent possible under applicable law, and that any excess distribution will be made as a dividend. See "Winding Up Distributions" below. The Winding Up, including the initial distribution of \$0.85 per share by way of reduction of stated capital, requires shareholder approval by a special resolution. See "Resolution of the Shareholders Approving the Winding Up" for the full text of the Special Resolution. The Board of Directors of the Corporation has determined that the Winding Up pursuant to the Liquidation Plan is advisable and in the best interests of the Corporation and its shareholders and has approved the Winding Up. **The Board of Directors of the Corporation unanimously recommends that shareholders vote in favour of the Special Resolution.**

## **Background**

### **Cancellation of Uranium Licences**

Khan is a Canadian-based company that had interests in certain uranium properties that are located in the Dornod district of north eastern Mongolia (the "**Dornod Uranium Property**"), a district that contains a number of known uranium deposits. These interests consisted of a 58% interest in an open pit mine (Dornod Deposit No. 2) and approximately two-thirds of an underground deposit (Dornod Deposit No. 7) (the "**Main Dornod Property**") and a 100% interest in 243 hectares of land contiguous with the Main Dornod Property (the "**Additional Dornod Property**"). Khan held the interest in the Main Dornod Property through its wholly-owned subsidiary Khan Resources Bermuda Ltd. ("**Khan Bermuda**"), which held a 100% interest in CAUC Holding Company Ltd. ("**CAUC Holding**"), which in turn held a 58% interest in Central Asian Uranium Company, LLC ("**CAUC**"), the owner of the Main Dornod Property.

The mining license held by CAUC in respect of the Main Dornod Property was submitted to the Mineral Resources and Petroleum Authority of Mongolia ("**MRPAM**") Department of Geology and Mining Cadastre for re-registration and was re-registered on January 23, 2007 with a term of 30 years commencing September 30, 1997 in accordance with the legal regime that governed the exploration and exploitation of mineral resources in Mongolia, as revised on July 8, 2006 (the "**Minerals Law**"). The mining license previously had a term of 15 years commencing September 30, 1997. All other terms and conditions of the mining license were unaltered.

On July 15, 2009, Khan reported that it had received notice from the Mineral Resources Authority of Mongolia ("**MRAM**") (formerly MRPAM) that the mining license for the Main Dornod Property, held by CAUC, had been suspended. Subsequently, following communications with MRAM and the State Specialized Inspection Agency of the Government of Mongolia (the "**GOM**"), Khan was informed that the mining license was suspended based on the conclusions of the State Inspector who determined that CAUC was allegedly in violation of applicable laws by reason of it not having registered its deposit reserves with the State Integrated Registry for approval by the Minerals Council; however, CAUC had submitted its reserve calculations to MRAM for registration in accordance with Mongolian law initially in 2007 and again in 2008. On January 14, 2010, Khan announced that a settlement had been reached with MRAM whereby the suspension of the mining license for the Main Dornod Property, held by CAUC, had been terminated. Khan viewed this settlement as having finally resolved the July 2009 suspension of the mining license, despite subsequent reports circulated by the Mongolian Nuclear Energy Agency (the "**NEA**") that the settlement was not valid. The MRAM formal report on such reserve and resource calculations was never rendered. Notwithstanding its continued efforts to register its reserves, CAUC never received approval or registration of its reserves in respect of the Main Dornod Property.

The exploration license was renewed for an additional three-year period in February 2008 with expiry on February 11, 2011. Khan had previously taken steps to convert the exploration license for the Additional Dornod Property into a mining license in accordance with the Minerals Law. To this end, Khan had submitted the reserve and resource calculation for the Additional Dornod Property, prepared in accordance with Mongolian standards and requirements, to MRAM which was a necessary precondition in the process of converting an exploration license to a mining license in accordance with the Minerals Law. The MRAM formal report on such reserve and resource calculations was never rendered.

On July 16, 2009, the Great Khural (the "**Mongolian Parliament**") passed a nuclear energy law (the "**Nuclear Energy Law**") that classifies all radioactive mineral deposits, regardless of size, as strategically important mineral deposits and regulates the nuclear energy industry in Mongolia, including the exploration, exploitation, development, mining and sale of uranium. The new law became effective on August 15, 2009. In connection with the passing of the Nuclear Energy Law, the Mongolian Parliament enacted certain procedures relating to the re-registration of existing exploration and mining licenses held prior to the Nuclear Energy Law becoming effective. Existing license holders were required to submit an application to the State Administrative Authority and renew and re-register their existing licenses by November 15, 2009. In order to have licenses re-registered, applicants were required to agree to abide by all of the conditions and requirements set out in the Nuclear Energy Law, including acceptance of the State's 51% or 34% share participation in the license holder, as applicable. Any licenses not re-registered under the Nuclear Energy law, as required, were considered to automatically be suspended. Khan submitted the applications for the renewal and re-registration of the mining license and exploration license in respect of the Dornod Uranium Project on November 10, 2009. On October 8, 2009, CAUC and Khan Resources LLC ("**KRL**") received notices (the "**October 8 Notices**") which stated that in connection with the implementation of the Nuclear Energy Law, the existing mining license and exploration license should be considered invalidated, and that CAUC and KRL should not undertake any activities under the licenses until they obtain new licenses from the NEA under the new law. Khan inquired as to the grounds and consequences of such invalidations, and was informed by the NEA that all licenses held by all uranium license holders in Mongolia had been temporarily suspended in October 2009, pending re-registration of such licenses under the Nuclear Energy Law. Accordingly, Khan interpreted the October 8 Notices as an administrative matter which meant only that its licenses, like those of all other license-holders in Mongolia, were temporarily suspended pending re-registration under the new law. As discussed above, Khan submitted the applications for the renewal and re-registration of the mining license and exploration license for the Dornod Uranium Project on November 10, 2009. The applications were in compliance with the requirements of the new legislation, including the requirement to state that the license holder accepted the ability of the Mongolian State to take an ownership interest in the license-holder.

Subsequently, CAUC received a formal notice from the State Property Committee (the "**SPC**") of Mongolia requiring CAUC to propose to its shareholders a resolution to approve an increase of the Mongolian State ownership in CAUC to 51%. The notice provided that if a favourable resolution was not provided to SPC by January 31, 2010, CAUC's mining license would be in danger of revocation. In response to the SPC notice, effective January 25, 2010, each of MonAtom LLC ("**MonAtom**"), a Mongolian state owned company holding 21% of the shares of CAUC, and CAUC Holding, the wholly owned subsidiary of Khan through which Khan holds its interest in CAUC, on the basis of their collective 79% holding of the outstanding capital of CAUC, authorized and approved an increase in MonAtom's ownership interest in CAUC from 21% to 51%, with a corresponding dilution of ownership interests of CAUC Holding and JSC Priargunsky Industrial Mining and Chemical Union ("**Priargunsky**"). Priargunsky, a 21% shareholder and voting member of CAUC, abstained from voting.

The CAUC shareholders' resolution was subsequently submitted to the SPC by the January 31, 2010 deadline. KRL did not receive a similar notice from the SPC in respect of its exploration licence. Subsequently, Khan announced on April 13, 2010 that CAUC and KRL had received notices from the NEA stating that the mining license for the Main Dornod Property and the exploration license for the Additional Dornod Property had been invalidated. The invalidations purported to be effective as of October 8, 2009 and purported to be based on a failure by CAUC and KRL to address violations of Mongolian law stemming from a July 2009 report issued by an inspection team appointed by the Mongolian State Specialized Inspection Agency in respect of the mining license. In response, CAUC and KRL filed separate formal claims in, and received favourable rulings from, the Capital City Administrative Court in Mongolia challenging the legal basis for the notices received from the NEA purporting to invalidate CAUC's mining license and KRL's exploration license.

However, the NEA did not reinstate and re-register the Corporation's licenses pursuant to the Nuclear Energy Law. On November 12, 2010, the NEA published what it called an official notification in certain Mongolian newspapers stating that it did not intend to reissue the CAUC and KRL licenses. The notices broadly accused KRL and CAUC, among other things, of disrespecting state laws and legislation and failing to fulfill conditions and requirements set out by law. The newspaper notice did not constitute an official decision which, under Mongolian law, must include the legal reasons for making such a decision. Khan continues to believe that there exists no legal basis for the NEA to have refused to reinstate and re-register its licenses and that it had always acted in conformance with Mongolian laws. Khan formally demanded to receive the official decision of the NEA in respect of its licenses, but never received a formal response.

## **International Arbitration with the GOM**

In January, 2011, Khan initiated an international arbitration action against the GOM (the "**International Arbitration**") for causing substantial loss and damage to Khan through expropriatory, unlawful, unfair and discriminatory treatment in relation to Khan's licenses for the Dornod Uranium Project. The presiding tribunal (the "**Tribunal**") was constituted under UNCITRAL Arbitration Rules on May 9, 2011 and consisted of three well-known and highly respected international arbitrators: Mr. Yves Fortier of Canada (appointed by Khan), Mr. Bernard Hanotiau of Belgium (appointed by the Government of Mongolia), and Mr. David A.R. Williams of New Zealand (appointed as the presiding arbitrator by Messrs. Fortier and Hanotiau).

The Tribunal held its first hearing on June 21, 2011 to discuss scheduling and procedural matters. Prior to this hearing, counsel for the GOM brought a motion seeking "bifurcation" of the hearings into two separate phases: the first phase to hear various jurisdictional objections made by the GOM, and then a second phase to hear the merits of the case. The Tribunal held a hearing on September 19, 2011 to address the issue. Following the hearing, Khan and the Government of Mongolia agreed to a two phase process. As part of the agreement, the Government of Mongolia has explicitly consented that all of the claims will be heard in this single action rather than in multiple arbitrations.

Following a hearing on May 14, 2012, the Tribunal ruled entirely in Khan's favour on matters of jurisdiction and dismissed all of the GOM's objections to the continuance of the suit. The action then progressed to the quantum and damages phase and on December 7, 2012, Khan submitted to the Tribunal seven volumes of documentation in support of its claim. The GOM filed their Statement of Defense and Counterclaim on April 5, 2013. Khan submitted its response to the Statement of Defense and Counterclaim on June 28, 2013. Additional information was provided to the participants by Khan on July 28, 2013. The GOM filed its response on time by October 4, 2013.

On November 11 through November 15, 2013, the formal hearing by the Tribunal was completed as scheduled and two post-hearing briefs were subsequently submitted, the first on February 5, 2014 followed by a final brief on April 11, 2014.

On March 2, 2015, the Tribunal rendered an arbitral award (the "**Arbitral Award**") of approximately US\$100 Million (comprised of a base amount of US\$80 million plus interest at LIBOR +2% (compounded annually) from July 1, 2009 to the time of payment and costs of US\$9.1 million) against the Government of Mongolia and MonAtom. Khan filed a petition for confirmation of the Arbitral Award in the US District Court in the District of Columbia on June 12, 2015. The petition for confirmation was brought under the United Nations Convention for the Recognition and Enforcement of Foreign Arbitral Awards and under the United States Federal Arbitration Act.

On July 14, 2015, the Corporation received a one page notice from the Chief Clerk of the French Court of Appeal in Paris that the Government of Mongolia initiated an attempt to annul the Arbitral Award on July 9, 2015. Under French law, an international arbitral award rendered in France can only be set aside on five grounds, restrictively interpreted and applied by French courts, which are: (1) The arbitral tribunal wrongly upheld or declined jurisdiction; (2) The arbitral tribunal was not properly constituted; (3) The arbitral tribunal ruled without complying with the mandate conferred upon it; (4) Due process was violated; and (5) Recognition or enforcement of the award is contrary to international public policy. On December 9, 2015, the GOM filed its written brief with the French Court of Appeal containing the basis for seeking annulment of the Arbitral Award.

## **International Arbitration Settlement**

On March 6, 2016, Khan and the GOM signed an agreement whereby in consideration of payment to Khan of US\$70 million (the "**Settlement Amount**") on or before May 16, 2016, all outstanding matters pursuant to the international arbitration award received by Khan are resolved and terminated. The GOM further agreed to withdraw and discontinue the proceedings to annul the Arbitral Award before the Paris courts. Upon receipt of the consideration by Khan, all other proceedings were terminated by Khan, including the certification application for the Arbitral Award in the U.S. District court in Washington.

On March 16, 2016, Khan announced that it received a notice of discontinuance from the Paris Court of Appeal that the annulment proceedings initiated by the Government of Mongolia against the Arbitral Award rendered in favour of Khan were now terminated. Khan also announced that proceedings in the US District Court for recognition of the

Arbitral Award had been stayed, pending receipt of the Settlement Amount. On May 10, 2016, the Settlement Amount was deposited with an escrow agent in New York.

On May 18, 2016, the Settlement Amount was released from escrow and the funds were transmitted to Khan. With the transmittal of the funds, Khan's counsel secured a dismissal order from the United States District Court in Washington, DC of Khan's petition for certification of the Arbitral Award.

### **Wind Up of Subsidiaries and Repatriation of Settlement Amount**

The Settlement Amount was received by Khan and its subsidiaries on May 18 and May 19, 2016. Khan received US\$14.8 million directly and its subsidiaries received US\$55.2 million, of which 64% was attributable to the diminution in value of the shares and indebtedness of CAUC and the remaining 36% was attributable to the diminution in value of the shares of Khan Resources LLC ("**Khan Mongolia**") caused by the GOM's actions. As such, US\$35.3 million was paid to CAUC Holding, which owned 58% of CAUC, US\$5.0 million was paid to Khan Bermuda, which owned 25% of Khan Mongolia and US\$14.9 million was paid to Khan Resources B.V. ("**Khan BV**"), which owned 75% of Khan Mongolia.

Subsequent to the receipt of the Settlement Amount, Khan, in conjunction with its legal, accounting and tax advisors, investigated and evaluated various options to distribute the Settlement Amount to shareholders in an efficient and timely manner. Khan discharged certain liabilities, including contingent payments due to legal counsel in connection with the International Arbitration. In addition, Khan's corporate structure was reorganized and simplified, resulting in a better alignment of fiscal year-ends for Khan and its subsidiaries. As part of the reorganization, the 75% interest of Khan Mongolia held by Khan BV was transferred to Khan Bermuda.

In addition to the reorganization transactions outlined above, Khan considered various transactions to accelerate and maximize shareholder distributions. To this end, following the reorganization of Khan's corporate structure, Khan entered into a share purchase agreement (the "**Khan Bermuda Purchase Agreement**") with an independent third party on August 17, 2016 for the purchase of all of the issued and outstanding shares of Khan Bermuda. Under the terms of the Khan Bermuda Purchase Agreement, Khan sold all of the shares of Khan Bermuda (and accordingly, all of Khan's interest in CAUC Holding and CAUC and Khan Mongolia) for a cash purchase price of US\$38.5 million.

While the proceeds of the sale were less than the consolidated assets of Khan Bermuda, the discount is offset by the present-value benefits that Khan shareholders will receive due to a more expeditious distribution of cash and the avoidance of the costs to liquidate the subsidiaries and attendant risks. The Board of Directors of Khan unanimously determined that the sale of Khan Bermuda was in the best interests of Khan and was fair to its shareholders as it further simplified Khan's corporate structure and avoided the need to wind-up and repatriate cash from foreign subsidiaries in multiple jurisdictions and reduced or eliminated any risks to Khan associated with such subsidiaries.

Subsequent to the sale of Khan Bermuda, Khan initiated winding up proceedings for its one remaining subsidiary, Khan BV. Following the winding-up of Khan BV, Khan will no longer have any subsidiaries.

### **Winding Up Procedure**

If the Winding Up and the Liquidation Plan are approved at the Meeting, the Winding Up and implementation of the Liquidation Plan will commence immediately on passing of the Special Resolution and the Board will, as promptly as practicable following the Meeting, set the record date for payment of the initial distribution of \$0.85 per share by way of reduction of stated capital (the "**Initial Distribution**"). Pursuant to the Special Resolution, the Board will be appointed the initial liquidator of the estate and effects of the Corporation for the purpose of winding up the Corporation's business and affairs and distributing its property until such time as the Board, in its discretion, appoints a Liquidator (as defined below) to complete the Winding Up. **At any time until appointment of the Liquidator, the Board of Directors will retain the ability to discontinue or suspend the Winding Up if they determine the Winding Up is no longer in the best interests of the Corporation.**

The full text of the Liquidation Plan is attached hereto as Appendix B and shareholders are urged to read the Liquidation Plan in its entirety. The description of the Liquidation Plan below is a summary and is qualified in its entirety by the more detailed information contained in Appendix B. The implementation of the Winding Up and the Liquidation Plan will have a number of consequences, including but not limited to the following:

- the Board will be appointed the initial liquidator of the estate and effects of the Corporation for the purpose of winding up the Corporation's business and affairs and distributing its Assets (as defined in the Liquidation Plan), after satisfying all Claims (as defined in the Liquidation Plan), all in accordance with the Liquidation Plan;
- the Board will declare a record date for the payment of the Initial Distribution;
- the Corporation will cease to carry on its undertaking, except insofar as may be required or beneficial for the Winding Up in the discretion of the Board or the Liquidator, as applicable;
- to the extent permitted by the Canadian Stock Exchange (the "CSE"), the Common Shares will continue to trade on the CSE until such time as the Board, in its discretion, appoints a Liquidator (see "**Trading of Shares**" below); and
- at a time to be determined by the Board in its sole discretion, an accounting firm or professional restructuring and advisory firm (the "**Liquidator**") will be appointed the liquidator of the estate and effects of the Corporation for the purpose of winding up the Corporation's business and affairs and distributing its Assets (as defined in the Liquidation Plan), after satisfying all Claims (as defined in the Liquidation Plan), all in accordance with the Liquidation Plan;
- concurrent with the appointment of the Liquidator, each of Grant Edey, Bruce Gooding and Jeremy Budd (collectively, the "**Inspectors**") will be appointed inspectors of the Corporation's liquidation pursuant to section 194 of the OBCA; and
- as promptly as practicable following the appointment of the Liquidator, the Common Shares will be delisted from the CSE.

Following commencement of the Winding Up, the Board, in its capacity as liquidator, and any Liquidator appointed by the Board, will have control of the estate and effects of the Corporation for purposes of the Winding Up. The Corporation itself will cease to carry on its business and any other undertaking, except as may be required or beneficial for the Winding Up. The powers and authorities of the Board (in its capacity as liquidator) and the Liquidator are derived from the OBCA and the Liquidation Plan. After appointment of the Liquidator, the Inspectors will effectively oversee and supervise the Liquidator's conduct of the Winding Up. Under the Liquidation Plan there are certain powers that the Liquidator can only exercise with the prior approval of the Inspectors (including bringing or defending actions in the name of the Corporation). See the full text of the Liquidation Plan attached hereto as Appendix B. Without Inspectors, these powers would require the prior approval of the shareholders which, in turn, would require the Liquidator to convene a shareholders' meeting in such instances, which would be administratively burdensome, costly and time consuming, and could delay the ultimate completion of the Winding Up and therefore the final distribution to shareholders.

If the Winding Up, the Liquidation Plan and the Initial Distribution are approved at the Meeting, the steps set forth below will be completed following the Effective Date at such times as the Board or the Liquidator, as applicable, deems necessary, appropriate or advisable in the best interests of the Corporation and the shareholders, all in accordance with the Liquidation Plan and the OBCA:

- the setting of a record date and payment of the Initial Distribution;
- the filing of notice of intended wind-up with the Director under the OBCA and the filing of such notice in the Ontario Gazette no later than 10 days thereafter;
- the sale of any of the Corporation's remaining non-cash property and assets (see "Distribution of Assets – Winding Up Distributions" below);
- the appointment of the Liquidator;
- the delisting of the Common Shares from the CSE (see "Trading of Shares" below);
- the payment of or the making of reasonable provision for the payment of all claims and obligations known to the Corporation, and the making of reserves as will be reasonably likely to be sufficient to provide compensation for any claim against the Corporation which is the subject of a pending action, suit or proceeding to which the Corporation is a party, including, without limitation, the establishment and setting

aside of a reasonable amount of cash and/or property to satisfy such claims against and obligations of the Corporation;

- the final distribution to shareholders of any remaining cash of the Corporation; and
- the dissolution of the Corporation.

The Liquidator may delay any final distribution pending receipt of tax clearance certificates from the Canada Revenue Agency. There is no way to determine when these tax clearance certificates will be issued, and it will likely be one or more years before the tax clearance certificates are issued and the final distribution is made.

### **Trading of Shares**

The Common Shares are currently listed and posted for trading on the CSE. Pursuant to section 198 of the OBCA, all transfers of the Common Shares taking place after the commencement of the Winding Up would be void unless made with the sanction of the liquidator. Pursuant to the Liquidation Plan, the Board, in its capacity as liquidator, will consent to maintaining the listing of the Common Shares on the CSE following commencement of the Winding Up until such time as the Liquidator is appointed. It is the intention of the Corporation that the Common Shares will continue to trade on the CSE until such time as the Liquidator is appointed, at which time the Common Shares will be delisted from the CSE. As a result, it is expected that shareholders will continue to be able to trade Common Shares on the CSE for a period of time after commencement of the Winding Up, subject to the Corporation continuing to comply with applicable listing requirements.

### **Distribution of Assets**

#### **Winding Up Distribution(s)**

The following discussion assumes that the Special Resolution is passed by the Corporation's shareholders at the Meeting. **If the Special Resolution is not passed by the Corporation's shareholders at the Meeting, the Winding Up will not commence, the Liquidation Plan will not have been approved and the Initial Distribution will not be made.**

Pursuant to the Liquidation Plan, the Board will set a record date for the payment of the Initial Distribution as promptly as practicable following the Meeting, and the Corporation will make payment of the Initial Distribution as a reduction of stated capital. Thereafter, the Corporation intends to liquidate any remaining non-cash assets, for the best price available as soon as reasonably practicable after the commencement of the Winding Up and, after paying or making reasonable provision for the payment of any claims against and obligations of the Corporation, distribute any remaining cash to shareholders.

Pursuant to section 34 of the OBCA, the Corporation may reduce the stated capital of its outstanding shares by distributing to the holders of its Common Shares an amount not exceeding the stated capital of the Common Shares. Such a reduction in stated capital requires the Corporation to meet certain solvency tests under the OBCA before the reduction in stated capital can be made. Amounts distributed by way of a reduction of stated capital may, in certain circumstances, be received free of Canadian tax by a shareholder. Amounts distributed otherwise than by way of a reduction in stated capital generally will be treated as taxable dividend. See "Certain Canadian Federal Income Tax Considerations".

The Corporation will continue to incur claims, liabilities and expenses (such as salaries and benefits, directors' and officers' insurance, payroll and taxes, facilities expenses, legal, accounting and consulting fees, rent and miscellaneous office expenses) following commencement of the Winding Up until its completion. Satisfaction of these claims, liabilities and expenses will reduce the amount of assets available for ultimate distribution to shareholders. The Corporation is not able to predict with certainty the precise nature, amount or timing of any distributions beyond the Initial Distribution, primarily due to the difficulty in predicting the amount of its remaining liabilities and the amount of costs and expenses that the Corporation will incur during the course of the Winding Up, and the net value, if any, of its remaining non-cash assets, and the fact that, if the Winding Up and Liquidation Plan are approved following the Initial Distribution, the Liquidator, together with the Inspectors, will have the power and authority to approve the number, amount and timing of any further distributions in the best interests of the Corporation and its shareholders. In addition, after the Initial Distribution the timing and amount of any further distributions may be impacted by (i) the Canada

Revenue Agency completing any outstanding audits or assessments of the Corporation's and its subsidiaries final tax returns and the issuance of tax clearance certificates to the Liquidator in respect of the Corporation, and (ii) the number and complexity of claims and whether any disputed claims can be reserved for or processed in an expedited manner. There is no way to determine when the tax clearance certificates will be issued, and the delay may be one or more years to obtain the clearance certificate. The Liquidator may defer all or any of the distributions (following the Initial Distribution) pending receipt of the tax clearance certificates.

### **Estimated Amount Available for Distribution to Shareholders**

The amount of funds available for distribution under the Winding Up will depend on a number of factors, including ongoing public company costs, and the expenses of the Winding Up (such as salaries and benefits, directors' and officers' insurance, payroll and taxes, facilities expenses, legal, accounting and consulting fees, rent and miscellaneous office expenses, including liquidation expenses for Khan BV), as well as reserves for potential tax liabilities and contingent liabilities ("**Reserves**"). Set out below is a preliminary estimate of available cash for distribution pursuant to the Winding Up. After the Initial Distribution, the remaining proceeds which will ultimately be available for distribution to shareholders may vary materially from the preliminary estimates set forth below, which are based on the Corporation's current estimates of the amounts which may be required to satisfy the obligations of the Corporation and to pay the costs and expenses of operating the Corporation until it is dissolved. See "Risk Factors – Uncertainty of Winding Up Distribution Amounts".

<b>TOTAL ESTIMATED DISTRIBUTABLE CASH PER SHARE</b>	<b>Estimated Amount<sup>(1)</sup></b>	
	<b>Low</b>	<b>High</b>
<b>ESTIMATED CASH</b>		
Cash on hand <sup>(2)</sup>	<b>\$85,519</b>	<b>\$85,519</b>
Liquidation value of investment <sup>(3)</sup>	\$300	\$300
<b>TOTAL ESTIMATED CASH</b>	<b>\$85,819</b>	<b>\$85,819</b>
<b>ESTIMATED EXPENSES</b>		
Operating Costs	\$2,300	\$1,050
Costs to Liquidate	\$1,487	\$987
Reserves <sup>(4)</sup>	\$4,300	\$0
<b>TOTAL ESTIMATED EXPENSES</b>	<b>\$8,087</b>	<b>\$2,037</b>
<b>TOTAL ESTIMATED CASH AVAILABLE FOR DISTRIBUTION</b>	<b>\$77,732</b>	<b>\$83,782</b>
NUMBER OF COMMON SHARES <sup>(5)</sup>	90,166,482	90,166,482
INITIAL DISTRIBUTION PER SHARE	\$0.85	\$0.85
ESTIMATED REMAINING DISTRIBUTABLE CASH PER SHARE	\$0.01	\$0.08
<b>TOTAL ESTIMATED DISTRIBUTABLE CASH PER SHARE</b>	<b>\$0.86</b>	<b>\$0.93</b>

Notes:

- (1) In thousands of Canadian dollars, except share amounts and amounts per share. All amounts are unaudited.
- (2) As at September 30, 2016. Assumes the exercise of 1,500,000 outstanding options for total cash proceeds of 698,000.
- (3) Khan holds 1,055,291 common shares of Plateau Uranium Inc., a Canadian exploration company listed on the TSX Venture Exchange. Estimated sale proceeds of \$0.3 million.
- (4) Includes financial, legal and accounting fees in relation to the Winding Up and the winding up of Khan's subsidiaries, and filing and printing costs (including the costs of preparing and mailing this Circular), and ongoing reporting issuer costs, legal and audit fees, salaries and compensation, and head office lease payments.
- (5) Fully-diluted, assuming exercise of 1,500,000 outstanding options.

**Overview of Steps to Complete the Winding Up**

Assuming the Winding Up is approved by the shareholders at the Meeting and the Board of Directors does not exercise its discretion to discontinue the Winding Up, the following is a chronological list of the principal steps required to complete the Winding Up and the expected timing of each step. There can be no assurance that the steps listed below and discussed in greater detail elsewhere in this Circular will occur within the timeframes noted below.

<b><u>Step</u></b>	<b><u>Expected Timing</u></b>
Commencement of Winding Up	November 10, 2016, after the passing of the Special Resolution at the Meeting.



<u>Step</u>	<u>Expected Timing</u>
Payment of Initial Distribution	November – December, 2016.
Appointment of Liquidator	March 2017.
Common Shares delisted from the CSE	March – April, 2017, following the appointment of the Liquidator.
Obtain Tax Clearance Certificates	2017 – 2018.
Final Distribution and Winding Up	2018, following receipt of final tax clearance certificates.

### Certain Canadian Federal Income Tax Considerations

The following is a summary of the principal Canadian federal income tax consequences generally applicable under the *Income Tax Act* (Canada) ("**Tax Act**") to shareholders of the Corporation on the Winding Up and the distribution of any cash in accordance with the Liquidation Plan.

This summary is based on the current provisions of the Tax Act and the regulations thereunder, and an understanding of the current administrative practices of the Canada Revenue Agency ("**CRA**") published in writing and all specific proposals to amend the Tax Act publically announced by on behalf of the Minister of Finance (Canada) prior to the date hereof ("**Tax Proposals**"). There can be no assurance that the Tax Proposals will be implemented in their current form or at all. This summary does not otherwise take into account or anticipate any changes in income tax law or administrative practice, whether by judicial, governmental or legislative decision or action, nor does it take into account provincial, territorial or foreign tax considerations, which may differ significantly from those discussed herein. This summary is not exhaustive of all Canadian federal income tax considerations. This summary is not applicable to a person that is a "financial institution" as defined in the Tax Act for the purposes of the "mark-to-market" rules, a person that is a "specified financial institution" as defined in the Tax Act, a person who has made an election under the functional currency rules in section 261 of the Tax Act, a person an interest in which is a "tax shelter investment" as defined in the Tax Act, or a person who has entered into a "derivative forward agreement" (as defined in the Tax Act) in respect of Common Shares. In addition, this summary assumes that any distributions made pursuant to the Liquidation Plan are considered to occur on the winding-up or discontinuance of the Corporation's business for the purposes of the Tax Act.

**This summary is of a general nature only and is not intended to be, nor should it be considered to be, legal or tax advice to any particular shareholder and no representation is made with respect to the income tax consequences to any particular shareholder. Accordingly, shareholders should consult their own tax advisors concerning the application and effect of the income and other taxes of Canada and of any other relevant country, province, territory, state or local tax authority, having regard to their particular circumstances.**

### Residents of Canada

The following portion of the summary is applicable to shareholders who, at all relevant times and for the purposes of the Tax Act, are resident or deemed to be resident in Canada, hold their Common Shares as "capital property" and deal at arm's length with and are not "affiliated" with the Corporation ("**Resident Shareholders**").

Generally, Common Shares will be considered to be capital property to a Resident Shareholder provided that the Resident Shareholder does not hold the Common Shares in the course of carrying on a business or has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade. Certain Resident Shareholders whose Common Shares might not otherwise qualify as capital property may, in certain circumstances, make an irrevocable election in accordance with subsection 39(4) of the Tax Act to have the Common Shares, and every other "Canadian security" as defined in the Tax Act owned by such Resident Shareholder in the taxation year of the election and in all subsequent taxation years, deemed to be capital property.

## **Distributions to Resident Shareholders**

### *Initial Distribution and Subsequent Distributions*

A Resident Shareholder will not be considered to have received a dividend on the Initial Distribution or any subsequent distribution made as a reduction in stated capital and "paid-up capital" (as defined in the Tax Act) of the Common Shares, provided the aggregate of any cash received on such distribution does not exceed the "paid-up capital" in respect of the Resident Shareholder's Common Shares immediately prior to such distribution. The paid-up capital of each Common Share for purposes of the Tax Act is currently estimated to be \$0.876. As such, the Corporation anticipates that the Initial Distribution will be below the current estimated aggregate paid-up capital amount of \$79.0 million and anticipates that a Resident Shareholder will not be deemed to have received a dividend in connection with the Initial Distribution. The Corporation anticipates that if the subsequent distributions made as a reduction in stated capital of the Common Shares exceed \$0.026 per share that the excess will be treated as a taxable dividend for purposes of the Tax Act. The tax consequences to a Resident Shareholder of receiving a dividend are generally as described below under the heading "Taxation of Dividends".

Any portion of an Initial Distribution or subsequent distribution received as a reduction of the "paid-up capital" (as defined in the Tax Act) in respect of the Resident Shareholder's Common Shares will be subtracted from the Resident Shareholder's adjusted cost base of its Common Shares. To the extent that such reduction in paid-up capital exceeds the adjusted cost base to the Resident Shareholder of the Common Shares, the adjusted cost base of the Common Shares to the Resident Shareholder will be reduced to nil and the excess of such paid-up capital reduction over the resulting reduction in adjusted cost base will be deemed to be a capital gain of the Resident Shareholder for the year from the disposition of the Common Shares. The tax consequences to a Resident Shareholder of any such capital gain are generally as described below under the heading "Taxation of Capital Gains and Losses".

### *Final Distribution on Cancellation of Common Shares*

On the final distribution occurring on the cancellation of the Common Shares, a Resident Shareholder will be considered to have received a dividend to the extent that the aggregate of any cash received on such distribution exceeds the "paid-up capital" (as defined in the Tax Act) in respect of the Common Shares determined immediately before their cancellation. The tax consequences to a Resident Shareholder of receiving a dividend are generally as described below under the heading "Taxation of Dividends".

Any portion of such final distribution not received as a dividend will be treated as proceeds of disposition of the Common Shares. The Resident Shareholder will realize a capital gain (or capital loss) on the disposition of the Common Shares equal to the amount by which the Resident Shareholder's proceeds of disposition, net of any costs of disposition, exceed (or are less than) the adjusted cost base to the Resident Shareholder of the Common Shares. Generally, a Resident Shareholder will not realize a capital gain as a result of the final distribution (and the interim distributions) where the paid-up capital in respect of the Resident Shareholder's Common Shares prior to the interim distributions is less than the adjusted cost base to the Resident Shareholder of its Common Shares. The tax consequences to a Resident Shareholder of capital gains and capital losses are generally as described below under the heading "Taxation of Capital Gains and Losses".

## **Taxation of Dividends**

Any dividend that is, or is deemed to be, received by a Resident Shareholder who is an individual will be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends received by Canadian resident individuals from a taxable Canadian corporation, including the enhanced gross-up and dividend tax credit if the dividend recipient receives notice from the Corporation designating the dividend as an "eligible dividend".

Any dividend that is, or is deemed to be, received by a Resident Shareholder that is a corporation will be included in computing the Resident Shareholder's income as a dividend, and will ordinarily be deductible in computing its taxable income. A dividend received by a corporation resident in Canada may be deemed to be a gain from the disposition of capital property pursuant to subsection 55(2) of the Tax Act. A corporation that receives a dividend should consult its own tax advisor having regards to the application of subsection 55(2) to it. To the extent that such

a deduction is available, private corporations (as defined in the Tax Act or in section 55(2) of the Tax Act) and certain other corporations may be liable to pay refundable tax under Part IV of the Tax Act at a rate of 33.33% of the amount of the dividend. The rate of this refundable tax will be increased to 38.33% for taxation years that end after 2015. For a taxation year beginning before 2016 but ending in 2016, the rate increase will be prorated based on the number of days in the taxation year after 2015 over the total number of days in the year.

### **Taxation of Capital Gains and Losses**

Generally, a Resident Shareholder will be required to include in computing its income for a taxation year one-half of any capital gain (a "taxable capital gain") realized by it in that year. A Resident Shareholder will generally be entitled to deduct one-half of the amount of any capital loss (an "allowable capital loss") realized in a taxation year from taxable capital gains realized by the Resident Shareholder in that year, and any excess may be carried back to any of the three preceding taxation years or carried forward to any subsequent taxation year and deducted against net taxable capital gains realized in such years, to the extent and under the circumstances specified in the Tax Act.

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

A Resident Shareholder that is a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay an additional refundable tax of 10 $\frac{2}{3}$ % on its "aggregate investment income" for the year, which is defined to include an amount in respect of taxable capital gains for taxation years commencing after 2015. For taxation years ending in 2016 that began before 2016, the rate of refundable tax will be prorated between 6 $\frac{2}{3}$ % for the number of days in the taxation year in 2015 and 10 $\frac{2}{3}$ % for the number of the days in the taxation year in 2016.

### **Alternative Minimum Tax**

A capital gain realized, or a dividend received (or deemed to be received) by a Resident Shareholder that is an individual, including a trust (other than certain specified trusts), may give rise to a liability for alternative minimum tax. Such Resident Shareholders should consult their own tax advisors with respect to the alternative minimum tax rules set out in the Tax Act.

### **Non-Residents of Canada**

The following portion of the summary is applicable to shareholders who, at all relevant times and for purposes of the Tax Act, are not resident or deemed to be resident in Canada and do not use or hold, and are not deemed to use or hold, their Common Shares in connection with carrying on a business in Canada ("**Non-Resident Shareholders**"). Special rules not discussed in this summary may apply to a non-resident insurer carrying on an insurance business in Canada and elsewhere, and any such insurers should consult their own tax advisors.

### **Distributions to Non-Resident Shareholders**

#### *Initial Distribution and Interim Distributions*

A Non-Resident Shareholder will not be considered to have received a dividend on the Initial Distribution or any subsequent distribution made as a reduction in stated capital and "paid-up capital" (as defined in the Tax Act) of the Common Shares, provided the aggregate of any cash received on such distribution does not exceed the paid-up capital in respect of the Non-Resident Shareholder's Common Shares immediately prior to such distribution. The paid-up capital of each Common Share for purposes of the Tax Act is currently estimated to be \$0.876. As such, the Corporation anticipates that the Initial Distribution will be below the current aggregate paid-up capital amount of \$79.0 million and anticipates that a Non-Resident Shareholder will not be deemed to have received a dividend in connection with the Initial Distribution. The Corporation anticipates that if the subsequent distributions made as a

reduction in stated capital of the Common Shares exceed \$0.026 per share that the excess will be treated as a taxable dividend for purposes of the Tax Act. The tax consequences to a Non-Resident Shareholder of receiving a dividend are generally as described below under the heading "Taxation of Dividends".

Any portion of an interim distribution received as a reduction of the "paid-up capital" (as defined in the Tax Act) in respect of the Non-Resident Shareholder's Common Shares will be subtracted from the Non-Resident Shareholder's adjusted cost base of its Common Shares. To the extent that such reduction in paid-up capital exceeds the adjusted cost base to the Non-Resident Shareholder of the Common Shares, the adjusted cost base of the Common Shares to the Non-Resident Shareholder will be reduced to nil and the excess of such paid-up capital reduction over the resulting reduction in adjusted cost base will be deemed to be a capital gain of the Non-Resident Shareholder for the year from the disposition of the Common Shares. The tax consequences to a Non-Resident Shareholder of any such capital gain are generally as described below under the heading "Taxation of Capital Gains and Losses".

#### *Final Distribution on Cancellation of Common Shares*

On the final distribution occurring on the cancellation of the Common Shares, a Non-Resident Shareholder will be considered to have received a dividend to the extent that the aggregate of any cash received on such distribution exceeds the "paid-up capital" (as defined in the Tax Act) in respect of the Common Shares determined immediately before their cancellation. The tax consequences to a Non-Resident Shareholder of receiving a dividend are generally as described below under the heading "Taxation of Dividends".

Any portion of such final distribution not received as a dividend will be treated as proceeds of disposition of the Common Shares. The Non-Resident Shareholder will realize a capital gain (or capital loss) on the disposition of the Common Shares equal to the amount by which the Non-Resident Shareholder's proceeds of disposition, net of any costs of disposition, exceed (or are less than) the adjusted cost base to the Resident Shareholder of the Common Shares. Generally, a Non-Resident Shareholder will not realize a capital gain as a result of the final distribution (and the interim distributions) where the paid-up capital in respect of the Non-Resident Shareholder's Common Shares prior to the interim distributions is less than the adjusted cost base to the Non-Resident Shareholder of its Common Shares. The tax consequences to a Non-Resident Shareholder of capital gains and capital losses are generally as described below under the heading "Taxation of Capital Gains and Losses".

#### **Taxation of Dividends**

Any dividend that is, or is deemed to be, paid or credited by the Corporation to a Non-Resident Shareholder will be subject to Canadian withholding tax at a rate of 25% or such lower rate as may be provided under the terms of an applicable Canadian income tax treaty. Under the Canada-United States Income Tax Convention the rate of withholding tax on dividends paid or credited to a Non-Resident Shareholder that is entitled to the benefits of such treaty is generally reduced to 15% of the gross amount of the dividends. As stated above, the Corporation believes Non-Resident Shareholders will not be deemed to have received a dividend in connection with the Interim Distribution.

#### **Taxation of Capital Gains**

A Non-Resident Shareholder will not be subject to tax under the Tax Act in respect of a capital gain realized on the disposition of the Common Shares provided the Common Shares do not constitute "taxable Canadian property" for the purposes of the Tax Act. The Common Shares will not generally constitute taxable Canadian property to a Non-Resident Shareholder at the time of disposition provided that at no time during the previous 60-month period was more than 50% of the fair market value of such Common Shares derived directly or indirectly from real or immovable property situated in Canada or certain other properties. The Corporation does not believe that, at any time in the 60-month period ending on the date hereof, more than 50% of the fair market value of the Common Shares was derived from real or immovable property situated in Canada or such other property. The Common Shares may be deemed to constitute taxable Canadian property to a particular Non-Resident Shareholder in certain circumstances under the Tax Act.

In the event that the Common Shares constitute taxable Canadian property to a particular Non-Resident Shareholder, any resulting capital gain may be exempt from tax under the Tax Act in accordance with any applicable income tax treaty.

**This Circular does not address any tax considerations other than certain Canadian federal income tax considerations. Shareholders who are resident in jurisdictions other than Canada should consult their own tax advisors with respect to the tax implications in such jurisdictions of the Winding Up and any distributions that may be made in connection therewith. All shareholders should consult their own tax advisors regarding provincial, territorial or other tax considerations of the Winding Up and any distributions that may be made in connection therewith.**

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

Following the Effective Date, the Corporation will continue to be a reporting issuer and be subject to continuous disclosure and other regulatory requirements as required under applicable legislation. As a result, the Corporation will continue to incur the costs associated with being a reporting issuer.

As discussed above under "Trading of Shares", it is expected that the Common Shares will continue to trade on the CSE until such time as the Board, in its sole discretion, appoints a Liquidator. It is expected that, as promptly as practicable following the appointment of the Liquidator, the Common Shares will be delisted from the CSE. The Corporation will be required to comply with continuous disclosure obligations applicable to reporting issuers during that time. Once the Common Shares have ceased trading on the CSE, the Liquidator, in consultation with the Inspectors, will ascertain the advisability of making an application for relief from the Corporation's continuous disclosure reporting obligations, based on the circumstances at that time, including the anticipated timing of the completion of the Winding Up and the extent to which the Liquidator will provide periodic reports to shareholders.

### **Legal Matters**

Certain legal matters in connection with the Winding Up will be passed upon by the Corporation's legal counsel, Davies Ward Phillips & Vineberg LLP ("DWPV"), Toronto, Ontario, on behalf of the Corporation. As of the date of this Circular, partners and associates of DWPV own beneficially, directly or indirectly, less than 1% of the outstanding Common Shares.

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

**The Board of Directors recommends that shareholders vote in favour of the Special Resolution set out in Appendix A approving the Winding Up of the Corporation, the Liquidation Plan and the Initial Distribution.**

In order to be effective, the Special Resolution must be passed by the affirmative vote of a two-thirds (66⅔%) majority of the votes cast at the Meeting with respect to such resolution. Unless a shareholder directs that his or her Common Shares are to be voted against the Winding Up persons named in the enclosed form of proxy intend to vote for such resolution. Approval of the Winding Up will give the Board of Directors and the Liquidator the authority to complete the Liquidation Plan as described herein.

## **RISK FACTORS**

### **Uncertainty of Distribution Amounts**

Even after commencement of the Winding Up, legal actions or other proceedings may be commenced against the Corporation with leave of the Court, although management is not aware of any material litigation at this time. There are also uncertainties related to the ability for the Corporation to obtain tax clearance certificates, as well as possible tax liabilities and other contingent liabilities. It may take several years before tax clearance certificates are obtained, and the Liquidator may defer making distributions pending the receipt of these certificates. In addition, ongoing corporate costs of the Corporation will reduce the amount available for distribution to shareholders. Until the Corporation ceases to be a reporting issuer, it will continue to incur reporting issuer costs.

As a result, after the Initial Distribution of \$0.85 per share, the amount of remaining cash and/or assets to be distributed to shareholders as Winding Up distributions cannot currently be quantified with certainty and is subject to change. Accordingly, you will not know the exact amount of any Winding Up distributions you may receive as a result of the Liquidation Plan when you vote on the proposal to approve the Liquidation Plan. You may receive substantially less than your *pro rata* share of the net assets of the Corporation, as set out on its most recent balance sheet. While there is no guarantee as to the amount of any final shareholder distribution after the Initial Distribution, the Corporation currently expects to distribute at least a per share amount of approximately \$0.01 based on recent estimates of anticipated claims and obligations to be settled and expected expenses of the Winding Up. See "Distribution of Assets – Estimated Amount Available for Distribution to Shareholders" for more details.

### **Potential Liability of Shareholders**

Under the OBCA, despite the Winding Up and dissolution of the Corporation, each Shareholder to whom any of its property has been distributed is liable to any person claiming under section 242 of the OBCA to the extent of the amount received by that Shareholder upon the distribution, and an action to enforce such liability may be brought.

Section 242 of the OBCA provides that, despite the dissolution of a corporation under the OBCA, a civil, criminal or administrative action or proceeding may be brought against the Corporation, as if the Corporation had not been dissolved, and provides, among other things, that any property that would have been available to satisfy any judgment or order if the Corporation had not been dissolved, remains available for such purpose.

The potential for shareholder liability regarding a distribution continues until the statutory limitation period for the applicable claim has expired. Under the OBCA, the dissolution of the Corporation does not remove or impair any remedy available against the Corporation for any right or claim existing, or any liability incurred, prior to such dissolution or arising thereafter.

### **Discontinuance of Winding Up**

The Winding Up will become effective and commence upon passing of the Special Resolution at the Meeting, which is expected to occur on November 10, 2016. However, notwithstanding shareholder approval of the Special Resolution, at any time until appointment of the Liquidator, the Board of Directors will retain the discretion to discontinue the Winding Up if it determines that continuing with the Winding Up is no longer in the best interests of the Corporation and its Shareholders.

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

No director or executive officer of the Corporation, nor any person who has held such a position since the beginning of the last completed financial year end of the Corporation, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise in any matter to be acted upon at this Meeting other than as a result of their ownership of Common Shares which would entitle them to the same distribution being paid to all shareholders pursuant to the Winding Up.

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

No informed person of the Corporation, none of the persons who have been directors or executive officers of the Corporation since the commencement of the Corporation's last financial year, and no associate or affiliate of any of them has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any transaction since the commencement of the Corporation's most recently completed financial year or in a proposed transaction that has materially affected or would materially affect the Corporation, other than as a result of their ownership of Common Shares which would entitle them to the same distribution being paid to all shareholders pursuant to the Winding Up.

## AUDITORS

The auditors of Khan are Collins Barrow Toronto LLP (the "**Auditors**"). The Auditors were first appointed as auditors of Khan on July 28, 2014 replacing Ernst & Young LLP, who were first appointed as auditors of Khan on January 15, 2004. Details of the fees paid to the Auditors during financial years ended September 30, 2015 and 2014 can be found in the Corporation's Annual Information Form for the financial year ended September 30, 2015, a copy of which is available on SEDAR at [www.sedar.com](http://www.sedar.com).

## AVAILABILITY OF DISCLOSURE DOCUMENTS

Additional information relating to Khan is available on SEDAR at [www.sedar.com](http://www.sedar.com), the CSE's website at [www.thecse.com](http://www.thecse.com) under Khan's corporate profile and on Khan's website at [www.khanresources.com](http://www.khanresources.com). A copy of the Khan's financial statements and management's discussion and analysis is available without charge to shareholders upon written request to the Chairman, President and Chief Executive Officer of Khan at the address set out below. Financial information about Khan is provided in the Corporation's comparative financial statements and management's discussion and analysis of financial and operating results for the financial year ended September 30, 2015.

Khan's Chairman, President and Chief Executive Officer, Grant Edey, may be reached at:

Telephone: (416) 360-3405

Fax: (416) 947-0167

Email: [gedey@rogers.com](mailto:gedey@rogers.com)

The Exchange Tower  
130 King Street West, Suite 1800  
Toronto, Ontario, Canada  
M5X 1E3

## DIRECTORS' APPROVAL

The contents of this Circular and the sending, communication and delivery thereof to the shareholders of the Corporation have been approved by the Board of Directors. A copy of this Circular has been sent to each director, each shareholder entitled to notice of the Meeting and the auditors of the Corporation.

Toronto, Ontario, October 5<sup>th</sup>, 2016.

By Order of the Board of Directors

Grant A. Edey (signed)  
Chairman, President and Chief Executive Officer

## APPENDIX A

### RESOLUTIONS OF THE SHAREHOLDERS APPROVING THE WINDING UP

1. "The directors of the Corporation are hereby authorized to voluntarily wind up the Corporation pursuant to section 193 of the OBCA (the "**Winding Up**"), which Winding Up shall become effective and commence at the time of the passing of this resolution in accordance with the terms of the plan of liquidation and distribution substantially in the form attached hereto as Appendix B ("**Liquidation Plan**").
2. The Liquidation Plan is hereby approved and any officer or director of the Corporation is authorized to execute and deliver the Liquidation Plan;
3. The Corporation is hereby authorized to make one or more distributions to shareholders of the Corporation following the Effective Date by way of a reduction of capital, in an amount not to exceed the stated capital, provided that the solvency requirements of section 34 of the OBCA are satisfied at the time of the distribution, including without limitation an initial distribution to shareholders of the Corporation of \$0.85 in cash on the winding up and discontinuance of Khan's business by way of a return of stated capital;
4. Any director or officer of the Corporation be and is hereby authorized and directed, for and in the name of and on behalf of the Corporation, to execute and deliver such agreements, documents and instruments and to take such other actions as such person may determine to be necessary or advisable to implement this resolution and the matters authorized hereby, such determination to be conclusively evidenced by the execution and delivery of any such agreement, document or instrument or the taking of any such action; and
5. Notwithstanding shareholder approval of the foregoing resolutions, at any time prior to the appointment of the Liquidator (as defined in the Liquidation Plan) the Board of Directors may discontinue the Winding Up if it determines in its discretion that continuing with the Winding Up is no longer in the best interests of the Corporation and its shareholders."



## APPENDIX B

### PLAN OF LIQUIDATION AND DISTRIBUTION

WHEREAS the board of directors of Khan Resources Inc. (the "**Board**") has concluded that it is in the best interests of Khan Resources Inc. ("**Khan**" or the "**Corporation**") to be wound up voluntarily pursuant to the *Business Corporations Act* (Ontario) in accordance with the terms of this Liquidation Plan (as defined below);

AND WHEREAS the Board has passed a resolution authorizing the Corporation to seek shareholder approval for the winding up of the Corporation and hold a special meeting of shareholders to consider and vote to require the Corporation to be wound up voluntarily and, in connection therewith, approve this Liquidation Plan;

NOW THEREFORE THIS Liquidation Plan is adopted by the Board as of the last date set forth below, having the terms and conditions as set out herein.

### ARTICLE 1 INTERPRETATION

#### 1.1 Definitions

In this Liquidation Plan:

"**Assets**" means all of the property, assets and undertaking of Khan;

"**Board**" has the meaning given to it in the recitals of this Liquidation Plan;

"**Business Day**" means a day, other than a Saturday or Sunday, on which banks are generally open for business in Toronto, Ontario;

"**Calendar Day**" means any day, including a Saturday, Sunday or statutory holiday in Toronto, Ontario;

"**Canadian Dollars**" or "**CDN\$**" means dollars denominated in lawful currency of Canada;

"**Claim**" means

- (a) any right of any Person against Khan in connection with any indebtedness, liability or obligation of any kind of Khan and any interest accrued thereon or costs payable in respect thereof, whether liquidated, unliquidated, reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, present, future, known or unknown, by guarantee, surety or otherwise, and whether or not such right is executory or anticipatory in nature, including any claim made or asserted against Khan through or against any subsidiary, affiliate or associate, or any right or ability of any Person to advance a claim for contribution or indemnity or otherwise with respect to any matter, action, cause or chose in action, whether existing at present or commenced in the future with respect to any matter, action, cause or chose in action; and
- (b) any existing or future right of any Person against any one or more of the Directors which arose or arises as a result of such Director's position, supervision, management or involvement as a Director or otherwise in any other capacity in connection with Khan whether such right, or the circumstances giving rise to it, arose before or after the Effective Date and whether enforceable in any civil, administrative or criminal proceeding;

"**Clearance Certificates**" means, as applicable:

- (c) a certificate issued by the Minister pursuant to subsection 159(2) of the Income Tax Act, R.S.C. 1952, c. 148 (the "**ITA**"), or any equivalent thereto, certifying that all amounts for which Khan is, or can reasonably be expected to become, liable under the ITA and the Taxation Act, 2007, S.O. 2007, c. 11, Sched. A, up to and including the date of distribution have been paid, or that the Minister has otherwise accepted security for payment;
- (d) a certificate issued by the Minister pursuant to subsection 23(5) of the Canada Pension Plan, R.S.C. 1985, c. C-8 (the "**CPP**"), or any equivalent thereto, certifying that all amounts for which Khan is liable under the CPP up to and including the date of distribution, have been paid or that security for the payment thereof has been accepted by the Minister;
- (e) a certificate issued by the Minister pursuant to subsection 86(3) of the *Employment Insurance Act*, S.C. 1996, c. 23 (the "**EIA**"), or any equivalent thereto, certifying the payment, or acceptance by the Minister of security for payment, of all amounts for which Khan is liable under the EIA up to and including the date of distribution;
- (f) a certificate issued by the Minister pursuant to subsection 81(1) of the *Excise Tax Act*, R.S.C. 1985, c. E-15 (the "**ETA**"), or any equivalent thereto, certifying that no tax, penalty, interest or other sum under the ETA, chargeable against or payable by the Liquidator or chargeable against or payable in respect of the Assets, remains unpaid or that security for the payment thereof has, in accordance with section 80.1 of the ETA, been accepted by the Minister;
- (g) a certificate issued by the Minister pursuant to subsection 270(3) of the ETA, or any equivalent thereto, certifying that all amounts payable or remittable under Part IX of the ETA by Khan in respect of the reporting period during which the distribution is made or any previous reporting period, and all amounts that are, or can reasonably be expected to become, payable or remittable under Part IX of the ETA by the Liquidator in respect of the reporting period during which the distribution is made, has been paid or that security for the payment thereof has been accepted by the Minister;
- (h) a certificate issued by the Ontario Minister of Finance pursuant to subsection 19(2) of the *Employer Health Tax Act*, R.S.O. 1990, C. E. 11 (the "**EHTA**"), or any equivalent thereto, certifying that all taxes, interest and penalties that have been assessed under the EHTA and are chargeable against or payable out of the property of Khan have been paid or that security for the payment thereof in a form acceptable to the Ontario Minister of Finance has been given; and
- (i) a certificate issued by pursuant to subsection 107(2) of the *Corporations Tax Act*, R.S.O. 1990, C.40 ("**CTA**"), or any equivalent thereto, certifying that all taxes, interest, penalties and other amounts payable by Khan under the CTA have been paid or that security for the payment thereof in a form acceptable to the Ontario Minister of Finance has been given under section 103 of the CTA;

"**Common Shares**" means the common shares in the capital of Khan;

"**Court**" means the Ontario Superior Court of Justice (Commercial List);

"**CSE**" means the Canadian Securities Exchange;

"**Creditor**" means any Person with a Claim;

"**Directors**" means all individuals who were, on or at any time before the Effective Date, directors or officers of Khan, and the term "**Director**" shall mean any one of them;

**"Dissolution Date"** means the date on which the Corporation is dissolved pursuant to the OBCA or by order of the Court;

**"Effective Date"** means the date of the passing of the Resolution;

**"Employees"** means the employees of Khan;

**"Governmental Authority"** means any nation or government, any province, state or other political subdivision thereof, any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government or any Legal Requirement and any corporation or other entity owned or controlled, through capital stock or otherwise by any of the foregoing;

**"Inspectors"** has the meaning given to it in Section 6.1;

**"Khan"** or the **"Corporation"** has the meaning given to it in the recitals of this Liquidation Plan;

**"Legal Requirement"** means any statute, law, treaty, rule, regulation, order, decree, writ, injunction or determination of any arbitrator, court, Governmental Authority or securities exchange and, with respect to any Person, includes all such Legal Requirements applicable or binding upon such Person, its business or the ownership or use of any of its assets;

**"Liquidator"** means the Person appointed from time to time pursuant to Sections 4.1, 4.5, or 4.6 in its capacity as liquidator of Khan including, for greater certainty, any professional restructuring and advisory firm appointed by the Board in accordance with Section 4.1(b);

**"Liquidation Date"** means the date on which the Shareholders pass the Resolution;

**"Liquidation Plan"** means this plan of liquidation and distribution as it may be amended, modified, supplemented, restated or otherwise modified in accordance with its terms;

**"Minister"** means the Minister of National Revenue;

**"OBCA"** means the *Business Corporations Act* (Ontario);

**"OBCA Director"** means the Director appointed under Section 278 of the OBCA;

**"Person"** means any individual, partnership, limited partnership, joint venture, trust, corporation, unincorporated organization, government, agency, regulatory body or instrumentality thereof, legal personal representative or litigation guardian, or any other judicial entity howsoever designated or constituted domiciled;

**"Public Trustee"** means the Public Guardian and Trustee pursuant to the *Public Guardian and Trustee Act*, R.S.O. 1990, Chapter P.51;

**"Resolution"** means the special resolution of the Shareholders authorizing the voluntary winding up of Khan made in accordance with the OBCA and approving this Liquidation Plan;

**"Shareholders"** means all holders of Common Shares shown from time to time in the registers maintained by or on behalf of Khan by the Transfer Agent in respect of the Common Shares and, unless otherwise specified, includes all beneficial owners of Common Shares;

**"Tax Return"** means any report, return or other information required to be supplied to a taxing authority in connection with (a) all taxes, charges, fees, levies and other assessments (whether federal, provincial, local or foreign), including income, gross receipts, excise, property, sales, use, transfer, license, payroll,

franchise, withholding, social security and unemployment taxes, and (b) any interest, penalties and additions related to the foregoing;

"**Transfer Agent**" means TMX Equity Transfer Services Inc., as transfer agent for the Common Shares of the Corporation; and

"**US Dollars**" or "**US\$**" means dollars denominated in lawful currency of the United States.

## **1.2 Certain Rules of Interpretation**

In this Liquidation Plan and the Schedules hereto:

- (a) all references to currency are to Canadian Dollars, except as otherwise expressly indicated;
- (b) the division of this Liquidation Plan into articles, sections, subsections and clauses and the insertion of headings and a table of contents are for convenience of reference only and shall not affect the construction or interpretation of this Liquidation Plan. The terms "this Liquidation Plan", "hereof", "hereunder", "herein" and similar expressions refer to this Liquidation Plan and not to any particular article, section, subsection or clause and include any plan supplemental hereto. Unless otherwise indicated, any reference in this Liquidation Plan to an article, section, subsection, clause or schedule refers to the specified article, section, subsection, clause or schedule of or to this Liquidation Plan;
- (c) the use of words in the singular or plural, or with a particular gender, shall not limit the scope or exclude the application of any provision of this Liquidation Plan or a schedule hereto to such Person (or Persons) or circumstances as the context otherwise permits;
- (d) the words "includes" and "including" and similar terms of inclusion shall not, unless expressly modified by the words "only" or "solely", be construed as terms of limitation, but rather shall mean "includes without limitation" and "including without limitation", so that references to included matters shall be regarded as illustrative without being either characterizing or exhaustive;
- (e) unless otherwise specified, all references to time herein and in any document issued pursuant hereto mean local time in Toronto, Ontario and any reference to an event occurring on a Business Day shall mean prior to 5:00 p.m., on such Business Day. Unless otherwise specified, the time period within or following which any payment is to be made or act is to be done shall be calculated by excluding the day on which the period commences and including the day on which the period ends and by extending the period to the next succeeding Business Day if the last day of the period is not a Business Day. Whenever any payment to be made or action to be taken under this Liquidation Plan is required to be made or to be taken on a day other than a Business Day, such payment shall be made or action taken on the next succeeding Business Day;
- (f) unless otherwise specified, where any reference to an event occurring within any number of "days" appears in this Liquidation Plan, such reference means Calendar Days and not Business Days; and
- (g) unless otherwise provided, any reference to a statute, or other enactment of parliament or a legislature includes all regulations made thereunder, all enactments to or re-enactments of such statute or regulations in force from time to time, and, if applicable, any statute or regulation that supersedes or supersedes such statute or regulation.

**ARTICLE 2**  
**PURPOSE OF THE PLAN**

**2.1**            **Purpose**

The purpose of this Liquidation Plan is to provide for a plan of liquidation and distribution of the Assets, payment or settlement of all Claims and dissolution of the Corporation.

**2.2**            **Commencement of Winding Up**

The voluntary winding up of the Corporation shall commence on and as of the Effective Date.

**2.3**            **Affected Persons**

This Liquidation Plan will be implemented under the OBCA and, as of the Effective Date, will be binding on the Corporation, the Directors, the Inspectors, the Liquidator and the Shareholders in accordance with its terms. On the Liquidation Date, each Shareholder shall be deemed to have consented and agreed to all of the provisions of this Liquidation Plan in their entirety.

**ARTICLE 3**  
**EFFECT OF PLAN**

**3.1**            **Share Transfers**

On and after the Effective Date, to the extent permitted by the CSE and the Liquidator, the Common Shares will continue to trade on the CSE until such time as the Liquidator determines otherwise in accordance with Section 4.2(d).

**3.2**            **Corporation to Cease Business**

On and as of the Effective Date, the Corporation shall cease to carry on its undertaking, except in so far as may be required as beneficial for the winding up thereof in the discretion of the Liquidator, but its corporate existence and all its corporate powers, even if it is otherwise provided by its articles or by-laws, shall continue until its affairs are wound up.

**ARTICLE 4**  
**THE LIQUIDATOR**

**4.1**            **Appointment of Liquidator**

(a)            On and as of the Effective Date, the Board is hereby appointed as the liquidator of the estate and effects of the Corporation for the purpose of winding up its business and affairs and distributing its Assets, after satisfying all Claims, all in accordance with the terms of this Liquidation Plan, and who shall serve until removal and replacement in accordance with this Liquidation Plan (such initial liquidator and any successor liquidator, the "**Liquidator**"). The Liquidator shall be the agent and attorney-in-fact of the Corporation and shall act for and on behalf of the Corporation with the authority to enter into agreements and execute documents for and on behalf of the Corporation in such capacity pursuant to the powers and obligations of the Liquidator as contained in this Liquidation Plan or as otherwise provided under the OBCA.

(b)            At a time to be determined by the Board, in its sole discretion, an accounting firm or professional restructuring and advisory firm will be appointed by resolution the majority of the Board as successor Liquidator to the Board.

#### 4.2 **Mandatory Obligations of the Liquidator**

The Liquidator is expressly directed, empowered and authorized to, and shall:

- (a) deposit all money that the Liquidator has belonging to the Corporation and amounting to \$100 or more in any bank of Canada listed in Schedule I or II to the *Bank Act* (Canada) or in any trust corporation or loan corporation that is registered under the *Loan and Trust Corporations Act* or in any other depository approved by the Court, and as approved by the Inspectors (if applicable), which deposit shall not be made in the name of the Liquidator individually, but shall be a separate deposit account in the Liquidator's name as Liquidator of the Corporation and in the name of the Inspectors (if applicable), and such money shall be withdrawn only by order for payment signed in accordance with such signing authorities as may be determined by the Liquidator in consultation with the Inspectors (if applicable);
- (b) at every meeting of the Shareholders, produce a pass-book, or statement of account showing the amount of the deposits, the dates at which they were made, the amounts withdrawn and the dates of withdrawal, and mention of such production shall be made in the minutes of the meeting, and the absence of such mention shall be admissible in evidence as proof, in the absence of evidence to the contrary, that the pass-book or statement of account was not produced at the meeting;
- (c) forthwith after the Effective Date, maintain the listing of the Common Shares on the CSE (and the Liquidator hereby consents to the continued trading of the Common Shares on the CSE subject to compliance with the listing requirements of the CSE);
- (d) implement the de-listing of the Common Shares from trading on the CSE and provide at least two weeks advance notice to the Shareholders by press release, filed at [www.sedar.com](http://www.sedar.com) and generally disseminated within Canada, of the date on which the Common Shares shall cease trading and whereupon, pursuant to Section 198 of the OBCA, all transfers of Common Shares thereafter shall be void unless made with the explicit sanction of the Liquidator;
- (e) with the approval of the Inspectors (if applicable), pay or otherwise satisfy all Claims from the Assets;
- (f) after satisfying all Claims, distribute the remaining Assets rateably among the registered Shareholders according to their rights and interests in the Corporation;
- (g) cause to be filed with the appropriate Governmental Authority all Tax Returns required to be filed by Khan, its subsidiaries and, if necessary, any trusts or special purpose entities for which Khan continues to have responsibility under applicable Legal Requirements;
- (h) remit all taxes required to be remitted by Khan in accordance with all applicable statutes, all outstanding CPP contributions and EIA premiums, including any associated interest and penalties and obtain the Clearance Certificates;
- (i) cause to be filed with the appropriate Governmental Authority all financial statements and reports required to be filed by Khan;
- (j) maintain the continuous disclosure requirements applicable to the Corporation under all applicable securities laws;
- (k) after their appointment in accordance with Section 6.1, meet with the Inspectors regularly and call such meetings by providing at least two days written notice to the Inspectors which notice period may be waived by such Inspectors in their discretion;

- (l) subject to the approval of the Inspectors (if applicable), maintain appropriate director and officer insurance in place for the Liquidator and the Inspectors (if applicable); and
- (m) make up an account showing the manner in which the winding up has been conducted and the Assets disposed of, and thereupon shall call a meeting of the Shareholders for the purpose of having the account laid before them and hearing any explanation that may be given by the Liquidator, and the meeting shall be called in the manner prescribed by the articles or by-laws of the Corporation or, in default thereof, in the manner prescribed by the OBCA for the calling of meetings of shareholders, and within ten days after the meeting is held file a notice in the prescribed form under the OBCA with the OBCA Director stating that the meeting was held and the date thereof and shall forthwith publish the notice in The Ontario Gazette.

#### **4.3 Discretionary Powers of the Liquidator**

The Liquidator is expressly empowered and authorized, but not obligated, to do any of the following:

- (a) with the prior approval of the Inspectors (if applicable), bring or defend any action, suit or prosecution, or other legal proceedings, civil or criminal, in the name and on behalf of the Corporation, provided that the Inspectors (if applicable), in their sole discretion, may determine to oversee and manage the administration of any such proceedings and, if the Inspectors so determine, the Inspectors (and not the Liquidator) shall have full carriage of the administration and management of such proceedings (which may include any proceedings with respect to any Claim) including the ability to settle or otherwise compromise any or all of the matters subject to such proceedings;
- (b) carry on the business of the Corporation so far as may be required as beneficial for the winding up of the Corporation, including the sale of the Corporation;
- (c) sell any of the Assets by public auction or private sale or, where applicable, through a stock exchange, and receive payment of the purchase price either in cash or otherwise;
- (d) do all acts and execute, in the name and on behalf of the Corporation, all documents, and for that purpose use the seal of the Corporation, if any;
- (e) draw, accept, make and endorse any bill of exchange or promissory note in the name and on behalf of the Corporation;
- (f) raise upon the security of the Assets any requisite money;
- (g) call meetings of the Shareholders for any purpose the Liquidator thinks fit;
- (h) with the approval of the Shareholders or the Inspectors (if applicable), make such compromise or other arrangement as the Liquidator thinks expedient with any Creditor or person claiming to be a Creditor or having or alleging that he, she or it has a Claim whereby the Corporation may be rendered liable;
- (i) with the approval of the Shareholders or the Inspectors (if applicable), compromise all debts and liabilities capable of resulting in debts, and all claims, whether present or future, certain or contingent, liquidated or unliquidated, subsisting or supposed to subsist between the Corporation and any contributory, alleged contributory or other debtor or person who may be liable to the Corporation and all questions in any way relating to or affecting the Assets, or the winding up of the Corporation, upon the receipt of such sums payable at such times and generally upon such terms as are agreed, and the Liquidator may take any security for the discharge of such debts or liabilities and give a complete discharge in respect thereof;

- (j) at any time, make an application to the Court under Section 207 of the OBCA to have the liquidation of the Corporation supervised by the Court if the Liquidator considers such an application advisable under the circumstances then existing;
- (k) at any time after the affairs of the Corporation have been fully wound up, make an application to the Court for an order dissolving the Corporation;
- (l) make or cause to be made, from time to time, any interim distributions or distributions in kind of portions of the Assets to the registered Shareholders rateably among the registered Shareholders according to their rights and interests in the Corporation, as considered appropriate and approved by the Inspectors, and while maintaining such reserves as are reasonably necessary to provide for all Claims;
- (m) at any time after the Effective Date, request the Transfer Agent to refrain from making any changes to the registers maintained by the Transfer Agent in respect of the Common Shares, except to the extent necessary as a result of the continued trading of the Common Shares on the CSE;
- (n) wind up or dissolve all wholly-owned subsidiaries of the Corporation; and
- (o) do and execute all such other things as are necessary for winding up the business and affairs of the Corporation and distributing the Assets.

#### **4.4 Reporting Obligations**

The Liquidator shall report to the Shareholders at such times and intervals as the Liquidator may deem appropriate with respect to matters relating to the Assets, Khan and such other matters as may be relevant to this Liquidation Plan.

#### **4.5 Removal of the Liquidator**

The Liquidator may be removed by:

- (a) order of the Court;
- (b) resolution of the majority of the Inspectors (if applicable); or
- (c) ordinary resolution of the Shareholders at a meeting called for the purpose of removing the Liquidator, but only if such order of the Court or resolution of Shareholders or Inspectors (if applicable) appoints another liquidator in the Liquidator's stead which successor liquidator shall become the Liquidator under this Liquidation Plan.

#### **4.6 Resignation of the Liquidator and Filling Vacancy**

If the Liquidator resigns, then a successor liquidator shall be appointed by resolution of the majority of Inspectors, by ordinary resolution of the Shareholders at a meeting called for the purpose of appointing a successor liquidator, or by order of the Court, and such successor liquidator shall become the Liquidator under this Liquidation Plan.

#### **4.7 Fees of the Liquidator**

The Liquidator shall be paid its reasonable fees and disbursements, at such rates as are agreed in writing with the Inspectors (if applicable), from the Assets as and when the Liquidator renders an account to the Corporation and such account is approved by the Inspectors (if applicable). With the agreement of the Liquidator (if applicable), amendments to the terms of the Liquidator's engagement may be made if the Inspectors approve of such



amendments. Pursuant to Section 222 of the OBCA, the costs, charges and expenses of the winding up, including the remuneration of the Liquidator, are payable out of the Assets in priority to all other Claims.

**4.8 Indemnity**

The Corporation hereby releases, holds harmless, and indemnifies the Liquidator from and against all liabilities, claims and costs of any nature arising from the Liquidator's execution of this Liquidation Plan, save and except any such liabilities, claims or costs arising as a result of the Liquidator's fraud, gross negligence or wilful misconduct.

**ARTICLE 5  
TERMINATION OF EMPLOYEES**

**5.1 Termination of Employment**

All Employees shall be terminated on the Effective Date, other than those Employees who are requested by the Liquidator to remain in service and assist in the implementation of this Liquidation Plan and agree to do so which Employees shall remain Employees of the Corporation.

**5.2 Employment Agreements**

In connection with the termination of all Employees, Khan shall honour and fully comply with all existing agreements with such Employees.

**ARTICLE 6  
INSPECTORS**

**6.1 Appointment of Inspectors**

Concurrent with the appointment by the Board of any professional restructuring and advisory firm as successor Liquidator in accordance with Section 4.1(b), each of Grant Edey, Bruce Gooding and Jeremy Budd are hereby appointed as inspectors of the Corporation's liquidation pursuant to Section 194 of the OBCA (the "**Inspectors**").

**6.2 Approval of Inspectors**

For any action or inaction which requires the approval of the Inspectors under this Liquidation Plan or the OBCA, such approval shall exist if a majority of the Inspectors approve of the action or inaction by vote at a meeting of Inspectors or otherwise by written resolution signed by a majority of the Inspectors.

**6.3 Meetings of Inspectors**

The Liquidator or any one of the Inspectors may call a meeting of Inspectors by providing all of the Inspectors with two days written notice of such meeting, which notice may be waived by the Inspectors in their discretion. Such meetings may be held by teleconference. Quorum for any meeting of Inspectors shall be a majority of the Inspectors. Each of the Inspectors shall have one vote at any such meetings. The Liquidator shall have no vote at such meetings but may chair such meetings with the approval of a majority of the Inspectors. Where the Liquidator is not in attendance at such meetings, the Inspectors may decide among themselves which one shall act as chair of the meeting.

**6.4 Removal of Inspectors**

An Inspector may be removed by:

- (a) order of the Court; or

- (b) ordinary resolution of the Shareholders at a meeting called for the purpose of removing an Inspector.

**6.5 Filing Vacancies of Inspectors**

There shall always be at least one Inspector and not more than three Inspectors at any time. Any vacancy in the number of permissible Inspectors may be filled by election by the majority of remaining Inspectors.

**6.6 Remuneration of Inspectors**

The compensation paid to Inspectors shall be the hourly rates or per diem fees as determined in consultation with the Liquidator. Inspectors shall also be reimbursed for their reasonable expenses and shall participate in the insurance arrangement, if any, described in Section 4.2(1).

**6.7 Indemnity**

The Corporation hereby releases, holds harmless, and indemnifies the Inspectors from and against all liabilities, claims and costs of any nature arising from the Inspector's actions as an Inspector under the Liquidation Plan and pursuant to the OBCA, save and except any such liabilities, claims or costs arising as a result of the Inspector's fraud, gross negligence or wilful misconduct.

**ARTICLE 7  
DISTRIBUTIONS**

**7.1 Delivery of Distribution to Shareholders**

Unless otherwise directed, distributions to registered Shareholders shall be made by the Liquidator at the addresses set forth in the registers maintained by the Transfer Agent in respect of the Common Shares as at the date of any such distribution, or if applicable, and to the extent differing from the foregoing, at the address of such registered Shareholder's respective legal representatives, in trust for such registered Shareholder. Beneficial holders of Common Shares shall be entitled to receive distributions only through the applicable registered Shareholder on the registers maintained by the Transfer Agent in respect of the Common Shares.

**7.2 Undeliverable Distributions to Shareholders**

Where the Liquidator is unable to distribute rateably the Assets among the registered Shareholders because a registered Shareholder is unknown or a registered Shareholder's whereabouts is unknown, the share of the Assets of such registered Shareholder may, by agreement with the Public Trustee, be delivered or conveyed by the Liquidator to the Public Trustee to be held in trust for the registered Shareholder, and such delivery or conveyance shall be deemed to be a distribution to that registered Shareholder of his, her or its rateable share for the purpose of this Liquidation Plan.

**7.3 Interim Distributions**

Any distributions to registered Shareholders (other than any final distribution on the cancellation of the Common Shares) shall be either as a reduction of stated capital, subject to satisfying the applicable solvency tests in the OBCA, or as a dividend. The determination as to whether or not to make any such interim distribution and whether or not any such interim distribution is made as a reduction of stated capital or as a dividend shall be made by the Liquidator or the Inspectors (if applicable).

**ARTICLE 8**  
**COMPLETION OF THE LIQUIDATION PLAN**

**8.1**            **Discharge of Liquidator and Inspectors**

At the Dissolution Date, the Liquidator and Inspectors shall be discharged and shall have no further obligations or responsibilities, except only with respect to any remaining duties or power required to implement and give effect to the terms of this Liquidation Plan.

**ARTICLE 9**  
**GENERAL PROVISIONS**

**9.1**            **Liquidation Plan Amendment**

(a)        The Liquidator and Inspectors (if applicable) may, at any time prior to the Dissolution Date, agree to amend, modify and/or supplement this Liquidation Plan without the approval of the Shareholders, (i) in order to correct any clerical or typographical error, (ii) as required to maintain the validity or effectiveness of this Liquidation Plan as a result of any change in any Legal Requirement, or (iii) in order to make any change that in the opinion of the Liquidator and the Inspectors (if applicable) is administrative in nature and does not materially change the terms of this Liquidation Plan.

(b)        Subject to the ability of the Liquidator and Inspectors (if applicable) to agree to amend, modify and/or supplement or amend this Liquidation Plan without the approval of the Shareholders as provided in Section 9.1(a), the Liquidator and Inspectors (if applicable) reserve the right, at any time prior to the Dissolution Date, to amend, modify and/or supplement this Liquidation Plan, provided that any such amendment, modification or supplement shall not be effective until approved by a special resolution of the Shareholders at a meeting of Shareholders called for the purposes of approving such amendment, modification or supplement.

**9.2**            **Severability**

In the event that any provision in this Liquidation Plan is held by the Court to be invalid, void or unenforceable, the Court shall have the power to alter and interpret such term or provision to make it valid and enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision shall then be applicable as altered and interpreted. Notwithstanding any such holding, alteration or interpretation, the remainder of the terms and provisions of this Liquidation Plan shall remain in full force and effect and shall in no way be affected, impaired or invalidated by such holding, alteration or interpretation.

**9.3**            **Paramountcy**

From and after the Liquidation Date, any conflict between: (A) this Liquidation Plan; and (B) any information summary in respect of this Liquidation Plan, or the covenants, warranties, representations, terms, conditions, provisions or obligations, express or implied, of any contract, document or agreement, written or oral, and any and all amendments and supplements thereto existing between Khan and any of the Shareholders, Directors, Liquidator, and Inspectors as at the Liquidation Date, will be deemed to be governed by the terms, conditions and provisions of this Liquidation Plan, which shall take precedence and priority.

**9.4            Responsibilities of the Liquidator**

The Liquidator will have only those powers granted to it by this Liquidation Plan, by the OBCA and by any order of the Court.

**9.5            Notices**

Any notice or communication to be delivered hereunder shall be in writing and shall reference this Liquidation Plan and may, subject as hereinafter provided, be made or given by personal delivery, by fax, courier or e-mail addressed to the respective parties as follows:

(i)    if to a Shareholder:

at the addresses set forth in the securities register kept at the Transfer Agent;

(ii)   if to a Creditor:

at the addresses set forth in the books and records of the Corporation or the proofs of claim filed by such Creditor

(iii)  if to the Liquidator or the Inspectors:

The Exchange Tower  
130 King St. West  
Suite 1800  
Toronto, Ontario M5X 1E3

Attention:        Grant Edey  
Fax:                416.360.3405  
E-mail:            gedey@rogers.com

or to such other address as any party may from time to time notify the others in accordance with this Section 9.5. All such notices and communications which are delivered shall be deemed to have been received on the date of delivery. Any such notices and communications which are faxed shall be deemed to be received on the date faxed if sent before 5:00 p.m. Eastern Standard Time on a Business Day and otherwise shall be deemed to be received on the Business Day next following the day upon which such fax was sent. Any notice or other communication sent by mail shall be deemed to have been received on the fifth Business Day after the date of mailing. The unintentional failure by the Liquidator to give a notice contemplated hereunder shall not invalidate any action taken by any Person pursuant to this Liquidation Plan.

*[Remainder of page intentionally blank]*

**9.6**                    **Governing Law**

This Liquidation Plan shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein without regard to conflict of laws. All questions as to the interpretation or application of this Liquidation Plan and all proceedings taken in connection with this Liquidation Plan and its provisions shall be subject to the exclusive jurisdiction of the Court.

The foregoing Liquidation Plan being adopted by the Board as of this day of October 5<sup>th</sup>, 2016.

**BY ORDER OF THE BOARD**

By: /s/ Grant Edey

Name: Grant Edey

Title: Chairman, President and Chief Executive Officer