



No. S1410062
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA
IN THE MATTER OF SECTION 291 OF THE
BUSINESS CORPORATIONS ACT,
S.B.C. 2002, C.57, AS AMENDED

AND

IN THE MATTER OF A PROPOSED ARRANGEMENT AMONG
THELON DIAMONDS LTD., THELON DIAMOND COMPANY LIMITED, AND THELON
CAPITAL LTD.

THELON DIAMOND COMPANY LIMITED

Petitioner

ORDER MADE AFTER APPLICATION

BEFORE: THE)
HONOURABLE MADAME JUSTICE)
WARREN)

WEDNESDAY THE 31st
DAY OF DECEMBER, 2014

UPON THE PETITION of Thelon Diamond Company Limited without notice coming on for hearing at Vancouver, British Columbia on the 31st day of December, 2014; AND UPON HEARING Penny Green, counsel for the Petitioner and Thelon Diamonds Ltd. and agent for Thelon Capital Ltd.; AND UPON READING the Petition filed December 29, 2014; AND UPON READING the Affidavit #1 of G. Watson, sworn December 23, 2014; AND UPON READING the Affidavit #1 of J. Walsh, sworn December 29, 2014; AND UPON READING the Affidavit #1 of M. Vettoretti, sworn December 29, 2014; AND UPON CONSIDERING the terms and conditions of the Plan of Arrangement (the "Plan of Arrangement"), which is attached hereto as Schedule "A";

THIS COURT ORDERS THAT:

1. The information statement mailed to shareholders of Thelon Diamond Company Limited, as set out in the affidavit of Melissa Vettoretti sworn on December 29, 2014, constituted sufficient service of the Petition under the rules of the court so that no other form of notice need be made and served on the shareholders of Thelon Diamond Company Limited in respect of these proceedings.
2. The Plan of Arrangement, as set out in the attached Schedule "A", is authorized and approved pursuant to the provisions of Section 291 of the *Business Corporations Act* (British Columbia) S.B.C. 2002, c.57, as amended.
3. Pursuant to the terms of the Plan of Arrangement, Thelon Capital Ltd. will reduce its paid-up capital by an amount equal to the value of the 2,260,000 Common shares distributed by Thelon Diamonds Ltd. to the shareholders of Thelon Capital Ltd.
4. Pursuant to the provisions of Section 291(4)(c) of the Business Corporations Act, S.B.C. 2002, c. 57, as amended, that the Arrangement as provided for in a Plan of Arrangement, including the terms and conditions thereof and the issuance and exchange of securities contemplated therein, is fair and reasonable.

APPROVED AS TO FORM



Penny Green, Counsel for the Petitioner

BY THE COURT


Registrar

Schedule A

PLAN OF ARRANGEMENT UNDER THE PROVISIONS OF DIVISION 5 OF PART 9 OF THE BUSINESS CORPORATIONS ACT (BRITISH COLUMBIA)

ARTICLE 1. INTERPRETATION

1.1. Definitions

In this Plan of Arrangement, unless the context otherwise requires, the following words and phrases shall have the meanings hereinafter set out:

- a) **"Arrangement"** means the arrangement under the provisions of section 288 of the BCBCA on the terms and conditions set forth in the Plan of Arrangement, which shall include the exchange of each one Buyco Common Share outstanding for one Subco-RI Common Share;
- b) **"Arrangement Agreement"** means this arrangement agreement, together with the schedules attached hereto, as may be amended, modified or supplemented from time to time in accordance herewith;
- c) **"Arrangement Resolution"** means the resolution of Buyco Shareholders in respect of the Arrangement;
- d) **"Balance"** means \$900 balance of the Purchase Price to be paid by Buyco to Pubco at Closing;
- e) **"BCBCA"** means the *Business Corporations Act* (British Columbia);
- f) **"Business Day"** means any day, other than a Saturday, a Sunday or a statutory holiday in Vancouver, British Columbia;
- g) **"Buyco"** means Thelon Diamond Company Limited, a private company incorporated under the BCBCA;
- h) **"Buyco Meeting"** means the special meeting of Buyco Shareholders that may be held to consider and, if deemed advisable, approve the Arrangement, to be held as soon as reasonably practicable on such date as may be deemed advisable by the board of directors of Buyco, and any adjournment(s) or postponement(s) thereof;
- i) **"Buyco Meeting Date"** means the date of the Buyco Meeting or the date of the written resolutions of Buyco Shareholders in lieu thereof;
- j) **"Buyco Shareholders"** means the holders of Buyco Shares at such time;
- k) **"Buyco Shares"** means, at any time, the Common Shares in the authorized

capital of Buyco as constituted at such time;

- l) **"Closing"** means closing of the Arrangement contemplated by the Arrangement Agreement and this Plan of Arrangement;
- m) **"Closing Date"** means the date on which the Arrangement becomes effective, which shall be a date within five Business Days of the date that all conditions precedent contained in Article 5 of the Arrangement Agreement have been fulfilled or waived or such other date as determined by Buyco on providing the other Parties with at least two days' advance notice;
- n) **"Court"** means the Supreme Court of British Columbia;
- o) **"CSE"** means the Canadian Securities Exchange;
- p) **"Deposit"** means a deposit of \$100 against the Purchase Price payable from Buyco to Pubco upon execution of the Arrangement Agreement;
- q) **"Effective Time"** means 4:00 pm. (Vancouver time) on the Closing Date;
- r) **"Final Order"** means the order of the Court approving the Arrangement granted pursuant to section 291 of the BCBCA, as such order may be amended at any time prior to the Closing Date or, if appealed, then unless such appeal is abandoned, withdrawn or denied, as affirmed;
- s) **"Governmental Entity"** means any
 - i) multinational, federal, provincial, state, regional, municipal, local or other government, governmental or public department, central bank, court, tribunal (judicial, quasi-judicial, administrative or quasi-administrative), arbitral body, commission, board, bureau or agency, domestic or foreign;
 - ii) any subdivision, agency, commission, board or authority of any of the foregoing; or
 - iii) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority in respect of or for the account of any of the foregoing;
- t) **"Head Agreement"** means the Option Agreement made the 12th day of July, 2002 between Mackenzie Jaims and Pubco;
- u) **"IFRS"** means the International Financial Reporting Standards;
- v) **"Information Statement"** means the management information statement summarizing the transactions under the Arrangement Agreement to be prepared and delivered to each of the Buyco Shareholders;

- w) **"Laws"** means all statutes, regulations, statutory rules, principles of law, orders, published policies and guidelines, and terms and conditions of any grant of approval, permission, authority or licence of any court, Governmental Entity, statutory body or self-regulatory authority, and the term "applicable" with respect to such Laws and in the context that refers to one or more Persons means that such Laws apply to such Person or Persons or its or their business, undertaking, property or securities and emanate from a Person having jurisdiction over the Person or Persons or its or their business, undertaking, property or securities;
- x) **"Letter Agreement"** means a letter agreement dated February 18, 2004, as amended March 30, 2004 and September 8, 2004, between Buyco and Dunsmuir Ventures Ltd., whose rights and obligations under the letter agreement were assumed by Peregrine Diamonds Ltd. pursuant to a business combination completed on January 16, 2006;
- y) **"Listing Date"** means the date on which the Subco-RI Shares are listed on the CSE;
- z) **"Material Adverse Effect"**, when used in connection with Pubco, Subco-RI or Buyco, means any matter or action that has an effect that is, or would reasonably be expected to be, material and adverse to the business, properties, assets, operations, condition (financial or otherwise) or prospects of such Party;
- aa) **"Party"** and **"Parties"** means a signatory or multiple signatories to the Arrangement Agreement, respectively;
- bb) **"Peregrine"** means Peregrine Diamonds Ltd.;
- cc) **"Person"** includes an individual, partnership, association, body corporate, trustee, executor, administrator, legal representative, government, regulatory authority or other entity;
- dd) **"Plan of Arrangement"** means the plan of arrangement annexed as Schedule A to the Arrangement Agreement, as may be amended, varied, modified or supplemented from time to time in accordance with the Arrangement Agreement, the Plan of Arrangement, or by order of the Court;
- ee) **"Property"** means the mineral rights listed in Schedule "A" to the Letter Agreement including any renewals, extensions or replacements thereof, together with any other mining rights held or applied for in connection therewith and all other rights and mineral interests appurtenant or incidental thereto;
- ff) **"Pubco"** means Thelon Capital Ltd., a reporting issuer in British Columbia and Alberta and incorporated under the BCBCA;
- gg) **"Pubco Joint Venture"** means Pubco's interest in and to the Head Agreement and Pubco's rights and obligations under a joint venture with Peregrine in respect of the Property;

- hh) **"Pubco Shareholders"** means, at any time, the holders of Pubco Shares at such time;
- ii) **"Pubco Shares"** means, at any time, the Common Shares in the authorized capital of Pubco as constituted at such time;
- jj) **"Purchase Price"** means the aggregate purchase price to be paid by Buyco to Pubco as consideration for the acquisition of Subco-RI of \$1,000 (one thousand dollars), comprised of the Deposit to be paid on execution of the Arrangement Agreement and the Balance to be paid at Closing;
- kk) **"Purchase Shares"** means the 10,000 shares in Subco-RI that were issued to Pubco immediately after incorporation of Subco-RI;
- ll) **"Record Date"** means October 21, 2014, being the date set by Pubco as the date that establishes the Pubco Shareholders who will be entitled to receive the Subco-RI Distribution Shares pursuant to this Plan of Arrangement;
- mm) **"Registrar"** means the Registrar of Companies for the Province of British Columbia duly appointed under the BCBCA;
- nn) **"Section 3(a)(10) Exemption"** has the meaning set out in Section 2.3 of the Arrangement Agreement;
- oo) **"Securities Authorities"** means the British Columbia Securities Commission and the other securities regulatory authorities in the provinces and territories of Canada and the Securities and Exchange Commission of the United States of America, collectively;
- pp) **"SEDAR"** means the System for Electronic Disclosure and Analysis and Retrieval;
- qq) **"Subco-RI"** means Thelon Diamonds Ltd., a company incorporated under the BCBCA as a wholly-owned subsidiary of Pubco;
- rr) **"Subco-RI Distribution Shares"** means 2,260,000 Subco-RI Shares;
- ss) **"Subco-RI Shareholders"** means, at any time, the holders of Subco-RI Shares at such time;
- tt) **"Subco-RI Shares"** means, at any time, the Common Shares in the authorized capital of Subco-RI as constituted at such time;
- uu) **"Termination Date"** means January 31, 2015 or such later date as may be agreed upon in writing by the Parties. After such date, either Party may terminate this Arrangement Agreement by giving written notice of such intention to the other Party;
- vv) **"Transfer Agent"** means the registrar and transfer agent for the Subco-RI

Shares.

In addition, words and phrases used herein and defined in the BCBCA shall have the same meaning herein as in the BCBCA unless the context otherwise requires.

1.2. **Interpretation Not Affected by Headings**

The division of this Plan of Arrangement into articles, sections, subsections, paragraphs and subparagraphs and the insertion of headings herein are for convenience of reference only and shall not affect in any way the meaning or interpretation of this Plan of Arrangement. Unless otherwise indicated, any reference in this Plan of Arrangement to a section or an exhibit refers to the specific section of or exhibit to this Plan of Arrangement.

1.3. **Number, Gender and Persons**

In this Plan of Arrangement, unless the context otherwise requires, words importing the singular shall include the plural and vice versa, words importing the use of either gender shall include both genders and neuter, and the word person and all words importing persons shall include a natural person, firm, trust, partnership, association, corporation, joint venture, or government (including any Governmental Entity, political subdivision or instrumentality thereof) and any other entity of any kind or nature whatsoever.

1.4. **Date for any Action**

If any date on which any action is required to be taken under this Plan of Arrangement is not a Business Day, such action shall be required to be taken on the next succeeding Business Day.

1.5. **Currency**

All references to money in this Plan of Arrangement are expressed in the lawful currency of Canada.

**ARTICLE 2.
THE ARRANGEMENT**

2.1. **Arrangement Agreement**

This Plan of Arrangement is made pursuant to, and is subject to the provisions of and forms a part of the Arrangement Agreement, as amended in accordance with its terms or by order of the Court.

2.2. **Closing Date**

The Plan of Arrangement shall become effective at, and be binding on the Parties and the Buyco Shareholders at and after the Effective Time.

2.3. Arrangement Procedure

Commencing at the Effective Time, the following shall occur and be deemed to occur in the following chronological order without any further act or formality:

- 1) Buyco shall acquire the Purchase Shares, being all issued and outstanding Subco-RI Shares, from Pubco for consideration of the Purchase Price, comprised of the Deposit to be paid on execution of the Arrangement Agreement and the Balance to be paid at Closing;
- 2) Buyco and Subco-RI shall exchange securities on a 1:1 basis, as follows:
 - ii) each Buyco Share will be exchanged by the holder thereof without any further act or formality and free and clear of all liens, claims and encumbrances, for one (1) fully paid and non-assessable Subco-RI Share, and the name of each holder will be removed from the central securities register of Buyco and added to the central securities register of Subco-RI;
 - iii) each Buyco Shareholder shall be deemed, without any further action on his or her part, to have executed and delivered any necessary transfer form, power of attorney or assignment required to transfer his or her Buyco Shares to Subco-RI; and
 - iv) the certificates representing the Buyco Shares held by the former Buyco Shareholders will be deemed to have been cancelled subsequent to their transfer to Subco-RI and will be replaced by a single share certificate registered in the name of Subco-RI and Subco-RI will be and will be deemed to be the lawful owner and transferee of all such Buyco Shares; thereafter, any director of Subco-RI will be authorized to execute any such further documents and assurances as may be required by any transfer agent or depositary to fully give effect to the transfer, share exchange and cancellations contemplated hereby;
- 3) Subco-RI shall issue the Subco-RI Distribution Shares to Pubco in exchange for Pubco assigning all of its right and interest in and to the Head Agreement, the Property, and the Pubco Joint Venture to Subco-RI;
- 4) Pubco will reduce its paid-up capital by an amount equal to the value of the Subco-RI Distribution Shares;
- 5) the Subco-RI Distribution Shares shall then be distributed to the Pubco Shareholders holding Pubco Shares as of the Record Date as payment towards the return and reduction of paid-up capital;
- 6) the Purchase Shares shall be cancelled; and
- 7) the central securities register of each of Pubco, Buyco and Subco-RI shall be

updated accordingly.

2.4. Certificates of Subco-RI Securities

Subco-RI shall, as soon as practicable following the Effective Time, arrange for the delivery to each Buyco Shareholder of one or more certificates representing that number of Subco-RI Shares to which such Buyco Shareholder is entitled as determined in accordance with Section 2.3 of this Plan of Arrangement. Buyco shall arrange for the cancellation on its books and records of all previously issued certificates for Buyco Shares. In the event of a transfer of ownership of Buyco Shares that is not registered in the transfer records of Buyco, one or more certificates representing the proper number of Subco-RI Shares may be issued to the transferee if the certificates representing such Buyco Shares are presented to the Transfer Agent, accompanied by all documents required to evidence and effect such transfer to the transferee. Until surrendered as contemplated by this Section 2.4, each certificate which immediately prior to the Effective Time represented one or more outstanding Buyco Shares shall be deemed at all times after the Effective Time to represent only the right to receive upon such surrender the certificates representing Subco-RI Shares, as contemplated by this Section 2.4.

2.5. Fractional Shares

No fractional shares shall be issued to the Buyco Shareholders in connection with the foregoing procedure (after aggregating all fractional entitlements for a particular Buyco Shareholder) and fractions shall be rounded down to the next nearest whole share.

2.6. Further Acts

Notwithstanding that the transactions or events set out in this Article 2 occur and shall be deemed to occur in the order herein set out without any further act or formality, each of Pubco, Subco-RI, and Buyco agree to make, do and execute or cause to be made, done and executed all such further acts, deeds, agreements, transfers, assurances, instruments or documents as may be required by it in order to further document or evidence any of the transactions or events set out in this Article 2 including, without limitation, any resolutions of directors authorizing the issuance, transfer or cancellation of shares, any powers of attorney evidencing the transfer of securities and any receipt therefor and any necessary additions to or deletions from the central securities register.

ARTICLE 3. AMENDMENT

3.1. Documentation

Pubco, Subco-RI, and Buyco reserve the right to collectively amend, modify and/or supplement this Plan of Arrangement at any time and from time to time, provided that any such amendment, modification or supplement must be contained in a written document which is filed with the Court and, if made following the dates on which the Arrangement is approved by the Buyco Shareholders:

- a) is approved by the Court; and
- b) if the Court so directs, is approved by the Buyco Shareholders;

and, in any event, is communicated to the Buyco Shareholders in the manner required by the Court, if so directed.

3.2. Timing

Any amendment, modification or supplement to this Plan of Arrangement, if agreed to by the Parties, may be made at any time and, and shall become part of this Plan of Arrangement for all purposes, unless it materially affects the rights or entitlements of the Buyco Shareholders, in which case it must also be accepted by the Buyco Shareholders.

3.3. Consent

Any amendment, modification or supplement to this Plan of Arrangement that is approved or directed by the Court shall be effective only if consented to by each of Pubco, Subco-RI, or Buyco, if the Court so directs.

ARTICLE 4. TERMINATION

4.1. Termination

This Arrangement Agreement may be terminated by mutual agreement of the Parties at any time prior to the Closing Date, in each case without further action on the part of the Buyco Shareholders. If, by the Termination Date, the Arrangement has not been effected, any Party may terminate the Arrangement Agreement by providing written notice of termination to the other Parties. The right of any Party to terminate this Arrangement Agreement shall be extinguished upon the occurrence of the Closing Date.

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