Building a better working world

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Court No.: B-180585
Estate No.: 11-2427899

IN THE MATTER OF THE PROPOSAL OF BASIN MINE LIMITED PARTNERSHIP ("BMLP")

TAKE NOTICE THAT the BMLP has filed, with the Trustee in Bankruptcy, a proposal (the "**Proposal**") under the *Bankruptcy and Insolvency Act* (Canada).

The Trustee acting in the Proposal of Basin Mine Limited Partnership is Ernst & Young Inc. (the "**Proposal Trustee**").

A general meeting of the creditors will be held on November 29, 2018 at 10:00 a.m. Pacific Time at the offices of Ernst & Young Inc., Proposal Trustee at 700 West Georgia Street, 23rd Floor, Vancouver, British Columbia.

Enclosed in this package please find the following:

- The Proposal Trustee's report on the Proposal;
- The Proposal;
- List of creditors, noting the amounts owing as per the records of the Company;
- Condensed statement of estimated assets and liabilities;
- Proof of claim form and instruction letter;
- Proxy; and
- Voting letter

The Trustee's report on the Proposal (the "**Report**") provides an overview of the terms of the Proposal. The Report is not a substitute for reading the Proposal and creditors are strongly encouraged to review the Proposal in its entirety prior to voting on the Proposal.

The proven creditors qualified to vote at the meeting may by special resolution, accept the Proposal as made or as altered or modified at the meeting. If so accepted and if approved by the Supreme Court of British Columbia, the Proposal is binding on all the creditors.

Proofs of claim, proxies and voting letters intended to be used at the meeting must be filed with the Proposal Trustee prior to the commencement of the meeting.

Please fax or email a copy of the completed proof of claim, proxy and voting letter to Ernst & Young Inc. at 604-899-3530, attention: Jason Eckford or jason.eckford@ca.ey.com.

Building a better working world

Should you have any questions in this matter, please feel free to contact:

Mr. Jason Eckford
jason.eckford@ca.ey.com + 604.648.3671

Sincerely,

ERNST & YOUNG INC.
Licensed Insolvency Trustee,
in its capacity as proposal trustee of
Basin Mine Limited Partnership
and not in its personal capacity

Per:

Mike Bell, CPA, CA, CIRP, LIT
Vice President

The Proposal Trustee’s report on the Proposal

Estate Nos.: 11-2427899
Court File No.: B-180585
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN BANKRUPTCY AND INSOLVENCY

IN THE MATTER OF
THE PROPOSAL OF
BASIN MINE LIMITED PARTNERSHIP

REPORT OF THE PROPOSAL TRUSTEE

INTRODUCTION

1. This report ("**Report**") has been prepared by Ernst & Young Inc. ("**EYI**"), in its capacity as proposal trustee (the "**Proposal Trustee**") in the insolvency proceedings commenced by Basin Mine Limited Partnership ("**BMLP**") under Part III, Division I of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3 as amended (the "**BIA**").

2. On October 3, 2018 (the "**NOI Filing Date**"), BMLP filed a Notice of Intention to make a Proposal ("**NOI**") pursuant to section 50.4(1) of the BIA.

3. On October 5, 2018, BMLP sought and obtained an order of the Supreme Court of British Columbia which approved an asset purchase agreement (the "**Pioneer APA**") with Pioneer Sand and Gravel Ltd. ("**Pioneer**") for the sale of all or substantially all of BMLP's assets, including its equipment, together with its inventory and a mining permit (the "**Mining Permit**") to develop and operate an open pit coal mine located 11 kilometres southwest of Coalmont, B.C. (the "**Basin Mine**") (collectively, the "**Purchased Assets**") for the purchase price of up to $200,000 (the "**Purchase Price**"). A copy of the Pioneer APA has been posted to the a website (the "**Website**") established by the Proposal

Trustee www.ey.com/ca/basinemine to ensure that stakeholders have access to current information relating to these proceedings, including reports of the Proposal Trustee.

4. On November 2, 2018, BMLP filed a proposal to its secured and unsecured creditors (the "**Proposal**") pursuant to the BIA. The capitalized terms used but not otherwise defined in this Report are defined in the Proposal and this Report should only be read in conjunction with the Proposal. Details of the Proposal are outlined in this Report.

5. The purpose of this Proposal is to use the entirety of the proceeds of sale obtained under the Asset Purchase Agreement in the amount of up to $200,000 (the "**Proposal Fund**") to effect a compromise of the Claims of the Creditors of BMLP, including statutory claims against Directors, in accordance with subsections 50(13) to 50(15) of the BIA,, in the expectation that Creditors will derive a greater benefit from a Proposal to Creditors than would result from a bankruptcy of BMLP.

PURPOSE OF THIS REPORT

6. The purpose of this Report is to:

   a. provide background information concerning BMLP, its financial situation, the cause of its financial difficulties and its current financial situation;
   b. outline the terms of the Proposal;
   c. compare the amounts distributable under the Proposal to the estimated distribution to Creditors in the event the Proposal is not accepted; and
   d. recommend that creditors vote to accept the Proposal.

TERMS OF REFERENCE

7. In developing this Report, the Proposal Trustee has relied upon unaudited financial information prepared by BMLP's management, BMLP's books and records, and discussions with management.

8. The Proposal Trustee has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards pursuant to the Chartered Professional Accountants Canada Handbook and, accordingly, the Proposal Trustee expresses no opinion or other form of assurance in respect of the information.

9. Future oriented financial information relied upon in this Report is based on management's assumptions regarding future events; actual results achieved may vary from this information and these variations may be material. The Proposal Trustee expresses no opinion or other form of assurance with respect to the accuracy of the financial information presented in this Report, or relied upon by the Proposal Trustee in preparing this Report.

BACKGROUND

10. BMLP is a limited partnership. Its general partner is 1025194 BC Ltd. ("**1025**"), who holds a 1% interest in the units of BMLP. Sandhill Materials Inc. ("**SMI**") holds a 99% interest in the units of BMLP.

11. Arthon Industries Limited ("**AIL**") owns all of the common shares of both SMI and 1025.

12. In 2015, BMLP acquired the Purchased Assets,from Coalmont Energy Corp. ("**CEC**"). The Basin Mine is an open pit coal mine located 11 kilometres southwest of Coalmont, B.C.,

with an anticipated yearly production of 500,000 tonnes of thermal coal. The original capital cost for the development of the Basin Mine was estimated to be approximately $30 million.

13. The Basin Mine was placed under care and maintenance in 2014, and the assets were ultimately sold to BMLP through a court approved transaction on January 29, 2015 (the "**CCAA Transaction**") arising within proceedings commenced pursuant to the *Companies Creditors' Arrangement Act*, R.S.C. 1985, c. C-36 (the "**CCAA**").

14. Since the CCAA Transaction, BMLP has explored all of its strategic options, but has been unable to re-start the Basin Mine and it remains under care and maintenance as of today. In particular, to restart the Basin Mine, a capital investment of approximately $25 million to $30 million is required for upgrades to the coal wash plant, on-site mining equipment, and containers / tipplers required to transport the coal to port and load vessels. Given the volatility in pricing and the uncertainty of the go-forward projections for thermal coal, BMLP was unable to identify a financial partner on its own who was willing to make the necessary capital investment required to restart the Basin Mine.

15. Following extensive efforts, BMLP formalized the terms of the Pioneer APA with Pioneer, which is dated October 3, 2018. As is noted above, BMLP filed a NOI that same date and the Pioneer APA was subsequently approved by the Court on October 5, 2018. Details of the Pioneer APA, and the marketing process undertaken by BMLP in relation to the Purchased Assets are detailed in the First Report of the Proposal Trustee (the "**First Report**") available on the Proposal Trustee's website set out above.

16. The Proposal Trustee has received payment of the Purchase Price of $200,000 in trust, and when released to BMLP, it will represents the only asset in the estate of BMLP.

17. The final Purchase Price is determined depending on whether the Province of British Columbia consents to the assignment of the Mining Permit, as well as other licenses and permits, from BMLP to Pioneer (the "**Consents**"). If such Consents are ultimately denied by the Province of British Columbia, and all appeals of such denial have been exhausted, the Purchase Price will be reduced to $1 and the balance of the funds held by the Proposal Trustee will be returned to Pioneer. The rationale for the Purchase Price being contingent on the Consents is set out in the First Report, and was approved by the Court as part of the Pioneer APA.

THE PROPOSAL

18. This section of this report provides an overview of the terms of the Proposal. This report is not a substitute for reading the Proposal and creditors are strongly encouraged to review the Proposal in its entirety prior to voting on the Proposal. Creditors are also encouraged to discuss the terms of the Proposal with their legal counsel.

Overview of the Proposal

19. The purpose of this Proposal is to use the proceeds of sale obtained under the Pioneer APA to effect a compromise of the Claims of the Creditors of BMLP, including statutory claims against Directors, in accordance with subsections 50(13) to 50(15) of the BIA, in the expectation that the Creditors will derive a greater benefit from a Proposal to Creditors than would result from a bankruptcy.

Classification of Creditors

20. For the purposes of voting on, and distributions or dividends pursuant to the Proposal, there are two classes of creditors:

    a. Secured Creditors; and

    b. Unsecured Creditors.

Proposed Distribution

21. Callidus Capital Corp. ("**Callidus**") is the only known Secured Creditor of BMLP pursuant to the Proposal. This is because it claims a first charge on the assets of BMLP and secured indebtedness of approximately $63 million. Accordingly, the Proposal values the security held by any other Creditors at nil, as they would not receive any recovery in a liquidation. In addition, all Inter-Corporate Creditors have agreed to surrender their security and not make a claim as an unsecured creditor.

22. In order to allow BMLP to make a viable proposal, Callidus has agreed to value its Secured Claim at $120,000, to be paid from the Proposal Fund, and the shortfall (the "**Callidus Shortfall**") to be treated as an Unsecured Claim on the terms set out below.

23. The balance of $80,000 (less professional fees incurred in carrying out this Proposal) (the "**Residual Claim Pool**") will be made available for distribution to BMLP's Preferred Creditors and Unsecured Creditors, to be distributed as follows:

    a. first, to Preferred Creditors with Proven Unsecured Claims (if any) under subsection 224(1.2) of the Income Tax Act or similar act and legislation will be paid within six (6) months; and

b. second, to the remaining Unsecured Creditors having Proven Unsecured Claims on a pro-rata basis .

24. For the purpose of b) above, Callidus has agreed to limit the Callidus Shortfall claim to 2/3 of the Residual Claim Pool.

25. The Trustee is not aware of any claims of Preferred Creditors with Proven Unsecured Claims and it is anticipated that the entirety of the Residual Claim Pool will be available for Unsecured Creditors with Proven Unsecured Claims. **Assuming professional fees of $20,000, Callidus would be entitled to $40,000 of the Residual Claim Pool, and all other Proven Unsecured Creditors would be entitled to a pro-rata share of $20,000.**

26. In the event that the Pioneer is unable to obtain the Consents, the Purchase Price (and accordingly the Proposal Fund) will be reduced to $1, and consequently no amounts will be distributed pursuant to the Proposal. There would likewise be no recovery for Creditors in a bankruptcy of BMLP.

Validation of Claims

27. In order to vote on, or to receive a distribution under, the Proposal, each Creditor shall file a Proof of Claim in accordance with the BIA and as instructed in the Proposal Trustee's mailing to the Creditors with respect to the Proposal.

28. To be eligible to receive a distribution in accordance with Article 9.2 of the Proposal, Creditors must have filed a Proof of Claim such that it is actually received by the Proposal Trustee in accordance with the BIA and by no later than 30 days from the date on which the Proposal Trustee delivers the Notice of Final Dividends (the "**Claims Bar Date**").

29. Creditors that fail to file their Proof of Claim with the Proposal Trustee before 5:00 p.m. PT on the Claims Bar Date will not be eligible for participation in the proposed distribution from the Proposal Fund and their Claims will be forever barred against BMLP.

Distributions

30. Upon receipt of a completed Proof of Claim, the Proposal Trustee shall examine the Proof of Claim and shall deal with each claim in accordance with the provisions of the BIA.

31. The Proposal Trustee will remit payments (less the Superintendent's Levy required by the BIA to be paid in respect of such payments) to the Creditors from the Proposal Fund in the following manner and order of priority:

   a. first, to the Proven Secured Claims of the Proven Secured Creditors;

   b. second, to the Proven Unsecured Claims of the Preferred Creditors;

   c. third, to the remaining Unsecured Creditors having Proven Unsecured Claims, their *pro rata* share of the Proposal Funds after the payment of all other amounts.

32. The Creditors shall accept the amounts set out herein in full satisfaction of their Claim and the Creditors shall have no other recourse to any other property of BMLP or against BMLP otherwise including statutory claims against the Directors in accordance with subsections 50(13) to 50(15) of the BIA.

33. Distributions will be made at such time the Consents are obtained by Pioneer pursuant to the terms of the Pioneer APA, and BMLP is entitled to the Purchase Price.

Acceptance of the Proposal

34. The Proposal must be approved at the Creditors' Meeting by the Proven Secured Creditors and the Proven Unsecured Creditors, representing not less than 66 2/3% in

value of the voting claims and 50% in number of the Proven Secured Creditors and Proven Unsecured Creditors with voting Claims present and voting in person or by proxy at the Creditors' Meeting (the "**Required Majority**").

Amendments to the Proposal

35. The Proposal permits BMLP to amend, restate, modify and/or supplement this Proposal at any time and from time to time, provided that any such amendment, restatement, modification or supplement must be contained in a written document that is (A) filed with the Court and, if made following the Creditors' Meeting, approved by the Court, and (B) approved by the Proposal Trustee and Callidus, and communicated to the Creditors in the manner required by the Court (if so required):

   a. if made prior to or at the Creditors' Meeting: (A) the Official Receiver or the nominee thereof shall communicate the details of any such amendment, restatement, modification and/or supplement to Creditors and other Persons present at the Creditors' Meeting prior to any vote being taken at the Creditors' Meeting; (B) BMLP shall provide notice to the service list of any such amendment, restatement, modification and/or supplement and shall file a copy thereof with the Court forthwith and in any event prior to the Court hearing in respect of the Proposal Approval Order; and (C) the Proposal Trustee shall post an electronic copy of such amendment, restatement, modification and/or supplement on the Proposal Trustee's Website forthwith and in any event prior to the Court hearing in respect of the Proposal Approval Order;

   b. if made following the Creditors' Meeting: (A) BMLP shall provide notice to the service list of any such amendment, restatement, modification and/or supplement and shall file a copy thereof with the Court; (B) the Proposal Trustee shall post an electronic copy of such amendment, restatement, modification and/or supplement on the Proposal Trustee's Website; and (C) such amendment, restatement, modification and/or supplement shall require the approval of the Court following notice to the service list.

36. Any amendment, modification or supplement to this Proposal may be made following the Creditors' Meeting by BMLP, with the consent of the Proposal Trustee, without requiring filing with, or approval of, the Court, provided that it concerns a matter which is of an administrative nature and is required to better give effect to the implementation of this Proposal and is not adverse to the financial interests of Callidus or any Creditors.

PROPOSAL TRUSTEE'S COMMENTARY ON THE PROPOSAL

37. Callidus has agreed to make the Residual Fund Pool available in order to compromise of the Claims of the Creditors of BMLP, including statutory claims against Directors, in accordance with subsections 50(13) to 50(15) of the Act. The alternative to the Proposal is a bankruptcy. In such a scenario, the Secured Creditor would be entitled to the entirety of the Proposal Funds and no other creditor would receive any distribution.

THE PROPOSAL TRUSTEE'S RECOMMENDATION

38. Based on the forgoing, the Proposal Trustee recommends that the Creditors vote in favour of the Proposal.

All of which is respectfully submitted this 15TH day of November, 2018.

ERNST & YOUNG INC.,
In its capacity as the Proposal Trustee in respect of the Proposal of the Basin Mine Limited Partnership and not in its personal capacity

Per:

Mike Bell, CA, CIRP
Vice President

The Proposal

NO. B-180585
ESTATE NO. 11-2427899
VANCOUVER REGISTRY

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN BANKRUPTCY AND INSOLVENCY

IN THE MATTER OF THE PROPOSAL OF BASIN MINE LIMITED PARTNERSHIP

PROPOSAL

November 2, 2018

Basin Mine Limited Partnership (the "**Debtor**"), hereby submits the following Proposal under the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended.

ARTICLE 1 DEFINITIONS

1.1 Definitions

In this Proposal, capitalized terms shall have the meanings set out in the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3 as amended, save and except for the terms and definitions set out below:

(a) "**Act**" means the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended;

(b) "**Asset Purchase Agreement**" means the asset purchase agreement dated October 3, 2018 between the Debtor and Pioneer Sand and Gravel Ltd.;

(c) "**Administrative Fees and Expenses**" means:

(i) the proper fees and expenses of the Proposal Trustee including its legal fees and disbursements; and

(ii) the legal and consulting fees and disbursements of the Debtor incurred on or incidental to negotiations in connection with these proposal proceedings and the preparation of the Proposal and the transactions and agreements contemplated hereby;

(d) "**BIA**" means *Bankruptcy and Insolvency Act*, R.S.C. 1985 c. B-3, as amended;

(e) "**Callidus**" means Callidus Capital Corp.;

(f) "**Canada Pension Plan**" means the *Canada Pension Plan*, R.S.C. 1985, c C-8, as amended;

(g) “**Claim**” means collectively, each of the following:

(i) any right or claim of any Person against the Debtor, that may be made in whole or in part against the Debtor or any property or assets of the Debtor, whether or not asserted, in connection with any indebtedness, liability or obligation of any kind, which indebtedness, liability or obligation is in existence at the NOI Date or which is

(A) based on an event, act or omission which occurred in whole or in part prior to the NOI Date, or

(B) with respect to any agreements of the Debtor that have been disclaimed, repudiated or terminated after the NOI Date, based on such disclaimer, repudiation or termination,

whether or not reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, present, future, known, unknown, by guarantee, by surety or otherwise and whether or not such a right is executory in nature, including, without limitation, the right or ability of any Person to advance a claim directly or which indirectly may result in a claim for contribution or indemnity or otherwise being made against the Debtor with respect to any matter, action, cause or chose in action, whether existing at present or commenced in future based in whole or in part on facts which exist prior to or at the NOI Date or, with respect to any agreements of the Debtor, that have been disclaimed, repudiated or terminated after the NOI Date, based in whole or in part on facts which exist prior to or at the time of such disclaimer, repudiation or termination; and

(ii) any right or claim of any Person against one or more of the Directors or Officers that relates to any Claim against the Debtor howsoever arising for which the Directors or Officers are by applicable law liable to pay in their capacity as Directors or Officers or in any other capacity, which shall exclude any Claims against Directors that cannot be compromised due to the provisions of Section 50(14) of the BIA;

(h) “**Claims Bar Date**” has the meaning given to it in Article 4.1;

(i) “**Court**” means the Supreme Court of British Columbia in bankruptcy and insolvency and shall have such extended meaning as is set out in section 2 of the Act;

(j) “**Creditor**” means any Person having a Claim and may, if the context requires, mean a trustee, receiver, receiver-manager or other Person acting on behalf or in the name of such Person;

(k) “**Creditors’ Meeting**” means the meeting of the Creditors called for the purpose of considering and voting in respect of this Proposal;

(l) “**Crown**” means Her Majesty in right of Canada or a province;

(m) “**Court Approval Date**” means the date on which the Court finally and conclusively approves this Proposal;

(n) "**Debtor**" means Basin Mine Limited Partnership;

(o) "**Director(s)**" means any person or persons who are, have previously been, or in future may be directors of the Debtor, including but not limited to those persons who, in the past, present or future:

(i) have or will act in the capacity of director of the Debtor, with or without being so named; or

(ii) have or will perform the functions of a director of the Debtor, with or without being so named; or

(iii) have been, are or may in future be deemed, *de facto*, acting, substitute or effective directors of the Debtor; or

(iv) have been, are or will be persons subject to director's statutory liabilities arising from any statute, act or regulation of Canada;

(p) "**Effective Date**" means 3 business days after the date on which the Proposal Approval Order becomes final, or such later date as the Debtor requests and the Proposal Trustee approves;

(q) "**Employment Insurance Act**" means the *Employment Insurance Act*, S.C. 1996, c. 23

(r) "**Income Tax Act**" means the *Income Tax Act*, R.S.C. 1985, c. 1 (5th Supp), as amended;

(s) "**Inter-corporate Creditors**" mean Arthon Industries Limited, Arthon Constructors Corp. and Sandhill Equipment Corp.;

(t) "**Lien**" means, with respect to any interest in property of the Debtor, any mortgage, lien, pledge, charge, security interest, or encumbrance of any kind whatsoever, under, affecting such interest in property;

(u) "**NOI Date**" means October 3, 2018, the date on which the Notice of Intention to Make a Proposal was filed by the Debtor pursuant to the provisions of the Act;

(v) "**Notice of Final Dividend**" means the notice made pursuant to Section 149 of the BIA to be sent by the Proposal Trustee to all known Persons having a Claim that have not yet filed a Proof of Claim with the Trustee, advising such Creditors that if their Claims are not proven within a period of 30 days after the sending of the notice, the Proposal Trustee will proceed to declare a dividend or final dividend without regard to that Creditor's Claim;

(w) "**Officer(s)**" means any person or persons who are, have previously been, or in future may be officers of the Debtor, including but not limited to those persons who, in the past, present or future:

(i) have or will act in the capacity of officer of the Debtor, with or without being so named; or

(ii) have or will perform the functions of an officer of the Debtor, with or without being so named; or

(iii) have been, are or may in future be deemed, *de facto*, acting, substitute or effective officers of the Debtor; or

(iv) have been, are or will be persons subject to officer's statutory liabilities arising from any statute, act or regulation of Canada;

(x) "**Person**" means any individual, partnership, joint venture, trust, corporation, unincorporated organization, government, or any agency or instrumentality thereof, or any other entity howsoever designated or constituted;

(y) "**Preferred Creditors**" means Creditors with Proven Unsecured Claims which are required by the Act to be paid in priority to all other Claims under a proposal by a debtor (but only in respect and to the extent of such Proven Unsecured Claims) and including, without limitation:

(i) Employees and former employees of the Debtor, not to include independent commissioned sales agents or contractors, for amounts equal to the amounts that they would be qualified to receive under paragraph 136(1)(d) of the Act on the NOI Date, as well as wages, salaries, commissions or compensation for services rendered after that date and before the Court approval of the Proposal, together with, in the case of travelling salespersons, disbursements properly incurred by those salespersons in and about the Debtor's businesses during the same period;

(ii) Her Majesty in Right of Canada or a Province for all amounts that were outstanding at the NOI Date and are of a kind that could be subject to a demand under,

(A) subsection 224(1.2) of the Income Tax Act;

(B) any provisions of the Canada Pension Plan or of the Employment Insurance Act that refers to subsection 224(1.2) of the Income Tax Act and provides for collection of a contribution, as defined In the Canada Pension Plan, or an employee's premium, or employer's premium, as defined in the Employment Insurance Act, and of any related interest, penalties or other amounts; or

(C) any provision of provincial legislation that has a similar purpose to subsection 224(1.2) of the Income Tax Act, or that refers to that subsection, to the extent that it provides for the collection of a sum, and of any related interest, penalties or other amounts, where the sum:

(I) has been withheld or deducted by a person from a payment to another person and is in respect of a tax similar in nature to the income tax imposed on individuals under the Income Tax Act; or

(II) is of the same nature as a contribution under the Canada Pension Plan if the province is a "province providing a comprehensive pension plan" as defined in subsection 3(1) of the Canada Pension Plan and the provincial legislation establishes a "provincial pension plan" as defined in that subsection;

(z) "**Preferred Claims**" means the Claims of the Preferred Creditors;

(aa) "**Proof of Claim**" shall mean the proof of claim required by the BIA to be mailed to each known Creditor prior to the Creditors' Meeting;

(bb) "**Proposal**" means this Proposal dated November 2, 2018 made pursuant to the Act, as further amended or supplemented from time to time;

(cc) "**Proposal Approval Order**" means the Order of the Court approving this Proposal, substantially in the form attached hereto as <u>Schedule "1"</u>, subject to any amendments as agreed to by the Debtor and the Proposal Trustee;

(dd) "**Proposal Fund**" means the purchase price under the Asset Purchase Agreement provided however that the Proposal Fund shall not exceed the amount of $200,000;

(ee) "**Proposal Trustee** means Ernst & Young Inc.;

(ff) "**Proposal Trustee's Website**" means http://www.ey.com/ca/basinmine;

(gg) "**Proposed Assessed Value**" means, in accordance with Section 50.1 of the Act, for each Secured Creditor, the amount set out on <u>Schedule "2"</u> hereto beside such Secured Creditor's name, being the amount determined by the Proposal Trustee to represent the expected recovery from the assets of the Debtor by the Secured Creditor if the assets of the Debtor had been liquidated in the bankruptcy as of the date of this Proposal, or as otherwise determined by the Court in accordance with Section 50.1(4) of the Act;

(hh) "**Proven Claim**" means the amount of the Claim of any Creditor finally determined in accordance with the provisions of the Act;

(ii) "**Proven Secured Claim**" of a Secured Creditor means the amount of the Claim of such Secured Creditor finally determined in accordance with the provisions of the Act, being the lesser of (i) the amount of the Proven Claim of such Secured Creditor; or (ii) the Proposed Assessed Value of such Secured Creditor;

(jj) "**Proven Unsecured Claim**" of an Unsecured Creditor means the amount of the Claim of such Unsecured Creditor finally determined in accordance with the provisions of the Act and for a Secured Creditor means the amount if any by which the Proven Claim of such Secured Creditor exceeds the Proposed Assessed Value of such Secured Creditor;

(kk) "**Releasee**" means each and every Director and Officer of the Debtor;

(ll) "**Secured Creditor**" means any person or persons holding a valid mortgage, hypothec, pledge, charge, lien or privilege on or against any property of any person or persons as security for a Claim or a person whose Claim is based upon, or secured by a negotiable instrument held as collateral security upon which the Debtor is only indirectly or secondarily liable, but excluding the Secured Creditors with respect to their Proven Unsecured Claim (if any);

(mm) "**Secured Claim**" means the Claim of a Secured Creditor;

(nn) "**Statutory Amount**" means the amount owing by the Debtor to a former employee of the Debtor for such former employee's Claims related to termination and severance of employment as calculated based solely on the minimum entitlements established by the *Employment Standards Act* (British Columbia) or the equivalent employment standards legislation of the province in which such former employee was employed, provided such amount shall be agreed upon by the Debtor and the Proposal Trustee or otherwise determined by the Court;

(oo) "**Superintendant's Levy**" means the levy exigible on certain amounts distributed by the Proposal Trustee under this Proposal in accordance with Section 147 of the BIA;

(pp) "**Surrendered Secured Claim**" means the Claim of a Surrendered Secured Creditor;

(qq) "**Surrendered Secured Creditors**" mean the Inter-corporate Creditors;

(rr) "**Unsecured Claim**" means the Claim of an Unsecured Creditor;

(ss) "**Unsecured Creditors**" means, collectively:

(i) the Creditors who are not Secured Creditors; and

(ii) the Surrendered Secured Creditors.

1.2 Articles of Reference

The terms "hereof", "hereunder", "herein" and similar expressions refer to the Proposal and not to any particular article, section, subsection, clause or paragraph of the Proposal and include any agreements supplemental hereto. In the Proposal, a reference to an article, section, subsection, clause or paragraph will, unless otherwise stated, refer to an article, section, subsection, clause or paragraph of the Proposal.

1.3 Interpretation Not Affected by Headings

The division of the Proposal into articles, sections, subsections, clauses or paragraphs and the insertion of headings are for convenience of reference only and will not affect the construction or interpretation of this Proposal.

1.4 Date for Any Action

In the event that any date on which any action is required to be taken hereunder is not a business day, such action will be required to be taken on the next succeeding day that is a business day.

1.5 Time

All times expressed herein are local time in Vancouver, British Columbia, Canada unless otherwise stipulated. Where the time for anything pursuant to the Proposal on a particular date is unspecified the time shall be deemed to be 5:00 pm local time in Vancouver, British Columbia, Canada.

1.6 Numbers

In the Proposal, where the context requires, a word importing the singular number will include the plural and vice versa and a word or words importing gender will include all genders.

1.7 Currency

Unless otherwise stated herein, all references to currency in the Proposal are to lawful money of Canada.

1.8 Statutory References

Except as otherwise provided herein, any reference in the Proposal to a statute includes all regulations made thereunder, all amendments to such statute or regulation(s) in force from time to time, and any statute or regulation that supplements or supersedes such statute or regulation(s).

1.9 Successor and Assigns

The Proposal will be binding on and will enure to the benefit of the heirs, administrators, executors, legal personal representatives, successors and assigns of any Person named or referred to in the Proposal.

ARTICLE 2
GENERAL INTENT

2.1 Purpose of Proposal

Pursuant to an order of the Court pronounced on October 5, 2018, the Court approved the Asset Purchase Agreement pursuant to which the assets of the Debtor were sold to Pioneer Sand and Gravel Ltd. The purpose of this Proposal is to use the proceeds of sale obtained under the Asset Purchase Agreement to effect a compromise of the Claims of the Creditors of the Debtor, including statutory claims against Directors, in accordance with subsections 50(13) to 50(15) of the Act, in the expectation that Creditors will derive a greater benefit from a Proposal to Creditors than would result from a bankruptcy.

Notwithstanding the terms and conditions of all arrangements or other arrangements with creditors entered into before the NOI Date, for so long as an event of default in the Proposal has not occurred, or if it has occurred, has been waived or cured, all such agreements or other arrangements will be deemed to be amended to the extent necessary to give effect to all the terms and conditions of this Proposal. In the event of any conflict or inconsistency between the terms of such agreements or arrangements and the terms of this Proposal, the terms of this Proposal will govern.

2.2 Persons Affected

This Proposal will, as of the Effective Date, be binding on the Debtor and on all Creditors, including the Crown, to whom this Proposal is made.

2.3 Surrender of Secured Claims

In order to facilitate this Proposal, the Surrendered Secured Creditors have agreed to surrender the security underlying the Surrendered Secured Claims to the Proposal Trustee for the general benefit of Creditors. The Surrendered Secured Creditors agree to not make a claim as an Unsecured Creditor under this Proposal.

2.4 Callidus

In order to provide an enhanced recovery to the Unsecured Creditors, Callidus agrees for the purposes of this Proposal only, and contingent on the pronouncement of the Proposal Approval Order:

(a) to accept the Proposed Assessed Value of its Secured Claim, provided that no other Secured Creditor successfully challenges the Proposed Assessed Value assigned to it; and

(b) to submit a Proof of Claim for its Proven Unsecured Claim for the lesser of:

  (i) the full amount of its Claim (less its Secured Claim); and

  (ii) 2/3 of the aggregate Proven Unsecured Claims (inclusive of the Proven Unsecured Claim of Callidus), provided there is more than one Proven Unsecured Claim at the date of the Creditors' Meeting.

For greater certainty, in the event a Secured Creditor successfully alters the Proposed Assessed Value attributed to the security held by it, Callidus shall be entitled to seek the amendment of the Proposed Assessed Value attributable to its security in accordance with the Act, and to amend its Secured Claim accordingly.

2.5 Assets Remain Vested In Debtor

Other than the Proposal Fund, the assets of the Debtor shall not vest in the Proposal Trustee, but shall, remain vested in the Debtor and the Proposal Trustee shall have no liability whatsoever for the Claims arising before, on or after the NOI Date.

ARTICLE 3
CLASSIFICATION AND TREATMENT OF CREDITORS

3.1 Secured Creditors

Each Secured Creditor shall be paid the full amount of their Proven Secured Claim from the Proposal Fund.

3.2 Classes of Creditors

For the purposes of voting on the Proposal, the Creditors of the Debtors shall be comprised of two classes, as follows:

(a) Secured Creditors; and

(b) Unsecured Creditors.

3.3 Preferred Creditors

The Proven Unsecured Claims of the Preferred Creditors are to be paid by the Debtors in full in priority to all other Proven Unsecured Claims in accordance with the scheme of distribution set forth in the Act.

Unsecured Creditors

The Proven Unsecured Claims will be satisfied in accordance with Article 9 herein.

3.4 Different Capacities

Persons who are affected by this Proposal may be affected in more than one capacity. Unless expressly provided herein to the contrary, a Person is entitled to participate hereunder in each such capacity. Any action taken by a Person in one capacity will not affect such Person in any other capacity, unless expressly agreed by the Person in writing or unless its Claims overlap or are otherwise duplicative.

ARTICLE 4
PROCEDURE FOR VALIDATION OF CLAIMS

4.1 Filing of Proofs of Claim

In order to vote on, or to receive a distribution under, the Proposal, each Creditor shall file a Proof of Claim in accordance with the Act and as instructed in the Proposal Trustee's mailing to the Creditors with respect to the Proposal.

However, to be eligible to receive a distribution in accordance with Article 9.2 herein, Creditors must have filed a Proof of Claim such that it is actually received by the Proposal Trustee in accordance with the Act and by no later than 30 days from the date on which the Proposal Trustee delivers the Notice of Final Dividend (the "**Claims Bar Date**").

Creditors that fail to file their Proof of Claim with the Proposal Trustee before 5:00 p.m. PT on the Claims Bar Date will not be eligible for participation in the proposed distribution from the Proposal Fund and their Claims will be forever barred as against the Debtor.

4.2 Valuing Claims

Upon receipt of a completed Proof of Claim, the Proposal Trustee shall examine the Proof of Claim and shall deal with each claim in accordance with the provisions of the Act. The procedure for valuing Claims of the Creditors and resolving disputes with respect to such Claims will be as set forth in the Act and in this Proposal. The Debtor and/or Proposal Trustee reserves the right to seek the assistance of the Court in valuing the Claim of any Creditor, if required, to ascertain the result of any vote on the Proposal or the amount payable or to be distributed to such Creditor under the Proposal, as the case may be.

4.3 Set Off

The law of set-off shall be applied to all Claims.

ARTICLE 5
MEETING OF CREDITORS

5.1 Creditors' Meeting

The Proposal Trustee shall hold a meeting of the Secured Creditors and the Unsecured Creditors in order for the Secured Creditors and the Unsecured Creditors to consider and vote upon the Proposal.

5.2 Time and Place of Creditors' Meeting

Unless otherwise ordered by the Court, the meeting of the Secured Creditors and the Unsecured Creditors shall be held at a time and place to be established by the Official Receiver, or the nominee thereof, and confirmed in the Proposal Trustee's notice of meeting to be mailed pursuant to the Act.

5.3 Conduct of Creditors' Meeting

The Official Receiver or the nominee thereof, shall preside as the chair of the meeting of the Creditors and will decide all matters relating to the conduct of the meeting. The only Persons entitled to attend the meeting of Creditors are those Persons, including the holders of proxies, entitled to vote at the meeting, and their respective legal counsel, if any, and the officers, directors, auditors and legal counsel of the Debtor, together with such representatives of the Proposal Trustee as the Proposal Trustee may appoint in its discretion, and such scrutineers as may be duly appointed by the chair of such meeting. Any other Person may be admitted on invitation of the chair of the meeting only.

5.4 Adjournment of Creditors' Meeting

Meetings of the Creditors may be adjourned in accordance with Section 52 of the Act.

5.5 Voting by Creditors

To the extent provided for herein, each Secured Creditor and each Unsecured Creditor will, respectively, be entitled to vote to the extent of the amount that is equal to their respective Proven Secured Claim and Proven Unsecured Claim.

5.6 Approval by Creditors

In order that the Proposal be binding on all of the Secured Creditors and the Unsecured Creditors of the Debtors in accordance with the Act, it must first be accepted by each of the Proven Secured Creditors and the Proven Unsecured Creditors by a majority in number of each of the Proven Secured Creditors and the Proven Unsecured Creditors (as applicable) who actually vote upon the Proposal (in person or by proxy or by voting letter) at the meeting of Creditors, representing two-thirds in value of the Proven Secured Claims of the Proven Secured Creditors and the Proven Unsecured Claims of the Proven Unsecured Creditors (as applicable) who actually vote upon the Proposal (in person or by proxy or by voting letter) at the meeting of Creditors.

5.7 Appointment of Inspectors

At the Creditors' Meeting, the Creditors may appoint up to five Inspector(s) whose powers will be limited to:

(a) advising the Proposal Trustee concerning any dispute which may arise as to the validity of Claims, and

(b) advising the Proposal Trustee from time to time with respect to any other matter that the Proposal Trustee may refer to them.

Any decision, direction or act of the Inspector(s) may be referred to the Court by the Proposal Trustee and the Court may confirm, reverse or modify the decision, direction or act and make such order as it thinks just.

The authority and term of office of the Inspector(s) will terminate upon the discharge of the Proposal Trustee or such earlier time if the inspector resigns by notifying the Proposal Trustee of such resignation in writing.

ARTICLE 6
PAYMENT OF ADMINISTRATION FEES AND EXPENSES

6.1 Payment of Administrative Fees and Expenses for this Proposal shall be paid under the terms of this Proposal from the Proposal Fund.

ARTICLE 7
CONDITIONS PRECEDENT

7.1 The performance of this Proposal by the Debtor shall be conditional upon the fulfillment or satisfaction of the following conditions:

(a) the acceptance of this Proposal by the Secured Creditors and the Unsecured Creditors;

(b) the Proposal Approval Order being entered and not having been appealed, set aside, varied or stayed.

ARTICLE 8
EVENTS OF DEFAULT

8.1 The non-fulfillment or satisfaction of any conditions precedent in Article 7 shall constitute a default under the Proposal for the purposes of section 62.1 of the Act and otherwise under this Proposal.

8.2 In the event that this Proposal shall be annulled, any costs of this Proposal and the Proposal Trustee shall be paid out of the bankruptcy estate of the Debtor in priority to all other Claims against the Debtor.

ARTICLE 9
PROPOSAL TO CREDITORS

9.1 The amount to be paid to the Creditors on account of their Proven Claims shall be as set out in this Article. The Creditors shall accept the amounts set out herein in full satisfaction of their Claim and the Creditors shall have no other recourse to any other property of the Debtor or against the Debtor otherwise.

9.2 The Proposal Trustee will remit payments (less the *pro rata* portion of the total amount of the Superintendent's Levy required by the Act to be paid in respect of such payments) to the Creditors from the Proposal Fund in the following manner and order of priority:

(a) First, to the Proven Secured Claims of the Proven Secured Creditors in accordance with Article 3.1 of this Proposal;

(b) Second, to the Proven Unsecured Claims of the Preferred Creditors, without interest, to be paid in full in accordance with the provisions of Article 3.3 of this Proposal. The Proven Unsecured Claims under subsection 224(1.2) of the *Income Tax Act* or similar act and legislation will be paid within six (6) months after the Court Approval Date; and

(c) Third, to the remaining Unsecured Creditors having Proven Unsecured Claims, their *pro rata* share of the Proposal Fund after the payment of all other amounts in this Article 9.2.

ARTICLE 10
RELEASE OF CLAIMS AND SECTIONS 95-101 OF THE ACT

10.1 Upon implementation of this Proposal on the Effective Date, each Releasee shall be released from any and all demands, claims, debts, judgments, liens and other recoveries on account of any potential, contingent or actual statutory liability of whatsoever nature which any person may be entitled to assert against such Releasee as at the NOI Date, including without limitation, any and all Claims howsoever related to any obligations of the Debtor where the Director(s) or Officer(s) are or may be liable at law in their capacity as Director(s) or Officer(s) for the payment of such obligations, whether known or unknown, existing or hereafter arising, based in whole or in part on any act of omission, transaction, dealing or other occurrence existing or taking place prior to the NOI Date or, with respect to any agreements of the Debtor that have been disclaimed, repudiated or terminated after the NOI Date in whole or in part which exist prior to or at the time of such disclaimer, repudiation or termination.

10.2 Notwithstanding Article 10.1, nothing in this Proposal shall release or discharge any of the Directors from the exceptions set out in Section 50(14) of the Act and Article 10.1 shall be strictly interpreted so that it complies with Section 50(13) of the Act.

10.3 Any release contemplated in Article 10.1 shall not be obtained or be valid in case of any uncured default in the performance of this Proposal.

10.4 Sections 95 to 101 of the Act and any provincial statute relating to preference, settlement, fraudulent conveyance or the like shall not apply to any dealings by the Debtor during the period prior to the NOI Date. The release of the Releasees contemplated in this Article 10 shall include a release of all claims, actions and remedies available pursuant to Sections 95 to 101 of the Act and any provincial statute related to preference, settlement, fraudulent conveyance or the like.

ARTICLE 11
PROPOSAL TRUSTEE

11.1 Ernst & Young Inc., corporate trustee, and not in its personal capacity, shall be the Proposal Trustee under this Proposal and all monies payable under this Proposal shall be paid over to the Proposal Trustee who shall make payment of all distributions in accordance with the terms of this Proposal.

11.2 Any payments made by the Proposal Trustee to the Creditors hereunder shall be made by the Proposal Trustee net of any levies payable or due under the Act.

11.3 The Proposal Trustee is acting in its capacity as Proposal Trustee and not in its personal capacity and no officer, director, employee or agent of the Proposal Trustee shall incur any obligations or liabilities in connection with this Proposal or in respect of the business activities or liabilities of the Debtor.

11.4 The Proposal Trustee shall have no liability whatsoever for the Claims arising before, on or after the NOI Date.

ARTICLE 12
FULL PERFORMANCE OF PROPOSAL

12.1 All obligations of the Debtor under this Proposal will commence as of the Effective Date. This Proposal will be fully performed upon the Debtor executing an irrevocable assignment of the proceeds of the Asset Purchase Agreement in favour of the Proposal Trustee.

12.2 When the Proposal has been fully performed by the Debtor, the Proposal Trustee will issue to the Debtor and the Official Receiver the Certificate of Full Performance as provided for in Section 65.3 of the Act.

12.3 During the currency of this Proposal and until the Certificate of Full Performance referred to in Article 12.2 is issued by the Proposal Trustee, the Debtor shall not merge, amalgamate, rollover or otherwise change or reorganize its corporate structure, without the approval of the Inspectors, unless the new or successor entity agrees to be bound by all terms and conditions of this Proposal.

12.4 Upon the issuance of the Certificate of Full Performance:

(a) all Liens shall be terminated, null and void, and be of no effect; and

(b) all Persons shall be deemed to have waived any and all defaults of the Debtor then existing or previously committed by the Debtor or caused by the Debtor, directly or indirectly, or non-compliance with any covenant, positive or negative, pledge, warranty, representation, term, provision, condition or obligation, express or implied, in any contract, credit document, purchase order, agreement for sale, lease or other agreement, written or oral, and any and all amendments or supplements thereto, existing between such Person and the Debtor arising from the filing by the Debtor of a notice of intention to make a proposal under the Act, the filing of this Proposal, or the transactions contemplated by this Proposal.

12.5 The provisions of this Proposal will be binding on the Creditors of the Debtor, and their respective heirs, executors, administrators, successors and assigns.

ARTICLE 13
AMENDMENT OF PROPOSAL

13.1 The Debtor may at the Creditors' Meeting and at any time and from time to time, vary, amend, modify or supplement this Proposal with the consent of the Proposal Trustee and Callidus.

13.2 The Debtor reserves the right to amend, restate, modify and/or supplement this Proposal at any time and from time to time, provided that (except as provided in subsection (c) below) any such amendment, restatement, modification or supplement must be contained in a written document that is (A) filed with the Court and, if made following the Creditors' Meeting, approved by the Court, and (B) approved by the Proposal Trustee and Callidus, and communicated to the Creditors in the manner required by the Court (if so required):

(i) if made prior to or at the Creditors' Meeting: (A) the Official Receiver or the nominee thereof shall communicate the details of any such amendment, restatement, modification and/or supplement to Creditors and other Persons present at the Creditors' Meeting prior to any vote being taken at the Creditors' Meeting; (B) the Debtor shall provide notice to the service list of any such amendment, restatement, modification and/or supplement and shall file a copy thereof with the Court forthwith and in any event prior to the Court hearing in respect of the Proposal Approval Order; and (C) the Proposal Trustee shall post an electronic copy of such amendment, restatement, modification and/or supplement on the Proposal Trustee's Website forthwith and in any event prior to the Court hearing in respect of the Proposal Approval Order;

(ii) if made following the Creditors' Meeting: (A) the Debtor shall provide notice to the service list of any such amendment, restatement, modification and/or supplement and shall file a copy thereof with the Court; (B) the Proposal Trustee shall post an electronic copy of such amendment, restatement, modification and/or supplement on the Proposal Trustee's Website; and (C) such amendment, restatement, modification and/or supplement shall require the approval of the Court following notice to the service list.

13.3 Any amendment, modification or supplement to this Proposal may be proposed by the Debtor with the consent of the Proposal Trustee and Callidus at any time prior to or at the Creditors' Meeting, with or without any prior notice or communication, and if so proposed and affected at the Creditors' Meeting, shall become part of this Proposal for all purposes.

13.4 Any amendment, modification or supplement to this Proposal may be made following the Creditors' Meeting by the Debtor, with the consent of the Proposal Trustee, without requiring filing with, or approval of, the Court, provided that it concerns a matter which is of an administrative nature and is required to better give effect to the implementation of this Proposal and is not adverse to the financial interests of Callidus or any Creditors.

[*Signature page follows*]

DATED this 2nd day of November, 2018.

BASIN MINE LIMITED PARTNERSHIP, by its general partner **1025194 B.C. LTD.**

____

Name: Kerry Leong
Office: Director

The provisions of Article 2.4 hereof are hereby acknowledged and agreed to by:

CALLIDUS CAPITAL CORP.

Name: David Reese
Office: President & Chief Operating Officer

SCHEDULE 1

NO. B-180585
ESTATE NO. 11-2427899
VANCOUVER REGISTRY

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN BANKRUPTCY AND INSOLVENCY

IN THE MATTER OF THE PROPOSAL OF
BASIN MINE LIMITED PARTNERSHIP

ORDER MADE AFTER APPLICATION

BEFORE THE HONOURABLE	))	__________DAY, THE ______ DAY
JUSTICE ______________________	))	OF _____________________, 2018

ON THE APPLICATION of Basin Mine Limited Partnership ("**Basin Mine**") and Ernst & Young Inc. in its capacity as proposal trustee of Basin Mine (the "**Proposal Trustee**"), coming on for hearing at Vancouver, British Columbia at ● a.m. on ●, 2018; AND ON HEARING H. Lance Williams, counsel for Basin Mine, and those other counsel listed on **Schedule "A"** hereto; AND ON READING the Second Report of the Proposal Trustee (the "**Second Report**");

THIS COURT ORDERS THAT:

Service

1. The time and method of service of the notice of application be and is hereby abridged and validated and that the application is properly returnable today.

Approval of the Second Report

2. The Second Report, and activities of the Proposal Trustee as set out therein, be and are hereby approved.

Approval of Proposal

3. All capitalized terms not otherwise defined in this Order shall have the meanings ascribed to them in the Proposal.

4. The Proposal, filed by Basin Mine with the Office of the Superintendent of Bankruptcy on ●, 2018, which was accepted by the requisite majorities of creditors, a copy of which is attached as **Schedule "B"** (the "**Proposal**"), be and is hereby approved.

5. As of the filing of a Certificate of Full Performance pursuant to the Proposal (i) the Proposal and all associated steps, compromises, settlements, satisfactions, releases, discharges, transactions and arrangements set out therein are approved, binding and effective in accordance with the provisions of the Proposal and the *Bankruptcy and Insolvency Act*, R.S.C. 1985 c. B-3, as amended (the "**BIA**"); and (ii) the treatment of all Claims under the Proposal, shall be final and binding for all purposes and inure to the benefit of Basin Mine, the Creditors, the Releasees and all other Persons named or referred to in the Proposal or their respective heirs, executors, administrators and other legal representatives, successors and assigns.

6. Pursuant to and in accordance with the Proposal, on the filing of a Certificate of Full Performance pursuant to the Proposal: (i) Claims of whatever nature with respect to or in connection with or relating to any and all Claims shall be forever compromised, settled, satisfied, released and discharged as against Basin Mine and the Releasees; and (ii) the ability of any Person to proceed against Basin Mine or any property in relation to a Claim shall be forever discharged and restrained.

7. Basin Mine is authorized and directed to take all actions necessary or appropriate to enter into, adopt, execute, deliver, implement and consummate all matters contemplated under the Proposal and all agreements, transactions and documents contemplated by the Proposal.

8. The Proposal Trustee be and is hereby authorized, directed and empowered to perform its functions and to fulfill its obligations under the Proposal to facilitate the implementation of the Proposal and distribution to Creditors thereunder.

9. The Proposal Trustee and Basin Mine may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

THE FOLLOWING PARTIES APPROVE THE FORM OF THIS ORDER AND CONSENT TO EACH OF THE ORDERS, IF ANY, THAT ARE INDICATED ABOVE AS BEING BY CONSENT:

____
Signature of lawyer for Basin Mine
Limited Partnership
Cassels Brock & Blackwell LLP
(H. Lance Williams)

BY THE COURT

____
REGISTRAR IN BANKRUPTCY

SCHEDULE “A”

LIST OF COUNSEL

NAME	PARTY REPRESENTED

SCHEDULE “B”

PROPOSAL

SCHEDULE "2"
PROPOSED ASSESSED VALUE

Secured Creditor	Proposed Assessed Value
Callidus	$120,000.00
All Secured Creditors other than Callidus	$0.00

List of creditors

Basin Mine Limited Partnership

Liist of Creditors

Creditor	Street	City	Province	Postal Code	Unsecured	Secured	Preferred
Arthon Constructors Corp.	9 - 1790 KLO Road	Kelowna	BC	V1W 3P6	-	1,209,506.00	-
Arthon Industries Limited	9 - 1790 KLO Road	Kelowna	BC	V1W 3P6	-	44,407.00	-
Bryhton Lamb	222 Biliter Ave	Princeton	BC	V0X 1W0	450.00	-	-
Callidus Capital Corp.	4620 - 181 Bay Street	Toronto	ON	M5J 2T3	-	63,289,858.00	-
Deb Bothe	Box 195	Princeton	BC	V0X 1W0	450.00	-	-
Equitable Life	One Westmount Road North, PO Box 1603 Stn.	Waterloo	ON	N2J 4C7	1,026.00	-	-
Kyle Morosse	Box 3D, Comp 9	Tulameen	BC	V0X 2L0	450.00	-	-
Mark Lamb	PO Box 141	Princeton	BC	V0X 1W0	450.00	-	-
Province of BC (PST)	Ministry of Attorney General, Legal Services Branch, PO Box 9289 Stn Prov Govt	Victoria	BC	V8W 9J7	-	972,416.00	-
Province of BC (Reclamation)	Ministry of Attorney General, Legal Services Branch, PO Box 9289 Stn Prov Govt	Victoria	BC	V8W 9J7	-	276,000.00	-
Sandhill Equipment Corp.	9 - 1790 KLO Road	Kelowna	BC	V1W 3P6	-	37,275.00	-
Worksafe BC	PO Box 5350 Stn Terminal	Vancouver	BC	V6B 5L5	622.00	-	-

Condensed statement of estimated assets and liabilities

Basin Mine Limited Partnership
Condensed Statement of Assets and Liabilities
as at November 2, 2018

Assets	
Cash	200,000
Liabilities	
Secured Debt	65,829,462
Unsecured Debt	3,448
	65,832,910
Deficiency	65,632,910

Proof of claim form

Ernst & Young Inc.
700 West Georgia Street
Vancouver BC V7Y 1C7
Phone: (604) 891-8351 Fax: (604) 899-3530

District of:	British Columbia
Division No.	11 - Vancouver
Court No.	B-180585
Estate No.	11-2427899

FORM 31
Proof of Claim
(Sections 50.1, 81.5, 81.6, Subsections 65.2(4), 81.2(1), 81.3(8), 81.4(8), 102(2), 124(2), 128(1), and Paragraphs 51(1)(e) and 66.14(b) of the Act)

In the Matter of the Proposal of
Basin Mine Limited Partnership
of the city of Vancouver
in the Province of British Columbia

All notices or correspondence regarding this claim must be forwarded to the following address:

____

____

In the matter of the proposal of Basin Mine Limited Partnership of the city of Vancouver in the Province of British Columbia and the claim of ____________________, creditor.

I, ____________________ (name of creditor or representative of the creditor), of the city of __________ in the province of __________, do hereby certify:

1. That I am a creditor of the above named debtor (or I am ________________ (position/title) of ________________, creditor).

2. That I have knowledge of all the circumstances connected with the claim referred to below.

3. That the debtor was, at the date of proposal, namely the 3rd day of October 2018, and still is, indebted to the creditor in the sum of $________________, as specified in the statement of account (or affidavit) attached and marked Schedule "A", after deducting any counterclaims to which the debtor is entitled. (The attached statement of account or affidavit must specify the vouchers or other evidence in support of the claim.)

4. (Check and complete appropriate category.)

☐ A. UNSECURED CLAIM OF $________________

(other than as a customer contemplated by Section 262 of the Act)

That in respect of this debt, I do not hold any assets of the debtor as security and
(Check appropriate description.)

☐ Regarding the amount of $ ________________, I claim a right to a priority under section 136 of the Act.

☐ Regarding the amount of $________________, I do not claim a right to a priority.
(Set out on an attached sheet details to support priority claim.)

☐ B. CLAIM OF LESSOR FOR DISCLAIMER OF A LEASE $________________

That I hereby make a claim under subsection 65.2(4) of the Act, particulars of which are as follows:
(Give full particulars of the claim, including the calculations upon which the claim is based.)

☐ C. SECURED CLAIM OF $________________

That in respect of this debt, I hold assets of the debtor valued at $____________ as security, particulars of which are as follows:
(Give full particulars of the security, including the date on which the security was given and the value at which you assess the security, and attach a copy of the security documents.)

☐ D. CLAIM BY FARMER, FISHERMAN OR AQUACULTURIST OF $________________

That I hereby make a claim under subsection 81.2(1) of the Act for the unpaid amount of $____________
(Attach a copy of sales agreement and delivery receipts.)

☐ E. CLAIM BY WAGE EARNER OF $________________________

☐ That I hereby make a claim under subsection 81.3(8) of the Act in the amount of $__________,

☐ That I hereby make a claim under subsection 81.4(8) of the Act in the amount of $__________,

☐ F. CLAIM BY EMPLOYEE FOR UNPAID AMOUNT REGARDING PENSION PLAN OF $________________________

☐ That I hereby make a claim under subsection 81.5 of the Act in the amount of $__________,

☐ That I hereby make a claim under subsection 81.6 of the Act in the amount of $__________,

☐ G. CLAIM AGAINST DIRECTOR $__________

(To be completed when a proposal provides for the compromise of claims against directors.)
That I hereby make a claim under subsection 50(13) of the Act, particulars of which are as follows:
(Give full particulars of the claim, including the calculations upon which the claim is based.)

☐ H. CLAIM OF A CUSTOMER OF A BANKRUPT SECURITIES FIRM $__________

That I hereby make a claim as a customer for net equity as contemplated by section 262 of the Act, particulars of which are as follows:
(Give full particulars of the claim, including the calculations upon which the claim is based.)

5. That, to the best of my knowledge, I __________(am/am not) (or the above-named creditor __________(is/is not)) related to the debtor within the meaning of section 4 of the Act, and ________(have/has/have not/has not) dealt with the debtor in a non-arm's-length manner.

6. That the following are the payments that I have received from, and the credits that I have allowed to, and the transfers at undervalue within the meaning of subsection 2(1) of the Act that I have been privy to or a party to with the debtor within the three months (or, if the creditor and the debtor are related within the meaning of section 4 of the Act or were not dealing with each other at arm's length, within the 12 months) immediately before the date of the initial bankruptcy event within the meaning of Section 2 of the Act: (Provide details of payments, credits and transfers at undervalue.)

7. (Applicable only in the case of the bankruptcy of an individual.)

☐ Whenever the trustee reviews the financial situation of a bankrupt to redetermine whether or not the bankrupt is required to make payments under section 68 of the Act, I request to be informed, pursuant to paragraph 68(4) of the Act, of the new fixed amount or of the fact that there is no longer surplus income.

☐ I request that a copy of the report filed by the trustee regarding the bankrupt's application for discharge pursuant to subsection 170(1) of the Act be sent to the above address.

Dated at ______________________________________, this __________________ day of ________________________, __________.

____
Witness

____
Creditor

Phone Number: ____________________________
Fax Number : ____________________________
E-mail Address : ____________________________

NOTE: If an affidavit is attached, it must have been made before a person qualified to take affidavits.

WARNINGS: A trustee may, pursuant to subsection 128(3) of the Act, redeem a security on payment to the secured creditor of the debt or the value of the security as assessed, in a proof of security, by the secured creditor.

Subsection 201(1) of the Act provides severe penalties for making any false claim, proof, declaration or statement of account.

INSTRUCTIONS AND CHECKLIST TO COMPLETE THE
PROOF OF CLAIM FORM (FORM 31) AND PROXY (FORM 36)

Checklist for Proof of Claim

This checklist is provided to assist you in preparing the proof of claim form and, if appropriate, the proxy form in a complete and accurate manner. Please check each requirement.

General

- The signature of a witness is required.
- The document must be signed by the individual completing the declaration.
- Provide the complete address where all notices or correspondence are to be forwarded along with your phone number, fax number and email address where appropriate.

Notes

- It is permissible to file a proof of claim by fax.
- A creditor may vote either in person or by proxy at any meeting of creditors if the proof of claim is filed with the trustee prior to the time appointed for the meeting.
- A quorum at any meeting of creditors consists of at least one creditor with a valid proof of claim in attendance in person or by proxy.
- A corporation may vote through an authorized agent or mandatary at meetings of creditors.
- In order for a duly authorized person to have a right to vote, they must be a creditor or be the holder of a properly executed proxy. The name of the creditor must appear in the proxy.
- A creditor who is participating in any distribution from an estate must have filed a proof of claim prior to the distribution being declared.
- In the case of an individual bankrupt, by checking the appropriate box or boxes at the bottom of the proof of claim form, you may request that the trustee advise you of any material change in the financial situation of the bankrupt or the amount the bankrupt is required to pay into the bankruptcy, and a copy of the trustee's report on the discharge of the bankrupt.

INSTRUCTIONS AND CHECKLIST TO COMPLETE THE
PROOF OF CLAIM FORM (FORM 31) AND PROXY (FORM 36)

Paragraph 1

- The creditor must state the full and complete legal name of the individual, company or firm.

- If the individual completing the proof of claim is a representative of the creditor, the individual's position or title must be identified.

Paragraph 3

- The amount owing must be set out in paragraph 3.

- A detailed statement of account must be attached to the proof of claim and marked "Schedule A" and must show the date, number and amount of all invoices or charges, together with the date, number and amount of all credits or payments. The amount on the statement of account must correspond to the amount indicated on the proof of claim.

Paragraph 4

Notes

- Paragraph A applies to *ordinary unsecured claims*. In addition to recording the amount of the claim, please indicate whether the claim has a priority pursuant to section 136 of the Act.

- Paragraph B applies to *lessor claims* in a commercial proposal. Please ensure that the claim applies to a commercial proposal and, if so, include the full particulars of the claim.

- Paragraph C applies to *secured claims*. Please indicate the dollar value of the security and attach copies of the security document. In addition, please attach copies of the security registration documents, where appropriate.

- Paragraph D applies to *inventory claims of farmers, fishermen and aquaculturists.* Please note that such claims apply only to inventory supplied from farmers, fishermen and aquaculturists within 15 (fifteen) days of the date of bankruptcy. In addition, please attach copies of any applicable sales agreements and delivery slips.

- Paragraph E applies to *claims by wage earners.* Please note that such claims apply only for unpaid wages owed upon the bankruptcy of an employer or when the employer becomes subject to a receivership.

- Paragraph F applies to *claims by employees for unpaid amounts regarding pension plans*. Please note that such claims apply only to unremitted pension contributions outstanding when the sponsoring employer becomes bankrupt or is subject to a receivership.

- Paragraph G applies to *claims against directors*. Please note that such claims apply only to directors of corporations that have filed a commercial proposal to creditors that includes a compromise of statutory claims against directors.

Paragraph 5

- All claimants must indicate whether or not they are related to the debtor, as defined in section 4 of the Act, or dealt with the debtor in a non-arm's-length manner.

Paragraph 6

- All claimants must attach a detailed list of all payments or credits received or granted as follows:

  a. within the three (3) months preceding the initial bankruptcy event (including the bankruptcy or the proposal);

  b. within the twelve (12) months preceding the initial bankruptcy event (including the bankruptcy or the proposal) in the case where the claimant and the debtor were not dealing at arm's length.

Proxyholder

Note

The Act permits a proof of claim to be made by a duly authorized representative of a creditor but, in the absence of a properly executed proxy, does not give such an individual the power to vote at the first meeting of creditors nor to act as the proxyholder of the creditors.

General

- In order for duly authorized persons to have a right to vote, they must themselves be creditors or be the holders of a properly executed proxy. The name of the creditor must appear in the proxy.

Notes

- A creditor may vote either in person or by proxyholder.

INSTRUCTIONS AND CHECKLIST TO COMPLETE THE
PROOF OF CLAIM FORM (FORM 31) AND PROXY (FORM 36)

- A proxy may be filed at any time prior to a vote at a meeting of creditors.
- A proxy can be filed with the trustee in person, by mail or by any form of telecommunication.
- A proxy does not have to be under the seal of a corporation unless required by its incorporating documents or its bylaws.
- The individual designated in a proxy cannot be substituted unless the proxy provides for a power of substitution.
- Bankrupts/debtors may not be appointed as proxyholders to vote at any meeting of their creditors.
- The trustee may be appointed as a proxyholder for any creditor.
- A corporation cannot be designated as a proxyholder.

Proxy

District of: British Columbia
Division No. 11 - Vancouver
Court No. B-180585
Estate No. 11-2427899

FORM 36
Proxy
(Subsection 102(2) and paragraphs 51(1)(e) and 66.15(3)(b) of the Act)

In the Matter of the Proposal of
Basin Mine Limited Partnership
of the city of Vancouver
in the Province of British Columbia

I, ______________________________, of ________________, a creditor in the above matter, hereby appoint ________________________________, of ______________________________________, to be my proxyholder in the above matter, except as to the receipt of dividends,____________ (with or without) power to appoint another proxyholder in his or her place.

Dated at ____________________________________, this ________ day of _______________, ________.

____
Witness

____
Individual Creditor

____
Witness

____
Name of Corporate Creditor

Per ______________________________
Name and Title of Signing Officer

Return To:

Ernst & Young Inc. - Licensed Insolvency Trustee
Per:

____
Mike Bell - Licensed Insolvency Trustee
700 West Georgia Street
Vancouver BC V7Y 1C7
Phone: (604) 891-8351 Fax: (604) 899-3530

Voting Letter

District of: British Columbia
Division No. 11 - Vancouver
Court No. B-180585
Estate No. 11-2427899

FORM 37

Voting Letter
(Paragraph 51(1)(f) of the Act)

In the Matter of the Proposal of
Basin Mine Limited Partnership
of the city of Vancouver
in the Province of British Columbia

I, ______________________________, creditor (or I, ______________________________, representative of ______________________________, creditor), of ________________, a creditor in the above matter for the sum of $ ______________, hereby request the trustee acting with respect to the proposal of Basin Mine Limited Partnership, to record my vote ______________ (for or against) the acceptance of the proposal as made on the 2nd day of November 2018.

Dated at ______________________________, this ______ day of ____________________ ____________.

____
Individual Creditor

____
Witness

____
Name of Corporate Creditor

____
Witness

Per ______________________________
Name and Title of Signing Officer

Return To:
Ernst & Young Inc. - Licensed Insolvency Trustee
Per:

____

Mike Bell - Licensed Insolvency Trustee
700 West Georgia Street
Vancouver BC V7Y 1C7
Phone: (604) 891-8351 Fax: (604) 899-3530