

BK01 095164

COURT FILE NUMBER: 25-2670585, 25-095164, 25-095165
COURT COURT OF QUEEN'S BENCH
OF ALBERTA IN BANKRUPTCY
AND INSOLVENCY
JUDICIAL CENTRE CALGARY
IN THE MATTER OF THE
BANKRUPTCY AND INSOLVENCY
ACT



AND IN THE MATTER OF THE NOTICE
OF INTENTION TO MAKE A
PROPOSAL OF ZARGON OIL & GAS
LTD., ZARGON U.S. HOLDINGS LTD.
and ZARGON OIL & GAS
PARTNERSHIP

ENTERED

DOCUMENT

ORDER (APPROVAL OF JOINT PROPOSAL)

ADDRESS FOR SERVICE
AND CONTACT
INFORMATION OF
PARTY FILING THIS
DOCUMENT

**Proposal Trustee
MNP Ltd.**

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Attention: Victor P. Kroeger/Rick Anderson

**Counsel
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Suite 1700, 421 - 7 Avenue S.W.
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Phone: 403-531-4700
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Attention: Adam Maerov/Preet Saini

File No. 275678

DATE ON WHICH ORDER WAS PRONOUNCED:	January 6, 2021
NAME OF JUSTICE WHO MADE THIS ORDER:	The Honourable Justice Jones
LOCATION OF HEARING:	Calgary

UPON THE APPLICATION of MNP Ltd. in its capacity as proposal trustee ("**Proposal Trustee**") of Zargon Oil & Gas Ltd. ("**Zargon O&G**"), Zargon Oil & Gas Partnership ("**Zargon Partnership**"), and Zargon U.S. Holdings Ltd. ("**Zargon US**" and collectively "**Zargon**"); **AND UPON** Zargon filing a Notice of Intention to Make a Proposal under the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3 on September 8, 2020; **AND UPON** the order granted by the Honourable Justice Eidsvik on November 13, 2020, authorizing Zargon to file a joint proposal; **AND UPON** Zargon filing a joint proposal on November 13, 2020 (the "**Joint Proposal**"); **AND UPON** noting that relief sought pursuant to s. 192 of the *Business Corporations Act*, RSA 2000, c B-9 ("**BIA**"), approving the reorganization and amendment to the articles of incorporation of Zargon O&G as contemplated in the Joint Proposal (collectively, the "**Reorganization**"); **AND UPON** the acceptance of the Joint Proposal by the voting creditors of Zargon at a creditors' meeting held on December 4, 2020; **AND UPON** reviewing the report of the Proposal Trustee on the Joint Proposal, dated December 16, 2020;

IT IS HEREBY ORDERED AND DECLARED THAT:

1. Service of the notice of this application and supporting materials is hereby declared to be good and sufficient, no other person is required to have been served with notice of this application, and the time for service of this application is abridged to that actually given.
2. The Joint Proposal in the form attached as Schedule "A" to this Order is hereby approved.
3. Pursuant to section 59(4) of the BIA, Zargon O&G's articles are to be amended in accordance with Schedule "A" to the Joint Proposal, and to give effect to such amendment, the directors of Zargon O&G are hereby authorized and directed to file the articles of reorganization, at such time and in such manner as contemplated by the Joint Proposal and as required by applicable corporate laws (the "**Articles of Reorganization**").
4. The redemption by Zargon O&G of the Redeemable Shares (as defined in the Articles of Reorganization) for \$0.01 for each whole Redeemable Share, and the issuance of the New Common Shares (as defined in the Articles of Reorganization), is hereby approved.
5. Zargon and the Proposal Trustee are each hereby authorized and directed to take all steps and actions necessary to implement the Joint Proposal, the Reorganization, and the transactions contemplated by the Joint Proposal and the Reorganization, and all such steps and actions are hereby approved.
6. Service of this Order shall be deemed good and sufficient by:

- a. serving the same on:
- i. the persons listed on the service list created in these proceedings;
 - ii. any other person served with notice of the application for this Order;
 - iii. any other parties attending or represented at the application for this Order; and
- b. posting a copy of this Order on the Proposal Trustee's website at:
<https://mnpdebt.ca/en/corporate/corporate-engagements/zargon-oil-and-gas-ltd-zargon-oil-and-gas-partnership-and-zargon-us-holdings-ltd>

and service on any other person is hereby dispensed with.



Justice of the Court of Queen's Bench of Alberta

Schedule "A" to Order

(Joint Proposal, attached)



ENTERED

1102759

Estate File No. **25-2670585**, 25-095164, 25-095165

AND IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A
PROPOSAL OF ZARGON OIL & GAS LTD., ZARGON U.S. HOLDINGS LTD. AND
ZARGON OIL & GAS PARTNERSHIP

JOINT PROPOSAL

Zargon Oil & Gas Ltd., Zargon U.S. Holdings Ltd. and Zargon Oil & Gas Partnership hereby submit the following joint Proposal to all of their Creditors pursuant to Part III of the BIA, for which the acceptance of such joint Proposal shall constitute acceptance as against all of the proposal parties.

ARTICLE 1
DEFINITIONS

1.1 Definitions

In this Proposal:

“**Administration Charge**” means the priority Administration Charge over the property of the Debtors in favour of the Debtors’ counsel and the Trustee and its counsel in the maximum amount of \$200,000 as granted by the Court pursuant to the Order dated October 1, 2020;

“**Administrative Fees and Expenses**” means the proper fees, expenses and legal fees and disbursements of the Trustee and the Debtors on and incidental to the negotiation, preparation, presentation, consideration, Court approval of, and implementation of the Proposal and all proceedings and matters relating to or arising out of the Proposal including, without limitation, any meeting or meetings of creditors to consider the Proposal;

“**Affected Claims**” means any Claim that is not an Unaffected Claim;

“**Affected Creditor**” means a Creditor having an Affected Claim;

“**Approval Order**” means an Order of the Court approving the Proposal;

“**Articles of Reorganization**” means the articles of reorganization of ZOGL to become effective on the Implementation Date attached hereto as Schedule “A”;

“**BIA**” means the *Bankruptcy and Insolvency Act*, RSC 1985, c.B-3, as amended and in force as at the Filing Date;

“**Business Day**” means each day other than a Saturday or Sunday or a statutory or civic holiday on which banks are open for business in Calgary, Alberta, Canada;

“**Canada Pension Plan**” means the *Canada Pension Plan*, RSC 1985, c. C-8, as amended;

“**Claim**” means any right of any Person against the Debtors or any of them whether or not asserted in connection with any indebtedness, liability or obligation of any kind whatsoever owed to a Person, including any indebtedness, liability or obligation owed to such Person as a result of any duty (including, without limitation, any legal, statutory, equitable or fiduciary duty), any right of ownership of or title to, or to a trust or deemed trust against, any of the property or assets of the Debtors, whether or not such right or

claim is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, secured, under-secured, unsecured, preferred, perfected, unperfected, present, future, direct or indirect, known or unknown, by guarantee, by surety or otherwise, at law or in equity, and whether or not such a right is executory or anticipatory in nature, including, without limitation, the right or ability of any Person to advance a claim for contribution or indemnity or otherwise with respect to any matter, action, cause or chose in action, whether existing at present or commenced in the future, which indebtedness, liability or obligation is based in whole or in part on facts which existed prior to the Filing Date;

“Claim Determination Date” means the date on which the validity of all Proofs of Claim filed by Ordinary Creditors has been finally determined in accordance with the BIA and all Disputed Claims of Ordinary Creditors have been finally resolved in accordance with the BIA;

“Contingent Value Note” means the unsecured contingent promissory note to be issued by the Sponsor to Ordinary Creditors in satisfaction of all Affected Claims, pursuant to this Proposal, substantially in the form attached hereto as Schedule “B” and specifically, issued in the amount of \$500,000, distributable by the Sponsor three (3) months after the daily WTI index average is equivalent to or exceeds USD\$57.50/bbl for a trailing twelve (12) month period, and expiring on September 1, 2024 if not paid out by such expiry date;

“Court” means the Court of Queen’s Bench of Alberta;

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

“Creditors’ Meeting” means any meeting of the Affected Creditors, in person or virtually, called by the Trustee for the purpose of considering and voting upon the Proposal;

“Creditors’ Meeting Date” means 10:00 a.m. on the date and time as may be called by the Trustee in consultation with the Official Receiver pursuant to Section 6.2 of the Proposal;

“Date of Proposal” means the date of the filing of the Proposal with the Official Receiver;

“Debtors” means (i) ZOGL, a company existing under the laws of the Province of Alberta; (ii) Zargon US, a company existing under the laws of the Province of Alberta; and (iii) Zargon Oil & Gas Partnership, a partnership existing under the laws of the Province of Alberta;

“Directors” means the present and former directors of ZOGL and Zargon US, as at the Filing Date;

“Director Claim” means a claim against the Directors that is based in whole or in part on facts, events or matters which existed or occurred on or before the Filing Date and that relates to the obligations of ZOGL or Zargon US for which the Directors are by law liable in their capacity as Directors for the payment of such obligations. Director Claims do not include claims that relate to: (a) contractual rights of one or more Creditors arising from contracts with one or more Directors; or (b) wrongful or oppressive conduct by Directors;

“Disputed Claims” means any Proof of Claim which has been received by the Trustee in accordance with the terms of this Proposal and the BIA but has not been accepted as proven in accordance with section 135 of the BIA or which is being disputed in whole or in part by the Trustee, or any other Person entitled to do so and has not been resolved in accordance with the BIA;

“Employment Insurance Act” means the *Employment Insurance Act*, S.C. 1996, c. 23, as amended;

“Equity Claim” means a Claim that is an “equity claim” with respect to ZOGL within the meaning of section 2 of the BIA;

“Equity Interest” means an “equity interest” with respect to ZOGL within the meaning of section 2 of the BIA;

“Existing Shares” means all issued preferred and common shares of ZOGL and any and all, warrants, options, instruments, rights or entitlements which have the capacity to be converted into or exchanged for, or give the right to acquire, shares of ZOGL in existence on the Implementation Date;

“Filing Date” means September 8, 2020;

“Implementation Date” means the date upon which the conditions set forth in Section 9.3 have been satisfied;

“Income Tax Act” means *Income Tax Act*, RSC 1985, c. 1 (5th Supp.), as amended;

“Inspectors” means one or more Inspectors appointed pursuant to the BIA as provided for in the Proposal;

“New Shares” means the shares of ZOGL to be issued to the Sponsor on the Implementation Date pursuant to the Articles of Reorganization;

“Official Receiver” shall have the meaning ascribed thereto in the BIA;

“Ordinary Creditors” means Creditors with Proven Claims, except for those Claims that:

- (i) are Claims by Secured Creditors;
- (ii) are Claims by Preferred Creditors; or
- (iii) are Equity Claims;

“Ordinary Creditors Cash Pool” means the Proposal Fund less the Preferred Creditor Cash Amount;

“Person” means any individual, general or limited partnership, joint venture, trust, corporation, unincorporated organization, government, or any agency, regulatory body or instrumentality thereof, or any other entity howsoever designated or constituted;

“Post-Filing Claim” means any Claims arising in respect of services rendered, goods supplied or other consideration given to the Debtors after the Filing Date, as well as wages, salaries, commissions or compensation for services rendered after that date and before the Approval Order, together with, in the case of travelling salespersons, disbursements properly incurred by them in and about the bankrupt’s business during the same period together with any unremitted source deductions and employer’s obligation to make contributions in relation thereto;

“Preferred Claim Determination Date” means the date on which the validity of all Proofs of Claim filed by Preferred Creditors has been finally determined in accordance with the BIA and all Disputed Claims of Preferred Creditors have been finally resolved in accordance with the BIA;

“Preferred Creditors” means Creditors with Proven Claims which are, subject to the rights of Secured Creditors, required by the BIA to be paid, in whole or in part, in priority to all other Claims under a proposal

made by a debtor and including, without limitation, Creditors with a Claim for the Required Employee Amount and Her Majesty in Right of Canada or a Province with a Claim for the Required Crown Amount (for greater certainty a Person can be both a Preferred Creditor and an Unsecured Creditor in respect of distinct Claims);

“Preferred Creditor Cash Amount” means the cash amount necessary to pay and satisfy: (i) the Affected Claims of Preferred Creditors, including the Required Employee Amount; and (ii) the Required Crown Amount;

“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;

“Proposal” means this proposal together with any amendments or additions thereto;

“Proposal Fund” means the fund provided by the Sponsor in the amount of \$500,000;

“Proven Claim” of a Creditor means the amount of the Affected Claim of such Creditor finally determined in accordance with BIA;

“Required Employee Amount” means an amount equal to the amount employees and former employees of the Debtors, not to include independent commissioned sales agents or contractors, would be qualified to receive under paragraph 136(l)(d) of the BIA if the Debtors became bankrupt on the Filing Date;

“Required Crown Amount” means all amounts outstanding at the time of the filing of the notice of intention to Her Majesty in Right of Canada or a Province and that are of a kind that could be subject to a demand under,

- (i) subsection 224(1.2) of the Income Tax Act;
- (ii) any provision 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 the 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
- (iii) 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:
 - (A) 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
 - (B) 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;

“Secured Creditor” means a Person holding a mortgage, hypothec, charge, pledge, charge or lien on or against the property or assets of the Debtors as security for a debt due or accruing due to the Person from

the Debtors, and shall include, for greater certainty, the applicable municipalities in respect of non-linear property taxes;

“**Sponsor**” means Blue Sky Resources Ltd., a company existing under the laws of the Province of Alberta;

“**Trustee**” means MNP Ltd., or its duly appointed successor or successors;

“**Unaffected Claims**” means the Administrative Fees and Expenses, Post-Filing Claims and any Claims of the Sponsor in relation to the interim financing or any Secured Creditors;

“**Unsecured Creditors**” means the Preferred Creditors and the Ordinary Creditors;

“**Voting Letter**” shall mean the voting letter required by section 51(1) of the BIA to be mailed to each known Creditor prior to the Creditors’ Meeting;

“**Zargon US**” means Zargon U.S. Holdings Ltd.; and

“**ZOGL**” means Zargon Oil & Gas Ltd.

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 a table of contents and 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 which is a Business Day.

1.5 Time

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

1.6 Numbers, Gender

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 Successors and Assigns

The Proposal will be binding upon 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.

1.10 Schedules

The following are the Schedules to this Proposal:

- Schedule "A" – Articles of Reorganization
- Schedule "B" – Form of Contingent Value Note

The terms and conditions of the Schedules form an integral part of this Proposal and should be read in conjunction with this Proposal.

ARTICLE 2 PURPOSE OF THE PROPOSAL

2.1 Purpose of the Proposal

The purpose of the Proposal is to allow the Debtors to effect the restructuring of their indebtedness in the manner contemplated herein and as permitted by the BIA in the expectation that all Affected Creditors will derive greater benefit from the restructuring than they would otherwise receive from a bankruptcy of the Debtors and to provide for:

- (a) the distribution by the Trustee of the Preferred Creditor Cash Amount on account of the Proven Claims of Preferred Creditors (including the Required Employee Amount and the Required Crown Amount);
- (b) the distribution by the Trustee of the Ordinary Creditor Cash Pool to the Ordinary Creditors on account of their Affected Claims that are Proven Claims;
- (c) the issuance of the Contingent Value Note by the Sponsor to the Ordinary Creditors on account of their Affected Claims that are Proven Claims;
- (d) the effective redemption or cancellation of all Existing Shares; and
- (e) the issuance of New Shares to the Sponsor.

The Proposal provides for the foregoing consideration in exchange for the full compromise and final satisfaction of all Affected Claims. The Proposal applies to all Affected Creditors, whether or not any such Affected Creditor proves a Claim against the Debtors under this Proposal, but does not apply to the Unaffected Claims.

2.2 Corporate Reorganization

This Proposal contemplates a corporate reorganization of the capital structure of ZOGL in accordance with section 59(4) of the BIA. The Articles of Reorganization attached as Schedule "A" to the Proposal shall, upon implementation of the Proposal, amend the constating documents of ZOGL to, inter alia, effect the redemption or cancellation of all Existing Shares, and authorize the issuance of a series of New Shares by ZOGL to the Sponsor.

ARTICLE 3 CLASSIFICATION OF CREDITORS

3.1 Classes of Creditors

For the purposes of voting on the Proposal, the Creditors of the Debtors shall be comprised of one class of Unsecured Creditors.

ARTICLE 4 TREATMENT OF CREDITORS

4.1 Administrative Fees and Expenses

On the Implementation Date, all Administrative Fees and Expenses incurred to that date which remain unpaid shall be paid by the Sponsor in full from funds paid to the Trustee in addition to the Proposal Fund. The Administration Charge secures such Administrative Fees and Expenses, in accordance with the terms of the October 1, 2020 Order of the Court.

4.2 Binding Effect and Distribution

Pursuant to section 62 of the BIA, this Proposal shall become binding on all Affected Creditors in respect of any and all of the Debtors upon acceptance by the Affected Creditors pursuant to section 6.6 hereof and the granting of the Approval Order by the Court. Thereafter:

- (a) The Trustee shall make all distributions of the Preferred Creditor Cash Amount to Preferred Creditors pursuant to this Proposal and in accordance with section 136 of the BIA;
- (b) The Trustee shall make all distributions of the Ordinary Creditor Cash Pool and the Contingent Value Note to Ordinary Creditors pursuant to this Proposal and in accordance with section 141 of the BIA; and
- (c) Notwithstanding any other provision hereof, the Ordinary Creditors shall only have recourse to the Contingent Value Note and the payments to be made by the Sponsor thereunder in accordance with the terms of the Contingent Value Note, and Ordinary Creditors shall not be permitted to sue or make any claim against the Debtors, the Sponsor or any other Person for any Claim deficiency remaining after payment of amounts owing under the Contingent Value Note.

4.3 Interest on Claims

Interest will not accrue or be paid on Affected Claims after or in respect of the period following the Filing Date and no Creditor with an Affected Claim will be entitled to any interest in respect of such Claim accruing on or after or in respect of the period following the Filing Date.

4.4 Required Crown Amount

In the event that the Trustee determines that the Preferred Claim Determination Date will occur more than six (6) months from the date of obtaining the Approval Order, unless Her Majesty in Right of Canada agrees otherwise, the Required Crown Amount shall be remitted by the Trustee to Her Majesty in Right of Canada from the Preferred Creditor Cash Amount within six (6) months of the Approval Order.

4.5 Obligations of the Sponsor

- (a) The Sponsor shall, on or before the Implementation Date:
 - (i) pay the Proposal Fund to the Trustee;
 - (ii) pay sufficient additional funds to the Trustee to enable the Trustee to pay the unpaid Administrative Fees and Expenses incurred to the Implementation Date; and
 - (iii) issue the Contingent Value Note to the Ordinary Creditors, subject to the determination of Ordinary Creditors' Prescribed Interest therein on or after the Claims Determination Date.
- (b) The Sponsor shall pay to the Trustee all Administrative Fees and Expenses up to and including the date of the Trustee's discharge in accordance with Section 7.1.

4.6 Superintendent of Bankruptcy Levy

The Office of the Superintendent of Bankruptcy shall be paid its prescribed levy as required by sections 60(4) and 147 of the BIA: (i) by the Trustee from any dividends paid to the Proven Creditors; and (ii) by the Sponsor from any payments to Ordinary Creditors under the Contingent Value Note.

4.7 Treatment of Equity Claims

On the Implementation Date, all issued and outstanding Equity Interests and all Equity Claims shall be fully, finally, irrevocably and forever compromised, settled, released, discharged, extinguished, redeemed, cancelled and barred without the consent of the Creditors holding such Equity Claims and the New Shares shall be issued in accordance with the terms herein.

4.8 Treatment of Unaffected Claims

Unaffected Creditors will not receive any consideration or distributions under this Proposal in respect of their Unaffected Claims and shall not be entitled to vote on this Proposal at any Creditors' Meeting in respect of their Unaffected Claims.

4.9 Disputed Claims

An Unsecured Creditor with a Disputed Claim shall not be entitled to receive any distribution hereunder with respect to such Disputed Claim unless and until such Claim becomes a Proven Claim. Distributions made pursuant to this Proposal shall be made in respect of any Disputed Claim that is finally determined to be a Proven Claim. The procedure for resolving any Disputed Claims will be as set forth in the BIA.

4.10 Post-Filing Claims

Post-Filing Claims will be paid in full by the Debtors in the ordinary course of business and on regular trade terms, or as may otherwise be arranged with the holders of such Post-Filing Claims.

ARTICLE 5 PROCEDURE FOR VALIDATION OF CLAIMS

5.1 Allowance or Disallowance of Claims by the Trustee

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

ARTICLE 6 MEETING OF CREDITORS

6.1 Creditors' Meeting

On the Creditors' Meeting Date, the Trustee shall hold the Creditors' Meeting in order for the Creditors to consider and vote upon the Proposal.

6.2 Time and Place of Meeting

The Creditors' Meeting shall be held on the Creditors' Meeting Date at a time and place to be established by the Trustee in consultation with Official Receiver, or the nominee thereof, and confirmed in its notice of meeting to be mailed by the Trustee pursuant to the BIA. All Proofs of Claim shall be delivered in accordance with the provisions of the Proposal, the BIA and any Order which may be issued by the Court in respect of the procedure governing the Creditors' Meeting, subject at all times to (i) further order of the Court, including without limitation any order respecting COVID-19 related creditor meeting protocols; and (ii) any COVID-19 related creditor meeting directive issued by the Official Receiver.

6.3 Conduct of Meetings

The Official Receiver, or the nominee thereof, shall preside as the chair of the Creditors' Meeting and will decide all matters relating to the conduct of the Creditors' Meeting. The only Persons entitled to attend the Creditors' Meeting are those Affected Creditors, including the holders of proxies, entitled to vote at the Creditors' Meeting and their respective legal counsel, if any, the officers, directors, auditors and legal counsel of the Debtors, one or more representatives of and legal counsel to the Sponsor, together with such representatives of the Trustee and representatives of the Trustee's legal counsel as the 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 Creditors' Meeting or with the consent of the Creditors.

6.4 Adjournment of Meetings

The Creditors' Meeting may be adjourned in accordance with Section 52 of the BIA.

6.5 Voting by Creditors

To the extent provided for herein, and as prescribed in the BIA, each Creditor will be entitled to vote to the extent of the amount which is equal to the amount accepted by the chair of the Creditors' Meeting for voting

purpose or such amount as may be agreed to by the Trustee for voting purposes at or prior to the Creditors' Meeting (dollar amounts to be voted by Creditors in accordance with the foregoing are referred to as "Voting Claims").

6.6 Approval by Creditors

In order that the Proposal be binding on the class of Unsecured Creditors in accordance with the BIA, it must first be accepted by a majority in number of the Unsecured Creditors who have filed Claims approved by the chair for voting (in person or by proxy) at the Creditors' Meeting or by a Voting Letter, representing two-thirds in value of the Voting Claims of the Unsecured Creditors who actually have filed Claims approved by the chair for voting (whether in person or by proxy) at the Creditors' Meeting or by a Voting Letter. Approval of the Proposal by the class of Unsecured Creditors shall bind such class with regard to all Affected Claims against any and all of the Debtors.

6.7 Appointment of Inspectors

In accordance with section 56 of the BIA, at the Creditors' Meeting, the Creditors may appoint up to five (5) Inspectors whose powers will be limited to:

- (a) advising the Trustee concerning any dispute which may arise as to the validity of Claims; and
- (b) advising the Trustee from time to time with respect to any other matter that the Trustee may refer to them.

Any decision, direction or act of the Inspectors may be referred to the Court by the Trustee, the Creditors or the Inspectors 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 Inspectors will terminate upon the performance of the Proposal.

6.8 Valuation of Claims

The procedure for valuing Claims of Creditors and resolving disputes with respect to such Claims will be as set forth in Article 5 and the BIA.

ARTICLE 7 COMPLETION OF THE PROPOSAL

7.1 Discharge of Trustee

Upon distribution by the Trustee of the Preferred Creditor Cash Amount and the Ordinary Creditors Cash Pool, and the determination of the Ordinary Creditors' *pro rata* entitlement in the Contingent Value Note and the Trustee having issued the certificate of full performance, this Proposal shall be fully performed. The Trustee will proceed to apply for its discharge thereafter in due course.

The Trustee is acting in its capacity as Trustee under the BIA and not in its personal capacity and no officer, director, employee or agent of the Trustee shall incur any liabilities or obligations in connection with the Proposal, in respect of the business or obligations of the Debtors or the Sponsor, or under the Contingent Value Note, and will be exempt from any personal liability in fulfilling any duties or exercising any powers

conferred upon it by this Proposal unless such acts have been carried out in bad faith and constitute a wilful misconduct or gross negligence.

7.2 Completion of the Proposal

The payment, compromise, extinguishment or other satisfaction of any Affected Claim under the Proposal will be binding upon each Affected Creditor, its heirs, executors, administrators, successors and assigns, for all purposes, and as and from the Implementation Date all Affected Claims against any and all of the Debtors shall be forever discharged and released, excepting only the obligations to make distributions in respect of such Affected Claims in the manner and to the extent provided for in this Proposal.

ARTICLE 8 PREFERENCES, TRANSFERS AT UNDER VALUE, ETC.

8.1 Sections 95-101 of the BIA

In conformity with Section 101.1 of the BIA, Sections 95-101 of the BIA and any provincial statute related to preference, fraudulent conveyance, transfer at undervalue, or the like shall not apply to this Proposal.

8.2 Recourse

As a result of and in accordance with Section 8.1 hereof and all of the rights, remedies, recourses and Affected Claims described therein:

- (a) all such rights, remedies and recourses and any Affected Claims based thereon shall be completely unavailable to the Trustee or any Creditor against the Debtors, any other Creditor or any other Person whatsoever; and
- (b) the Trustee and all of the Creditors shall be deemed, for all purposes whatsoever, to have irrevocably and unconditionally waived and renounced such rights, remedies and recourses and any Affected Claims based thereon against the Debtors, any other Creditor or any other Persons.

ARTICLE 9 MISCELLANEOUS

9.1 Modification of Proposal

The Debtors, with the consent of the Trustee and the Sponsor, may propose one or more alterations or modifications to the Proposal prior to the conclusion of the first Creditors' Meeting called to consider the Proposal.

9.2 Consents, Waivers and Agreements

As at 12:01 a.m. on the Implementation Date, each Affected Creditor will be deemed to have:

- (a) executed and delivered to the Debtors all consents, releases, assignments and waivers, statutory or otherwise, required to implement and carry out the Proposal in its entirety;

- (b) waived any default by the Debtors in any provision, express or implied, in any agreement or other arrangement, written or oral, existing between such Affected Creditor and the Debtors that has occurred on or prior to the Implementation Date;
- (c) agreed, in the event that there is any conflict between the provisions, express or implied, of any agreement or other arrangement, written or oral, existing between such Affected Creditor and the Debtors as at the Implementation Date (other than those entered into by the Debtors on, or with effect from, the Implementation Date) and the provisions of the Proposal, that the provisions of this Proposal shall take precedence and priority and the provisions of such agreement or other arrangement shall be amended accordingly; and
- (d) released the Debtors, the Trustee, the Directors, and all of their respective affiliates, employees, agents, directors, officers, shareholders, advisors, consultants and solicitors from any and all Claims and any other demands, actions, causes of action, counter-claims, suits, debts, sums of money, accounts, covenants, damages, judgements, expenses, executions, liens, set off rights and other recoveries on account of any liability, obligation, demand or cause of action of whatever nature which any Person may be entitled to assert, whether known or unknown, matured or unmatured, foreseen or unforeseen, existing or hereafter arising based in whole or in part on any act or omission, transaction, dealing or other occurrence existing or taking place on or prior to the Implementation Date, relating to or arising out of or in connection with the matters herein.

9.3 Conditions to Proposal Implementation

The implementation of the Proposal by the Debtors will be conditional upon the fulfilment or satisfaction of the following conditions:

- (a) approval of the Proposal by the Unsecured Creditors pursuant to Section 6.6;
- (b) approval of the Proposal and the amendments to ZOGL's constating documents as set out in the Articles of Reorganization by the Court pursuant to a final and non-appealable Approval Order;
- (c) the execution of the Contingent Value Note by the Sponsor for delivery to the Ordinary Creditors in accordance with Section 4.2(b); and
- (d) the payment by the Sponsor of the Proposal Fund.

9.4 Release

Upon the Implementation Date, each and every Director shall be released and discharged from any and all Director Claims. This release shall have no force or effect if the Debtors go bankrupt before the terms of the Proposal are fully performed.

9.5 Effect of Proposal Generally

As at 12:01 a.m. on the Implementation Date, the treatment of all Claims under the Proposal shall be final and binding on all of the Debtors and all Affected Creditors (along with their respective heirs, executors, administrators, legal personal representatives, successors and assigns) and the Proposal shall constitute (i) a full, final and absolute settlement of all rights of the holders of the Affected Claims affected hereby; and

(ii) an absolute release and discharge of all indebtedness, liabilities and obligations of any and all of the Debtors of or in respect of such Affected Claims.

9.6 Notices

Any notices or communication to be made or given hereunder shall be in writing and shall refer to this Proposal and may, subject as hereinafter provided, be made or given by personal delivery, by prepaid mail or by receipted email (except for Proofs of Claim which may only be sent by personal delivery, receipted email or registered mail) addressed to the respective parties as follows:

(a) if to the Debtors:

c/o Burnet, Duckworth & Palmer LLP
2400, 525 - 8 Avenue SW
Calgary, Alberta T2P 1G1

Attention: David LeGeyt
Email: dlegeyt@bdplaw.com

(b) if to a Creditor, to the address or email address for such Creditor specified in the Proof of Claim filed by Creditor or, if no Proof of Claim has been filed, to such other address or email address at which the notifying party may reasonably believe that the Creditor may be contacted; and

(c) if to the Trustee:

MNP Ltd.
1500, 640 – 5 Avenue SW
Calgary, Alberta T2P 3G4

Attention: Victor P. Kroeger and Rick Anderson
Email: victor.kroeger@mnp.ca and rick.anderson@mnp.ca

With a copy to:

McMillan LLP
TD Canada Trust Tower, Suite 1700
421 – 7 Avenue SW
Calgary, Alberta T2P 4K9

Attention: Adam C. Maerov
Email: adam.maerov@mcmillan.ca

or to such other address or email address as any party may from time to time notify the others in accordance with this section. In the event of any strike, lock-out and other event which interrupts postal service in any part of Canada, all notices and communications during such interruption may only be given or made by personal delivery or by receipted email and any notice or other communication given or made by prepaid mail within the five (5) Business Day period immediately preceding the commencement of such interruption will be deemed not to have been given or made. All such notices and communications will be deemed to have been received, in the case of notice by email or by delivery prior to 5:00 p.m. (local time) on a Business Day, when received or if received after 5:00 p.m. (local time) on a Business Day or at any

time on a non-Business Day, on the next following Business Day and in the case of notice mailed as aforesaid, on the fifth (5th) Business Day following the date on which such notice or other communication is mailed. The unintentional failure to give a notice contemplated hereunder to any particular Creditor will not invalidate this Proposal or any action taken by any Person pursuant to this Proposal.

9.7 Assignment of Claims

No assignment of a Claim by an Affected Creditor is effective to give the assignee any rights in respect of the Proposal unless written notice of the assignment is given to the Debtors and the Trustee in accordance with the requirements of Section 9.6. The assignment of the Claim will not be effective for a period of five (5) Business Days from the date of effective receipt of the notice of assignment by the Debtors and by Trustee as determined in accordance with Section 9.6.

9.8 Foreign Currency Obligations

For purposes of this Proposal, Claims denominated in a currency other than Canadian funds will be converted to Canadian Dollars at the closing spot rate of exchange of the Bank of Canada on the Filing Date.

9.9 Applicable Law

The Proposal shall be construed in accordance with the laws of the Province of Alberta and the federal laws of Canada applicable therein and shall be treated in all respects as an Alberta contract.

9.10 Non Severability

It is intended that all material provisions of this Proposal shall be fully binding on and effective between all Persons named or referred to in this Proposal and in the event that any material provision or provisions of the Proposal is or are found by the Court to be void, voidable or unenforceable for any reason whatever, then the remainder of this Proposal and all other provisions shall be void and of no force or effect.


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9.11 Deeming Provisions

In the Proposal, the deeming provisions are not rebuttable and are conclusive and irrevocable.

DATED at the City of Calgary, in the Province of Alberta, this 10th day of November, 2020.

ZARGON OIL & GAS LTD.

Per: 
Name: _____
Title: _____

ZARGON U.S. HOLDINGS LTD.

Per: 
Name: _____
Title: _____

ZARGON OIL & GAS PARTNERSHIP

Per: 
Name: _____
Title: _____

SCHEDULE "A"
ARTICLES OF REORGANIZATION

See attached.

Schedule to Articles of Reorganization of Zargon Oil & Gas Ltd.

1. to create an unlimited number of shares without nominal or par value of a class designated as "New Common Shares" and an unlimited number of shares without nominal or par value of a class designated as "Redeemable Shares";
2. to change each Common Share into 0.000001 (one one-millionth) of a Redeemable Share and if the conversion to the Redeemable Shares result in a holder having a fractional interest in a Redeemable Share, the fractional interest shall be rounded up to the nearest whole Redeemable Share if the fractional interest is greater than 0.5 and rounded down to the nearest whole Redeemable Share if the fractional interest is less than 0.5;
3. to cancel all options, warrants, convertible instruments and any other rights or interests that are capable of being converted into Common Shares and Preferred Shares;
4. to remove the authorized but unissued Common Shares and Preferred Shares and all rights, privileges, restrictions and conditions attaching thereto;
5. to declare that the capital of the Corporation after giving effect to the foregoing shall consist of an unlimited number of New Common Shares and an unlimited number of Redeemable Shares with the rights, privileges, restrictions and conditions set out in these Articles attaching thereto;
6. to establish that there shall be a minimum number of one and a maximum number of ten directors of the Corporation and that the number of directors of the Corporation;
7. to provide that the issue, transfer or ownership of shares is restricted and the restrictions (if any) are as follows:

The right to transfer shares of the Corporation shall be restricted in that no shares shall be transferred without either: (a) the consent of the directors of the Corporation expressed by a resolution passed by the directors or by an instrument or instruments in writing signed by a majority of the directors, which consent may be given either prior or subsequent to the time of transfer of such shares, or (b) the consent of the holders of shares of the Corporation to which are attached at least a majority of the votes attaching to all shares of the Corporation for the time being outstanding carrying a voting right either under all circumstances or under some circumstances that have occurred and are continuing, expressed by resolution passed by such shareholders or by an instrument or instruments in writing by such shareholders, which consent may be given either prior or subsequent to the time of transfer of such shares.

9. The rights, privileges, restrictions and conditions attaching to the Redeemable Shares are as follows:
 - (a) **Redemption by the Corporation:** All of the Redeemable Shares, into which the Common Shares outstanding immediately prior to the Effective Time were changed pursuant to the Proposal and the terms hereof, will be deemed to be automatically redeemed by the Corporation as of the Effective Time (and these Articles shall be deemed to be notice to the holders of such Redeemable Shares of the redemption by the Corporation), on

payment, subject to the terms hereof, of \$0.01 for each whole Redeemable Share (such amount being herein referred to as the “**Redemption Price**”). The Corporation will pay or cause to be paid to each holder of Redeemable Shares to be redeemed the Redemption Price by cheque, provided that if the aggregate Redemption Price payable to any particular holder is less than \$10.00, the actual Redemption Price payable to each such holder of Redeemable Shares will be deemed to be \$0.00 and the Redeemable Shares held by each such holder of Redeemable Shares will be redeemed without any payment or further act or formality by the Corporation or otherwise.

- (b) **Voting Rights:** The holders of the Redeemable Shares therein will not be entitled to receive notice of or to attend any meeting of the shareholders of the Corporation and will not be entitled to vote at any such meeting.
10. The rights, privileges, restrictions and conditions attaching to the New Common Shares are as follows:
- (a) **Payment of Dividends:** The holders of the New Common Shares will be entitled to receive dividends if, as and when declared by the board of directors of the Corporation out of the assets of the Corporation properly applicable to the payment of dividends in such amounts and payable in such manner as the board may from time to time determine. Subject to the rights of the holders of any other class of shares of the Corporation entitled to receive dividends in priority to or concurrently with the holders of the New Common Shares, the board may in its sole discretion declare dividends on the New Common Shares to the exclusion of any other class of shares of the Corporation.
 - (b) **Participation upon Liquidation, Dissolution or Winding Up:** In the event of the liquidation, dissolution or winding up of the Corporation or other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs, the holders of the New Common Shares will, subject to the rights of the holders of any other class of shares of the Corporation entitled to receive assets of the Corporation upon such a distribution in priority to or concurrently with the holders of the New Common Shares, be entitled to participate in the distribution. Such distribution will be made in equal amounts per share on all the New Common Shares at the time outstanding without preference or distinction.
 - (c) **Voting Rights:** Subject to the provisions of the Act, the holders of the New Common Shares will be entitled to receive notice of and to attend all annual and special meetings of the shareholders of the Corporation and to one vote in respect of each New Common Share held at all such meetings.
11. For the purposes of these Articles the following capitalized terms shall have the following respective meanings:
- (a) “**Act**” shall mean the *Business Corporations Act* (Alberta), as amended.
 - (b) “**Common Shares**” shall mean the common shares of the Corporation in existence immediately prior to the Effective Time.

- (c) “**Effective Time**” shall mean 12:01 a.m. on the “Implementation Date” as defined in the Proposal.
- (d) “**New Common Shares**” shall mean the new common shares of the Corporation.
- (e) “**Preferred Shares**” shall mean the preferred shares of the Corporation in existence immediately prior to the Effective Time.
- (f) “**Proposal**” shall mean the Proposal pursuant to Part III of the *Bankruptcy and Insolvency Act* (Canada) of the Corporation to its creditors dated [●], 2020.
- (g) “**Redeemable Shares**” shall mean the redeemable shares of the Corporation into which the Common Shares are changed pursuant to the terms hereof

SCHEDULE "B"
FORM OF CONTINGENT VALUE NOTE

See attached.

UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE THE DATE THAT IS 4 MONTHS AND A DAY AFTER THE LATER OF (I) [•], 2020; AND (II) THE DATE THE ISSUER BECAME A REPORTING ISSUER IN ANY PROVINCE OR TERRITORY.

BLUE SKY RESOURCES LTD.

ZARGON - CONTINGENT VALUE NOTE

Date: [•], 2020

Principal Amount of \$500,000 (Canadian)

1. Preamble

Blue Sky Resources Ltd., a corporation organized under the *Business Corporations Act* (Alberta) (“**BSR**”), has proposed a restructuring of Zargon Oil & Gas Ltd. (“**ZOGL**”), a corporation organized under the *Business Corporations Act* (Alberta), Zargon U.S. Holdings Ltd., a corporation organized under the *Business Corporations Act* (Alberta) and Zargon Oil & Gas Partnership, a partnership formed under the *Partnership Act* (Alberta) (together, “**Zargon**”) pursuant to the *Bankruptcy and Insolvency Act* (Canada) (the “**Restructuring**”).

Pursuant to the Restructuring, BSR received all of the issued and outstanding shares of ZOGL and the Ordinary Creditors have received this Contingent Value Note (the “**Contingent Value Note**”) in partial satisfaction of their Affected Claims.

Following the Restructuring, BSR and ZOGL intend to amalgamate or otherwise combine (“**Amalco**”).

2. Definitions

For all purposes of this Contingent Value Note, except as otherwise expressly provided or unless the context otherwise requires:

- (a) all accounting terms used herein and not expressly defined herein shall, except as otherwise noted, have the meanings assigned to such terms in accordance with generally accepted accounting principles in Canada, and the term “**generally accepted accounting principles**” or “**GAAP**” means such accounting principles as are generally accepted as they may change from time to time in Canada.
- (b) the words “**herein**,” “**hereof**” and “**hereunder**” and other words of similar import refer to this Contingent Value Note as a whole and not to any particular Article, Section or other subdivision.
- (c) all capitalized terms used but not otherwise defined herein shall having the meaning ascribed to them in the proposal filed by Zargon on [•], 2020 pursuant to the provisions of the *Bankruptcy and Insolvency Act* (Canada).

3. Principal Amount and Payment

- (a) FOR VALUE RECEIVED, BSR for itself and on behalf of Amalco promises to pay to each of the Ordinary Creditors set forth in Schedule “A” attached hereto or their successors and

permitted assigns (collectively, the “**Holders**” and individually, a “**Holder**”), in accordance with their Prescribed Interest set forth in Schedule “A” (“**Interests**”) less the Superintendent’s Levy (as set out in Section 9), the principal amount of FIVE HUNDRED THOUSAND DOLLARS (\$500,000) (the “**Principal Amount**”).

- (b) Any and all payments made by Amalco to any of the Holders hereunder shall be made contemporaneously and *pro rata* to all Holders without preference or priority of any nature to any one or more Holders. The Interest of each Holder in this Contingent Value Note shall rank rateably and *pari-passu* in all respects with the interest of each other Holder herein.
- (c) Each Holder shall be paid its entitlement under this Contingent Value Note (less the Levy amount), if any, by Amalco on the day that is three (3) months (the “**Payment Date**”) after the daily WTI index average is equivalent to or exceeds USD\$57.50/bbl for the trailing 12 months (the “**Average Price Target**”).
- (d) This Contingent Value Note will expire on September 1, 2024 (the “**Expiration Date**”) regardless of whether the Average Price Target is met by that date; provided, for greater certainty, that Amalco shall remain obligated to pay and each Holder shall be entitled to receive any payment that becomes payable under paragraph 3(c) before the Expiration Date whether such payment becomes due before or after the Expiration Date.

4. **Interest**

No interest shall be payable under the Contingent Value Note.

5. **Place of Payment**

Payments hereunder shall be made by Amalco to each Holder and to the Receiver General on behalf of the Superintendent’s Levy, by cheque or electronic funds transfer in lawful money of Canada at the respective address set forth on Schedule “A” hereto, or at such other address as may be designated by that Holder in writing.

6. **Transfer**

Neither this Contingent Value Note nor any interest of any Holder herein may be sold, assigned, pledged, encumbered or in any manner transferred or disposed of, in whole or in part, except to another Holder (which shall only be effective after written notice to Amalco), without the prior written consent of Amalco, and in compliance with applicable securities laws.

The Holder understands that there is not currently, nor is it anticipated that there will be any public market for the Contingent Value Note or Interest therein, and it may not be possible for the Holder to resell or transfer the Contingent Value Note. The Holder has been independently advised as to the restrictions with respect to trading in, and the restricted period or statutory hold period applicable to, the Contingent Value Note imposed by securities laws of the jurisdiction in which the Holder resides or to which the Holder is subject, that a suitable legend or legends, if required, be placed on the Contingent Value Note to reflect the applicable restricted period and statutory hold period to which the Contingent Value Note interests are subject and it is the responsibility of the Holders to comply with such restrictions before or transferring the Contingent Value Notes.

7. **No Security Provided**

This Contingent Value Note shall represent an unsecured obligation of Amalco.

8. **Notice**

Any notice or written communication given pursuant to or in connection with this Contingent Value Note shall be in writing and shall be given by delivering the same personally or by prepaid courier, prepaid registered mail, or telecopier, addressed to the party to be notified at the address of such party set out herein or at such other address of which such party has given notice to the other party hereto. Each Holder shall provide BSR or Amalco, as applicable at the given time, notice of any change in address of such Holder or any change in name of such Holder, or the name and address of such Holder's successors and permitted assigns.

Any notice given pursuant to this Contingent Value Note shall be conclusively deemed to have been given and received on the day of actual receipt by the addressee or, if given by prepaid registered or certified mail, on the fifth day following the mailing date (absent a general disruption in postal service).

9. **Unclaimed Dividends**

Amalco shall forward to the Superintendent for deposit, according to the directives of the Superintendent, with the Receiver General the unclaimed dividends in relation to the Contingent Value Note that Amalco possesses, other than those exempted by the General Rules, and shall provide a list of the names and the post office addresses, in so far as known, of the Holders entitled to the unclaimed dividends, showing the amount payable to each Holder.

10. **Superintendent in Bankruptcy Fee**

The payment of the Principal Amount to Holders shall be subject to the right of the Office of the Superintendent of Bankruptcy Canada (the "**Superintendent**") to receive payment on account of its statutory levy pursuant to sections 60(3), (4) and 147 of the *Bankruptcy and Insolvency Act* (Canada) (the "**BIA**"). The Superintendent's levy payment amount shall be as prescribed by the Superintendent pursuant to Rule 123 of the General Rules of the BIA at the time of the payment of the Principal Amount (the "**Superintendent's Levy**").

11. **General Provisions**

- (a) Unless otherwise stated, all dollar amounts referred to in this Contingent Value Note shall be in Canadian funds.
- (b) In the event that the Payment Date shall not be a business day, then, notwithstanding any provision of this Contingent Value Note to the contrary, any payment required to be made in respect of the Contingent Value Note on such date need not be made on such date, but may be made on the next succeeding business day with the same force and effect as if made on the Payment Date.
- (c) Each of the provisions contained in this Contingent Value Note is distinct and severable and a declaration of invalidity or unenforceability of any such provision or part thereof by a court of competent jurisdiction shall not affect the validity or enforceability of any other provision hereof.

- (d) This agreement represents the entire understanding of the parties hereto with reference to the Contingent Value Note and supersedes any and all other oral or written agreements made with respect to the Contingent Value Note.
- (e) This Contingent Value Note shall be governed by, and construed in accordance with the laws of the Province of Alberta and the federal laws of Canada applicable therein (other than the conflict of laws rules).
- (f) Each Holder hereby submits to the non-exclusive jurisdiction of the courts of the Province of Alberta in respect of any dispute arising under this Contingent Value Note.
- (g) In this Contingent Value Note, words importing the singular number only shall include the plural and vice versa, and words importing gender shall include all genders.
- (h) This Contingent Value Note shall be binding on BSR, Amalco and its successors and shall enure to the benefit of the Holders and their successors and assigns.
- (i) This Contingent Value Note may be signed in any number of counterparts (which may be effectively delivered by facsimile or other electronic means), each of which shall be deemed to constitute but one and the same instrument.

The remainder of this page intentionally left blank.

12. **Acknowledgments**

BSR ON BEHALF OF ITSELF AND AMALCO WAIVES PRESENTMENT FOR PAYMENT, NOTICE OF NON-PAYMENT, PROTEST AND NOTICE OF PROTEST OF THIS CONTINGENT VALUE NOTE AND WAIVES EVERY DEFENSE BASED UPON ANY OR ALL INDULGENCES AND FORBEARANCES WHICH MAY BE GRANTED BY THE HOLDERS TO ANY PARTY LIABLE HEREON. THE HOLDER REPRESENTATIVE, ON BEHALF OF THE HOLDERS, ACKNOWLEDGES RECEIPT OF A TRUE COPY OF THIS CONTINGENT VALUE NOTE.

IN WITNESS WHEREOF BSR has executed this Contingent Value Note as of the date first above written above.

BLUE SKY RESOURCES LTD.

Per: _____ c/s
Name:
Title:

