

District of: BRITISH COLUMBIA
Division No.: 03-VANCOUVER
Court No. B081855
Estate No.: 11-1139839



**IN THE SUPREME COURT OF BRITISH COLUMBIA
IN BANKRUPTCY & INSOLVENCY**

IN THE MATTER OF THE PROPOSAL OF

Merit Mining Corp.

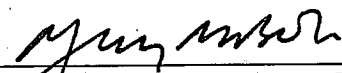
BEFORE THE REGISTRAR)
)
)

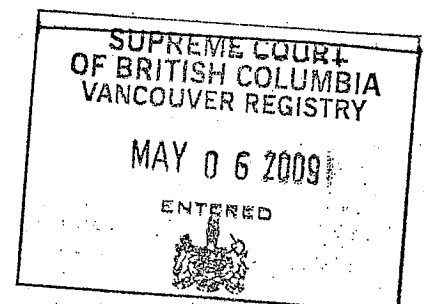
WEDNESDAY
On ~~Friday~~, the ~~1st~~ *6TH*
day of May 2009

ORDER APPROVING PROPOSAL

UPON THE APPLICATION of the Trustee, Abakhan & Associates Inc., and upon reading the report of the Trustee filed on the 20th day of April 2009, and the Court being satisfied that the required majority of creditors have duly accepted the proposal in the terms contained in the paper writing marked Exhibit "A" attached hereto, and being satisfied that the said terms are reasonable and calculated to benefit the general body of creditors and that no offences or facts have been proved to justify the Court in withholding its approval, the said proposal is approved.

BY THE COURT


REGISTRAR



Estate No. 11-1139839
Action No. B081842
Vancouver Registry

**IN THE SUPREME COURT OF BRITISH COLUMBIA
IN BANKRUPTCY AND INSOLVENCY**

**IN THE MATTER OF THE PROPOSAL OF
MERIT MINING CORP.**

PROPOSAL

OF

MERIT MINING CORP.

DATED FOR REFERENCE MARCH 23, 2009

**MADE PURSUANT TO PART III DIVISION 1 OF THE
BANKRUPTCY AND INSOLVENCY ACT, R.S.C. 1985, C. B-3, AS AMENDED**

**ARTICLE 1
DEFINITIONS AND INTERPRETATION**

1.1 Definitions

In this Proposal, including any attached schedules:

"2007 METC Refund" means the British Columbia Mineral Exploration Tax Credit for eligible Canadian exploration expenses incurred by the Company for the period ended December 31, 2007.

"2008 METC Refund" means the British Columbia Mineral Exploration Tax Credit for eligible Canadian exploration expenses incurred by the Company for the period ended December 31, 2008.

"Approval Order" means the court order made in the Insolvency Proceeding approving the Proposal and directing the implementation of the Proposal.

“BIA” means the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3 as amended.

“Business Day” means a date other than a Saturday, Sunday or statutory holiday in British Columbia.

“Claimant” means a person that has filed a Proof of Claim with the Company but whose claim is not yet a Proven Claim.

“Class” means the class comprised of the General Creditors.

“Company” means Merit Mining Corp.

“Court” means the Supreme Court of British Columbia.

“CRA” means Canada Revenue Agency

“Debenture Holders” means those persons holding 3-Year Secured Convertible Debentures issued by the Company.

“Employee” means any person currently or previously employed by the Company.

“Employee Claims” means all claims of the Employees, including any Employee Termination Claims. For clarity, Employee Claims shall not include claims for outstanding wages as at the Filing Date as set out in Sections 60(1.3)(a) and 136(1)(d) of the BIA, as well as wages, salaries, commissions and compensation to employees for services rendered after that date and before Court Approval, and any disbursements properly incurred by any traveling salesperson employed by the Company during that time period, and not otherwise paid by the Company.

“Employee Termination Claims” means the claims of Employees arising from the termination of their employment with the Company, whether such termination occurred before or after the Filing Date, which shall be limited to the amount each Employee is entitled to under section 63 of the British Columbia *Employment Standards Act*. For assistance, the Company has calculated and set forth in Schedule “A” attached to this Proposal what it believes to be the amount of the Employee Termination Claim of each Employee.

“Executive Creditors” means Fred Sveinson, Sandy Sveinson, Paul Cowley, Ron MacArthur and Jim Walchuck with respect to their outstanding claims for wages, consulting fees and/or director’s fees against the Company as of the Filing Date.

“Filing Date” means December 3, 2008, the date when the Notice of Intention to File a Proposal was filed.

“General Creditors”:

- (a) means those creditors of the Company as at the Filing Date who have a Provable Claim but do not hold a registered and/or otherwise valid security interest, mortgage, charge or encumbrance in the assets or property of the Company as at the Filing Date, other than the Executive Creditors;

- (b) includes the Employees for their Employees' Claims, if any;
- (c) includes the Landlord for the amount of the Landlord's Disclaimer Claim; and
- (d) does not include Post Filing Creditors, all of which are unaffected by this Proposal.

"Implementation Date" means the first Business Day after the date the Court approves the Proposal.

"Insolvency Proceeding" means the proceeding commenced by the Company under the BIA in Action No. B081842 in the Vancouver Registry of the Court.

"Landlord" means Dunsmuir & Hornby Ltd.

"Landlord's Disclaimer Claim" means the claim of the Landlord related to the Company's disclaimer of the Lease, which shall be limited to the lesser of: (i) the Landlord's actual damages; (ii) the aggregate of (A) the rent provided for in the lease for the first year of the lease following the date on which the disclaimer or resiliation becomes effective (\$33,719.16), and (B) fifteen percent for the remainder of the term of the lease after that year (\$3,371.92) for a total of \$37,091.08; and (iii) three years' rent.

"Lease" means that certain lease between the Landlord and the Company dated 10th day of July 2007, being a lease of premises situated at Suite 520 - 580 Hornby Street, Vancouver, British Columbia.

"Lease Disclaimer Effective Date" means February 28, 2009.

"Meeting" means the meeting of the Class to be held pursuant to Section 51(1) of the BIA for the purpose of considering, and if thought fit, voting to approve the Proposal, as same may be amended at any such Meeting, and agreeing to the compromise and arrangement constituted thereby, and any adjournment thereof.

"Post Filing Creditor" means any person who has supplied goods or services to or who has an entitlement to receive sales or excise taxes, source deductions or assessments and premiums from the Company arising subsequent to the Filing Date in relation to any unpaid amounts relating to such Post Filing Creditor Claims, but, for clarity, does not include Employees for any Employees' Claims arising from the termination of Employees' employment after the Filing Date. Post Filing Creditors are not included in General Creditors and are unaffected by this Proposal.

"Post Filing Creditor Claims" means all claims of Post Filing Creditors for amounts owed to them arising after the Filing Date that are not made in respect to an obligation incurred prior to the Filing Date which is payable after the Filing Date.

"PPSA" means the *Personal Property Security Act* of British Columbia.

"Preferred Creditor" means all creditors of the Company entitled to priority over the General Creditors pursuant to Section 136 of the BIA.

"Proof of Claim" means the prescribed form of document required under the BIA to evidence the Provable Claim of a Creditor under Part III of the BIA prior to the date of the Meeting.

"Proposal" means this proposal among the Company and the General Creditors, as from time to time amended, modified or supplemented pursuant to an order of the Court, or pursuant to an agreement among the Company and the General Creditors or Class, as provided for herein or pursuant to any Meeting of the Class.

"Provable Claim" means a claim for an amount alleged by a person to be owed to it, or any obligation, enforceable right, duty or liability, contingent or otherwise, (including any claim whether contingent or accrued on behalf of Her Majesty the Queen in right of the Dominion of Canada or any Province or any municipality), or any cause of action against the Company or its respective assets and property calculated either as at the Filing Date or claims arising after the Filing Date in respect of obligations incurred prior to the Filing Date, pursuant to executory contracts in effect at the Filing Date, or pursuant to the termination of any Employees' employment by the Company after the Filing Date, which:

- (a) in the case of an Employee, is set forth in Schedule "A" hereto and the Employee has not delivered a Proof of Claim to the Trustee;
- (b) after the delivery of a Proof of Claim, has been admitted by the Trustee in whole or in part; or
- (c) after the delivery of a Proof of Claim, has been disallowed by the Trustee, which disallowance has subsequently been set aside in whole or in part by the Court,

provided that a Provable Claim shall not include the amount due to a Post Filing Creditor in respect of Post Filing Creditor Claims. Provable Claims shall not include interest for the period subsequent to the Filing Date.

"Secured Creditors" means the Debenture Holders and Wega/Munday.

"Secured Creditors' Security" means:

- (a) in the case of the Debenture Holders, the security held by the Debenture Trustee in trust of the Debenture Holders, consisting of a security interest granted by the Company in favour of the Debenture Holders' over all gold and copper, including gold and copper concentrates, extracted by the Company and the proceeds thereof as security for the Company's indebtedness to the Debenture Holders; and
- (b) in the case of Wega/Munday, the security interest granted by the Company in favour of Wega/Munday over all of the Company's mobile equipment and certain lands owned by the Company as security for the Company's indebtedness to Wega/Munday.

“Trustee” means Abakhan & Associates Inc., appointed as Trustee of the Proposal in the Insolvency Proceeding.

“Trustee’s Fees” means all proper fees, expenses and legal costs of the Trustee of and incidental to the Insolvency Proceeding together with such fees of the Trustee incidental to and arising in relation to the Proposal.

“Wega/Munday” means, together, Wega Mining ASA and Munday Home Sales Ltd.

1.2 Headings

The division of the Proposal into Sections and the insertion of headings are for convenience only and do not form part of the Proposal and will not be used to interpret, define or limit the scope, extent or intent of the Proposal.

1.3 Section Reference

Unless otherwise specified, references in the Proposal to “Sections” and “Schedules” are to sections of and schedules to the Proposal.

1.4 Statutory Reference

Unless otherwise specified, each reference to a statute is deemed to be a reference to that statute and to the regulations made under that statute, as amended or re-enacted from time to time.

1.5 Number and Gender

Unless otherwise specified, words importing the singular include the plural and vice versa and words importing gender include all genders.

1.6 Currency

All references to amounts of money means lawful currency of the Dominion of Canada unless otherwise expressly indicated. All Proofs of Claim submitted by General Creditors in U.S. dollars will be converted to Canadian dollars at the rate of exchange applicable at the Filing Date.

ARTICLE 2 PURPOSE AND EFFECT OF THE PROPOSAL

2.1 Purpose of the Proposal

The purpose of the Proposal is to permit the Company to settle payment of its liabilities as at the Filing Date and to compromise the indebtedness owed to General Creditors of the Company on a fair and equitable basis and to enable the Company to carry on business.

2.2 Trustee Under the Proposal

Subject to the provisions of the BIA the Trustee shall act as the administrator for all purposes connected with the Proposal including management of the claims process, administration of the Meeting and any adjournments thereto and distribution of dividends to General Creditors.

ARTICLE 3 OVERVIEW OF THE PROPOSAL

3.1 Treatment of General Creditors

The Company will pay to the Trustee sufficient funds such that each General Creditor will receive 30% of the amount of their Provable Claim.

The payments shall be made as follows:

- (a) 15% of the amount of their Provable Claim payable from the 2007 METC Refund; and
- (b) 15% of the amount of their Provable Claim payable from the 2008 METC Refund.

At any time, the Company may satisfy its obligations to all General Creditors by paying to each of them the amount necessary to bring their total recovery to 30% of the amount their Provable Claims.

3.2 Funding of Payments Under the Proposal

Funding for the payments to the General Creditors under this Proposal shall come from the 2007 METC Refund and the 2008 METC Refund or from such other source of funds as may become available to the Company subsequent to the Implementation Date.

ARTICLE 4 CREDITOR CLASSES AND PRIORITY OF PAYMENTS

4.1 Class of Creditors

There will be one class of creditors for the purpose of considering and voting upon the Proposal consisting of the General Creditors.

4.2 Treatment of the Secured Creditors

Concurrent with the implementation of this Proposal, and conditional upon its approval by the General Creditors, the Company is entering into agreements with each of the Secured Creditors under which the Company's obligations to the Secured Creditors will be amended. Accordingly, the Secured Creditors are not included under this Proposal.

4.3 Treatment of Executive Creditors

Executive Creditors claims for unpaid wages and director's fees shall be Provable Claims. Executive Creditors will be treated the same as General Creditors under this Proposal but shall not be entitled to vote in favour of this Proposal.

4.4 Payments to CRA

CRA shall be paid directly from the Company in respect of any amounts due Her Majesty the Queen in Right of Canada or a Province of a kind which could be subject to a demand under subsection 224(1.2) of the *Income Tax Act* or under any substantially similar provision of provincial legislation and that were outstanding at the time of the Filing Date. These payments shall be made within six (6) months of the Approval Order.

4.5 Preferred Payments in Priority to the General Creditors Under the Proposal

The Trustee shall make the following preferred payments from the amounts paid to the Trustee with respect to this Proposal before making any distribution to the General Creditors:

- (a) payment of the Trustee's Fees (all payments of the Trustee's Fees are subject to taxation);
- (b) payment of the claims of employees and former employees as at the Filing Date as set out in Sections 60(1.3)(a) and 136(1)(d) of the BIA, as well as wages, salaries, commissions and compensation to employees for services rendered after that date and before Court Approval, and any disbursements properly incurred by any traveling salesperson employed by the Company during that time period, and not otherwise paid by the Company, shall be paid forthwith upon Court Approval of this Proposal;
- (c) all other preferred claims are to be paid in priority to all claims of General Creditors pursuant to sections 60(1) and 136 of the BIA.

All of the foregoing payments are in addition to the amounts to be paid to each General Creditor and will not impact on the recoveries of the General Creditors under this Proposal.

4.6 Payment of Funds

If the General Creditors vote in favour of the Proposal, the Company will pay monies to the Trustee as follows (with the payment of such monies being subject to the terms of this Proposal and of the BIA):

- (a) unless the Company's obligations to the General Creditors have already been satisfied, within thirty (30) days of the date on which the 2007 METC Refund is received by the Company, the Company will pay or cause to be paid to the Trustee the amount necessary to make the following payments, and the funds shall be applied as follows:

- (i) firstly, an amount sufficient to pay the Trustee's Fees;
 - (ii) second, an amount sufficient to make all payments due to Preferred Creditors; and
 - (iii) third, an amount sufficient to pay each General Creditor 15% of the amount of their Provable Claim; and
- (b) unless the Company's obligations to the General Creditors have already been satisfied, within thirty (30) days of the date on which the 2008 METC Refund is received by the Company, the Company will pay or cause to be paid to the Trustee the amount necessary to make the following payments, and the funds shall be applied as follows:
- (i) first, an amount sufficient to pay the Trustee's Fees; and
 - (ii) second, an amount sufficient to pay each General Creditor 15% of the amount of their Provable Claim.

4.7 Effect on General Creditors

Upon the payment by the Company to the Trustee of the amounts as set forth in Section 4.6:

- (a) the Company shall be released from all claims, liabilities and obligations to the General Creditors and the claims of the General Creditors will be restricted to the monies paid by the Company to the Trustee in accordance with section 4.6; and
- (b) any claims against directors and officers of the Company that arose before the Filing Date regardless of the date of crystallization of such claims and that relate to the obligations of the Company which relate to the time period before that date, where the directors or officers are by law liable in their capacity as directors or officers for payment of such obligations, shall be deemed to be fully satisfied by the terms hereof and shall not be enforceable against those directors or officers in law or in equity.

ARTICLE 5

5.1 BIA Sections 91 to 101

It is a term of this Proposal that sections 91 to 101, inclusive, of the BIA shall not apply with respect to the Proposal and the Company.

**ARTICLE 6
TIMING OF PAYMENTS UNDER PROPOSAL**

6.1 Payments to Post Filing Creditors

The Company shall pay Post Filing Creditors in the ordinary course of business, or in accordance with present arrangements existing between the Company and the Post Filing Creditors, as amended from time to time or as may be arranged in the future between the Company and the Post Filing Creditors. Post Filing Creditors are unaffected by this Proposal.

6.2 Payments to CRA

Amounts owing to CRA in accordance with Article 4.4 will be paid directly by the Company within six months of the date of Court Approval of this Proposal.

**ARTICLE 7
PAYMENT OF DIVIDENDS**

7.1 Payments to Preferred Creditors

Payments to Preferred Creditors shall be paid in accordance with the terms of Article 4.6(a) of this Proposal.

7.2 Dividends to General Creditors

Interim dividends to the General Creditors will be paid in accordance with the terms of Articles 4.6(a) and (b) of this Proposal.

7.3 Superintendent's Levy

A Superintendent levy determined in accordance with BIA shall be deducted from and paid on all dividends made by the Trustee to the Preferred Creditors and the General Creditors.

**ARTICLE 8
MEETING OF THE GENERAL CREDITORS**

8.1 General

In order to be eligible to vote at the Meeting a General Creditor must have delivered to the Trustee prior to the commencement of the Meeting a Proof of Claim which has not been disallowed by the Trustee.

The procedure dealing with the allowance and disallowance of Proofs of Claim will be as set out in the BIA.

At the Meeting of the Class held to consider this Proposal the General Creditors may appoint one or more but not exceeding five Inspectors under this Proposal whose duties will be restricted to the following:

- (a) to advise the Trustee in connection with its actions under this Proposal or any amendment thereto as the Trustee may, from time to time, request;
- (b) to advise the Trustee concerning any dispute which may arise as to the validity of claims of General Creditors under this Proposal;
- (c) to advise the Trustee in respect of such other matters as may be referred to the Inspectors by the Trustee;
- (d) if in the opinion of a majority of the Inspectors it is in the interest of the General Creditors that any of the times for payment of their Provable Claims by cash be extended, the Inspectors will be entitled, without further reference or notice to the General Creditors, to extend the time for payment of General Creditors' Provable Claims; and
- (e) to provide such advice to the Trustee as to the timing of payments to the General Creditors hereunder, having in mind the amount of funds available for distribution and the costs of making the distributions.

That in the event that no Inspectors are appointed under this Proposal, the Trustee shall be entitled to take advances toward its charges for services rendered pursuant to this Proposal from the funds paid to the Trustee pursuant to article 4.6 herein and that all advances so taken by the Trustee shall be subject to taxation by the Supreme Court of British Columbia upon completion of the Proposal

The Trustee and the Inspectors, should any be appointed, shall be exempt from all personal liability in fulfilling any duties or exercising any powers conferred upon them by this Proposal or generally in carrying out of the terms of this Proposal by wrongful act, default or neglect.

8.2 Meeting

The Meeting shall be conducted in accordance with Division 1 – General Scheme for Proposals of the BIA.

8.3 Voting

Except as provided in Section 8.4, for the purposes of voting as a member of the Class, each General Creditor shall have one vote for the purposes of determining a majority in number and each General Creditor shall be entitled to one vote for each \$1.00 of its Provable Claim as set forth in Schedule "A" or as allowed by the Trustee.

8.4 Proxies and Voting Letters

General Creditors will be entitled to vote at the Meeting by proxy or voting letter. The particulars with respect to voting by proxy or voting letter will be detailed in the Proof of Claim and will be binding upon all General Creditors.

**ARTICLE 9
AMENDMENTS AND MODIFICATIONS**

9.1 Amendment of Proposal

The Company reserves the right, with the consent of the Trustee, to amend this Proposal at any time prior to the Meeting, and after the Meeting to amend any approved Proposal and re-submit it to the General Creditors and an amended Proposal may be amended among the Company and the Class at any meeting of the Class.

9.2 Modification of Proposal

After the Meeting, the Proposal may be modified from time to time:

- (a) if the amendment is considered by the Trustee and the Inspectors to be non-substantive in nature, with the approval of the Trustee and the majority of the Inspectors;
- (b) upon a vote conducted by the Trustee at a further meeting of General Creditors and upon Court Approval;
- (c) by the Court at any time on application of the Company or the Trustee and upon notice to those determined by the Company to be directly affected by the proposed modification, whether a General Creditor or not.

9.3 Waivers

Any provision of this Proposal may be waived, with the consent of the Trustee, by the Class or a General Creditor affected by the provision.

**ARTICLE 10
APPLICATION FOR FINAL ORDER**

10.1 Application for Final Order

Upon the conclusion of the Meeting, if the Proposal has been approved by the Class by the requisite percentages in relation both to numbers of General Creditors and to dollar amounts of Provable Claims of General Creditors, the Company will forthwith apply to the Court for the Approval Order.

10.2 Continuation of the Stay of Proceedings

The stay of proceedings provided for in Section 69.1(1) of the BIA will be continued in full force and effect save as is expressly provided herein.

**ARTICLE 11
GENERAL**

11.1 Further Actions

The Company will execute and deliver all such documents and instruments and do all such acts and things as may be necessary or desirable to carry out the full intent and meaning of the Proposal to give effect to the transactions contemplated hereby.

11.2 Notices

All notices, Proofs of Claim, and payments required, permitted or desired to be made pursuant to the Proposal shall be in writing and shall be delivered personally or by telecopy or mail by regular or registered or certified mail, return receipt requested, to the Company at the following address:

c/o Abakhan & Associates Inc.
Trustee under the proposal of
Merit Mining Corp.
Suite 1120 – 625 Howe Street
Vancouver, B.C. V6C 2T6

Attention: Phil McCourt

Telephone: (604) 689-4255

Facsimile: (604) 689-4277

and if to a General Creditor or Claimant, at its address set forth in the last Proof of Claim deposited with the Company.

11.3 Date and Reference

The Proposal may be referred to as being the Proposal of the Company dated for reference the 23rd day of March 2009.

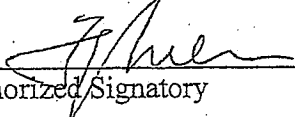
11.4 Successors and Assigns

The Proposal is binding upon the Company, the General Creditors and their respective heirs, executors, administrators, successors and assigns.

DATED at the City of Vancouver, Province of British Columbia this 23rd day of March 2009.

MERIT MINING CORP.

Per:



Authorized Signatory

Vancouver

Registry #B081855

Bankruptcy No. 11-1139839

IN THE MATTER OF THE PROPOSAL OF
MERIT MINING CORP.

Order Approving Proposal

Abakhan & Associates Inc.
Trustee in Bankruptcy
Suite 1120, 625 Howe Street
Vancouver BC V6C 2T6

ATTENTION: Philip McCourt
Tel: (604) 689-4255 Ext.