

October 20, 2010

To: Affected Unsecured Creditors of Adanac Molybdenum Corporation (“Adanac”)

**INFORMATION LETTER REGARDING A
PLAN OF COMPROMISE AND ARRANGEMENT UNDER THE
COMPANIES’ CREDITORS ARRANGEMENT ACT (CANADA) AND
THE BUSINESS CORPORATIONS ACT (BRITISH COLUMBIA)
IN RESPECT OF**

ADANAC MOLYBDENUM CORPORATION

Definitions

Unless defined in this Information Letter, each capitalized term has the meaning ascribed to it in Adanac’s Plan of Compromise and Arrangement, a copy of which is attached as Schedule I to this Information Letter (the “**Plan**”). Words importing the singular number only include the plural and vice versa and words importing any gender include all genders. All references in this Information Letter to dollar amounts are in Canadian dollars, unless otherwise stated.

Part I - INTRODUCTION

This Information Letter is furnished in connection with the distribution of the Plan by Adanac and the solicitation of proxies by and on behalf of Adanac for use at the Creditors’ Meeting of the Affected Unsecured Creditor Class and any adjournments, postponements or other reschedulings thereof. Unless otherwise indicated, all information contained herein has been supplied by Adanac.

No person has been authorized to give any information or make any representation in connection with the Plan or any other matters to be considered at the Creditors’ Meeting other than those contained in this Information Letter and, if given or made, any such information or representation must not be relied upon as having been authorized.

The Plan is designed to provide for a restructuring and compromise of Adanac’s debt obligations so that Adanac can emerge as a viable and stronger company and focus on advancing its business plan to develop its molybdenum mining project. As described herein, Adanac’s management is of the view that the Plan is in the best interests of the Affected Unsecured Creditors and recommends that the Affected Unsecured Creditors vote in favour of the Plan.

All summaries of and references to the Plan in this Information Letter are qualified in their entirety by reference to the complete text of the Plan. **You are urged to carefully read the full text of the Plan.**

Information contained in this Information Letter is given as of October 20, 2010 unless otherwise specifically stated.

Part II – CREDITORS’ MEETING AND VOTING INSTRUCTIONS

Affected Creditors

For the purpose of considering the Plan, there will be two classes of Affected Creditors of Adanac, namely the Affected Unsecured Creditor Class and the Senior Secured Noteholder Class. **This Information Letter deals with the Plan only to the extent that it relates to and affects the Affected Unsecured Creditor Class.**

Notice of Creditors’ Meeting and Meeting Materials

Further to the Creditors’ Meeting Order, Adanac has called a meeting of the Affected Unsecured Creditor Class, at which Affected Unsecured Creditors will be asked to consider and, if thought fit, approve the Plan. The form of Resolution upon which the Affected Unsecured Creditors will vote is set forth in Schedule II of this Information Letter. The form of Resolution upon which the Senior Secured Noteholder Class will vote is substantially similar and is set forth in Schedule III of this Information Letter.

The Creditors’ Meeting of the Affected Unsecured Creditor Class will be held at 10:30 a.m. (Vancouver time) on November 9, 2010 at the office of the Monitor, KPMG Inc., located at 9th Floor, 777 Dunsmuir Street, Vancouver, British Columbia, V7Y 1K3, Canada.

Enclosed with this Plan Information Letter are the following documents:

- (a) Notice to Creditors;
- (b) proxy form; and
- (c) the Monitor’s Tenth Report,

(collectively, with this Information Letter, the “**Creditors’ Meeting Materials**”).

Copies of the Creditors’ Meeting Materials, as well as copies of the Plan and the Creditors’ Meeting Order, can be viewed on the Monitor’s Website: www.kpmg.ca/adanac.

Procedure for Creditors’ Meeting

The only Persons entitled to attend and speak at the Creditors’ Meeting of the Affected Unsecured Creditor Class are:

- (a) Affected Unsecured Creditors with Voting Claims and their proxy holders;
- (b) Affected Unsecured Creditors whose Affected Claims have not been resolved for voting purposes before the Voting Record Date in accordance with the Claims Process Order, the Creditors’ Meeting Order or further Order of the Court, and their proxy holders;
- (c) representatives of Adanac;
- (d) representatives of the Monitor;

- (e) the Chair;
- (f) the Chief Restructuring Officer;
- (g) the Noteholders Authorized Representative;
- (h) the Senior Secured Noteholder Parties;
- (i) any other Person admitted on invitation of the Chair; and
- (j) legal counsel to any Person entitled to attend the Creditors' Meeting.

The Chair of the Creditors' Meeting will be Peter Gibson of the Monitor or another representative of the Monitor.

Proxy Forms and Claim Elections

Affected Unsecured Creditors may attend the Creditors' Meeting of the Affected Unsecured Creditor Class either in person or by proxy. An Affected Unsecured Creditor wishing to attend the Creditors' Meeting by proxy may appoint either a representative of the Monitor or some other person (who need not be an Affected Unsecured Creditor) to represent such Affected Unsecured Creditor at the Creditors' Meeting, and may do so by checking the appropriate box and (if appointing a person other than the Monitor's representative) inserting such person's name in the blank space provided in Part 1 on the accompanying form.

The accompanying form also includes, in Part 2, provision for certain Affected Unsecured Creditors to make one of the two following elections:

- (a) those with claims greater than \$50,000 may elect, for distribution purposes only, to reduce their claims to \$50,000 and (in the event their claims become Proven Claims) receive a cash distribution in an amount equal to \$5,000 in full satisfaction of their claims; or
- (b) those with claims less than or equal to \$50,000 may elect to receive their *pro rata* share (based on the amount of their Proven Claim) of 5% of the Outstanding Common Shares in full satisfaction of their claims, rather than a cash distribution in an amount equal to the lesser of 10% of the face amount of their Proven Claims and \$5,000 in full satisfaction of their claims.

In order for a proxy or election to be effective for the purposes of voting at the Creditors' Meeting of the Affected Unsecured Creditor Class, the completed form must be either: (a) sent or delivered to the Monitor, c/o KPMG Inc., 777 Dunsmuir Street, P.O. Box 10426, Vancouver, British Columbia, V7Y 1K3, Canada (Attention: Mark Kemp-Gee, Fax no.: 604.691.3036, Email: mkempgee@kpmg.ca) so that it is received by the Monitor prior to 5:00 p.m. (Vancouver time) on November 8, 2010; or (b) deposited with the Chair at the Creditors' Meeting of the Affected Unsecured Creditor Class (or any adjournment, postponement or other rescheduling thereof) before the beginning of such Creditors' Meeting (or any adjournment, postponement or other rescheduling thereof).

Voting of Proxies

The person named in any instrument of proxy will vote the Voting Claim of the Affected Unsecured Creditor in respect of which they are appointed in accordance with the direction of the Affected Unsecured Creditor appointing them on any vote that may be called for and, where the Affected Unsecured Creditor giving an instrument of proxy specifies a choice with respect to any matter to be voted upon, the Voting Claim will be voted in accordance with the instructions of the Affected Unsecured Creditor. **In the absence of any such direction, such Voting Claim will be voted to approve the Plan.**

Exercise of Discretion of Proxyholder

The accompanying instrument of proxy confers discretionary authority upon the person named therein with respect to amendments or variations to the Plan and any matters that may come before the Creditors' Meeting. At the date of this Information Letter, management of Adanac knows of no amendments or variations to the Plan or to any other matters identified in the Notice to Creditors.

Valuation of Claims and Interests for Voting Purposes

Only Affected Unsecured Creditors with Voting Claims as of the Voting Record Date and their proxy holders shall be entitled to vote at the Creditors' Meeting. For the purposes of counting and tabulating the votes at the Creditors' Meeting, each Affected Unsecured Creditor with a Voting Claim as of the Voting Record Date shall be entitled to one vote and the weight attributed to such vote (for the purposes of determining the Required Majorities) shall be equal to the Canadian dollar value of such Affected Unsecured Creditor's Voting Claim.

If the amount of the Affected Claim of any Affected Unsecured Creditor is not resolved for voting purposes before the Voting Record Date, such Affected Unsecured Creditor shall be entitled to vote at the Creditors' Meeting on that portion (if any) of its Affected Claim that has been accepted for voting purposes by the Monitor, without prejudice to the rights of Adanac or the Affected Unsecured Creditor with respect to the final determination of such Affected Unsecured Creditor's Affected Unsecured Claim for distribution purposes.

Affected Unsecured Creditors whose Affected Unsecured Claims have been revised or disallowed, in full or in part, and where such revision or disallowance remains in dispute or under appeal in accordance with the Claims Process Order as of the Voting Record Date, shall have their voting intentions with respect to such disputed or disallowed claims recorded by the Monitor and reported to the Court at the time Adanac makes application to the Court for the Sanction Order.

Meeting Procedure

The quorum for the purposes of the Creditors' Meeting of the Affected Unsecured Creditor Class shall be one Affected Unsecured Creditor present in person or by proxy and entitled to vote at the Creditors' Meeting of the Affected Unsecured Creditor Class. The Creditors' Meeting will otherwise be held and conducted in accordance with the Creditors' Meeting Order and, to the extent reasonably practicable, the Plan and any other applicable Orders of the Court.

No Shareholders' Meeting

The Creditors' Meeting Order provides that Adanac is not required to hold a meeting of its shareholders for the purposes of considering and voting upon the Plan.

Part III – THE COMPANY

Court Proceedings

On December 19, 2008 (the "**Filing Date**"), an application was made to the Court by Adanac and the Initial Order was granted by the Court pursuant to the CCAA. On January 16, 2009, the Initial Order was confirmed by the Court and the stay of proceedings provided for in the Initial Order was extended to April 3, 2009. The stay of proceedings has since been extended as follows:

- (a) by Order dated April 3, 2009 to July 3, 2009;
- (b) by Order dated July 3, 2009 to August 28, 2009;
- (c) by Order dated August 28, 2009 to November 30, 2009;
- (d) by Order dated November 30, 2009 to March 2, 2010;
- (e) by Order dated March 2, 2010 to June 30, 2010; and
- (f) by Order dated June 30, 2010 to October 29, 2010.

Pursuant to the Creditors' Meeting Order, the Plan was accepted for filing pursuant to the CCAA and the British Columbia *Business Corporations Act* and Adanac was authorized to convene the Creditors' Meetings.

Corporate History and Overview of Business

Adanac is a publicly-held corporation with its common shares listed for trading on the Toronto Stock Exchange and is quoted on Over The Counter Pink Sheets and the Frankfurt Stock Exchange. The authorized capital of Adanac is an unlimited number of common shares and, as at the date of this Information Letter, there were 114,581,449 shares outstanding.

Adanac's principal business has been the acquisition, exploration and development of mineral properties. Its principal material asset is a 100% interest in the Ruby Creek molybdenum project (the "**Ruby Creek Project**"), which comprises a significant molybdenum deposit located approximately 24 kilometres northeast of Atlin, British Columbia. The Ruby Creek Project is envisaged to include an open pit mine and on-site ore processing facility, and has been designed to operate at an average rate of up to approximately 30,000 metric tonnes of ore per day for a mine life of approximately 15 to 20 years.

Since obtaining the necessary approvals to commence development of the Ruby Creek site (in late 2007 and early 2008), Adanac has advanced the project through exploration and definition diamond drilling, conducted extensive feasibility studies, and concluded development plans. All

required permits for construction have been obtained, though to date no infrastructure has been completed at the mine site with the exception of an access road for construction.

The capital cost for the development of the Ruby Creek Project through to operability was estimated, as of the Filing Date, to be \$647 million, before financing costs.

Adanac also has two wholly-owned subsidiaries: A Tlen Mines Ltd., an inactive British Columbia corporation, and Nev-Adanac, Inc., a Nevada corporation and the registered holder of three exploration properties in Nevada. These properties, being at the early exploration stage, are of a speculative nature, and likely of relatively insignificant value.

As at the Filing Date, Adanac had liabilities and potential liabilities totalling approximately \$190 million, the majority of which related to:

- (a) obligations to the Senior Secured Noteholders pursuant to the Securities Purchase Agreement; and
- (b) payments due to equipment suppliers.

As of October 20, 2010, the amount of Adanac's liabilities is estimated to be approximately \$140 million.

The primary cause of Adanac's financial difficulties was the global credit crisis. Adanac's business plan in part contemplated raising the necessary financing for the development of the Ruby Creek Project by the sale of its common shares. However, as a result of the global financial crisis, the price of Adanac's publicly traded securities (like those of most other companies and almost all resource-based companies) fell dramatically over the last quarter of 2008. Accordingly, Adanac was unable to raise any new financing during that time. The Company's ability to raise financing was also adversely affected by uncertainty with respect to commodity prices, especially molybdenum. Molybdenum prices dropped 73% from April 2008 to December 2008. As a result of the above circumstances, Adanac was unable to continue to meet its financial obligations in the absence of a restructuring of its indebtedness.

Part IV – THE PLAN

The Plan is the result of extensive review, analysis and discussions, including negotiations with the Senior Secured Noteholders, which led to the preparation of the Plan that is now being proposed by Adanac. If implemented, it will allow Adanac to continue with its business plan relating to the development of the Ruby Creek Project and preserve some equity for existing shareholders.

Purpose of the Plan

The Plan provides for the satisfaction of Adanac's indebtedness by way of a share consolidation and subsequent issuance of new shares to Adanac's creditors, including the Senior Secured Noteholders and the Affected Unsecured Creditors. As described below, it is a condition precedent to the implementation of the Plan that Adanac's shares be listed on a stock exchange acceptable to the Senior Secured Noteholder Parties.

The purpose of the Plan is to permit Adanac to settle payment of its liabilities and compromise its indebtedness to its creditors in a fair and equitable manner, allowing for Adanac to emerge as a stronger entity with a restructured balance sheet. Under the Plan, all Affected Unsecured Creditors will derive a greater benefit than would result from the liquidation of Adanac's assets in a receivership or bankruptcy, which is the likely alternative.

Treatment of Affected Creditors

The Plan provides for a restructuring and compromise of Affected Claims against Adanac. On the Implementation Date, each Affected Claim will be fully satisfied and compromised in the manner and sequence set out in the Plan.

The Plan defines "Affected Claims" to mean all Claims and Restructuring Claims other than Excluded Claims. There are two classes of Affected Claims for the purposes of considering the Plan: the Senior Secured Noteholders' Allowed Secured Claims and the Affected Unsecured Claims. "Affected Creditor" is defined in the Plan to mean any creditor that is the holder of a Senior Secured Noteholders' claim and/or an Affected Unsecured Claim.

The following summary describing the effect of the Plan on Affected Creditors is qualified in its entirety by reference to the Plan.

Under the Plan:

- (a) following the Existing Share Consolidation (described in more detail below), the Senior Secured Noteholders will receive, in full and final satisfaction of the Senior Secured Noteholders' Allowed Secured Claim, a *pro rata* allocation of:
 - (i) the Senior Secured Noteholders' Cash Pool (if any); and
 - (ii) 92% of the Outstanding Common Shares on a fully diluted basis;
- (b) each Affected Unsecured Creditor with a Proven Claim having an aggregate value of less than or equal to \$50,000, or reduced (for distribution purposes only) at the election of the Affected Unsecured Creditor to \$50,000, shall receive a cash distribution in an amount equal to the lesser of 10% of the face amount of its Proven Claim and \$5,000 in full and final satisfaction of its Proven Claim. If an Affected Unsecured Creditor with a Proven Claim of less than or equal to \$50,000 so elects, it will receive a distribution of shares as described in paragraph (c) below, in full or final satisfaction of its Proven Claim; and
- (c) following the Existing Share Consolidation (described in more detail below), Affected Unsecured Creditors with Proven Claims who do not receive a cash distribution as described in paragraph (b), above, will receive their *pro rata* share of 5% of the Outstanding Common Shares on a fully diluted basis in full and final satisfaction of their Proven Claims.

Treatment of Unaffected Creditors

The Plan defines Unaffected Creditors as meaning any creditor that is the Holder of an Excluded Claim to the extent of that Excluded Claim. Excluded Claims under the Plan are:

- (a) CCAA Charge Claims;
- (b) Post-filing Claims; and
- (c) Government Priority Claims.

Holders of CCAA Charge Claims shall receive full payment in cash of such claims within five (5) Business Days of the Implementation Date. Government Priority Claims will be paid in full by Adanac within six (6) months after the Sanction Order.

Under no circumstances will Unaffected Creditors receive any distribution of Outstanding Common Shares under the Plan.

Required Approvals

In order for the Plan to be implemented, it must be approved by:

- (a) the affirmative vote of a majority in number of each Affected Creditor Class having voting claims and voting at the respective Creditors' Meetings and representing not less than 66 $\frac{2}{3}$ % in value of the Voting Claims voting at the respective Creditors' Meetings; and
- (b) the Court by way of the Sanction Order.

Modifications to the Plan

Prior to or at Creditors' Meetings

Adanac, in consultation with the Monitor, and with the prior written approval of the Senior Secured Noteholder Parties, reserves the right to file any modification of, or amendment, variation or supplement to, the Plan, including by any Plan Supplement (each a "Plan Modification") prior to the Creditors' Meeting Date or at or before any Creditors' Meeting without the need for obtaining an Order of the Court if the Monitor determines that such modification, amendment, variation or supplement would not be materially prejudicial to the interests of the Affected Creditors under the Plan, in which case, any such Plan Modification shall, for all purposes, be and be deemed to form part of and be incorporated into the Plan. Adanac shall give notice of any Plan Modification at the Creditors' Meeting in respect of each Affected Creditor Class prior to the vote being taken to approve the Plan. The Monitor shall post on the Monitor's Website, as soon as possible, any Plan Modification, with notice of such posting forthwith provided to the Service List.

After Creditors' Meetings

After each Creditors' Meeting (and both prior to and subsequent to the obtaining of the Sanction

Order), Adanac, in consultation with the Monitor, and with the prior written approval of the Senior Secured Noteholder Parties, may at any time and from time to time modify, amend, vary or supplement the Plan, without the need for obtaining an Order of the Court or providing notice to the Affected Creditors if the Monitor determines that such modification, amendment, variation or supplement would not be materially prejudicial to the interests of the Affected Creditors under the Plan or the Sanction Order and is necessary in order to give effect to the substance of the Plan or the Sanction Order. The Monitor shall post on the Monitor's Website, as soon as possible, any such modification, amendment, variation or supplement to the Plan, with notice of such posting forthwith provided to the Service List.

Conditions to Implementation of the Plan

A number of conditions must be satisfied before the Plan can be implemented, including:

- (a) the approval of the Affected Creditors and the Court by way of the Sanction Order;
- (b) all consents and approvals needed to implement the Plan have been obtained on terms reasonably acceptable to the Senior Secured Noteholder Parties;
- (c) the listing of the Common Shares on a stock exchange acceptable to the Senior Secured Noteholder Parties, as of the Implementation Date; and
- (d) the Issued Common Shares to be issued to the Senior Secured Noteholders and the Affected Unsecured Creditors having been offered, and will be issued and sold, pursuant to exemptions from the prospectus and registration requirements under applicable Canadian and U.S. securities laws, and not subject to any hold periods thereunder.

Certain of these conditions may only be waived by the Senior Secured Noteholder Parties.

Restructuring Transactions

Under the Plan, the following series of transactions will take place on or after the Implementation Date and will be deemed to occur in order and as described:

- (a) Arrangement: this includes the amendment of the notice of articles and articles of Adanac to increase its authorized share capital by creating an unlimited number of Class A Common Shares with the rights and restrictions described in Schedule "A" to the Plan, the consolidation of Adanac's Existing Common Shares at the rate of 150:1, the issue of that number of Common Shares and Class A Common Shares needed to comply with the allocation of shares to the Outstanding Common Shares to the Senior Secured Noteholders (92%) and the Affected Unsecured Creditors (5%) in full and final satisfaction of their Proven Claims and the retention by the Existing Shareholders of 3% of the Outstanding Common Shares, and the completion of the issue and allocation of shares accordingly;
- (b) Senior Secured Noteholders' Cash Pool: the Senior Secured Noteholders' Cash Pool, if any, will be established by the Disbursing Agent on the Implementation

Date in an amount determined by Adanac, in consultation with the Monitor, the Chief Restructuring Officer and the Senior Secured Noteholder Parties, by taking into account the amount of cash that Adanac will reasonably require for working capital purposes and to fulfill its obligations on the Implementation Date;

- (c) Reserve for Disputed Claims: the Disputed Claims Reserve will be established on the Implementation Date;
- (d) Payment of Excluded Claims: the Excluded Claims will be paid as set forth in the Plan;
- (e) Outstanding Common Shares: issue and delivery of the Outstanding Common Shares to Affected Creditors;
- (f) Compromise of Debt: the Affected Claims will be settled, compromised, released or otherwise dealt with in accordance with the Plan; and
- (g) Stay Termination: the stay of proceedings provided for in the Initial Order (and subsequently extended by further Orders of the Court) will terminate and expire at 5:01 p.m. on the Final Distribution Date.

Court Approval and Sanction Hearing

Pursuant to the Creditors' Meeting Order, if the Required Majorities of the Affected Creditors vote at the Creditors' Meetings to accept the Plan, Adanac will bring an application before the Court on or before November 19, 2010 seeking the Sanction Order. A copy of Adanac's application (including details of the Sanction Hearing) will be published on the Monitor's Website as soon as possible after it is filed with the Court, and no later than November 16, 2010, Adanac is required to issue and file a press release with SEDAR giving notice of the Sanction Hearing. **No other notice of the Sanction Hearing will be given.**

Any Person intending to oppose the application for the Sanction Order is required to:

- (a) file with the Court a written notice describing the proposed grounds of its objection; and
- (b) serve a copy of that notice on counsel for Adanac (Fasken Martineau DuMoulin LLP, Attention: Kibben Jackson), counsel for the Monitor (Borden Ladner Gervais LLP, Attention: Magnus Verbrugge), counsel for the Senior Secured Noteholder Parties (Goodmans LLP, Attention: Joseph Pasquariello), and the Persons listed on the Service List,

before 10:00 a.m. (Vancouver Time) on November 18, 2010.

Distributions under the Plan

Distributions on account of Affected Claims that are Proven Claims as at the Initial Distribution Record Date will be made on the Initial Distribution Date. In the case of Affected Claims that

are determined to be Proven Claims after the Initial Distribution Date, distributions shall be made on the Interim Distribution Date or the Final Distribution Date.

Unless and until a Disputed Claim becomes a Proven Claim, no distribution shall be made in respect of that claim.

As of the Implementation Date, the Disbursing Agent will establish the Disputed Claim Reserve by holding on account of Disputed Claims Outstanding Common Shares and cash equal to the amount of Outstanding Common Shares and cash that the Holders of Disputed Claims would be entitled to receive if all their Disputed Claims had been Proven Claims on the Initial Distribution Record Date. As Disputed Claims become Proven Claims, the Disbursing Agent shall make allocations to the Holders of those Proven Claims from the Disputed Claim Reserve. The portion(s) of the Disputed Claim Reserve held on account of Disputed Claims that become Disallowed Claims that include Outstanding Common Shares shall be distributed *pro rata* to Affected Unsecured Creditors with Proven Claims that did not file an election to receive a cash distribution, and such portion(s) that include cash shall be returned to Adanac.

Only whole numbers of Outstanding Common Shares will be distributed to Holders of Proven Claims under the Plan. Where a distribution on account of a Proven Claim would otherwise result in a distribution of Outstanding Common Shares that is not a whole number, the actual distribution shall be rounded to the next higher (fractions equal to or greater than $\frac{1}{2}$) or lower (fractions less than $\frac{1}{2}$) whole number of shares. No consideration will be provided in lieu of fractional shares that are rounded down.

Plan Releases

Effective at the Implementation Time:

- (a) Adanac will release various parties, including its current and former directors and officers, the Monitor and the Senior Secured Noteholder Parties and their professional advisors, from all Obligations in any way relating to or arising out of or in connection with Adanac's business and affairs, the events and circumstances giving rise to any Claims or Restructuring Claims, the dilution of the Existing Common Shares and the Existing Share Consolidation, the Plan and the CCAA Proceedings; and
- (b) Subject to certain provisos, Adanac, the Monitor, the Chief Restructuring Officer, and the Senior Secured Noteholder Parties and their professional advisors (among others) will be released from any and all Obligations that any Person may be entitled to assert in any way relating to or arising out of or in connection with Adanac's business and affairs, the events and circumstances giving rise to any Claims or Restructuring Claims, the dilution of the Existing Common Shares and the Existing Share Consolidation, the Plan and the CCAA Proceedings.

Please refer to the Plan for the full text of the releases.

Part V – RISK FACTORS

Risks related to Plan implementation

There is a risk that, notwithstanding that the Plan is approved by the Required Majorities, the Plan will not be implemented. Some of the key risk factors are:

- (a) the Court declines to grant the Sanction Order;
- (b) the necessary consents and approvals of Governmental Entities and other applicable third parties are not obtained (or are not on terms and conditions that are reasonably acceptable to the Senior Secured Noteholder Parties), and the Senior Secured Noteholder Parties do not waive this condition;
- (c) the Outstanding Common Shares are not listed on a stock exchange acceptable to the Senior Secured Noteholder Parties as of the Implementation Date, and the Senior Secured Noteholder Parties do not waive this condition; and
- (d) the required securities laws exemptions are not obtained.

Risks Relating to the Outstanding Common Shares

Some key risks factors relating to the Outstanding Common Shares are:

- (a) although it is a condition precedent that Adanac's Outstanding Common Shares be listed on a stock exchange acceptable to the Senior Secured Noteholder Parties, there can be no assurance that such shares will be accepted for listing by the relevant governing body;
- (b) there can be no assurance that a holder will be able to sell its shares at a particular time or that the prices such holder receives when it sells will be favourable;
- (c) future trading prices will depend on many factors, including the operating performance and financial condition of the restructured Adanac;
- (d) upon implementation of the Plan, there may be significant holders of the Outstanding Common Shares, and these shareholders could be in a position to influence the outcome of actions requiring shareholder approval and impact the value of the Outstanding Common Shares;
- (e) the trading price for the Outstanding Common Shares may be depressed following the Implementation Date; and
- (f) the enterprise valuations set out herein are not intended to represent the trading values of Adanac's securities in public or private markets.

Part VI – INCOME TAX CONSIDERATIONS

This summary outlines the principal Canadian federal income tax consequences under the *Income Tax Act* (Canada) (the "**Tax Act**") to Affected Unsecured Creditors of Adanac who

receive either Outstanding Common Shares or cash in satisfaction of their Affected Unsecured Claims.

This summary is based on the current provisions of the Tax Act, the Regulations thereunder and the current published administrative and assessing practices of the Canada Revenue Agency. This summary also takes into account all specific proposals to amend the Tax Act and the Regulations publicly announced prior to the date hereof and assumes that they will be enacted substantially as proposed, although no assurances can be given in this regard. This summary does not otherwise take into account or anticipate any changes in law or administrative practice, whether by way of legislative, judicial or governmental action or interpretation, nor does it address any provincial, territorial or non-Canadian income tax considerations. This summary assumes that Affected Unsecured Creditors deal at arm's length and are not affiliated with Adanac. This summary does not apply to (i) an Affected Unsecured Creditor an interest in which is a "tax shelter investment" as defined in the Tax Act, (ii) an Affected Unsecured Creditor that is a "financial institution" for purposes of the "mark-to-market" rules as defined in the Tax Act, (iii) an Affected Unsecured Creditor that is a "specified financial institution" as defined in the Tax Act, or (iv) an Affected Unsecured Creditor that has made the "functional currency" reporting election. Such Affected Unsecured Creditors should consult with their own tax advisors.

This summary further assumes that Affected Unsecured Creditors will hold their Outstanding Common Shares as capital property. The Outstanding Common Shares will generally be considered to be capital property to an Affected Unsecured Creditor unless the Affected Unsecured Creditor holds such securities in the course of carrying on a business or has acquired such securities in a transaction or transactions considered to be an adventure in the nature of trade. An Affected Unsecured Creditor whose securities might not otherwise qualify as capital property may, in certain circumstances, treat such securities as capital property by making an irrevocable election provided by subsection 39(4) of the Tax Act.

This summary is of a general nature and is provided for information purposes only. It is not intended to be, nor should it be construed to be, legal or tax advice, and no reliance should be placed on any of the comments herein. Affected Unsecured Creditors are advised to consult with their own tax advisors concerning the income tax consequences to them having regard to their own particular circumstances.

Residents of Canada

Disposition of Affected Unsecured Claims by Affected Unsecured Creditors

Each Affected Unsecured Creditor will be deemed to have disposed of their Affected Unsecured Claim for proceeds of disposition equal to the fair market value of the Outstanding Common Shares or the amount of the cash distribution received, as the case may be.

An Affected Unsecured Creditor that is a corporation, partnership, unit trust or any trust of which a corporation or partnership is a beneficiary will generally be required to include in income the amount of interest accrued or deemed to accrue on the Affected Unsecured Claims up to the date on which the Affected Unsecured Claims are settled under the Plan or that became receivable or was received on or before such date, to the extent that such amounts have not otherwise been

included in the Affected Unsecured Creditor's income for the taxation year or a preceding taxation year. Any other Affected Unsecured Creditor, including an individual, will be required to include in income for a taxation year any interest on the Affected Unsecured Claims received or receivable by such Affected Unsecured Creditor in the taxation year (depending upon the method regularly followed by the Affected Unsecured Creditor in computing income) except to the extent that such amount was otherwise included in its income for the taxation year or a preceding taxation year. In addition, if such Affected Unsecured Creditor has not otherwise included interest on the Affected Unsecured Claims in computing the Affected Unsecured Creditor's income at periodic intervals of not more than one year, such Affected Unsecured Creditor will be required to include in computing income for a taxation year any interest that accrues to the Affected Unsecured Creditor on the Affected Unsecured Claims up to the end of any "anniversary day" (as defined in the Tax Act) in that taxation year to the extent such interest was not otherwise included in computing the Affected Unsecured Creditor's income for that taxation year or a preceding taxation year.

Where an amount in respect of an Affected Unsecured Claim has previously been included in the income of an Affected Unsecured Creditor, or would have been so included if the Affected Unsecured Claim had been paid, the Affected Unsecured Creditor will be required to include in income the excess, if any, of the proceeds of disposition received on the disposition of the Affected Unsecured Claim over amounts previously included in income (net of any reserve for bad debts or doubtful accounts) in respect of the Affected Unsecured Claim. If amounts previously included in income (net of any reserve for bad debts or doubtful accounts) on account of the Affected Unsecured Claim exceed the proceeds of disposition, the Affected Unsecured Creditor will be entitled to deduct the amount of the excess from income in the taxation year of the disposition.

In general, each Affected Unsecured Creditor will realize a capital gain (or capital loss) to the extent the proceeds of disposition received on the disposition of the Affected Unsecured Claim, net of any reasonable costs associated with the disposition, exceed (or are less than) the adjusted cost base of the Affected Unsecured Claim to the Affected Unsecured Creditor. An Affected Unsecured Creditor will be required to include in income one-half of the amount of any capital gain resulting from the disposition of the Affected Unsecured Claim (a "taxable capital gain"), and will generally be entitled to deduct one-half of the amount of any such loss (an "allowable capital loss") against taxable capital gains realized by the Affected Unsecured Creditor in the taxation year of the disposition. Allowable capital losses not deducted in the year in which they arise may generally be deducted from net taxable capital gains realized in the three preceding years or in any future taxation year.

The cost to an Affected Unsecured Creditor of Outstanding Common Shares received on the satisfaction of its Affected Unsecured Claim will be the fair market value of the Outstanding Common Shares on the date they are received. This cost will be averaged with the adjusted cost base of all Outstanding Common Shares owned as capital property by the Affected Unsecured Creditor for the purpose of determining the adjusted cost base of each Outstanding Common Share to the Affected Unsecured Creditor.

Holding and Disposing of Outstanding Common Shares

Dividends received or deemed under the Tax Act to be received by an Affected Unsecured Creditor on Outstanding Common Shares will be included in computing the Affected Unsecured Creditor's income for purposes of the Tax Act and will be subject to the normal gross-up and dividend tax credit rules applicable to dividends paid by taxable Canadian corporations under the Tax Act, including the enhanced gross-up and dividend tax credit applicable to any dividend designated as an "eligible dividend" in accordance with the provisions of the Tax Act. Dividends received by a corporation will generally be deductible in computing its taxable income.

The disposition by an Affected Unsecured Creditor of Outstanding Common Shares will result in a capital gain (or capital loss) to the Affected Unsecured Creditor equal to the amount by which the proceeds of disposition of the Outstanding Common Shares, net of any reasonable cost of disposition, exceed (or are less than) the Affected Unsecured Creditor's adjusted cost base of the Outstanding Common Shares disposed of. Any such capital gain (or capital loss) will be subject to the tax treatment described above under the heading "Disposition of Affected Unsecured Claims by Affected Unsecured Creditors".

An Affected Unsecured Creditor that is a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable for a refundable tax of 6²/₃% on investment income, including dividends on Outstanding Common Shares and taxable capital gains earned or realized in respect of the disposition of Outstanding Common Shares.

Non-Residents of Canada

This portion of the summary applies to an Affected Unsecured Creditor that, for the purposes of the Tax Act and any applicable income tax treaty or convention and at all relevant times, is not and will not be deemed to be resident in Canada and does not use or hold the Affected Unsecured Claims and will not use or hold the Outstanding Common shares in carrying on a business in Canada. In addition, this summary does not apply to an insurer who carries on an insurance business in Canada and elsewhere or an authorized foreign bank that carries on a Canadian banking business.

Affected Unsecured Creditors Who Are Non-Residents of Canada

Dividends paid or credited, or deemed under the Tax Act to be paid or credited, to a non-resident Affected Unsecured Creditor on Outstanding Common Shares will be subject to non-resident withholding tax under the Tax Act at the rate of 25%, subject to a reduction in the rate of withholding tax pursuant to the provisions of any applicable income tax treaty between Canada and the country of residence of the Affected Unsecured Creditor.

A disposition by a non-resident Affected Unsecured Creditor of Outstanding Common Shares will not be subject to tax under the Tax Act unless such Outstanding Common Shares constitute taxable Canadian property to the non-resident Affected Unsecured Creditor at the time of the disposition. Generally, Outstanding Common Shares will not constitute taxable Canadian property to a non-resident Affected Unsecured Creditor at the time of their disposition, provided that such Outstanding Common Shares are listed on a prescribed stock exchange (as defined in the Tax Act) at that time, and the non-resident Affected Unsecured Creditor, together with

persons with whom the non-resident Affected Unsecured Creditor does not deal at arm's length, has not owned 25% or more of the issued shares of any class in the capital of Adanac at any time during the preceding 60 month period and more than 50% of the fair market value of the Outstanding Common Shares was derived directly or indirectly from one or any combination of (i) real or immoveable property situated in Canada, (ii) Canadian resource properties, (iii) timber resource properties (as such terms are defined in the Tax Act) and (iv) options in respect of, or interests in, or for civil law rights in, property described in (i) to (iii), whether or not the property exists.

Non-resident Affected Unsecured Creditors are advised to consult with their tax advisors in their country of residence as to the tax consequences applicable to them in that country.

Affected Creditors should not rely on any statements in this Information Letter regarding income tax issues or liabilities, and all Affected Creditors should obtain independent tax advice. Adanac makes no comment with respect to any U.S. income tax issues.

Part VII – SECURITIES LAW CONSIDERATIONS

The Issued Common Shares to be issued to the Senior Secured Noteholders and the Affected Unsecured Creditors pursuant to the Plan are being offered, and will be issued and sold, pursuant to exemptions from the prospectus requirements of applicable Canadian provincial securities laws and shall not be subject to any hold period or restrictions on resale under Canadian provincial securities laws if the following conditions are satisfied: (i) Adanac is and has been a reporting issuer in a jurisdiction in Canada for the four months immediately preceding the trade; (ii) the trade is not a control distribution (as defined in applicable securities legislation); (iii) no unusual effort is made to prepare the market or to create a demand for the securities that are the subject of the trade; (iv) no extraordinary commission or consideration is paid to a person or company in respect of the trade; and (v) if the selling securityholder is an insider or an officer of Adanac, the selling securityholder has no reasonable grounds to believe that Adanac is in default of securities legislation.

This summary is provided for information purposes only and is not intended to be, nor should it be construed to be or relied upon as if it were, legal advice. Affected Creditors should not rely on any statements in this Information Letter regarding securities law issues or considerations, and all Affected Creditors should obtain independent securities law advice. Adanac makes no comment with respect to any U.S. securities law issues.

Part VIII – MONITOR'S POSITION

KPMG Inc. was appointed Monitor pursuant to the Initial Order. The Monitor is familiar with the business affairs of Adanac and has reviewed the terms of the Plan. We refer you to the enclosed copy of the Monitor's Tenth Report to read the Monitor's complete discussion and analysis of the Plan.

In its report, the Monitor concludes as follows: "the Plan appears to provide both equity and creditor stakeholders with some return that is greater than might be expected in a liquidation scenario in which the Lenders would likely face a significant shortfall on their loans and no realizations would be available for distribution to other parties. Additionally, the Plan provides creditors with the option of choosing to monetize their claim immediately, where the amount

expected to be received should be readily determinable, or selecting the option of receiving shares of Adanac, the value of which may be significantly more difficult to quantify. Finally, unlike a simple liquidation, the Plan preserves the possibility that Adanac’s operations will continue at some time in the future and afford the opportunity for continued business with stakeholders. Having taken these factors into consideration, the Monitor respectfully recommends that creditors vote in favour of the Plan. ...”

Part IX– ADANAC’S RECOMMENDATION

The Plan provides Affected Unsecured Creditors with the choice of either:

- (a) a cash distribution of 10% of their Proven Claim, to a maximum distribution of \$5,000; or
- (b) their *pro rata* share of 5% of the Outstanding Common Shares.

While valuation of any cash distribution is straightforward, the value of the Outstanding Common Shares depends primarily on the value of Adanac’s business (the “**Enterprise Valuation**”). The value of a business is subject to numerous uncertainties and contingencies that are difficult to predict and will fluctuate with changes in factors affecting the financial condition and prospects of a business. As a result, it is extremely difficult to estimate Adanac’s Enterprise Valuation, dependent as it is on a myriad of factors, including but not limited to the price for molybdenum molybdic oxide both now and in future.

However, to assist Affected Unsecured Creditors, Adanac has prepared a summary of the value of distributions pursuant to the Plan, based on three possible estimated Enterprise Valuations. This summary is set out below.

| | Sample Proven Claim | Estimated Enterprise Value: | | |
|------------------|---------------------|-----------------------------|--------------|--------------|
| | | \$30,000,000 | \$40,000,000 | \$50,000,000 |
| Cash option (1) | \$25,000 | \$2,500 | \$2,500 | \$2,500 |
| Share Option (2) | \$25,000 | \$362 | \$483 | \$603 |
| Cash option (1) | \$50,000 | \$5,000 | \$5,000 | \$5,000 |
| Share Option (2) | \$50,000 | \$724 | \$965 | \$1,206 |
| Cash option (1) | \$75,000 | \$5,000 | \$5,000 | \$5,000 |
| Share Option (2) | \$75,000 | \$1,086 | \$1,448 | \$1,810 |

| | | | |
|--|--------|--------|--------|
| Estimated value per Outstanding Common Share | \$1.18 | \$1.57 | \$1.96 |
|--|--------|--------|--------|

(1) 10% of Proven Claim of an Affected Unsecured Creditor up to a maximum cash payment of \$5,000.

(2) The total number of Outstanding Common Shares upon implementation of the Plan is estimated to be approximately 25,462,544, based on the consolidation of Adanac's Existing Common Shares at the rate of 150:1 and certain other factors. The number of Outstanding Common Shares that will actually be issued to Affected Unsecured Creditors upon implementation of the Plan, and each Affected Unsecured Creditor's total share recovery, will depend on a number of factors, including the aggregate amount of Proven Claims of Affected Unsecured Creditors and the number of Affected Unsecured Creditors who elect to receive a cash distribution instead of Outstanding Common Shares or vice versa. Assuming approximately \$144 million of Proven Claims^{1,2} and that Affected Unsecured Creditors choose to optimize their recovery, the number of Outstanding Common Shares that will be issued to Affected Unsecured Creditors upon implementation of the Plan for each dollar of a Proven Claim of an Affected Unsecured Creditor will be approximately 0.0139 Outstanding Common Shares (i.e. \$1.00 of each Proven Claim of an Affected Unsecured Creditor = approximately 0.0139 Outstanding Common Shares). The hypothetical recovery table above reflects these estimated figures.

¹ This is an estimate only. Certain claims are not resolved as at the date of this letter such that this amount may increase or decrease.

² Senior Secured Noteholders' claims will constitute approximately \$136.4 million (US\$124.7 million) of this total, as of November 30, 2010.

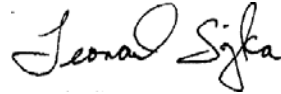
The summary set out above and the Enterprise Valuations therein are purely estimates, prepared for illustrative purposes only and are not necessarily indicative of actual outcomes, which may be significantly more or less favourable than those set forth in the Enterprise Valuations. Adanac makes no representations as to the accuracy thereof and neither Adanac nor any other person assumes responsibility for any differences between the Enterprise Valuations' range and such actual outcomes. Affected Unsecured Creditors should make their own independent assessment of the value of Adanac, the Outstanding Common Shares and any possible distribution pursuant to the Plan.

The Plan represents what is, in the view of Adanac's management, the best possible option for the Affected Unsecured Creditors in the circumstances. Therefore, and in light of the Monitor's conclusion that, in a liquidation scenario, there likely would be no funds available for distribution to the Affected Unsecured Creditors, Adanac recommends that the Affected Creditors vote in favour of the Plan.

If you have any questions regarding this Information Letter or the Plan, please contact Leonard Sojka at lsojka@adanacmoly.com or 604-535-6834 ext. 1309.

DATED October 20, 2010.

Signed:

A handwritten signature in black ink that reads "Leonard Sojka". The signature is written in a cursive style with a large, looped initial "L".

Leonard Sojka
Chief Restructuring Officer

Schedule "I"

The Plan

No. S088893
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36**

AND

**IN THE MATTER OF THE *BUSINESS CORPORATIONS ACT*,
S.B.C. 2002, c. 57**

AND

**IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT
OF ADANAC MOLYBDENUM CORPORATION**

PETITIONER

PLAN OF COMPROMISE AND ARRANGEMENT

Dated October 8, 2010

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**PLAN OF COMPROMISE AND ARRANGEMENT PURSUANT TO
THE COMPANIES' CREDITORS ARRANGEMENT ACT
AND THE BUSINESS CORPORATIONS ACT**

ADANAC MOLYBDENUM CORPORATION

**ARTICLE 1
INTERPRETATION**

1.1 Definitions

In this Plan (including the Schedules hereto), unless otherwise stated or the context otherwise requires:

“**Administration Charge**” has the meaning ascribed to such term in the Initial Order;

“**Affected Claims**” means all Claims and Restructuring Claims other than Excluded Claims;

“**Affected Creditor**” means any creditor that is the Holder of a Senior Secured Noteholders’ Allowed Secured Claim and/or an Affected Unsecured Claim;

“**Affected Creditor Classes**” means the Senior Secured Noteholder Class and the Affected Unsecured Creditor Class;

“**Affected Unsecured Claim**” means any Affected Claim against the Petitioner other than the Senior Secured Noteholders’ Allowed Secured Claim, but including the Senior Secured Noteholders’ Allowed Unsecured Claim;

“**Affected Unsecured Creditor**” means any creditor that is the Holder of an Affected Unsecured Claim and may, if the context requires, mean an assignee of an Affected Unsecured Claim or a trustee, interim receiver, receiver manager, or other Person acting on behalf of such Person, if such assignee or other Person has been recognized by the Petitioner, the Monitor or the Disbursing Agent, as the case may be;

“**Affected Unsecured Creditor Class**” means the class of creditors grouped in accordance with their Affected Unsecured Claims against the Petitioner for the purposes of considering and voting on this Plan in accordance with the provisions of this Plan and receiving distributions hereunder, such class being comprised solely of the Affected Unsecured Creditors;

“**Arrangement**” means, collectively, all of the transactions, actions and events set out in Section 6.1(a)(i);

“**BCBCA**” means the *Business Corporations Act* (British Columbia), as amended;

“**BIA**” means the *Bankruptcy and Insolvency Act* (Canada), as amended;

“**Business Day**” means any day, other than a Saturday, a Sunday, or a statutory holiday in British Columbia;

“**CCAA**” means the *Companies’ Creditors Arrangement Act* (Canada), as amended, and as applicable to the CCAA Proceedings which, for greater certainty, does not include the amendments proclaimed into force after the Filing Date;

“**CCAA Charge Claim**” has the meaning ascribed to such term in Section 2.3(a);

“**CCAA Proceedings**” means the proceedings in respect of the Petitioner before the Court commenced pursuant to the CCAA;

“**Chair**” means, in respect of any Creditors’ Meeting, the chair of such Creditors’ Meeting as designated by the Monitor;

“**CCAA Charges**” means the Administration Charge, the Directors’ Charge and the KERP Charge;

“**Chief Restructuring Officer**” means Leonard Sojka, in his capacity as chief restructuring officer of the Petitioner engaged by the Petitioner pursuant to an engagement letter dated July 16, 2010 between Leonard Sojka and the Petitioner;

“**Claim**” means any right or claim of any Person against the Petitioner in connection with any indebtedness, liability or obligation of any kind whatsoever of the Petitioner owed to such Person and any interest accrued thereon or costs, fees or other amounts in respect thereof, whether reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, present, future, known or unknown, by guarantee, surety or otherwise, and whether or not such right is executory or anticipatory in nature, including any Claim arising from or caused by the repudiation by the Petitioner of any contract, lease or other agreement, whether written or oral, the commission of a tort (intentional or unintentional), any breach of duty (legal, statutory, equitable, fiduciary or otherwise), any right of ownership or title to property, employment, contract, a trust or deemed trust, howsoever created, any Claim made or asserted against the Petitioner through any affiliate, or any right or ability of any Person to advance a Claim for contribution or indemnity or otherwise with respect to any grievance, matter, action, cause or chose in action, whether existing at present or commenced in the future, in each case based in whole or in part on facts which existed on the Filing Date or which would have been, or together with any other Claims of any kind that, if unsecured, would constitute, a debt provable in bankruptcy within the meaning of the BIA had the Petitioner become bankrupt on the Filing Date;

“**Claims Bar Dates**” means April 5, 2010, the bar date for filing Claims as set out in the Claims Process Order, with the exception of Restructuring Claims, which have a rolling bar date subsequent to April 5, 2010;

“**Claims Process Order**” means the Order of the Court dated March 2, 2010 establishing, among other things, procedures for proving Claims and Restructuring Claims;

“**Class A Common Shares**” means the class A common shares in the capital of the Petitioner to be created pursuant to Article 6 and having the rights and restrictions set out in Schedule “A” hereto;

“**Collateral Agent**” means The Bank of New York and BNY Trust Company of Canada and their successors and assigns;

“**Common Shares**” means the common shares in the capital of the Petitioner, excluding the Class A Common Shares;

“**Consolidated Existing Common Shares**” means that number of common shares in the capital of the Petitioner that have resulted from the Existing Share Consolidation;

“**Court**” means the Supreme Court of British Columbia;

“**Creditors’ Meeting**” means, in respect of any Affected Creditor Class, the meeting of Affected Creditors holding Voting Claims called pursuant to the Creditors’ Meeting Order for the purposes of, among other things, considering and, if deemed appropriate, passing their respective Resolution and includes any adjournment, postponement or other rescheduling of such meeting;

“**Creditors’ Meeting Date**” means the date fixed for the Creditors’ Meetings under the Creditors’ Meeting Order, subject to any adjournment or postponement or further Order of the Court;

“**Creditors’ Meeting Order**” means the Order of the Court dated October [18,] 2010, as amended or supplemented from time to time by further Orders of the Court which, among other things, sets the Creditors’ Meeting Date and establishes meeting procedures for the Creditors’ Meetings of each Affected Creditor Class;

“**Directors’ Charge**” has the meaning ascribed to such term in the Initial Order;

“**Disallowed Claim**” means any Claim or Restructuring Claim, including any portion thereof, that has been disallowed, denied, dismissed, or overruled in accordance with the provisions of the Claims Process Order and any other applicable Orders;

“**Disbursing Agent**” means the Petitioner, in its capacity as a disbursing agent;

“**Disputed Claim**” means an Affected Unsecured Claim or any portion thereof, that is subject to a Notice of Revision or Disallowance, or a Notice of Dispute, and in either case has become neither a Proven Claim nor a Disallowed Claim;

“**Disputed Claim Reserve**” means the reserve to be established and maintained under this Plan by the Disbursing Agent by holding, on account of Disputed Claims, a number of Outstanding Common Shares or cash, as applicable, equal to the amount of Outstanding Common Shares or cash that the Holders of Disputed Claims would be entitled to receive if all such Disputed Claims had been Proven Claims in their entire amount on the Initial Distribution Record Date;

“**Election Deadline**” means the time specified in the Creditors’ Meeting Order as the deadline for filing a form of proxy;

“**Election Notice**” means the election notice included in the form of proxy, which permits Affected Unsecured Creditors to make an election in accordance with Section 2.4(b)(i);

“**Excluded Claims**” has the meaning ascribed to such term in Section 2.3;

“**Existing Common Shares**” means all common shares in the capital of the Petitioner that are outstanding immediately prior to the Existing Share Consolidation;

“**Existing Share Consolidation**” means the consolidation of all Existing Common Shares at the rate of 150:1;

“**Existing Shareholders**” means the holders of Existing Common Shares;

“**Filing Date**” means December 19, 2008;

“**Filing Date Exchange Rate**” means the Bank of Canada noon spot rate of exchange for exchanging currency to Canadian dollars on the Filing Date, being, for U.S. dollars, US\$1=Cdn\$1.2275;

“**Final Distribution Date**” means a date selected by the Petitioner that is not later than five (5) days after the date on which the Monitor shall have certified to the Court that the last Disputed Claim in the CCAA Proceedings has been finally resolved;

“**Government Priority Claims**” means any Claim owing to Her Majesty the Queen in right of Canada or any Province as described in Section 18.2(1) of the CCAA;

“**Governmental Entities**” means any: (i) multinational, federal, provincial, territorial, state, regional, municipal, local or other government, governmental or public department, central bank, court, tribunal, arbitral body, commission, board, bureau or agency, domestic or foreign; (ii) subdivision, agent, commission, board, or authority of any of the foregoing; or (iii) quasi governmental or private body exercising any regulatory, expropriation or taxing authority under or, for the account of, any of the foregoing;

“**Holder**” means a Person holding a Claim or Restructuring Claim against the Petitioner;

“**Implementation Date**” means the first Business Day on which this Plan becomes effective and is implemented in accordance with Sections 8.5 and 8.6, as confirmed by a certificate filed by the Monitor with the Court;

“**Implementation Time**” means 5:00 p.m. on the Implementation Date;

“**Initial Distribution Date**” means the first Business Day that is five (5) days (or such longer period as may reasonably be determined by the Petitioner in consultation with the Monitor and the Senior Secured Noteholder Parties) after the Implementation Date;

“**Initial Distribution Record Date**” means the applicable date designated in the Sanction Order;

“**Initial Order**” means the Order of the Court dated December 19, 2008, as amended from time to time, pursuant to which, among other things, the Petitioner was granted certain relief pursuant to the CCAA;

“**Interim Distribution Dates**” means the first Business Day occurring 30 days after the Initial Distribution Date, and subsequently, the first Business Day occurring 30 days after the immediately preceding Interim Distribution Date (or such other dates as may be reasonably determined by the Disbursing Agent in consultation with the Monitor);

“**Interim Distribution Record Date**” means, with respect to any Interim Distribution Date, the 15th day prior to such Interim Distribution Date;

“**Issued Common Shares**” means that number of Common Shares and Class A Common Shares required to comply with the allocation of shares set out in Sections 6.1(a)(i)(D) and 6.1(a)(i)(E);

“**KERP Charge**” has the meaning ascribed to such term in the Order of the Court dated April 3, 2009 in the CCAA Proceedings;

“**Laws**” means all statutes, regulations, statutory rules, orders, judgments, decrees and terms and conditions of any grant of approval, permission, authority, permit or license of any court, Governmental Entity, statutory body or self-regulatory authority, and the term “applicable” with respect to such Laws and in any context that refers to one or more Persons, means that such Laws apply to such Person or Persons or its or their business, undertaking, property or securities and emanate from a Governmental Entity having jurisdiction over the Person or Persons or its or their business, undertaking, property or securities;

“**Lien**” means, with respect to any interest in property, any mortgage, lien, pledge, charge, security interest, easement or encumbrance of any kind whatsoever, under Canadian, United States, or other applicable Law, affecting such interest in property;

“**Monitor**” means KPMG Inc., or any successor thereto appointed in accordance with the Initial Order or any further Order of the Court;

“**Monitor’s Website**” means www.kpmg.ca/adanac;

“**Non-Terminated Contracts**” means the permits, licenses, contracts and purchase orders associated with the development of the Ruby Creek Project, if any, that are not terminated before the Implementation Date, either in their current form or as renegotiated with the applicable counterparties;

“**Noteholders Authorized Representative**” means Eric Colandrea of Highbridge Capital Management, LLC, the trading manager of Highbridge International LLC;

“**Notice of Dispute**” has the meaning ascribed to such term in the Claims Process Order;

“**Notice of Revision or Disallowance**” has the meaning ascribed to such term in the Claims Process Order;

“**Obligations**” has the meaning ascribed to such term in Section 6.3(a);

“**Order**” means any order of the Court;

“**Outstanding Common Shares**” means the Issued Common Shares to be issued on the Implementation Date and the Consolidated Existing Common Shares;

“**Person**” means any person, including any individual, partnership, joint venture, venture capital fund, association, corporation, limited liability company, limited liability partnership, unlimited liability company, trust, trustee, executor, administrator, legal personal representative, estate,

group, unincorporated association or organization, Governmental Entity, syndicate, the Monitor, or other entity, whether or not having legal status;

“Petitioner” means Adanac Molybdenum Corporation;

“Plan” means this plan of compromise and arrangement filed by the Petitioner pursuant to the provisions of the CCAA and the BCBCA, as it may be modified, amended, varied or supplemented by the Petitioner from time to time in accordance with its terms;

“Plan Information Letter” means the information letter of the Petitioner relating to this Plan, including the notice of meeting and exhibits attached thereto and any written amendment, variation or supplement thereto;

“Plan Modification” has the meaning ascribed to such term in Section 8.4(a);

“Plan Supplement” means any supplement to this Plan that is to be posted on the Monitor’s Website at least 14 days prior to the Creditors’ Meeting Date with notice of such posting being forthwith provided to the Service List (as such Plan Supplement may be thereafter modified, amended, varied or supplemented in accordance with the terms of this Plan);

“Post-filing Claims” means all valid claims, obligations and liabilities that are not Claims or Restructuring Claims, and arise from, or are in respect of any executory contract, purchase order, unexpired lease or other agreement that has been deemed ratified pursuant to this Plan;

“Proof of Claim” has the meaning ascribed to such term in the Claims Process Order;

“Proven Claim” means, in respect of an Affected Creditor, the amount or any portion of the amount of the Affected Claim of such Affected Creditor as agreed by the Petitioner or finally determined for distribution purposes in accordance with the provisions of this Plan, the CCAA, the Claims Process Order and any other applicable Orders;

“Public Shareholders” has the meaning ascribed to such term in the TSX Venture Exchange Corporate Finance Manual;

“Registrar” means the Registrar of Companies appointed under Section 400 of the BCBCA;

“Released Claims” has the meaning ascribed to such term in Section 6.3(b);

“Released Parties” has the meaning ascribed to such term in Section 6.3(b);

“Required Majority” means, in respect of any Affected Creditor Class, the affirmative vote of a majority in number in such Affected Creditor Class having Voting Claims and voting on its Resolution (in person or by proxy) at the Creditors’ Meeting in respect of such Affected Creditor Class and representing not less than 66⅔% in value of the Voting Claims voting on its Resolution (in person or by proxy) at such Creditors’ Meeting;

“Resolution” means, in respect of an Affected Creditor Class, the resolution for such Affected Creditor Class substantially in the respective form attached as Schedules “II” and “III” to the Plan Information Letter, providing for the approval of this Plan by the respective Affected Creditors comprising the Affected Creditor Classes;

“**Restructuring Claim**” means any right or Claim of any Person against the Petitioner arising as a result of or in connection with the repudiation, breach, termination or restructuring by the Petitioner after the Filing Date of any contract, purchase order, agreement, lease, employment or other obligation of any kind whatsoever;

“**Restructuring Term Sheet**” means the Restructuring Term Sheet dated June 28, 2010 among the Petitioner, the Senior Secured Noteholder Parties and the Monitor;

“**Sanction Order**” means an Order by the Court sanctioning this Plan pursuant to the CCAA and the BCBCA, as such Order may be amended or supplemented from time to time;

“**Securities Purchase Agreement**” means the Securities Purchase Agreement dated May 23, 2008 among the Petitioner, Jefferies & Company, Inc., as Agent, and The Bank of New York, as Collateral Agent, as amended;

“**Senior Secured Noteholders**” means the legal and beneficial holders of the Senior Secured Notes;

“**Senior Secured Noteholders’ Allowed Claim**” has the meaning ascribed to such term in Section 4.2;

“**Senior Secured Noteholders’ Allowed Secured Claim**” has the meaning ascribed to such term in Section 4.2(a);

“**Senior Secured Noteholders’ Allowed Unsecured Claim**” has the meaning ascribed to such term in Section 4.2(b);

“**Senior Secured Noteholders’ Cash Pool**” means the cash pool that may be established by the Disbursing Agent on the Implementation Date for the benefit of the Senior Secured Noteholders in accordance with the provisions of this Plan;

“**Senior Secured Noteholder Class**” means the class of creditors grouped in accordance with their Senior Secured Noteholders’ Allowed Secured Claims against the Petitioner for the purposes of considering and voting on this Plan in accordance with the provisions of this Plan and receiving distributions hereunder, such class being comprised solely of the Senior Secured Noteholders;

“**Senior Secured Noteholder Parties**” means the Senior Secured Noteholders who entered into the Restructuring Term Sheet and any of their respective successors and permitted assigns;

“**Senior Secured Notes**” means the Senior Secured 15% Notes due January 31, 2009 issued by the Petitioner pursuant to the Securities Purchase Agreement;

“**Service List**” means the service list posted on the Monitor’s Website, as amended;

“**Taxes**” means any and all taxes, duties, fees, pending assessments, reassessments and other governmental charges, duties, impositions and liabilities of any kind whatsoever (including any Claims by Her Majesty the Queen in right of Canada, Her Majesty the Queen in right of any Province or Territory of Canada, the Canada Revenue Agency and any similar revenue or taxing

authority, including any municipality, of any Province or Territory of Canada), including all interest, penalties, fines and additions with respect to such amounts;

“**Unaffected Creditor**” means any creditor that is the Holder of an Excluded Claim, in respect of and to the extent of those Excluded Claims;

“**Voting Claim**” means, in respect of an Affected Creditor, the Canadian dollar amount of the Affected Claim of such Affected Creditor accepted for purposes of voting at any Creditors’ Meeting, in accordance with the provisions of this Plan and the Creditors’ Meeting Order; and

“**Voting Record Date**” means October 25, 2010 or such other date as may be determined by the Monitor.

1.2 Interpretation, etc.

For purposes of this Plan:

- (a) any reference in this Plan to a contract, instrument, release, order, agreement or other document being in a particular form or on particular terms and conditions means that such document shall be substantially in such form or substantially on such terms and conditions;
- (b) any reference in this Plan to an existing document or exhibit filed or to be filed means such document or exhibit as it may have been or may be modified, amended, varied or supplemented;
- (c) all references to (i) currency and to “\$” or “Cdn\$” are to Canadian dollars and (ii) to “US\$” are to United States dollars, except as otherwise indicated;
- (d) all references in this Plan to Articles, Sections and Schedules are references to Articles, Sections and Schedules of or to this Plan;
- (e) unless otherwise specified, the words “hereof”, “herein”, “hereunder”, and “hereto” refer to this Plan in its entirety rather than to any particular portion of this Plan;
- (f) the division of this Plan into Articles, Sections, Schedules, and paragraphs and the insertion of captions and headings to Articles, Sections, Schedules and paragraphs are for convenience of reference only and are not intended to affect the interpretation of, or to be part of this Plan;
- (g) where the context requires, a word or words importing the singular shall include the plural and vice versa and a word or words importing one gender shall include all genders;
- (h) the deeming provisions are not rebuttable and are conclusive and irrevocable;
- (i) the words “includes” and “including” are not limiting; and
- (j) the word “or” is not exclusive.

1.3 Date for any Action

In the event that any date on which any action is required to be taken under this Plan by any of the parties is not a Business Day, that action shall be required to be taken on the next succeeding day that is a Business Day.

1.4 Time

All times expressed in this Plan are prevailing local time Vancouver, British Columbia, Canada unless otherwise stipulated.

1.5 Statutory References

Unless otherwise specified, any reference in this Plan to a statute includes all regulations made thereunder and all applicable amendments to such statute or regulations in force, from time to time, or any statute or regulations that supplement or supersede such statute or regulations.

1.6 Schedules

The following are the schedules to this Plan, which are incorporated by reference into this Plan and form an integral part of it:

Schedule “A” – Terms and Conditions of Class A Common Shares

ARTICLE 2 COMPROMISE AND ARRANGEMENT

2.1 Persons Affected

This Plan provides for a restructuring and compromise of Affected Claims against the Petitioner. This Plan will become effective on the Implementation Date in accordance with its terms and in the sequence set forth in Section 6.1. Each Affected Claim against the Petitioner will be fully and finally compromised in the manner and the sequence as set forth in this Plan. This Plan shall be binding on and enure to the benefit of the Petitioner, the Affected Creditors of each Affected Creditor Class, the Released Parties, any trustee, agent or other Person acting on behalf of any Affected Creditor and such other Persons who have received the benefit of, or are bound by any compromises, waivers or releases hereunder.

2.2 Classes of Affected Claims

Subject to Section 4.6, for the purpose of voting on, and distributions pursuant to, this Plan, the Affected Claims are divided into two classes as set out below:

- (a) the Senior Secured Noteholder Class; and
- (b) the Affected Unsecured Creditor Class.

2.3 Excluded Claims

This Plan does not affect the following (each, an “**Excluded Claim**”):

- (a) any Claim secured by the Administration Charge, the Directors' Charge and the KERP Charge (each, a "CCAA Charge Claim");
- (b) any Post-filing Claim; and
- (c) any Government Priority Claim.

Creditors with Excluded Claims will not be entitled to vote at any Creditors' Meeting or receive any distributions under this Plan in respect of the portion of their Claims that is an Excluded Claim. Nothing in this Plan shall affect the Petitioner's rights and defences, both legal and equitable, with respect to any Excluded Claim including any rights with respect to legal and equitable defences or entitlements to set-offs or recoupments against such Excluded Claims.

2.4 Treatment of Affected Claims

(a) Compromise of Senior Secured Noteholders' Allowed Secured Claim

- (i) In accordance with the provisions of this Plan and following the Existing Share Consolidation, the Senior Secured Noteholders will, in full and final satisfaction of the Senior Secured Noteholders' Allowed Secured Claim, receive a *pro rata* allocation of:
 - (A) the Senior Secured Noteholders' Cash Pool, if any; and
 - (B) 92% of the Outstanding Common Shares on a fully diluted basis.

(b) Compromise of Affected Unsecured Claims

- (i) Each Affected Unsecured Creditor with Proven Claims the aggregate face amount of which is (A) equal to or less than Cdn\$50,000 (being the Canadian dollar equivalent based on the Filing Date Exchange Rate and, for the purposes hereof, deemed conclusively to be the equivalent of US\$40,733) or (B) reduced, for distribution purposes only, to Cdn\$50,000 (being the Canadian dollar equivalent based on the Filing Date Exchange Rate and, for the purposes hereof, deemed conclusively to be the equivalent of US\$40,733) pursuant to an election by the Holder made on the Election Notice, shall receive in full and final satisfaction of its Proven Claims, a cash distribution in an amount equal to the lesser of 10% of the face amount of its Proven Claims and Cdn\$5,000, unless in the case of clause (A), such Affected Unsecured Creditor files an Election Notice with the Monitor by the Election Deadline in which the Affected Unsecured Creditor elects to receive, in full and final satisfaction of its Proven Claim against the Petitioner, a distribution as set forth in Section 2.4(b)(ii) below. To be valid, an Election Notice must be received by the Monitor by the Election Deadline. Each Election Notice, once delivered to the Monitor, will be final and irrevocable and no Affected Unsecured Creditor shall be entitled to change, revoke or withdraw its election after receipt by the Monitor of such completed Election Notice.

- (ii) In accordance with the provisions of this Plan and following the Existing Share Consolidation, the Affected Unsecured Creditors (including the Senior Secured Noteholders in relation to the Senior Secured Noteholders' Allowed Unsecured Claim) with Proven Claims who do not receive a cash distribution pursuant to Section 2.4(b)(i) above will, in full and final satisfaction of their Proven Claims, receive 5% of the Outstanding Common Shares on a fully diluted basis, which Outstanding Common Shares shall be allocated *pro rata* to the applicable Affected Unsecured Creditors.

ARTICLE 3 TREATMENT OF UNAFFECTED CREDITORS

3.1 CCAA Charge Claims

Holders of CCAA Charge Claims shall receive full payment in cash of such Claims within five (5) Business Days of the Implementation Date.

3.2 Government Priority Claims

Within six (6) months after the Sanction Order, the Petitioner will pay in full all Government Priority Claims.

3.3 No Distribution of Outstanding Common Shares to Unaffected Creditors

Under no circumstances, including under this Plan, shall Unaffected Creditors receive a distribution of Outstanding Common Shares.

ARTICLE 4 VALUATION OF AFFECTED CLAIMS, CREDITORS' MEETINGS AND RELATED MATTERS

4.1 Conversion of Affected Claims into Canadian Currency

For purposes of determining the value of Affected Claims denominated in currencies other than Canadian dollars for voting and distribution purposes:

- (a) any Affected Claim, other than those contemplated in Section 4.1(b), shall be converted by the Monitor to Canadian dollars at the Filing Date Exchange Rate; and
- (b) any Affected Claim arising as a result of or in connection with the repudiation, termination or restructuring by the Petitioner of any contract, purchase order, lease or obligations shall be converted by the Monitor to Canadian dollars at the Bank of Canada noon spot rate of exchange for exchanging the relevant currency to Canadian dollars on the date of notice of the event that gave rise to such repudiation, termination or restructuring.

4.2 Senior Secured Noteholders' Allowed Claim

Notwithstanding any other provision of this Plan, the Affected Claim of the Senior Secured Noteholders shall be allowed against the Petitioner for the full amount of the principal, interest, late charges, costs and any other amounts owing under and in accordance with the Securities Purchase Agreement and the Senior Secured Notes (the “**Senior Secured Noteholders' Allowed Claim**”). The Senior Secured Noteholders' Allowed Claim will continue to accrue interest, late charges and any other amounts in accordance with the terms of the Securities Purchase Agreement and the Senior Secured Notes until the Implementation Date.

A portion of the Senior Secured Noteholders' Allowed Claim shall be allowed as a secured claim against the Petitioner and a portion of the Senior Secured Noteholders' Allowed Claim shall be allowed as an unsecured claim against the Petitioner as follows:

- (a) US\$40 million shall be allowed as a secured claim (the “**Senior Secured Noteholders' Allowed Secured Claim**”); and
- (b) the balance of the Senior Secured Noteholders' Allowed Claim shall be allowed as an unsecured claim (the “**Senior Secured Noteholders' Allowed Unsecured Claim**”) and shall constitute an Affected Unsecured Claim.

The Senior Secured Noteholders' Allowed Claim shall be adjusted in accordance with a schedule to be provided by the Noteholders Authorized Representative to, and reviewed by, the Petitioner and the Monitor on or before the Implementation Date that reflects all accrued interest, late charges and any other amounts outstanding under the terms of the Securities Purchase Agreement and the Senior Secured Notes up to and including the Implementation Date.

Each of the Senior Secured Noteholders' Allowed Secured Claim and the Senior Secured Noteholders' Allowed Unsecured Claim shall constitute a Proven Claim for the purpose of voting on and receiving distributions pursuant to this Plan.

4.3 Affected Claims

Affected Creditors shall be entitled to prove their respective Affected Claims, vote their Voting Claims in respect of this Plan and, if their Claims become Proven Claims, receive the distributions provided for, pursuant to the Claims Process Order, the Creditors' Meeting Order and this Plan.

4.4 Classes of Creditors

The only classes of creditors for the purpose of considering and voting on this Plan will be the Senior Secured Noteholder Class and the Affected Unsecured Creditors Class.

4.5 Creditors' Meetings

The Creditors' Meeting held in respect of each Affected Creditor Class shall be held in accordance with this Plan, the Creditors' Meeting Order and any further Order that may be made from time to time for the purposes of, among other things, considering and voting on the

Resolution of such Affected Creditor Class or any other matters to be considered at such Creditors' Meeting.

4.6 Approval by each Affected Creditor Class

The Petitioner will seek approval of this Plan by the affirmative vote of the Required Majorities of the Affected Creditors with Voting Claims in each Affected Creditor Class. Any resolution, including the Resolution in respect of each of the Affected Creditor Classes, to be voted on at any Creditors' Meeting in respect of this Plan will be decided by the Required Majorities on a vote by ballot, and any other matter submitted for a vote at any Creditors' Meeting shall be decided by a majority of votes cast on a vote by a show of hands, unless the Chair decides, in his sole and absolute discretion, to hold such vote by way of ballot.

4.7 Order to Establish Procedure for Valuing Affected Claims

The procedure for valuing Affected Claims for voting and distribution purposes, and resolving disputes in respect of any such valuation, is set forth in the Claims Process Order and the Creditors' Meeting Order. The Petitioner and the Monitor, in consultation with the Senior Secured Noteholder Parties, reserve the right to seek the assistance of the Court in valuing the Affected Unsecured Claim of any Affected Unsecured Creditor, if deemed advisable, or in determining the result of any vote on any of the Resolutions or otherwise at any Creditors' Meeting, or the amount, if any, to be distributed to any Affected Unsecured Creditor under this Plan, as the case may be.

4.8 Affected Claims for Voting Purposes

Each Affected Creditor with a Voting Claim shall be entitled to one (1) vote and the weight attributed to such vote (for the purposes of determining the Required Majorities) shall be equal to the aggregate Canadian dollar value of such Affected Creditor's Voting Claim (if necessary, converted into Canadian dollars in accordance with Section 4.1).

If the amount of the Affected Claim of any Affected Creditor is not resolved for voting purposes on the Voting Record Date in accordance with the Claims Process Order and the Creditors' Meeting Order, such Affected Creditor shall be entitled to vote at the Creditors' Meeting held in respect of the Affected Creditor Class to which it belongs based on that portion of its Affected Claim which has been accepted for voting purposes by the Monitor, without prejudice to the rights of the Petitioner, or the Affected Creditor, with respect to the final determination of the Affected Creditor's Affected Claim for distribution purposes in accordance with the terms of the Claims Process Order, the Creditors' Meeting Order and this Plan.

Affected Creditors whose Affected Claims have been revised or disallowed, in full or in part, which revision or disallowance remains in dispute or under appeal in accordance with the Claims Process Order, shall have their voting intentions with respect to such disputed or disallowed amounts recorded by the Monitor and reported to the Court.

4.9 Adjournments

If any Creditors' Meeting is adjourned or postponed by the Chair, in his sole and absolute discretion, or because quorum is not obtained, such Creditors' Meeting will be adjourned,

postponed or otherwise rescheduled by the Monitor to such date, time and place as may be decided by the Chair, in his sole and absolute discretion.

4.10 Voting of Proxies

Any Affected Creditor's proxy will be voted on any ballot in accordance with the Affected Creditor's instruction to vote for or against the approval of such Affected Creditor's Class Resolution and any other matters before the Creditors' Meeting held in respect of such Affected Creditor Class. In the absence of such instruction, the proxy will be voted for the approval of such Resolution.

Forms of proxy may confer discretionary authority on the individuals designated therein with respect to amendments or variations of matters identified in the notice of Creditors' Meeting and other matters that may properly come before any Creditors' Meeting.

All matters related to the solicitation of votes for any Creditors' Meeting, the mailing of materials to Affected Creditors and the voting procedure and tabulation of votes cast with respect to any Creditors' Meeting shall be as set forth in the Creditors' Meeting Order.

4.11 Claims Bar Dates

If an Affected Creditor has failed to file its Proof of Claim prior to the relevant Claims Bar Dates and has not been permitted to file a late Claim pursuant to the Claims Process Order, such Affected Creditor shall be forever barred from voting at the Creditors' Meeting held in respect of the Affected Creditor Class to which it belongs and from receiving a distribution, and the Petitioner shall be released from the Affected Claims of such Affected Creditor and Section 6.3(b) shall apply to all such Affected Claims.

4.12 No Shareholders Meeting

The Creditors Meeting Order, which shall be in form and substance acceptable to the Petitioner and the Senior Secured Noteholder Parties, will provide that the Petitioner is not required to hold a meeting of shareholders for the purpose of voting on this Plan.

ARTICLE 5 DISTRIBUTIONS IN RESPECT OF DISPUTED CLAIMS

5.1 No Distributions Pending Allowance

Notwithstanding any other provision of this Plan, no distributions shall be made with respect to a Disputed Claim unless and until it has become a Proven Claim. Both before and after the Implementation Date, Disputed Claims shall be dealt with in accordance with the Claims Process Order.

5.2 Disputed Claim Reserve

As of the Implementation Date, the Disbursing Agent shall establish the Disputed Claim Reserve by holding on account of Disputed Claims a number of Outstanding Common Shares or cash, as applicable, equal to the amount of Outstanding Common Shares or cash that the Holders

of Disputed Claims would be entitled to receive if, in the case of the Outstanding Common Shares, all such Disputed Claims had been Proven Claims in their entire amount on the Initial Distribution Record Date and, in the case of cash, all such Disputed Claims had been Proven Claims in the amount pursuant to Section 2.4(b)(i) of this Plan. The Outstanding Common Shares deposited in the Disputed Claim Reserve shall not be voted by the Disbursing Agent and holder of record of such securities, except pursuant to, and in accordance with, an Order of the Court.

5.3 Distributions From Disputed Claim Reserve Once Disputed Claims Resolved

The Disbursing Agent, shall make allocations from the Disputed Claim Reserve to Holders of Proven Claims following the Initial Distribution Date in accordance with this Plan. To the extent that Disputed Claims become Proven Claims after the Initial Distribution Record Date, the Disbursing Agent shall, on the applicable Interim Distribution Date or the Final Distribution Date, distribute from the Disputed Claim Reserve to the Holders of such Proven Claims, the Outstanding Common Shares or cash, as applicable, that they would have been entitled to receive in respect of such Proven Claims had such Affected Claims been Proven Claims on the Initial Distribution Record Date and, in the case of cash, following application of Section 2.4(b)(i). To the extent that any Disputed Claim or a portion thereof has become a Disallowed Claim after the Initial Distribution Record Date, then the Disbursing Agent shall, on the applicable Interim Distribution Date or the Final Distribution Date, distribute to the Holders of Affected Unsecured Claims in the Affected Unsecured Creditor Class that have previously been adjudicated under this Plan to be Proven Claims and did not make an election pursuant to Section 2.4(b)(i), their *pro rata* share from the Disputed Claim Reserve of such additional Outstanding Common Shares kept in the Disputed Claim Reserve on account of such Disallowed Claims. Any cash held by the Disbursing Agent in the Disputed Claim Reserve on account of any Disputed Claim that has become a Disallowed Claim after the Initial Distribution Record Date shall be returned to the Petitioner. The Disbursing Agent shall make its last distribution on the Final Distribution Date.

ARTICLE 6 TERMS OF COMPROMISE AND ARRANGEMENT

6.1 Plan Implementation

(a) Plan Transactions

Each of the following transactions contemplated by and provided for under this Plan will be consummated and effected and shall for all purposes be deemed to occur on the Implementation Date, in the manner and the sequence as set forth below. Accordingly, all of the actions, documents and agreements necessary to implement all such transactions must be in place and be final and irrevocable prior to the Implementation Date to be held in escrow until their release without any further act or formality, except as provided in the Sanction Order.

On the Implementation Date, each of the following transactions shall be consummated and effected:

- (i) **Arrangement.** At the Implementation Time, each of the actions, transactions or events set out in this Section 6.1(a)(i) shall occur and be deemed to occur in the following sequence:
- (A) the notice of articles and articles of the Petitioner will be amended to increase the Petitioner's authorized share capital by creating an unlimited number of Class A Common Shares with the rights and restrictions set out in Schedule "A" hereto;
 - (B) all of the Petitioner's Existing Common Shares will be consolidated pursuant to the Existing Share Consolidation and all outstanding warrants, options, agreements, instruments or other rights in respect of the Existing Common Shares or fractional interests therein will, without any further act or formality, be cancelled without payment of any consideration therefor and cease to be of any further force or effect;
 - (C) the Petitioner will issue that number of Common Shares and Class A Common Shares required to comply with the allocation of shares set out in Sections 6.1(a)(i)(D) and 6.1(a)(i)(E) below;
 - (D) the balance of the Senior Secured Noteholders' Allowed Secured Claim remaining after any cash distributions from the Senior Secured Noteholders' Cash Pool, if any, to Senior Secured Noteholders, will, in full satisfaction of such claim, be exchanged for that number of Common Shares and Class A Common Shares issued from treasury of the Petitioner that will result in the allocation to the Senior Secured Noteholders as set out in Section 6.1(a)(i)(F) below; provided, however, that such Common Shares and Class A Common Shares will be comprised of (i) the maximum number of Common Shares that can be issued to the Senior Secured Noteholders without causing Public Shareholders (including, for greater certainty, those Senior Secured Noteholders who are Public Shareholders) to hold less than 20% of the Common Shares unless Public Shareholders are permitted by the relevant stock exchange rules to hold less than 20% of the Common Shares, in which case, the maximum number of Common Shares that can be issued to the Senior Secured Noteholders without causing Public Shareholders to hold less than such lesser percentage of the Common Shares, and (ii) the balance, if any, in Class A Common Shares;
 - (E) the Affected Unsecured Claims (including the Senior Secured Noteholders' Allowed Unsecured Claim) that are Proven Claims will, in full satisfaction of such Proven Claims, be exchanged for that number of Common Shares issued from treasury of the Petitioner that will result in the allocation to Affected Unsecured Creditors as set out in Section 6.1(a)(i)(F) below;

- (F) subject to sections 6.1(a)(i)(A) through 6.1(a)(i)(E) above and following the Existing Share Consolidation, the Outstanding Common Shares shall be allocated and issued as follows:
- (1) in consideration for the Senior Secured Noteholders' Allowed Secured Claim, the Senior Secured Noteholders shall receive 92% of the Outstanding Common Shares, which Outstanding Common Shares shall be allocated *pro rata* to the Senior Secured Noteholders;
 - (2) in consideration for the Affected Unsecured Claims, the Affected Unsecured Creditors (including the Senior Secured Noteholders in relation to the Senior Secured Noteholders' Allowed Unsecured Claim) with Proven Claims shall, in full and final satisfaction of their Proven Claims, receive 5% of the Outstanding Common Shares, which Outstanding Common Shares shall be allocated *pro rata* to the Affected Unsecured Creditors;
 - (3) the Existing Shareholders will retain 3% of the Outstanding Common Shares; and
 - (4) any entitlement to a fractional Outstanding Common Share shall, without any further act or formality, be cancelled without payment of any consideration therefor and cease to be of any further force or effect.
- (ii) **Senior Secured Noteholders' Cash Pool.** The Senior Secured Noteholders' Cash Pool, if any, will be established by the Disbursing Agent on the Implementation Date in an amount determined by the Petitioner, in consultation with the Monitor, the Chief Restructuring Officer and the Senior Secured Noteholder Parties, by taking into account the amount of cash that the Petitioner will reasonably require for working capital purposes and to fulfill its obligations on the Implementation Date. Any distributions by the Disbursing Agent from the Senior Secured Noteholders' Cash Pool will be allocated *pro rata* to the Senior Secured Noteholders .
- (iii) **Reserve for Disputed Claims.** The Disputed Claim Reserve will be established on the Implementation Date.
- (iv) **Payment of Excluded Claims.** The Excluded Claims will be paid as set forth in this Plan.
- (v) **Outstanding Common Shares.** The Outstanding Common Shares to be distributed to Affected Creditors will be issued and delivered in accordance with this Plan.

- (vi) **Compromise of Debt.** The Affected Claims will be settled, compromised, released or otherwise dealt with in accordance with this Plan.
- (vii) **Stay Termination.** The stay of proceedings provided for in the Initial Order, and subsequently extended by further Orders of the Court, will terminate and expire at 5:01 p.m. on the Final Distribution Date.

6.2 Corporate Action

On the Implementation Date, all corporate actions contemplated by this Plan shall be deemed to have been authorized and approved in all respects (subject to the provisions of this Plan). All matters provided for in this Plan shall be deemed to have timely occurred, in accordance with applicable Law, and shall be effective, without any requirement of further action by the creditors, securityholders, directors, officers or managers of the Petitioner. On the Implementation Date, the directors and officers of the Petitioner shall be authorized and directed to issue, execute and deliver the agreements, documents, securities and instruments contemplated by this Plan, in the name of and on behalf of the Petitioner.

6.3 Plan Releases

The following releases will become effective at the Implementation Time:

(a) Releases by the Petitioner

As at the Implementation Time and subject to the provisions of Section 5.1(2) of the CCAA, the Petitioner will be deemed to forever release, waive and discharge any and all demands, claims, actions, causes of action, counterclaims, suits, rights, obligations, debts, sums of money, accounts, covenants, damages, judgments, expenses, liabilities, executions, liens and other recoveries on account of any indebtedness, liability, obligation, demand or cause of action of whatever nature, including interest thereon and costs, fees or other amounts in respect thereof (collectively, the “**Obligations**”) (other than the rights of the Petitioner to enforce this Plan and the contracts, instruments, and other agreements or documents delivered hereunder) whether reduced to judgment, liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, direct, indirect or derivative, then existing or hereafter arising, in law, equity or otherwise that are based in whole or in part on any act, omission, transaction, event or other circumstance or occurrence existing or taking place on or prior to the Implementation Time in any way relating to, arising out of or in connection with the business and affairs of the Petitioner, the subject matter of, or the transactions or events giving rise to any Claims or Restructuring Claims, the dilution of the Existing Common Shares and the related Existing Share Consolidation, this Plan, and the CCAA Proceedings that could be asserted by or on behalf of the Petitioner against: (i) the present or former directors, officers and employees of the Petitioner, including the Chief Restructuring Officer, in each case in their respective capacities as of the Implementation Date; (ii) the agents, legal counsel, financial advisors and other professionals of the Petitioner, in each case in their respective capacities as of the Implementation Date; (iii) the Monitor and its legal counsel; (iv) the Senior Secured Noteholder Parties and their legal counsel; (v) the

Noteholders Authorized Representative and its legal counsel; (vi) the Collateral Agent; and (vii) where applicable, with respect to each of the above named Persons, such Person's present and former advisors, principals, employees, officers, directors, representatives, financial advisors, legal counsel, accountants, investment bankers, consultants, agents, predecessors, affiliates, subsidiaries, related companies, heirs, spouses, dependents, administrators and executors.

(b) Releases by Others

As at the Implementation Time, (i) the Petitioner, (ii) the Monitor, (iii) the Chief Restructuring Officer, (iv) the Senior Secured Noteholder Parties; (v) the Noteholders Authorized Representative, (vi) the Collateral Agent, and (vii) with respect to each of the above named Persons, such Person's present and former advisors, principals, employees, officers, directors, representatives, financial advisors, legal counsel, accountants, investment bankers, consultants, agents, predecessors, affiliates, subsidiaries, related companies, heirs, spouses, dependents, administrators and executors (collectively, the "**Released Parties**") will be released and discharged from any and all Obligations, whether reduced to judgment, liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, direct, indirect or derivative, then existing or hereafter arising, in law, equity or otherwise, that any Person (including the Holders and the Petitioner, as applicable, and any Person who may claim contribution or indemnification against or from them) may be entitled to assert (including any and all Claims or Restructuring Claims in respect of potential statutory liabilities of the Released Parties for which the Initial Order authorized the granting of a CCAA Charge or Claims or Restructuring Claims for which the Released Parties who are directors are by law liable in their capacity as directors for the payment of such claims, but other than the rights of Persons to enforce this Plan and the contracts, instruments, releases and other agreements or documents delivered hereunder) based in whole or in part on any act, omission, transaction, event or other circumstance or occurrence existing or taking place on or prior to the Implementation Time in any way relating to, arising out of or in connection with the business and affairs of the Petitioner, the subject matter of, or the transactions or events giving rise to, any Claims or Restructuring Claims, the dilution of the Existing Common Shares and the related Existing Share Consolidation, the CCAA Charges, this Plan, and the CCAA Proceedings (collectively, the "**Released Claims**"), provided, however, that nothing herein will release or discharge any such Released Party (A) if the Released Party is judged by the expressed terms of a judgment rendered on a final determination on the merits to have committed fraud or wilful misconduct or to have been grossly negligent, and (B) in the case of directors or officers of the Petitioner, in respect of any claim referred to in Section 5.1(2) of the CCAA.

6.4 Permanent Injunction

From and after the Implementation Time, all Affected Creditors and other Persons shall be permanently and forever barred, estopped, stayed and enjoined with respect to the Released Claims from: (i) commencing, conducting or continuing in any manner, directly or indirectly,

any actions, suits, demands or other proceedings of any nature or kind whatsoever (including, without limitation, any proceeding in a judicial, arbitral, administrative or other forum) against the Released Parties; (ii) enforcing, levying, attaching, collecting or otherwise recovering or enforcing by any manner or means, directly or indirectly, any judgment, award, decree or order against the Released Parties or their property; (iii) commencing, conducting or continuing in any manner, directly or indirectly, any action, suits or demands, including, without limitation, by way of contribution or indemnity or other relief, in common law, or in equity, or under the provisions of any statute or regulation, or other proceedings of any nature or kind whatsoever (including, without limitation, any proceeding in a judicial, arbitral, administrative or other forum) against any Person who makes such a claim or might reasonably be expected to make such a claim, in any manner or forum, against one or more of the Released Parties; (iv) creating, perfecting, asserting or otherwise enforcing, directly or indirectly, any Lien or encumbrance of any kind; or (v) taking any actions to interfere with the implementation or consummation of this Plan.

6.5 Waiver of Defaults

From and after the Implementation Time, all Persons shall be deemed to have waived any and all defaults of the Petitioner then existing or previously committed by the Petitioner or caused by the Petitioner, 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 Petitioner arising from the filing by the Petitioner under the CCAA or the transactions contemplated by this Plan, and any and all notices of default and demands for payment under any instrument, including any guarantee arising from such default, shall be deemed to have been rescinded.

6.6 Cancellation of Senior Secured Notes and Agreements

As at the Implementation Time:

- (a) the Senior Secured Notes, the Securities Purchase Agreement and any related debenture, indenture, general security agreement or other instrument or document evidencing or creating any such indebtedness or obligation shall be cancelled or otherwise alienated, as the case may be, in accordance with this Plan; and
- (b) the obligations of, and Affected Claims against, the Petitioner under, relating, or pertaining to any agreements, contracts, purchase orders, indentures, certificates of designation, bylaws, or certificate or articles of incorporation or other instrument or document evidencing or creating any indebtedness or obligation of the Petitioner, as the case may be, shall be released and discharged as between a Holder of an Affected Claim and the Petitioner.

6.7 Cancellation of Liens

As at the Implementation Time, in consideration for the distributions to be made on the Implementation Date pursuant to this Plan, all Liens and rights related to any Claim or Restructuring Claim, including those existing under the Senior Secured Notes, shall be terminated, null and void and be of no effect.

6.8 Corporate Governance

As of the Implementation Date, all of the directors of the Petitioner shall resign in favour of a board of directors of the Petitioner that is acceptable to the Senior Secured Noteholder Parties. The resignation and appointment of the new board of directors of the Petitioner under this Section 6.8 shall be simultaneous and occur on the Implementation Date.

ARTICLE 7 PROVISIONS GOVERNING DISTRIBUTIONS

7.1 Distributions for Affected Claims Allowed as at the Initial Distribution Date

Except as otherwise provided herein or as ordered by the Court, distributions to be made on account of Affected Claims that are Proven Claims as at the Initial Distribution Record Date shall be made on the Initial Distribution Date. Thereafter, distributions on account of Affected Claims that are determined to be Proven Claims after the Initial Distribution Record Date shall be made on the Interim Distribution Date or the Final Distribution Date and in accordance with Article 5 and Article 7.

7.2 Assignment of Affected Claims

For purposes of determining entitlement to receive any distribution pursuant to this Plan, the Petitioner, the Disbursing Agent and the Monitor, and each of their respective agents, successors and assigns, shall have no obligation to recognize any transfer or assignment of any Affected Claim unless and until notice of the transfer or assignment from either the transferor, assignor, transferee or assignee, together with evidence showing ownership, in whole or in part, of such Affected Claim and that such transfer or assignment was valid at Law, has been received by the Petitioner, the Disbursing Agent and the Monitor, as the case may be, at least five (5) Business Days prior to the Initial Distribution Record Date, any Interim Distribution Record Date or the Final Distribution Date.

7.3 Interest on Affected Claims

Other than the Senior Secured Noteholders' Allowed Claim (which includes the Senior Secured Noteholders' Allowed Secured Claim and the Senior Secured Noteholders' Allowed Unsecured Claim), interest shall not accrue or be paid on any Affected Claim after or in respect of the period following the Filing Date, and no Holder of an Affected Claim shall be entitled to any interest accruing on or after or in respect of the period following the Filing Date on any such Affected Claim. Interest shall also not accrue or be paid on any Disputed Claim in respect of the period from the Filing Date to on or before the Final Distribution Date if a distribution is made thereon and such Disputed Claim becomes a Proven Claim.

To the extent that any Proven Claim to which a distribution under this Plan relates is comprised of indebtedness and accrued but unpaid interest thereon, such distribution shall, to the extent permitted by applicable Law, be allocated to the principal amount of the Proven Claim first and then, to the extent that the consideration exceeds the principal amount of the Proven Claim, to the portion of such Proven Claim representing accrued but unpaid interest.

7.4 Distributions by Disbursing Agent

The Disbursing Agent shall make all distributions required under this Plan subject to the provisions of Article 5 and Article 7. In connection with all distributions made hereunder by the Disbursing Agent, the Disbursing Agent shall advise each Affected Creditor with a Proven Claim of (a) the total number of Outstanding Common Shares as of the Implementation Date and (b) the total amount of the Senior Secured Noteholders' Cash Pool.

7.5 Disbursing Agent Shall Not Distribute Cash Below Cdn\$10

The Disbursing Agent shall not be required to, but may in its sole and absolute discretion: (a) make Cash distributions to Holders of Proven Claims in an amount less than Cdn\$10; or (b) make any distribution on account of any Proven Claim in the event that the costs of making such payment exceed the value of such distribution.

7.6 Disbursing Agent Shall Not Distribute Fractional Shares

Notwithstanding any other provision of this Plan, only whole numbers of Outstanding Common Shares shall be distributed to Holders of Proven Claims. When any distribution on account of any Proven Claim would otherwise result in the distribution of a number of Outstanding Common Shares that is not a whole number, the actual distribution of such shares shall be rounded to the next higher or lower whole number of shares as follows: (i) fractions equal to or greater than 1/2 shall be rounded to the next higher whole number; and (ii) fractions less than 1/2 shall be rounded to the next lower number. No consideration shall be provided in lieu of fractional shares of Outstanding Common Shares that are rounded down.

7.7 Delivery of Distributions

(a) Proven Claims

Subject to Section 7.2, distributions to Holders of Proven Claims shall be made by the Disbursing Agent as follows: (i) in the case of the Senior Secured Noteholders, at the addresses set forth in a written notice to be delivered to the Disbursing Agent prior to the Implementation Date; (ii) in the case of all other Holders, at the addresses set forth on the Proofs of Claim filed by such Holders; and (iii) at the addresses set forth in any written notice of address change delivered to the Disbursing Agent after the date of any related Proof of Claim.

(b) Undeliverable Distributions

If any distribution to a Holder of a Proven Claim is returned as undeliverable, no further distributions to such Holder of such Claim shall be made unless and until the Disbursing Agent is notified of the current address of such Holder, at which time all missed distributions shall be made to such Holder without interest. Undeliverable distributions shall be returned to the Petitioner until such distributions are claimed. The Petitioner shall make reasonable efforts to locate Holders of Proven Claims for which distributions were undeliverable. Notwithstanding the foregoing, all claims for undeliverable distributions must be made on or before the date that is 90 days after the Initial Distribution Date, the

applicable Interim Distribution Date or the Final Distribution Date, as the case may be, after which date all unclaimed property shall revert to the Petitioner free of any restrictions or claims thereon and the Claim of any Holder or successor to such Holder with respect to such property shall be discharged and forever barred.

7.8 Withholding Taxes

In connection with this Plan, all distributions made hereunder by the Disbursing Agent shall be made net of all applicable Taxes. Notwithstanding any other provision of this Plan, each Affected Creditor with a Proven Claim that is to receive a distribution pursuant to this Plan shall have sole and exclusive responsibility for the satisfaction and payment of any Tax obligations imposed by any Governmental Entity (including income, withholding and other Tax obligations on account of such distribution). The Disbursing Agent shall be authorized to take any and all actions as may be necessary or appropriate to comply with such withholding and reporting requirements. All amounts withheld on account of Taxes shall be treated for all purposes as having been paid to the Affected Creditor in respect of which such withholding was made, provided such withheld amounts are remitted to the appropriate Governmental Entity.

7.9 Guarantees and Similar Covenants

No Person who has a Claim under any guarantee, surety, indemnity, solidary or joint and several obligations or otherwise in respect of any Claim that is settled, compromised, released or otherwise dealt with under this Plan or who has any right in respect of, or to be subrogated to, the rights of any Person in respect of a Claim that is compromised under this Plan shall be entitled to any greater rights than the Affected Creditor whose Claim is settled, compromised, released, or otherwise dealt with under this Plan.

ARTICLE 8 MISCELLANEOUS

8.1 Non-Terminated Contracts

Except as otherwise provided in this Plan, as of the Implementation Time, the Non-Terminated Contracts shall be deemed ratified.

8.2 Confirmation of Plan

Provided that this Plan is approved by the Required Majorities:

- (a) the Petitioner shall forthwith seek the Sanction Order for the approval of this Plan; and
- (b) subject to the Sanction Order being made in form and substance acceptable to the Petitioner and the Senior Secured Noteholder Parties and the satisfaction of the conditions to the implementation of this Plan set forth in Section 8.5, this Plan shall be implemented by the Petitioner and shall be binding upon each of the Petitioner and all Persons referred to in this Plan.

8.3 Paramountcy

From and after the Implementation Date, any conflict between (i) this Plan, and (ii) the covenants, warranties, representations, terms, conditions, provisions or obligations, express or implied, of any contract, purchase order, mortgage, security agreement, indenture, trust indenture, loan or other agreement, commitment letter, by-laws of the Petitioner, lease or other arrangement or undertaking, written or oral (including any and all amendments or supplements thereto) existing with, between or among one or more of the Affected Creditors and the Petitioner as at the Implementation Date will be deemed to be governed by the provisions of this Plan and the Sanction Order, which shall take precedence and priority. All Affected Creditors shall be deemed irrevocably for all purposes to consent to all transactions contemplated in and by this Plan.

8.4 Modification of Plan

(a) Prior to or at Creditors' Meetings

The Petitioner, in consultation with the Monitor, and with the prior written approval of the Senior Secured Noteholder Parties, reserves the right to file any modification of, or amendment, variation or supplement to, this Plan, including by any Plan Supplement (each a "**Plan Modification**") prior to the Creditors' Meeting Date or at or before any Creditors' Meeting without the need for obtaining an Order of the Court if the Monitor determines that such modification, amendment, variation or supplement would not be materially prejudicial to the interests of the Affected Creditors under the Plan, in which case, any such Plan Modification shall, for all purposes, be and be deemed to form part of and be incorporated into this Plan. The Petitioner shall give notice of any Plan Modification at the Creditors' Meeting in respect of each Affected Creditor Class prior to the vote being taken to approve this Plan. The Monitor shall post on the Monitor's Website, as soon as possible, any Plan Modification, with notice of such posting forthwith provided to the Service List.

(b) After Creditors' Meetings

After each Creditors' Meeting (and both prior to and subsequent to the obtaining of the Sanction Order), the Petitioner, in consultation with the Monitor, and with the prior written approval of the Senior Secured Noteholder Parties, may at any time and from time to time modify, amend, vary or supplement this Plan, without the need for obtaining an Order of the Court or providing notice to the Affected Creditors if the Monitor determines that such modification, amendment, variation or supplement would not be materially prejudicial to the interests of the Affected Creditors under this Plan or the Sanction Order and is necessary in order to give effect to the substance of this Plan or the Sanction Order. The Monitor shall post on the Monitor's Website, as soon as possible, any such modification, amendment, variation or supplement to this Plan, with notice of such posting forthwith provided to the Service List.

8.5 Conditions Precedent to Implementation of Plan

The implementation of this Plan by the Petitioner is subject to the following conditions precedent, which may be waived in writing as provided in Section 8.6:

- (a) the approval of this Plan by the Required Majorities shall have been obtained;

- (b) the Sanction Order sanctioning this Plan, in form and substance satisfactory to the Petitioner, the Monitor and the Senior Secured Noteholder Parties, shall have been made and entered and the operation and effect of the Sanction Order shall not have been stayed, revised, modified, reversed or amended, and shall among other things:
- (i) declare that: (A) this Plan has been approved by the Required Majorities of Affected Creditors in conformity with the CCAA; (B) the Petitioner has complied with the provisions of the CCAA and the Orders made in the CCAA Proceedings in all respects; (C) the Court is satisfied that the Petitioner has not done or purported to do anything that is not authorized by the CCAA; and (D) this Plan and the transactions contemplated hereby are fair and reasonable, and in the best interests of the Petitioner, the Affected Creditors and the other stakeholders of the Petitioner (having considered, among other things, the composition of the vote, what creditors would receive in liquidation or sale as compared to this Plan, alternatives to this Plan or liquidation or sale, the treatment of shareholders and the public interest);
 - (ii) order that this Plan (including the settlements, compromises, arrangements, reorganizations, corporate transactions and releases set out herein) is sanctioned and approved pursuant to Section 6 of the CCAA and, as at the Implementation Date, will be effective and will enure to the benefit of and be binding upon the Petitioner and all other Persons named or referred to in this Plan or in the Sanction Order, if any;
 - (iii) declare that all Proven Claims determined in accordance with the Claims Process Order and the Creditors' Meeting Order are final and binding on the Petitioner and all Affected Creditors;
 - (iv) declare that no Person who is a party to a Non-Terminated Contract may accelerate, terminate, rescind, refuse to perform or otherwise repudiate its obligations thereunder, or enforce or exercise any right (including any right of dilution or other remedy) or make any demand under or in respect of any such contract and no automatic termination will have any validity or effect, by reason of:
 - (A) any event that occurred on or prior to the Implementation Date and is not continuing that would have entitled such Person to enforce those rights or remedies (including defaults, events of default, or termination events arising as a result of the insolvency of the Petitioner);
 - (B) the insolvency of the Petitioner or the fact that the Petitioner sought or obtained relief under the CCAA;
 - (C) any of the terms of this Plan or any action contemplated herein;

- (D) any settlements, compromises or arrangements effected pursuant to this Plan or any action taken or transaction effected pursuant to this Plan; or
- (E) any change in the control of the Petitioner arising from the implementation of this Plan and declare that any consent required under any such contracts, leases, agreements or other arrangements in respect of any such change of control be deemed satisfied;
- (v) confirm the releases contemplated by Section 6.3;
- (vi) enjoin the commencement or prosecution, whether directly, derivatively or otherwise, or any demands, claims, actions, causes of action, counterclaims, suits, or any indebtedness, liability, obligation or cause of action released and discharged pursuant to this Plan;
- (vii) order that all CCAA Charges will be released and discharged upon the filing by the Monitor of a certificate with the Court confirming that all obligations secured thereby have been paid in accordance with Section 3.1 or adequate alternate arrangements satisfactory to the parties and the Monitor in whose favour such charges operate have been made;
- (c) all applicable appeal periods in respect of the Sanction Order shall have expired and any appeals therefrom shall have been finally disposed of by the applicable appellate tribunal;
- (d) all relevant Persons shall have executed, delivered and filed all documents and other instruments that, in the opinion of the Petitioner and the Senior Secured Noteholder Parties, each acting reasonably, are necessary to implement the provisions of this Plan and/or the Sanction Order;
- (e) receipt of all consents and approvals of Governmental Entities (including the British Columbia Ministry of Mines) and other applicable third parties necessary in order to implement this Plan, all on terms and conditions reasonably acceptable to the Senior Secured Noteholder Parties (which condition is for the sole benefit of the Senior Secured Noteholder Parties and may be waived by the Senior Secured Noteholder Parties);
- (f) no effective injunction, writ or preliminary restraining order or any order of any nature being issued by a competent authority prohibiting this Plan from being consummated as provided herein;
- (g) the listing and trading of the Common Shares on a stock exchange acceptable to the Senior Secured Noteholder Parties, as of the Implementation Date, subject to the Petitioner making only customary post-completion filings (which condition is for the sole benefit of the Senior Secured Noteholder Parties and may be waived by the Senior Secured Noteholder Parties);

- (h) the Issued Common Shares to be issued to the Senior Secured Noteholders and the Affected Unsecured Creditors pursuant to this Plan shall have been offered, and will be issued and sold, pursuant to exemptions from the prospectus and registration requirements of applicable Canadian provincial securities laws and the registration requirements of U.S. federal securities laws and shall not be subject to any hold period or restrictions on resale under Canadian provincial (provided that the conditions in subsection 2.6(3) of National Instrument 45-102 are satisfied) and U.S. federal securities laws (other than restrictions on resale under U.S. federal securities laws for persons who are “affiliates” of the Petitioner at the Implementation Date or within 90 days prior to the Implementation Date);
- (i) the Outstanding Common Shares shall be exempt from the registration requirements under Section 12(g) of the U.S. Securities and Exchange Act of 1934, as amended, at the Implementation Date (which condition is for the sole benefit of the Senior Secured Noteholder Parties and may be waived by the Senior Secured Noteholder Parties); and
- (j) the filing of a copy of the Sanction Order and all other required documents with the Registrar pursuant to Section 292 of the BCBCA.

8.6 Waiver of Conditions

Each of the conditions set forth in Section 8.5 above (except those set forth in Sections 8.5(e), (g) and (i), which may only be waived by the Senior Secured Noteholder Parties) may be waived in whole or in part by the Petitioner, with the prior written approval of the Senior Secured Noteholder Parties, without any other notice to parties in interest or the Court and without a hearing. The failure to satisfy or waive any condition prior to the Implementation Date may be asserted by the Petitioner regardless of the circumstances giving rise to the failure of such condition to be satisfied (including any action or inaction by the Petitioner). The failure of the Petitioner to exercise any of the foregoing rights shall not be deemed a waiver of any other rights, and each such right shall be deemed an ongoing right that may be asserted at any time.

8.7 Monitor’s Certificates of Completion

The Monitor shall file with the Court the following certificates of completion:

- (a) Upon the satisfaction or waiver of each of the conditions precedent set out in Section 8.5, the Monitor shall file with the Court a certificate that states that all conditions precedent set out in this Plan have been satisfied (or, where applicable, waived);
- (b) Upon the payment of all obligations secured by the CCAA Charges in accordance with Section 3.1 or adequate alternate arrangements satisfactory to the parties and the Monitor in whose favour such charges operate, the Monitor shall file with the Court a certificate confirming same; and
- (c) Upon the resolution of the last Disputed Claim in the CCAA Proceedings, the Monitor shall file with the Court a certificate confirming same and, thereafter, any

remaining distributions under this Plan will be made by the Disbursing Agent on or before the Final Distribution Date.

8.8 Conclusive Evidence

The filing of the Sanction Order with the Registrar will be conclusive evidence that the Arrangement has become effective.

8.9 Notices

Any notices or communication to be made or given hereunder to the Petitioner, the Monitor and the Senior Secured Noteholder Parties shall be in writing and shall refer to this Plan and may, subject as hereinafter provided, be made or given by telecopier or e-mail addressed to the respective parties as follows:

(a) if to the Petitioner:

Attention: President/Chief Executive Officer
Telecopier: 604.536.8411

with a copy to Fasken Martineau DuMoulin LLP

Attention: Kibben Jackson
Telecopier: 604.632.4786
E-mail: kjackson@fasken.com

(b) if to the Monitor:

Attention: Peter Gibson
Telecopier: 604.691.3036
E-mail: pgibson@kpmg.ca

with a copy to Borden Ladner Gervais LLP

Attention: Magnus Verbrugge
Telecopier: 604.622.5898
E-mail: mverbrugge@blgcanada.com

(c) if to the Senior Secured Noteholder Parties:

Attention: Eric Colandrea
Telecopier: 212.751.0755
E-mail: eric.colandrea@highbridge.com

with a copy to Goodmans LLP

Attention: Joseph Pasquariello
Telecopier: 416.979.1234
E-mail: jpasquariello@goodmans.ca

or to such other telecopier or e-mail as any party may from time to time notify the others in accordance with this Section 8.9. All such notices and communications shall be deemed to have been received, in the case of notice by telecopier or e-mail 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. The unintentional failure by the Petitioner to give any notice contemplated hereunder to any particular Affected Creditor shall not invalidate this Plan or any action taken by any Person pursuant to this Plan.

Any notices or communications to be made or given hereunder by the Monitor or the Petitioner to an Affected Creditor may be sent by telecopier, e-mail, ordinary mail, registered mail, courier or telecopier transmission. An Affected Creditor shall be deemed to have received any document sent pursuant to this Plan four (4) Business Days after the document is sent by ordinary or registered mail and on the Business Day immediately following the day on which the document is sent by courier, e-mail or telecopier transmission. Documents shall not be sent by ordinary or registered mail during a postal strike or work stoppage of general application.

Notices or communications may be mailed to an Affected Creditor as follows: (i) in the case of the Senior Secured Noteholders, at the addresses set forth in a written notice to be delivered to the Disbursing Agent and the Monitor prior to the Implementation Date; (ii) in the case of all other Holders, at the addresses set forth in the Proofs of Claim filed by such Holders; or (iii) to the address set forth in any written notice of address changes delivered to the Disbursing Agent and the Monitor.

8.10 Severability of Plan Provisions

If, prior to the Implementation Date, any term or provision of this Plan is held by the Court to be invalid, void or unenforceable, the Court, at the request of the Petitioner, which request shall be made in consultation with the Monitor and the Senior Secured Noteholder Parties, shall have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such holding, alteration or interpretation, the remainder of the terms and provisions of this Plan shall remain in full force and effect and shall in no way be affected, impaired or invalidated by such holding, alteration or interpretation.

8.11 Non-consummation

If the Sanction Order is not issued, (i) this Plan shall be null and void in all respects, (ii) any Claim or Restructuring Claim, any settlement, compromise or release embodied in this Plan (including the fixing or limiting of any Claim or Restructuring Claim to a certain amount), assumption or termination, repudiation of executory contracts or leases affected by this Plan, and any document or agreement executed pursuant to this Plan shall be deemed null and void, and (iii) nothing contained in this Plan, and no act taken in preparation for consummation of this Plan, shall:

- (a) constitute or be deemed to constitute a waiver or release of any Claims or Restructuring Claims by or against the Petitioner or any other Person;

- (b) prejudice in any manner the rights of the Petitioner or any Person in any further proceedings involving the Petitioner; or
- (c) constitute an admission of any sort by the Petitioner or any other Person.

8.12 Governing Law

This Plan shall be governed by and construed in accordance with the laws of the Province of British Columbia and the federal laws of Canada applicable therein. Any questions as to the interpretation or application of this Plan and all proceedings taken in connection with this Plan and its provisions shall be subject to the exclusive jurisdiction of the Court.

8.13 Successors and Assigns

This Plan shall be binding upon and shall enure to the benefit of the heirs, administrators, executors, legal representatives, successors (including by merger, amalgamation, consolidation, conversion or reorganization or following any winding-up, liquidation or dissolution) and permitted assigns of any Person named or referred to in this Plan.

SCHEDULE A

Terms and Conditions of Class A Common Shares

The rights, privileges, restrictions and conditions attaching to the Class A Common Shares, as a class, shall be as follows:

Voting

The holders of the Class A Common Shares shall be entitled to one vote for each Class A Common Share held at all meetings of shareholders of the Petitioner, other than meetings at which only the holders of another class or series of shares are entitled to vote separately as a class or series.

Dividends

The holders of the Common Shares and the Class A Common Shares shall be entitled to receive dividends, and the Petitioner shall pay dividends thereon, if, as and when declared by the directors out of the moneys of the Petitioner properly applicable to the payment of dividends, in such amount and in such form as the board of directors may from time to time determine, provided that all dividends declared on the Common Shares and the Class A Common Shares shall be declared and paid at the same time, and in equal amounts, share for share, without any preference or priority of one class over the other.

Subdivision or Consolidation

No subdivision or consolidation of the Common Shares or the Class A Common Shares shall occur unless, simultaneously, the shares of the other class are subdivided or consolidated in the same manner, so as to maintain and preserve the relative rights of the holders of the shares of each of the said classes.

Dissolution

In the event of the dissolution, liquidation or winding-up of the Petitioner, whether voluntary or involuntary, or any other distribution of assets of the Petitioner among its shareholders for the purpose of winding up its affairs, the holders of the Common Shares shall be entitled to receive the remaining property and assets of the Petitioner *pari passu* with the holders of the Class A Common Shares.

Conversion Right

The Class A Common Shares are convertible at any time, at the option of the holders, into Common Shares on a share-for-share basis.

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Schedule "II"

Resolution of Affected Unsecured Creditors

RESOLUTION OF AFFECTED UNSECURED CREDITORS

BE IT RESOLVED THAT:

1. The plan of compromise and arrangement pursuant to the *Companies' Creditors Arrangement Act* (Canada) and the *Business Corporations Act* (British Columbia) filed on behalf of Adanac Molybdenum Corporation ("Adanac") substantially in the form attached as Appendix J to the Monitor's Tenth Report dated October 8, 2010 (as it may be amended, varied or supplemented from time to time in accordance with its terms, the "Plan"), be and is hereby authorized, approved and adopted.
2. The authorization, approval and adoption of the Plan specifically includes the following (using the defined terms set forth in the Plan);
 - (a) all transactions and arrangements contemplated under and in relation to the Plan whether as conditions precedent to implementation of the Plan or as an implementation step; and
 - (b) the treatment of the Affected Unsecured Creditors under the Plan, including as described in Section 2.4(b) thereof.
3. Any director or officer of Adanac be and is hereby authorized, for and on behalf of Adanac, to execute and deliver, or cause to be executed and delivered, any and all documents and instruments and to take or cause to be taken such other actions as he or she may deem necessary or desirable to implement this resolution and the matters authorized hereby, including the transactions required by the Plan, such determination to be conclusively evidenced by the execution and delivery of such documents or other instruments or taking of any such actions.

Schedule "III"

Resolution of Senior Secured Noteholders

RESOLUTION OF SENIOR SECURED NOTEHOLDERS

BE IT RESOLVED THAT:

1. The plan of compromise and arrangement pursuant to the *Companies' Creditors Arrangement Act* (Canada) and the *Business Corporations Act* (British Columbia) filed on behalf of Adanac Molybdenum Corporation ("Adanac") substantially in the form attached as Appendix J to the Monitor's Tenth Report dated October 8, 2010 (as it may be amended, varied or supplemented from time to time in accordance with its terms, the "Plan"), be and is hereby authorized, approved and adopted.
2. The authorization, approval and adoption of the Plan specifically includes the following (using the defined terms set forth in the Plan);
 - (a) all transactions and arrangements contemplated under and in relation to the Plan whether as conditions precedent to implementation of the Plan or as an implementation step; and
 - (b) the treatment of the Senior Secured Noteholders under the Plan, including as described in Section 2.4(a) thereof.
3. Any director or officer of Adanac be and is hereby authorized, for and on behalf of Adanac, to execute and deliver, or cause to be executed and delivered, any and all documents and instruments and to take or cause to be taken such other actions as he or she may deem necessary or desirable to implement this resolution and the matters authorized hereby, including the transactions required by the Plan, such determination to be conclusively evidenced by the execution and delivery of such documents or other instruments or taking of any such actions.