

## PLAN OF ALLOCATION

### Defined Terms

1. The definitions set out in the settlement agreement reached between the Plaintiffs and Defendants dated December 1, 2020 (“**Agreement**”), except as modified or defined herein, apply to and are incorporated into this Plan of Allocation:
  - a. “**Administration Expenses**” has the meaning set out in paragraphs 30 and 31 of this Plan of Allocation;
  - b. “**Administrator**” means Class Counsel, or a third-party claims administrator if one is appointed by the Court;
  - c. “**Authorized Claimant**” means a Claimant who submitted a completed online Claim Form, with the necessary Supporting Documentation, including details of all of the Claimants’ transactions involving Colt Securities between March 15, 2015 and January 31, 2017, on or before the Claims Bar Deadline, and whose Claim has been accepted by the Administrator or Referee;
  - d. “**Claim**” means a Claim (Holders), Claim (November Disclosure), Claim (December Disclosure) and/or a Claim (January Disclosure);
  - e. “**Claim (Holders)**” means a Claim relating to Securities bought between March 15, 2015 and July 13, 2016 and held until after the close of trading on July 13, 2016;
  - f. “**Claim (November Disclosure)**” means a Claim relating to Securities sold between November 30, and December 20, 2016;
  - g. “**Claim (December Disclosure)**” means a Claim relating to Securities sold between December 21, 2016, and January 31, 2017;

- h. “**Claim (January Disclosure)**” means a Claim relating to Securities held until after trading in Colt Securities was halted on January 31, 2017;
- i. “**Claim Form**” means the online form or forms to be approved by the Court, which, when completed and submitted in a timely manner to the Administrator, enables a Class Member to apply for compensation pursuant to this Agreement;
- j. “**Claimant**” means a Class Member who completes a Claim Form and provides all required Supporting Documentation to the Administrator on or before the Claims Bar Deadline, which if approved the Claimant becomes an Authorized Claimant;
- k. “**Class Member**” means a natural or legal person who falls into one of the following classes:

**Purchasers:** All persons and entities, other than Excluded Persons, wherever they may reside or be domiciled, who purchased or otherwise acquired Colt Securities in the primary or secondary market between July 13, 2016 and January 30, 2017, and held some or all of those Securities as of the close of trading on November 29, 2016, December 20, 2016, or January 30, 2017.

**Holders:** All persons and entities, other than Excluded Persons, wherever they may reside or be domiciled, who purchased or otherwise acquired Colt Securities in the primary or secondary market, between March 15, 2015 and July 13, 2016, inclusive, and held some or all of those Securities after the close of trading on July 13, 2016;

**Excluded Persons** are the Defendants and the individual Defendants' immediate family members, and persons or entities that properly opt-out of the Settlement Class.

- l. **“Colt”** means Colt Resources, Inc.;
- m. **“Compensation Fund”** or net Settlement Amount means the Settlement Amount less Class Counsel Fees, Administration Expenses and the Honoraria;
- n. **“Database”** means the database in which the Administrator stores information received from the Claimants and/or acquired through the claims process;
- o. **“Distribution”** means payment to Authorized Claimants in accordance with this Plan of Allocation, the Agreement and any order of the Court;
- p. **“Distribution List”** means a list containing the name and address of each Authorized Claimant, the calculation of his/her/its share of the Compensation Fund;
- q. **“Eligible Securities”** means Securities in a Claim that have been accepted by the Administrator or Referee for inclusion in the Distribution;
- r. **“Escrow Account”** means the trust account holding the Compensation Fund and used by the Administrator to make the Distribution in accordance with this Plan of Allocation;
- s. **“Honoraria”** means a one-time payment of \$5,000 from the Compensation Fund to each of the representative plaintiffs (i.e., Manuel Kauf and Web Objective, Inc.), subject to the approval of the Court;
- t. **“Referee”** means the third-party adjudicator of References, meaning Christophe Shammas, Loopstra Nixon LLP;

- u. “**Reference**” means the procedure by which a Claimant who disagrees with the Administrator’s decision relating to eligibility for compensation, the determination of the number of Eligible Securities, or the amount of the Distribution, may appeal the Administrator’s decision and have it reviewed by the Referee;
- v. “**Securities**” means common shares or units of Colt;
- w. “**Settlement Amount**” means \$950,000, inclusive of Administration Expenses, if any, distributions, Class Counsel’s disbursements and legal fees plus taxes, and any other costs or expenses otherwise related to the Action;
- x. “**Supporting Documentation**” means true copies of:
  - i. all trade confirmation slips in respect of transactions in the Securities for which a claim is made; or
  - ii. all monthly statements with information concerning transactions in the Securities during the period for which a claim is made;
  - iii. for Claimants who purchased prior to July 13, 2016, reasonable attestation of reliance of the Class Member upon Colt’s impugned disclosure documents, released after July 13, 2016 in making investment decisions; and
- y. “**Website**” means the website at [www.morgantico.com/colt-resources-inc/.com](http://www.morgantico.com/colt-resources-inc/.com).

## Overview

2. This Plan of Allocation sets out the procedure for Class Members to apply for a Distribution from the Compensation Fund; the guidelines for determination of a Class Member's eligibility to become an Authorized Claimant; and, if appropriate, the Distribution to each Authorized Claimant of their allocable share of the Compensation Fund calculated as set forth herein.
3. The Distribution for each Class Member with Securities purchased between March 15, 2015 and July 13, 2016, will require Supporting Documentation evidencing reasonable reliance upon Colt's disclosures to make the decision to hold the previously purchased Securities after July 13, 2016, to become an Authorized Claimant.

## Calculation of the Distribution and Maximum Entitlement

4. The Administrator will allocate 10% of the Compensation Fund to Authorized Claims with a Claim (Holders), 10% of the Compensation Fund to Authorized Claims with Claims (November Disclosure), 20% of the Compensation Fund to Authorized Claimants with Claims (December Disclosure), and 60% of the Compensation Fund to Authorized Claimants with Claims arising from holding the Securities after January 31, 2017 (January Disclosure).
5. Class Counsel will allocate all of the Authorized Claimants into these 4 categories (i.e., Holders, November, December and January Disclosures) and based upon their *pro rata* number of Eligible Securities within each category, they will receive their *pro rata* share of the settlement funds distributed to these members of the Classes in each category:
  - a. All Claims (Holders) shall be deemed to have suffered damages in the amount of 0.005 per Security.

- b. All Claims (November Disclosure) shall be deemed to have suffered damages in the amount of \$0.005 per Security.
  - c. All Claims (December Disclosure) shall be deemed to have suffered damages in the amount of \$0.010 per Security.
  - d. All Claims (January Disclosure) shall be deemed to have suffered damages in the amount of \$0.025 per Security.
6. The Distribution for each Authorized Claimant with a Claim (Holders) will be calculated by dividing ten (10) percent of the Compensation Fund (e.g., approximately \$50,000) by the total number of Eligible Securities of Authorized Claimants with a Claim (Holders);
  7. The Distribution for each Authorized Claimant with a Claim (November Disclosure) will be calculated by dividing ten (10) percent of the Compensation Fund (e.g., approximately \$50,000) by the total number of Eligible Securities of Authorized Claimants with a Claim (November Disclosure);
  8. The Distribution for each Authorized Claimant with a Claim (December Disclosure) will be calculated by dividing twenty (20) percent of the Compensation Fund (e.g., approximately \$100,000) by the total number of Eligible Securities of Authorized Claimants with a Claim (December Disclosure).
  9. The Distribution for each Authorized Claimant with a Claim (January Disclosure) will be calculated by dividing sixty (60) percent of the Compensation Fund (e.g., approximately \$300,000) by the total number of Eligible Securities of Authorized Claimants with a Claim (January Disclosure).

## **General Principles of the Administration of the Settlement**

10. The administration process to be established shall:
  - a. implement and conform to the Plan of Allocation;
  - b. employ reliable methods and record keeping for Claimants to submit their Claim Form and Supporting Documentation;
  - c. allow Claim Forms to be submitted via e-mail; and
  - d. make available a website for Class Members to download Claim Forms and to receive updates and information in regards to notice, claims procedure, definitions, Court documents and contact information.
  
11. The Administrator shall have such powers and rights reasonably necessary to discharge its duties and obligations to implement and administer the Escrow Account and the Plan of Allocation in accordance with their terms, subject to the direction of the Court, including:
  - a. the power to contact Claimants or their representatives to obtain more information about a claim and/or to audit claims;
  - b. if the Administrator reasonably believes that a Claim contains intentional errors the effect of which if not corrected would increase the Distribution to be awarded to a Claimant, the Administrator may disallow the Claim in its entirety;
  - c. if a Claimant fails to provide the Administrator the required calculations and Supporting Documentation in an organized manner and clear format to allow the Administrator to readily discern the amount of the Claim and

the adjudication of the Claim Form, the Administrator may exercise the right to reject the Claim Form in its entirety; and

- d. where a Claim Form contains minor omissions or errors, the Administrator may correct such omissions or errors if the information necessary to correct the omission or error is readily available to the Administrator.

### **The Administrator's Duties and Responsibilities**

12. The Administrator shall create the online administration website at [www.morgantico.com/colt-resources-inc/](http://www.morgantico.com/colt-resources-inc/) to administer the Plan of Allocation pursuant to the guidelines set out herein under the oversight and direction of the Court and shall act as trustee in respect of the monies held within the Escrow Account.

13. The Administrator shall develop, implement and operate an administration system using an electronic database and other systems for the following:

- a. class notification, as required;
- b. claim filing and document collection (Claimants must submit their Claim Forms and Supporting Documentation to the Administrator by email);
- c. claim evaluation, analysis and Reference procedures;
- d. distribution analysis and making Distributions;
- e. *cy près* award distribution (if any), and reporting thereon;<sup>1</sup>
- f. Administration Expense payments; and
- g. cash management, audit control and reporting thereon.

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<sup>1</sup> Class Counsel anticipates the full Compensation Fund will be distributed to Authorized Claimants; and as a result, Class Counsel does not anticipate a *cy près* award. If the situation arises, however, Class Counsel will return to the Court and motion for consent to allocate a *cy près* award.

14. The Administrator's duties and responsibilities shall include the following:

- a. receiving and depositing the monies into the Escrow Account and investing them in trust in accordance with the Agreement;
- b. preparing any protocols required for submission to and approval of the Court;
- c. providing notice of:
  - i. the Approval Motion, namely that the Settlement was approved; and
  - ii. details of how, where, and by when to submit Claim Forms;
- d. providing the software, and other resources necessary for a claims processing database/system to function in a commercially reasonable manner;
- e. administering the claims administration process, which shall require Claimants to provide all applicable information and Supporting Documentation as required alongside their Claim Form, in accordance with this Plan of Allocation;
- f. developing, implementing and operating procedures for receiving, processing, evaluating, and decision-making in respect of the claims of Claimants, including making all necessary inquiries to determine the validity of such claims;
- g. if practicable, providing any Claimant whose Claim Form is not properly completed or does not include some of the required Supporting

Documentation, an opportunity to remedy the deficiency as stipulated in the Agreement;

- h. in order to remedy any deficiency in the completion of a Claim Form, the Administrator may require and request that additional information be submitted by a Claimant who submits a Claim Form. Such Claimant shall have until the later of thirty (30) days from the date of the request from the Administrator or the Claims Bar Deadline to rectify the deficiency. Any person who does not respond to such a request for information within the thirty (30) day period shall be forever barred from receiving any payments pursuant to the Settlement, subject to any order of the Court, but will in all other respects be subject to, and bound by, the provisions of the Agreement and the releases contained therein;
- i. the Administrator will not accept nor process any Claim Form that is not accompanied with the required Supporting Documentation;
- j. making timely assessments of eligibility for compensation and providing prompt notice thereof;
- k. paying all taxes accruing on the interest earned in the Escrow Account.
- l. making Distributions from the Compensation Fund in a timely fashion;
- m. dedicating sufficient personnel to communicate with Claimants;
- n. using its best efforts to ensure that its personnel provide timely, helpful and supportive assistance to Claimants in completing the claims application process and in responding to inquiries in respect of claims;

- o. if necessary, preparing for, attending and defending its decisions at all References;
- p. distributing and reporting on *cy prè*s awards, if any;
- q. making payments of Administration Expenses, which shall be capped at \$60,000;
- r. maintaining the Database with all of the necessary information required to permit the Court to evaluate the progress of the administration, as may, from time-to-time, be required;
- s. reporting to the Court in respect of claims received and administered, and of Administration Expenses; and
- t. preparing such financial statements, reports and/or records as directed by the Court.

15. The Administrator shall disseminate the Court-approved Second Notice substantially in conformity with the Court-approved Plan of Notice to provide notice of the outcome of the Approval Motion.

16. The Administrator shall pay all of the costs and expenses reasonably and actually incurred in connection with the provision of Notices, locating Class Members for the sole purpose of providing notice to them, soliciting Class Members to submit a Claim Form, including the notice expenses reasonably and actually incurred by the Administrator.

17. The Administrator shall cause the information in the Database to be secured and inaccessible to unauthorized parties.

18. Once a Claim Form and required Supporting Documentation is received by the Administrator, the Administrator shall:
- a. verify the number of Eligible Securities;
  - b. decide whether the Claimant is eligible to participate in the Distribution;
  - c. allocate the Claimant's claim between Claim (Holders), Claim (November Disclosure), Claim (December Disclosure) and Claim (January Disclosure); and
  - d. calculate the *pro rata* Distribution.
19. Once the Administrator determines that a Claimant is an Authorized Claimant, the respective number of his, her or its Eligible Securities in Claim (Holders), Claim (November Disclosure), Claim (December Disclosure) and "Claim (January Disclosure), and his, her or its *pro rata* Distribution from the Compensation Fund, the Administrator shall advise the Claimant of the Administrator's decision via email.
20. The Administrator may deal with Claimants in a manner that is not through email, as and when it determines that such a step is feasible and/or necessary. However, in all cases the information acquired concerning Claimants shall be entered into the Database.
21. A decision of the Administrator in respect of a claim and any Claimant's entitlement to participate in or receive a share of the Distribution, subject to the Claimant's right to elect to refer the decision to the Referee for review, will be final and binding upon the Claimant and the Administrator.
22. Costs of the Administrator shall come from the Compensation Fund in an amount not to exceed \$60,000.

## **The Referee**

23. The Referee shall have such powers and rights as are reasonably necessary to discharge his or her duties and obligations.
24. The Referee shall establish and employ a summary procedure to review any disputes arising from a decision of the Administrator, and may enter into such mediation and arbitration proceedings as the Referee may deem necessary.
25. All decisions of the Referee shall be in writing and shall be final and conclusive and there shall be no appeal therefrom whatsoever.

## **The Procedure for Reference**

26. If a Claimant disagrees with the Administrator's decision relating to eligibility to share in the Distribution, or the determination of the number of Eligible Securities, a Claimant may elect a Reference by the Referee by delivering a written election for review to the Administrator within fifteen (15) days of receipt of the Administrator's decision.
27. The election for a Reference must set out the basis for the disagreement with the Administrator's decision and attach all documents that are relevant to the review which have not previously been delivered to the Administrator. This election for a Reference must be accompanied by a certified cheque or money order, payable to the Administrator, in the amount of \$150.
28. Upon receipt of an election for a Reference, the Administrator shall provide the Referee with access to a copy of:
  - a. The election for a Reference and accompanying documents;

- b. The Administrator's decision on eligibility, and the number of Eligible Securities approved as a Claim (Holders), Claim (November Disclosure), Claim (December Disclosure) or Claim (January Disclosure), as applicable; and
  - c. The Claim Form and Supporting Documentation.
- 29. The Referee will carry out the Reference in an inexpensive, summary manner. The Referee will provide all necessary procedural directions and the review will be in writing unless the Referee provides otherwise.
- 30. The Administrator shall participate in the process established by the Referee to the extent directed by the Referee.
- 31. The Referee shall deliver a written decision to the Claimant and the Administrator. If the Referee disturbs the Administrator's decision relating to eligibility to share in the Distribution, the number of Securities approved as a Claim (Holders), Claim (November Disclosure), Claim (December Disclosure) or Claim (January Disclosure), the Administrator shall return the \$150 deposit to the Claimant. If the Referee does not disturb the Administrator's decision, the Administrator shall add the \$150 to the Compensation Fund.
- 32. The Referee shall bill his fees from the Compensation Fund on an as-needed hourly basis at a rate of \$400 per hour, not to exceed \$15,000.

**Administration Expenses**

- 33. The Administrator shall pay the fees, disbursements, taxes, levies and other costs of:
  - a. The Administrator;
  - b. The Referee; and

- c. Such other persons as directed by the Court out of the Settlement Amount in accordance with the provisions of the Agreement, the Approval Order, and any other orders of the Court.

34. The costs of giving the notices required pursuant to the Approval Order and the Plan of Allocation are not to be paid by the Administrator from its fee.

#### **Distribution to Authorized Claimants**

35. As soon as practicable after the completion of the claims submission and election for review process, the Administrator will bring a motion to the Court for authorization to make Distributions from the Compensation Fund. In support of this motion, the Administrator will file the Distribution List with the Court in a manner that protects the privacy of persons on the Distribution List.

36. Distributions will be made in Canadian Dollars.

37. No Distributions shall be made by the Administrator until authorized by the Court.

38. No Distribution shall be made by the Administrator in respect of any amount under \$25, and the name(s) of the Authorized Claimant(s) with claims under this amount shall be excluded from the Distribution List in respect of such claims.

39. The Administrator shall make payments to Authorized Claimants by either bank transfer or by cheque at the address provided by the Authorized Claimant. If for any reason an Authorized Claimant does not cash a cheque within six (6) months after the date on which the cheque was sent to the Authorized Claimant, the Authorized Claimant shall forfeit the right to compensation and the funds shall become available for allocation to other Authorized Claimants on a *pro rata* basis up to each Authorized Claimant's Maximum Entitlement. No cheques will be reissued.

40. The Administrator may make interim Distributions if authorized by the Court.
41. Each Authorized Claimant whose name appears on the Distribution List shall comply with any condition precedent to Distribution that the Court may impose.
42. The Administrator shall make Distributions from the Compensation Fund forthwith after receipt of authorization from the Court to make Distributions to the Authorized Claimants whose names are on the Distribution List.
43. If the Escrow Account is in a positive balance in an amount greater than 15% of the net Settlement Amount (whether by reason of tax refunds, uncashed cheques or otherwise) after one hundred eighty (180) days from the date of Distribution of the Compensation Fund to the Authorized Claimants, the Administrator shall allocate such balance among Authorized Claimants whose names are on the Distribution List in an equitable fashion. The Administrator may wait until a CRA T-5 tax slip for investment income is issued by the Schedule One bank in respect of the Escrow Account before making this second distribution. If there is a balance in the Escrow Account after the second Distribution, the remaining funds shall be paid *cy près* to a recipient selected by Class Counsel and approved by the Court, if necessary.

#### **Restriction on Claims**

44. Any Class Member who does not submit an online Claim Form with the required Supporting Documentation on or before the Claims Bar Deadline will not be permitted to participate in the Distribution. However, the Administrator may extend the Claims Bar Deadline if, in their opinion, doing so would not adversely affect the efficient administration of the Settlement and it is in the best interests of the Claimants to do so.

#### **No Assignment**

45. No amount payable under this Plan of Allocation may be assigned without the written consent of the Administrator.

**Administrator's Final Report to the Court**

46. Upon the conclusion of the administration, or at such other time as the Court directs, the Administrator shall report to the Court on the administration and shall account for all monies it has received, administered and disbursed by Distribution or otherwise, and may obtain an order from the Court discharging it as Administrator.