

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale therein and only by persons permitted to sell such securities. These securities have not been and will not be registered under the U.S. Securities Act (as defined herein) or any state securities laws. Accordingly, except in transactions exempt from the registration requirements of the U.S. Securities Act and applicable state securities laws, these securities may not be offered or sold within the United States. This short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of these securities within the United States. See "Plan of Distribution".

**Information has been incorporated by reference in this short form prospectus from documents filed with the securities commissions or similar authorities in Canada.** Copies of the documents incorporated herein by reference may be obtained on request without charge from the Chief Financial Officer of ENTREC Corporation at 100 Diamond Avenue, PO Box 3490, Spruce Grove Alberta T7X 3A7, telephone (780) 960-5630, and are also available electronically at [www.sedar.com](http://www.sedar.com).

New Issue

October 23, 2012

## SHORT FORM PROSPECTUS



**\$22,000,000**

### **7.00% Convertible Unsecured Subordinated Debentures**

ENTREC Corporation (the "**Corporation**" or "**ENTREC**") is hereby qualifying pursuant to this short form prospectus the distribution (the "**Offering**") of \$22,000,000 aggregate principal amount of 7.00% convertible unsecured subordinated debentures (the "**Debentures**") at a price of \$1,000 per Debenture (the "**Issue Price**"). The offering price of the Debentures was determined by negotiation among the Corporation and National Bank Financial Inc. ("**NBF**"), on its own behalf and on behalf of, Scotia Capital Inc., Canaccord Genuity Corp. and GMP Securities L.P. (collectively, the "**Underwriters**").

The Debentures will bear interest at an annual rate of 7.00% payable semi-annually in arrears on April 30 and October 31 in each year commencing on April 30, 2013 (each an "**Interest Payment Date**"). The April 30, 2013 interest payment will represent accrued interest for the period from and including the Closing Date (as defined herein), up to, but not including, April 30, 2013. The maturity date will be October 31, 2017 (the "**Maturity Date**") on which date the holders shall be entitled to receive the principal amount of the Debentures at par together with all accrued and unpaid interest thereon. See "*Details of the Offering – Debentures – General*".

#### **Debenture Conversion Privilege**

Each Debenture will be convertible into common shares ("**Common Shares**") of the Corporation at the option of the holder thereof at any time prior to 4:30 p.m. (Calgary time) on the earlier of: (i) the last Business Day (as defined herein) immediately preceding the Maturity Date; (ii) the last Business Day immediately preceding the Redemption Date (as defined herein); or (iii) if called for repurchase pursuant to a Change of Control (as defined herein), on the Business Day immediately preceding the payment date, in each case, at a conversion price of \$2.60 per Common Share (the "**Conversion Price**"), representing a conversion rate of approximately 384.6154 Common Shares per \$1,000 principal amount of Debentures (the "**Conversion Rate**"), subject to adjustment in accordance with the Indenture (as defined herein). Upon conversion, holders of Debentures will receive accrued and unpaid interest thereon from and including the last Interest Payment Date up to, but not including, the date that is one day prior to the Conversion Date (as defined herein). Upon conversion, in lieu of delivering Common Shares, the Corporation may elect to pay the holder cash at the option of the Corporation. Further particulars concerning the conversion privilege, including provisions for the adjustment of the Conversion Price, are set out under "*Details of the Offering – Debentures – Conversion Privilege*".

The Debentures may not be redeemed by the Corporation before October 31, 2015, except in certain limited circumstances following a Change of Control (as defined herein). On or after October 31, 2015 and prior to October 31, 2016, the Debentures may be redeemed by the Corporation, in whole or in part from time to time, on not more than 60 days' and not less than 30 days' prior written notice, at a redemption price equal to the principal amount thereof plus accrued and unpaid interest thereon, if any, up to, but not including, the Redemption Date, provided that the Current Market Price (as defined herein) of the Common Shares on the date on which notice of redemption is given is not less than 125% of the Conversion Price. On or after October 31, 2016, the Debentures may be redeemed by

the Corporation, in whole or in part from time to time, on not more than 60 days' and not less than 30 days' prior written notice, at a redemption price equal to the principal amount thereof plus accrued and unpaid interest thereon, if any, up to, but not including, the Redemption Date. In the event that a holder of Debentures exercises its conversion right following a notice of redemption by the Corporation, such holder shall be entitled to receive accrued and unpaid interest, in addition to the applicable number of Common Shares to be received on conversion, for the period from and including the latest Interest Payment Date up to, but not including the Conversion Date.

On the Redemption Date or on the Maturity Date, as applicable, the Corporation will repay the indebtedness represented by the Debentures by paying to the Debenture Trustee in lawful money of Canada an amount equal to the principal amount of the outstanding Debentures, together with accrued and unpaid interest thereon, if any, up to but not including such Redemption Date or the Maturity Date, as applicable unless the Corporation elects to pay the principal amount through the issuance of Common Shares, as described below. On the Redemption Date or on the Maturity Date, as applicable, subject to the receipt of required regulatory approvals and provided that no Event of Default (as defined herein) has occurred and is continuing, the Corporation may, at its option, on not more than 60 days' and not less than 40 days' prior notice, elect to satisfy its obligation to repay, in whole or in part, the principal amount of the Debentures which are to be redeemed or which have matured by issuing and delivering Common Shares to the holders of the Debentures. Payment for such Debentures subject to the election would be satisfied by delivering that number of Common Shares obtained by dividing the principal amount of the Debentures subject to the election which are to be redeemed or have matured by 95% of the Current Market Price of the Common Shares on the Redemption Date or Maturity Date, as applicable. Any accrued and unpaid interest thereon, up to but not including the Redemption Date or Maturity Date, as applicable, will be paid in cash. No fractional Common Shares will be issued upon conversion, redemption or at maturity of the Debentures. In lieu thereof, the Corporation will satisfy such fractional interests by a cash payment equal to the fraction of the Common Share multiplied by the Current Market Price of the Common Shares. Further particulars of the interest, redemption, repurchase and maturity provisions of the Debentures are set out under "*Details of the Offering – Debentures*".

The issued and outstanding Common Shares are listed on the TSX Venture Exchange (the "**TSX-V**") under the trading symbol "ENT". On October 10, 2012, the last completed trading day prior to the public announcement of the Offering, the closing price of the Common Shares on the TSX-V was \$1.57 and on October 22, 2012, the last completed trading day prior to the date of this short form prospectus, the closing price of the Common Shares on the TSX-V was \$1.585. **There is currently no market through which the Debentures may be sold and purchasers may not be able to resell Debentures purchased under this short form prospectus. This may affect the pricing of the Debentures in the secondary market, the transparency and availability of trading prices and the liquidity of the Debentures, and the extent of issuer regulation. See "*Risk Factors*".** The TSX-V has conditionally approved the listing of the Debentures distributed under this short form prospectus (including any Debentures that may be issued pursuant to the Over-Allotment Option (as defined herein)) and the Common Shares issuable upon conversion, redemption or at maturity of the Debentures on the TSX-V. The listing of such securities will be subject to the Corporation fulfilling all the listing requirements of the TSX-V, including distribution of these securities to a minimum number of public securityholders.

**Price: \$1,000 per Debenture**

	Price to the Public	Underwriters' Fee <sup>(1)</sup>	Net Proceeds to the Corporation <sup>(2)(3)</sup>
Per Debenture	\$1,000	\$40	\$960
Total	\$22,000,000	\$880,000	\$21,120,000

Notes:

- (1) The Underwriters' Fee (as defined herein) for the Debentures is 4.0% of the gross proceeds from the issuance of the Debentures and is payable in full on the Closing Date.
- (2) Before deducting expenses of the Offering estimated at \$350,000, which will be paid from the proceeds of the Offering. See "*Plan of Distribution*".
- (3) The Corporation has granted the Underwriters an option (the "**Over-Allotment Option**"), exercisable from time to time, in whole or in part, for a period commencing at closing of the Offering and ending 30 days following the Closing Date to purchase up to an additional 3,300 Debentures at a price of \$1,000 per Debenture on the same terms and conditions of the Offering to cover any over-allocation position, and for market stabilization purposes. In the event that the Over-Allotment Option is exercised in full, the total Price to the Public, the Underwriters' Fee and the Net Proceeds to the Corporation, before deducting expenses of the Offering, in respect of the Debentures will be \$25,300,000, \$1,012,000 and \$24,288,000, respectively. See "*Plan of Distribution*". This short form prospectus also qualifies the distribution of the Debentures offered upon the exercise of the Over-Allotment Option and the Common Shares issuable upon conversion, redemption or at maturity of such Debentures. A purchaser who acquires Debentures forming part of the over-allocation position acquires such Debentures under this short form prospectus regardless of whether the over-allocation position is filled through the exercise of the Over-Allotment Option or secondary market purchases. See "*Plan of Distribution*". The following table sets forth the number of Debentures that may be offered by the Corporation pursuant to the Over-Allotment Option.

Underwriters' Position	Maximum size or number of Debentures held	Exercise period	Exercise price
Over-Allotment Option	3,300 Debentures	Commencing at closing of the Offering and ending 30 days following the Closing Date	\$1,000 per Debenture

**In connection with this Offering, the Corporation may be considered a “connected issuer” of Scotia Capital Inc. under applicable Canadian securities laws as Scotia Capital Inc. is a subsidiary of a financial institution which is among the Corporation’s principal lenders. See “Relationship Between the Corporation and a Certain Underwriter”.**

The Underwriters, as principals, conditionally offer the Debentures, subject to prior sale, if, as and when issued by the Corporation and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under "Plan of Distribution" and subject to approval of certain legal matters relating to the Offering on behalf of the Corporation by Shea Nerland Calnan LLP and on behalf of the Underwriters by Torys LLP (collectively, "**Counsel**"). The Corporation has been advised by the Underwriters that, in connection with the Offering, the Underwriters may effect transactions that stabilize or maintain the market price of Debentures at levels other than those that might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time. See "*Plan of Distribution*".

Subscriptions for Debentures will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that the closing of the Offering will occur on or about October 30, 2012, or on such later date as the Corporation and the Underwriters may agree upon in writing but, in any event, such date shall be no later than the date that is 42 days after the date of this prospectus (the "**Closing Date**").

It is expected that certificates for the Debentures will be issued in registered form to CDS Clearing and Depository Services Inc. ("**CDS**") and will be deposited with CDS on the Closing Date. No certificates evidencing the Debentures will be issued to purchasers and registration will be made in the depository service of CDS. Purchasers of the Debentures will receive only a customer confirmation from the Underwriter or other registered dealer who is a Participant (as defined herein) and from or through whom a beneficial interest in the Debentures is purchased. See "*Details of the Offering – Debentures – Book-entry Delivery and Form*".

The Underwriters propose to offer the Debentures initially at the Issue Price specified above. After a reasonable effort has been made to sell all of the Debentures at such Issue Price, the Underwriters may subsequently reduce the selling price to investors from time to time in order to sell any of the Debentures remaining unsold. Any such reduction will not affect the proceeds received by the Corporation. See "*Plan of Distribution*".

**An investment in the Debentures, including the Common Shares issuable upon conversion, redemption or at maturity of the Debentures, is subject to certain risks inherent in the Corporation’s business. Investors should carefully consider the risks described under the heading “Business Risks” in the Corporation’s Annual MD&A (as defined herein) incorporated by reference in this short form prospectus as well as the risks identified elsewhere in this short form prospectus, including under the heading “Risk Factors”, and in the other documents incorporated by reference herein, prior to making an investment in the Debentures.**

The Debentures may be sold only in those jurisdictions where offers and sales are permitted. This short form prospectus is not an offer to sell or a solicitation of an offer to buy the Debentures in any jurisdiction where it is unlawful. Closing of the Offering is also subject to a number of conditions, including the approval of the TSX-V.

ENTREC’s head office is located at 100 Diamond Avenue, PO Box 3490, Spruce Grove Alberta, T7X 3A7 and its registered office is located at 2800, 715 – 5<sup>th</sup> Avenue S.W., Calgary, Alberta T2P 2X6.

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## GLOSSARY OF TERMS

In this short form prospectus, the following terms shall have the meanings set forth below, unless otherwise indicated:

"**AIF**" means the annual information form of the Corporation dated March 16, 2012;

"**Annual Financial Statements**" means the audited consolidated financial statements of the Corporation as at and for the 14 months ended December 31, 2011 including a comparison with the audited consolidated financial statements of the Corporation as at and for the year ended October 31, 2010, together with the notes thereto and the report of the auditors thereon;

"**Annual MD&A**" means management's discussion and analysis of the financial condition and results of operations of the Corporation for the 14 months ended December 31, 2011;

"**Board of Directors**" means the board of directors of the Corporation as it may be comprised from time to time, including where applicable, any committee thereof;

"**Business Day**" means a day, other than a Saturday or Sunday, or a statutory holiday, on which the major Canadian chartered banks are open for business in Calgary, Alberta;

"**Cash Conversion Option**" has the meaning attributed thereto under "*Details of the Offering – Debentures – Cash Conversion Option*";

"**Change of Control**" has the meaning attributed thereto under "*Details of the Offering – Debentures – Repurchase upon a Change of Control*";

"**Change of Control Purchase Date**" means the date specified for purchase in a Debenture Offer;

"**Common Share**" means a common share in the capital of the Corporation, as constituted from time to time;

"**Common Share Interest Payment Election**" has the meaning attributed thereto under "*Details of the Offering – Debentures – Interest Payment Election*";

"**Conversion Date**" means the date on which a Debenture is surrendered for conversion when the register of the Debenture Trustee is open and in accordance with the provisions of the Indenture or, in the case of a Global Debenture, on the date which the Debenture Trustee received notice of and all necessary documentation in respect of the exercise of the conversion rights and, in the case of a Debenture so surrendered by post or other means of transmission, on the date on which it is received by the Debenture Trustee at one of its offices specified in the Indenture; provided that if a Debenture is surrendered for conversion on a day on which the register of Common Shares is closed the person or persons entitled to receive Common Shares shall become the holder or holders of record of such Common Shares as at the date on which such register is next reopened;

"**Credit Facilities**" has the meaning attributed thereto in note 1 to the table under the heading "*Consolidated Capitalization of the Corporation*";

"**Current Market Price**" has the meaning attributed thereto under "*Details of the Offering – Debentures – Conversion Privilege*";

"**Debenture Offer**" has the meaning attributed thereto under "*Details of the Offering – Debentures – Repurchase Upon a Change of Control*";

"**Debenture Offer Price**" has the meaning attributed thereto under "*Details of the Offering – Debentures – Repurchase Upon a Change of Control*";

"**Debenture Trustee**" means Olympia Trust Company;

"**Event of Default**" has the meaning attributed thereto under "*Details of the Offering – Debentures – Events of Default*";

"**Final Passport System Decision Document**" means a receipt for the final short form prospectus issued in accordance with the Passport System;

"**Fort McMurray Property**" has the meaning attributed thereto under "*ENTREC Corporation – Recent Developments – Organic Growth Through Capital Expansion*";

"**Global Debentures**" means the global Debentures issued in the name of CDS, as custodian for the Participants;

"**IFRS**" means International Financial Reporting Standards as adopted by the International Accounting Standards Board, as amended from time to time;

"**Indenture**" means the indenture governing the terms of the Debentures to be entered into on the Closing Date between the Corporation and the Debenture Trustee;

"**Interest Obligation**" means the Corporation's obligation to pay interest on the Debentures in accordance with the Indenture;

"**Interim Financial Statements**" means the unaudited consolidated financial statements of the Corporation as at and for the three and six months ended June 30, 2012 including a comparison with the unaudited consolidated financial statements of the Corporation as at and for the three and six months ended July 31, 2011, together with the notes thereto;

"**Interim MD&A**" means management's discussion and analysis of the financial condition and results of operations of the Corporation for the three months ended June 30, 2012;

"**Issue Price**" means \$1,000 per Debenture;

"**Mains Group**" has the meaning attributed thereto under "*ENTREC Corporation – Recent Developments – Business Acquisitions*";

"**MIC**" means the management information circular of the Corporation dated April 10, 2012, relating to the annual and special meeting of the Shareholders held on May 15, 2012;

"**NI 44-101**" means National Instrument 44-101 – *Short Form Prospectus Distributions*;

"**Original Vendor**" has the meaning attributed thereto under "*ENTREC Corporation – Recent Developments – Organic Growth Through Capital Expansion*";

"**Passport System**" means the system and procedures for the filing of prospectuses and related materials in one or more Canadian jurisdictions pursuant to Multilateral Instrument 11-102 – *Passport System* and National Policy 11-202 – *Process for Prospectus Reviews in Multiple Jurisdictions*;

"**Participant**" means a participant in the depository service of CDS;

"**PIPL**" has the meaning attributed thereto under "*ENTREC Corporation – Recent Developments – Organic Growth Through Capital Expansion*";

"**Preferred Share**" means a preferred share in the capital of the Corporation;

"**Rain Coast**" has the meaning attributed thereto under "*ENTREC Corporation – Recent Developments – Business Acquisitions*";

"**Redemption Date**" means a date set for the redemption of all or a portion of the Debentures by the Corporation;

"**SEDAR**" means the System for Electronic Document Analysis and Retrieval;

"**Senior Indebtedness**" has the meaning attributed thereto under "*Details of the Offering – Debentures – Subordination*";

"**Shareholders**" means the holders from time to time of Common Shares;

"**Singer**" has the meaning attributed thereto under "*ENTREC Corporation – Recent Developments – Business Acquisitions*";

"**Tax Act**" means the Income Tax Act (Canada), R.S.C. 1985, c. 1 (5th Supp.), as amended, including the regulations promulgated thereunder, each as amended from time to time;

"**Tiggo**" has the meaning attributed thereto under "*ENTREC Corporation – Recent Developments – Business Acquisitions*";

"**Underwriters' Fee**" means the fee payable to the Underwriters for the Debentures in the amount of 4.0% of the aggregate principal amount of the Debentures;

"**Underwriting Agreement**" means the agreement effective October 10, 2012 among the Corporation and the Underwriters in respect of the Offering;

"**United States**" or "**U.S.**" means the United States of America, its territories and possession, any state of the United States, and the District of Columbia; and

"**U.S. Securities Act**" means the United States Securities Act of 1933, as amended.

Words importing the singular number only include the plural, and vice versa, and words importing any gender include all genders.

All dollar amounts set forth in this short form prospectus are in Canadian dollars, except where otherwise indicated.

## **PRESENTATION OF FINANCIAL INFORMATION**

In February 2008, the Canadian Accounting Standards Board confirmed that all Canadian publicly accountable enterprises would be required to report under International Financial Reporting Standards ("**IFRS**") for financial years beginning on or after January 1, 2011. ENTREC's most recently completed financial year was for the 14 month period ended December 31, 2011. Consequently, ENTREC adopted IFRS effective for interim and annual periods commencing January 1, 2012. Prior to the adoption of IFRS, ENTREC prepared its consolidated financial statements in accordance with Canadian generally accepted accounting principles.

The Corporation's Annual Financial Statements incorporated by reference in this short form prospectus are based on financial results in respect of financial years ending prior to January 1, 2012 and therefore such financial information does not reflect the impact of ENTREC's transition to IFRS.

The Corporation's Interim Financial Statements incorporated by reference in this short form prospectus have been prepared in accordance with IAS 34—*Interim Financial Reporting* and IFRS 1—*First Time Adoption of International Financial Reporting Standards*.

## **FORWARD-LOOKING STATEMENTS**

Certain statements included or incorporated by reference in this short form prospectus, including statements or information that contain terminology such as "anticipate", "believe", "intend", "expect", "estimate", "may", "could", "will", and similar expressions, constitute "forward-looking statements" within the meaning of applicable Canadian securities legislation. All statements, other than statements of historical fact, that address activities, events, or developments that the Corporation or a third party expects or anticipates will or may occur in the future, including the

Corporation's future growth, results of operations, performance and business prospects and opportunities, are forward-looking statements. These forward-looking statements reflect the Corporation's current beliefs and are based on information currently available to the Corporation. These statements require the Corporation to make assumptions that the Corporation believes are reasonable and are subject to inherent risks and uncertainties. Forward-looking statements are not guarantees of future performance and actual results and developments may differ materially from the results and developments discussed in the forward-looking statements as certain of these risks and uncertainties are beyond the Corporation's control.

Examples of such forward-looking statements included in this short form prospectus include, but are not limited to: (i) the Corporation's expectation that it will execute a capital expenditure program of \$39 million in 2012 and that such capital expenditure program will be funded from cash on hand, credit facilities, and finance leases; (ii) the Corporation's intention to build a shop on the Fort McMurray Property to house the Corporation's Fort McMurray operations; and (iii) the Corporation's expectations regarding the closing of the Offering, the use of proceeds of the Offering, and the possibility of exercise of the Over-Allotment Option.

Key assumptions utilized in developing the forward-looking statements related to the Corporation's future growth and revenue expectations include achieving the Corporation's internal revenue, net income and cash flow forecasts for 2012 and beyond. Key assumptions involved in preparing the Corporation's internal forecasts include, but are not limited to, the Corporation's expectations and estimates that: (i) demand for crane and heavy haul transportation services in western Canada continues to be strong through the remainder of 2012 and into 2013; (ii) the Corporation is able to retain key personnel and attract additional quality personnel to support the Corporation's planned revenue growth; (iii) construction projects and production activity in the Alberta oil sands region continues at or above current levels; (iv) there are no significant unplanned increases in the Corporation's cost structure, including those costs related to fuel and wages; (v) market interest rates remain similar to current rates and that additional debt financing remains available to the Corporation on similar terms to the Corporation's existing debt financing; (vi) the competitive landscape in western Canada for crane and heavy haul transportation services does not materially change during the remainder of 2012 and in 2013; and (vii) there is no material adverse change in overall economic conditions. Achieving these forecasts is largely dependent on a number of factors beyond the Corporation's control including several of the risks discussed further under "*Business Risks*" in the Corporation's Annual MD&A. The business risks that are most likely to affect the Corporation's ability to achieve the Corporation's internal revenue, net income and cash flow forecast for 2012 and beyond include: (i) the volatility of the oil and gas industry; (ii) the Corporation's exposure to the Alberta oil sands; (iii) workforce availability; (iv) availability of debt and equity financing; and (v) competition. These risk factors are interdependent and the impact of any one risk or uncertainty on a particular forward-looking statement is not determinable.

The Corporation's ability to finance the Corporation's 2012 capital expenditure program through credit facilities and finance leases is dependent on the Corporation's ability to achieve debt financing terms acceptable to the lenders and the Corporation as well as meeting the Corporation's internal cash flow forecasts.

The assumptions made by the Corporation in making the statements relating to the building of a shop on the Fort McMurray Property include, but are not limited to, the following: (i) regulatory approval to the subdivision of the Fort McMurray Property from the 27 acre parcel of land in which it is currently included will be received; (ii) the Corporation will exercise its option to purchase the Fort McMurray Property; and (iii) the Corporation will receive any debt financings required to complete the acquisition of the Fort McMurray Property, make future required payments or to build the shop. The risks associated with these forward looking statements include the following: (i) the Corporation will only be able to exercise its option to purchase the Fort McMurray Property following the receipt of regulatory approval to the subdivision of the Fort McMurray Property from the 27 acre parcel of land in which it is currently included and, while such regulatory approval is anticipated to be received on favourable terms and conditions, there can be no assurance that such regulatory approval will be obtained or that it will be obtained on favourable terms and conditions; (ii) PIPL financed a significant portion of its original acquisition of the lands with a vendor take-back financing and the Original Vendor registered its interest in the entire 27 acre parcel of land as security for the vendor take-back financing. If approval to the subdivision of the lands is not obtained and if PIPL defaults on its obligations to the Original Vendor, the Corporation will have the option of purchasing the balance of the 27 acres from PIPL subject to the vendor take-back financing of the Original Vendor. If the Corporation does not exercise that option, the Original Vendor may enforce its security interest on the lands, including the Fort McMurray Property leased by the Corporation; (iii) all required regulatory approvals may not be



obtained or may not be obtained on terms and conditions anticipated by or favourable to the Corporation; and (iv) the Corporation may not be able to obtain debt financing on acceptable terms, or at all.

Assumptions underlying the Corporation's expectations regarding the closing of the Offering, the use of proceeds of the Offering, and the possibility of exercise of the Over-Allotment Option include, among others: (i) that all conditions required to complete the Offering can and will be satisfied within the time limits set forth herein; (ii) that the Corporation will use the net proceeds derived from the Offering in the manner specified herein; (iii) that potential future acquisitions will be available on reasonable terms; (iv) that the Corporation is able to receive all required regulatory and third party approvals required to complete the Offering and any potential future acquisitions; and (v) that such potential acquisitions can be successfully completed. Some of the risks and other factors, some of which are beyond the Corporation's control, which could cause results to differ materially from those expressed in such forward-looking statements include, but are not limited to: (i) the inability of the Corporation to obtain the necessary stock exchange approval or any other approvals required for completion of the Offering within the anticipated time or at all; (ii) there may be circumstances that are not known to the Corporation at this time where re-allocations of the net proceeds from the Offering may be advisable for business reasons that management believes are in the Corporation's best interests; (iii) general economic, market and business conditions in Canada and the other jurisdictions where the Corporation operates; (iv) that the Corporation is unable to identify acceptable future acquisition targets for any reason; (v) that potential future acquisitions may not be available on reasonable terms; and (vi) that the Corporation will be unable to obtain all required regulatory and third party approvals to complete potential acquisitions or will be unable to complete potential future acquisitions for any reason.

Forward-looking statements contained in certain documents incorporated by reference into this short form prospectus are based on the key assumptions described in such documents and are subject to the risk factors described in such documents.

Consequently, all of the forward-looking statements included or incorporated by reference into this short form prospectus are qualified by these cautionary statements and other cautionary statements or risk factors contained herein or therein, and there can be no assurance that the actual results or developments will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, the Corporation. The forward-looking statements made in this short form prospectus are made as of the date of this short form prospectus. Except as required by applicable securities legislation, neither the Corporation nor the Underwriters assumes any obligation to update publicly or revise any forward-looking statements to reflect subsequent information, events, or circumstances.

#### **DOCUMENTS INCORPORATED BY REFERENCE**

**Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada.** Copies of the documents incorporated herein by reference may be obtained on request without charge from the Chief Financial Officer of ENTREC at 100 Diamond Avenue, PO Box 3490, Spruce Grove Alberta T7X 3A7, telephone (780) 960-5630, and are also available electronically on SEDAR at [www.sedar.com](http://www.sedar.com). The following documents of ENTREC, filed with the various provincial securities commissions or similar authorities in the provinces of Canada, are specifically incorporated by reference into and form an integral part of this short form prospectus:

- (a) the AIF;
- (b) the Annual Financial Statements;
- (c) the Annual MD&A;
- (d) the Interim Financial Statements;
- (e) the Interim MD&A;
- (f) the MIC;

- (g) the amended and restated material change report of ENTREC dated January 5, 2012 in respect of its acquisition of Entrec Transportation Services Ltd.;
- (h) the business acquisition report of ENTREC dated July 26, 2011 in respect of its acquisition of Entrec Transportation Services Ltd.;
- (i) the material change report of ENTREC dated February 2, 2012 in respect of its bought-deal equity financing for gross proceeds of \$25 million;
- (j) the material change report of ENTREC dated April 9, 2012 in respect of its acquisition of the Singer Specialized Group of Companies;
- (k) the material change report of ENTREC dated June 12, 2012 in respect of its acquisition of the Mains Group of Companies (also referred to as the Nanaimo Group of Companies);
- (l) the business acquisition report of ENTREC dated July 19, 2012 in respect of its acquisition of the Mains Group of Companies (also referred to as the Nanaimo Group of Companies);
- (m) the material change report of ENTREC dated October 2, 2012 in respect of the increase in its senior credit facilities to consist of a \$20 million operating facility (via account overdraft) and a \$120 million revolving term facility (increased from \$75 million previously);
- (n) the material change report of ENTREC dated October 2, 2012 in respect of its acquisition of Rain Coast Cranes & Equipment Inc.; and
- (o) the material change report of ENTREC dated October 11, 2012 in respect of the Offering.

Any documents of the type required by NI 44-101 to be incorporated by reference in a short form prospectus, including any material change reports (excluding material change reports filed on a confidential basis), comparative interim financial statements, comparative annual financial statements and the auditors' report thereon, management's discussion and analysis of financial condition and results of operations, information circulars, annual information forms, press releases containing financial information for financial periods more recent than the most recent annual or interim financial statements and business acquisition reports filed by the Corporation with the securities commissions or similar authorities in the provinces of Canada subsequent to the date of this short form prospectus and prior to the termination of this distribution shall be deemed to be incorporated by reference in this short form prospectus.

**Any statement contained in this short form prospectus or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this short form prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is, or is deemed to be, incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this short form prospectus.**

## SUMMARY OF THE OFFERING

*The following is a brief summary of some of the terms of the Offering and should be read in conjunction with the detailed information contained elsewhere in this short form prospectus. For a more complete description of the terms of the Debentures, see "Details of the Offering – Debentures":*

**Issue:** \$22,000,000 aggregate principal amount of 7.00% convertible unsecured subordinated debentures.

**Price:** \$1,000 per Debenture.

**Over-Allotment Option:** The Corporation has granted the Underwriters the Over-Allotment Option, exercisable from time to time, in whole or in part, for a period commencing at closing of the Offering and ending 30 days following the Closing Date, to purchase up to an additional \$3,300,000 aggregate principal amount of Debentures on the same terms and conditions as the Offering to cover any over-allocation position and for market stabilization purposes.

**Use of Proceeds:** The estimated net proceeds from the Offering, after deducting the Underwriters' Fee, but prior to deducting the estimated expenses of the Offering payable by the Corporation, will be approximately \$21,120,000, assuming no exercise of the Over-Allotment Option. If the Over-Allotment Option is exercised in full, the net proceeds to the Corporation, after deducting the Underwriters' Fee, but prior to deducting the estimated expenses of the Offering payable by the Corporation, will be approximately \$24,288,000. Initially, the net proceeds of the Offering will be used to repay a portion of the indebtedness under the Credit Facilities, the proceeds of which were used by the Corporation to fund its capital expenditure program and for business acquisitions. Thereafter, the Corporation intends to draw down the indebtedness under the Credit Facilities to fund future capital expenditures and, if necessary, for potential future business acquisitions, working capital and general corporate purposes. See "*Use of Proceeds*".

**Maturity Date:** October 31, 2017.

**Interest:** The Debentures will bear interest at an annual rate of 7.00% payable semi-annually in arrears, on an Interest Payment Date. The first payment will represent accrued interest for the period from and including the Closing Date up to, but not including, April 30, 2013.

It is estimated that the first interest payment, payable on April 30, 2013, will be \$34.90 per \$1,000 principal amount of Debentures. See "*Details of the Offering- Debentures*".

**Conversion Privilege:** Subject to the Cash Conversion Option, each Debenture will be convertible at the option of the holder thereof into fully paid and non-assessable Common Shares at any time prior to 4:30 p.m. (Calgary time) on the earlier of: (i) the last Business Day immediately preceding the Maturity Date; (ii) the last Business Day immediately preceding any Redemption Date; or (iii) if called for repurchase pursuant to a Change of Control (as defined herein), on the Business Day immediately preceding the payment date, in each case, at the Conversion Price, representing a Conversion Rate of approximately 384.6154 Common Shares per \$1,000 principal amount of Debentures, subject to adjustment in accordance with the Indenture. Interest will be paid on conversion from and including the last Interest

Payment Date up to, but not including, the date that is one day prior to the Conversion Date. Subject to the Cash Conversion Option, holders converting their Debentures will become holders of record of Common Shares on the Conversion Date provided that, if a Debenture is surrendered for conversion on a day on which the register of Common Shares is closed, the person entitled to receive Common Shares shall become the holder of record of such Common Shares as at the date on which such register is next reopened. Notwithstanding the foregoing, no Debentures may be converted on an Interest Payment Date as the registers of the Debenture Trustee will be closed during such periods. See "*Details of the Offering – Debentures – Conversion Privilege*".

#### **Cash Conversion Option**

Upon conversion of the Debentures, in lieu of delivering Common Shares, the Corporation may, at its option, elect to pay the holder cash. If the Corporation elects, in its sole discretion, to settle the conversion obligation in cash, the Corporation shall deliver to the holder an amount in cash based on the daily volume weighted average price of the Common Shares on the TSX-V as measured over a period of 10 consecutive trading days commencing on the third day following the Conversion Date. For greater certainty, the Corporation shall not be permitted to elect the Cash Conversion Option once a notice of redemption has been delivered.

Any payments made pursuant to the Cash Conversion Option are subject to the subordination provisions contained in the Indenture as though such payments were payments of principal or interest on the Debentures. In addition, notwithstanding any election by the Corporation to use the Cash Conversion Option or any election by a holder of Debentures to convert Debentures into Common Shares, the Cash Conversion Option shall be immediately suspended if any payment pursuant to the Cash Conversion Option would violate the subordination provisions of the Indenture and any holder who converted their Debentures shall receive Common Shares in accordance with the procedure outlined under "Conversion Privilege" above. See "*Details of the Offering – Subordination*".

#### **Redemption:**

The Debentures may not be redeemed by the Corporation before October 31, 2015, except in certain limited circumstances following a Change of Control. See "*Details of the Offering – Debentures – Repurchase upon a Change of Control*". On or after October 31, 2015 and prior to the October 31, 2016, the Debentures may be redeemed by the Corporation, in whole or in part from time to time, at the Corporation's option on not more than 60 days' and not less than 30 days' prior written notice, at a redemption price equal to the principal amount plus accrued and unpaid interest thereon, if any, up to but not including the Redemption Date, provided that the Current Market Price of the Common Shares on the date on which notice of redemption is given is not less than 125% of the Conversion Price. On or after October 31, 2016, the Debentures may be redeemed by the Corporation, in whole or in part from time to time, on not more than 60 days' and not less than 30 days' prior written notice, at a redemption price equal to the principal amount thereof plus accrued and unpaid interest thereon, if any, up to, but not including, the Redemption Date. In the event that a holder of Debentures exercises their conversion right following a notice of redemption by the Corporation, such holder shall be entitled to receive accrued and unpaid interest, in addition to the applicable number of Common Shares to be received on conversion, for the period from the latest Interest Payment Date up to, but not including, the day that is one

day prior to the Conversion Date. See *"Details of the Offering – Debentures – Redemption and Repurchase"*.

**Payment upon Redemption or at Maturity:** On any Redemption Date or on the Maturity Date, as applicable, the Corporation will repay the indebtedness represented by the Debentures by paying to the Debenture Trustee in lawful money of Canada an amount equal to the principal amount of the outstanding Debentures, together with accrued and unpaid interest thereon, if any, up to but not including such Redemption Date or the Maturity Date, as applicable, unless the Corporation elects to pay the principal amount through the issuance of Common Shares, as described below.

On any Redemption Date or on the Maturity Date, as applicable, the Corporation may, at its option, on not more than 60 days' and not less than 40 days' prior notice and subject to any required regulatory approvals, and provided that no Event of Default has occurred and is continuing, elect to satisfy its obligation to repay, in whole or in part, the principal amount of the Debentures which are to be redeemed or which have matured by issuing and delivering Common Shares to the holders of the Debentures. Payment for such Debentures subject to the election would be satisfied by delivering that number of Common Shares obtained by dividing the principal amount of the Debentures subject to the election which are to be redeemed or have matured by 95% of the Current Market Price of the Common Shares on the Redemption Date or the Maturity Date, as the case may be. Any accrued and unpaid interest thereon up to but not including the Redemption Date or Maturity Date, as applicable, will be paid in cash. In the event a holder of Debentures exercises its conversion rights following delivery of a notice of redemption by the Corporation, such holder shall be entitled to receive the applicable number of Common Shares to be received on conversion on the last Business Day immediately preceding the Redemption Date, as well as payment of interest from the last Interest Payment Date up to, but not including, the day that is one day prior to the Conversion Date. No fractional Common Shares will be issued upon redemption or at maturity of the Debentures; in lieu thereof, the Corporation will satisfy such fractional interests by a cash payment equal to the fraction of the Common Share multiplied by the Current Market Price of the Common Shares. See *"Details of the Offering – Debentures – Payment upon Redemption or at Maturity"*.

**Change of Control:** Within 30 days following the occurrence of a Change of Control, the Corporation will be required to make an offer in writing to holders of Debentures to, at the Debenture holder's election, either: (i) purchase all of the Debentures then outstanding at a price equal to 101% of the principal amount thereof plus accrued and unpaid interest thereon; or (ii) convert the Debentures at the Change of Control Conversion Price (as defined herein). If 90% or more of the aggregate principal amount of the Debentures outstanding on the date of the giving of notice of the Change of Control have been tendered to the Corporation pursuant to the Debenture Offer, the Corporation will have the right to redeem all of the remaining Debentures at the Debenture Offer Price.

A Change of Control will be defined in the Indenture as: (i) any transaction resulting in the acquisition by any person, or group of persons acting jointly or in concert, of voting control or direction over more than 66 2/3% of the outstanding voting securities of the Corporation; (ii) the amalgamation,

consolidation or merger of the Corporation with or into any other person or any merger of another person into the Corporation, unless the holders of voting securities of the Corporation immediately prior to such amalgamation, consolidation or merger hold securities representing 66 2/3% or more of the voting control or direction of the Corporation or the successor entity upon completion of the amalgamation, consolidation or merger; or (iii) any conveyance, transfer, lease, sale or other disposition of all or substantially all of the Corporation's and the Corporation's subsidiaries' assets and properties, taken as a whole, to another arm's length person. The Change of Control Conversion Price will be calculated as follows:

COCCP =  $ECP / (1 + (CP \times (c/t)))$  where:

COCCP is the Change of Control Conversion Price;

ECP = the Conversion Price in effect on the date on which the Change of Control becomes effective;

CP = 65%;

c = the number of days from and including the date of the Change of Control to but excluding the Maturity Date; and

t = the number of days from and including the Closing Date to but excluding the Maturity Date.

See "*Details of the Offering – Debentures – Repurchase upon a Change of Control*".

**Interest Payment Election:**

Unless an Event of Default has occurred and is continuing, the Corporation may elect, from time to time, subject to applicable regulatory approval, to satisfy its obligation to pay all or any portion of the Interest Obligation on an Interest Payment Date by delivering sufficient freely tradable Common Shares to the Debenture Trustee for sale, to satisfy the Interest Obligation or portion thereof, as applicable, on the Interest Payment Date, in which event holders of the Debentures will be entitled to receive a cash payment equal to the interest payable from the proceeds of the sale of such Common Shares. See "*Details of the Offering – Debentures – Interest Payment Election*".

**Rank:**

The Debentures will be direct, unsecured obligations of the Corporation and will be fully subordinated to all Senior Indebtedness, as more particularly described below under "*Subordination*". The Debentures will rank *pari passu* with one another and will rank *pari passu* with all other existing and future unsecured subordinated indebtedness of the Corporation to the extent subordinated on the same terms and except as prescribed by law. The Indenture will not restrict the ability of the Corporation or its subsidiaries from incurring additional indebtedness, including Senior Indebtedness, or from mortgaging, pledging or charging their respective properties to secure any indebtedness or liabilities, including Senior Indebtedness. See "*Details of the Offering – Debentures – Rank*".

**Subordination:**

The payment of the principal and premium, if any, of, and interest on, the Debentures will be subordinated and postponed, and subject in right of payment in the circumstances referred to below and more particularly as set forth in the Indenture, to the full and final payment of all Senior Indebtedness of the Corporation.

The Indenture will provide that in the event of any insolvency or bankruptcy proceedings, or any receivership, liquidation, reorganization or other similar proceedings relative to the Corporation, or to its property or assets, or in the event of any proceedings for voluntary liquidation, dissolution or other winding-up of the Corporation, whether or not involving insolvency or bankruptcy, or any marshalling of the assets and liabilities of the Corporation, then holders of Senior Indebtedness will receive payment in full before the holders of Debentures will be entitled to receive any payment or distribution of any kind or character, whether in cash, property or securities, which may be payable or deliverable in any such event in respect of any of the Debentures or any unpaid interest accrued thereon. The Indenture will also provide that the Corporation will not make any payment, and the holders of the Debentures will not be entitled to demand, institute proceedings for the collection of, or receive any payment or benefit (including, without any limitation, by set-off, combination of accounts or realization of security or otherwise in any manner whatsoever) on account of indebtedness represented by the Debentures: (i) in a manner inconsistent with the terms (as they exist on the date of issue) of the Debentures; or (ii) at any time when a default or an event of default has occurred under the Senior Indebtedness and is continuing or upon the acceleration of Senior Indebtedness, unless the Senior Indebtedness has been repaid in full. See "*Details of the Offering – Debentures – Subordination*".

**Listing and Trading:**

The TSX-V has conditionally approved the listing of the Debentures distributed under this short form prospectus (including any Debentures that may be issued pursuant to the Over-Allotment Option) and the Common Shares issuable upon conversion, redemption or at maturity of the Debentures on the TSX-V. The listing of such securities will be subject to the Corporation fulfilling all the listing requirements of the TSX-V, including distribution of these securities to a minimum number of public securityholders.

**Risk Factors:**

See the risks described under the heading "*Business Risks*" in the Corporation's Annual MD&A incorporated by reference in this short form prospectus as well as the risks identified elsewhere in this short form prospectus, including under the heading "*Risk Factors*", and in the other documents incorporated by reference herein for a discussion of certain risk factors that should be carefully considered before making a decision to invest in the Debentures.

## ENTREC CORPORATION

### **General**

ENTREC specializes in the lifting, transportation (over the road and on-site), loading, off-loading and setting of overweight and oversized cargo for the oil and gas, construction, petrochemical, mining and power generation industries.

ENTREC's full corporate name is "ENTREC Corporation". It was incorporated as "EIS Capital Corp." on October 23, 2009 under the *Business Corporations Act* (Alberta) and amalgamated with the former Entrec Transportation Services Ltd., its wholly-owned subsidiary, on July 31, 2011, at which time it adopted the name "Entrec Transportation Services Ltd." On June 1, 2012, it filed articles of amendment under the *Business Corporations Act* (Alberta) to change its corporate name to its current name, "ENTREC Corporation".

The head office of ENTREC is located at 100 Diamond Avenue, PO Box 3490, Spruce Grove Alberta, T7X 3A7 and its registered office is located at 2800, 715 – 5th Avenue S.W., Calgary, Alberta T2P 2X6.

The Common Shares are listed and posted for trading on the TSX-V under the trading symbol "ENT".

### **Recent Developments**

#### Organic Growth Through Capital Expansion

In August 2012, ENTREC increased its expected 2012 capital expenditure program to \$39 million from a previous program of \$22.3 million. This program consists of \$5 million in maintenance capital expenditures and \$34 million in growth capital expenditures to expand ENTREC's crane and transportation fleets. ENTREC expects to fund substantially all of the remainder of its 2012 capital expenditure program from its Credit Facilities (see "Use of Proceeds").

In August 2012, ENTREC completed a sale and lease back of certain real estate assets in Spruce Grove, Alberta for gross proceeds, before selling costs, of \$6.6 million. The net proceeds from this sale are also available to utilize towards ENTREC's 2012 capital expenditure program.

On October 5, 2012, ENTREC announced that it has signed an option to purchase a 10 acre property (the "**Fort McMurray Property**") in Fort McMurray, Alberta, such option being exercisable at any time following the receipt of regulatory approval to the subdivision of the Fort McMurray Property from the 27 acre parcel of land in which it is currently included. If regulatory approval to that subdivision is received and the option is exercised, ENTREC intends to build a shop and office on the Fort McMurray Property to support its Fort McMurray operations. This is expected to allow ENTREC to expand its Fort McMurray foot print and provide a base from which to grow its on-site crane and heavy haul transportation services in the Fort McMurray region.

Perras Industrial Park Ltd. ("**PIPL**"), a non-arm's length party, acquired from an arm's length vendor (the "**Original Vendor**") a 27 acre parcel of land in Fort McMurray for \$850,000 per acre and subsequently gave ENTREC the option to purchase the Fort McMurray Property for the same price per acre (\$850,000 per acre). ENTREC has paid an initial deposit (the "**Initial Deposit**") to PIPL of \$3,500,000 and will pay a further \$5,000,000 upon the exercise of the option to purchase the Fort McMurray Property.

If regulatory approval to the subdivision of the Fort McMurray Property from the 27 acre parcel of land in which it is currently included is not received within 24 months, then the option to purchase contemplates that ENTREC will enter a long term lease agreement with PIPL at market rates to be negotiated by the parties (with resort to arbitration if no agreement is reached) and with the Initial Deposit to be credited as pre-paid rent under the long term lease.

Until either (a) the option to purchase the Fort McMurray Property is exercised or (b) regulatory approval to the subdivision of the Fort McMurray Property from the 27 acre parcel of land in which it is currently included is not received within 24 months and ENTREC enters a long term lease agreement with PIPL, ENTREC will rent the Fort McMurray Property from PIPL on a month to month basis for rent of \$20,833.33 per month and use the site to store equipment used in its Fort McMurray operations.



Each of Rod Marlin, a director and officer of ENTREC, and Glen Fleming, an officer of ENTREC, owns 20% of the shares of PIPL. Therefore the transaction is a related party transaction under Multilateral Instrument 61-101 adopted by the Ontario Securities Commission. However, the purchase price for the Fort McMurray Property, if the option to purchase is exercised, will be identical to the purchase price paid by PIPL to the Original Vendor for the Fort McMurray Property. Further, any rent or other lease payments from ENTREC to PIPL will be on commercially reasonable terms. For the transaction, ENTREC is relying on the exemptions contained in sections 5.5(a) and 5.7(a), respectively, of Multilateral Instrument 61-101 from the valuation and minority shareholder requirements of that instrument as they apply to related party transactions since the fair market value of the Fort McMurray Property is less than 25% of ENTREC's market capitalization.

### Business Acquisitions

To date in 2012, ENTREC completed or announced the following material business acquisitions as part of its growth strategy.

#### *Singer Specialized Group of Companies*

Effective April 1, 2012, ENTREC acquired 100% of the issued and outstanding shares of the Singer Specialized Group of Companies ("**Singer**"). Singer was based in Calgary, Alberta and specialized in the transportation of over-sized and over-weight equipment within the oil and gas, petro-chemical, power generation, construction and mining industries.

Operating out of a 21,000 square foot shop and office facility, Singer operated a fleet of over 100 conventional heavy haul trailers, tractors, winch tractors, prime movers and picker trucks, as well as 58 lines of hydraulic platform trailers. In May 2012, ENTREC's existing Calgary location was consolidated into the Singer location.

The aggregate purchase price paid on closing consisted of (i) the issuance of 3,900,000 Common Shares at a deemed price for accounting purposes of \$1.19 per share; and (ii) \$10.0 million in cash (including the assumption and extinguishment of \$1.2 million in debt liabilities). The final purchase price for Singer remains subject to certain adjustments related to Singer's working capital balances as at March 31, 2012. ENTREC's current estimate of this working capital adjustment is \$1.6 million, which is recorded as acquisition consideration payable in ENTREC's consolidated statement of financial position.

#### *Mains Group of Companies*

Effective June 1, 2012, ENTREC acquired the Mains Group of Companies ("**Mains Group**"). Based in Nisku, Alberta, the Mains Group provided crane and heavy haul transportation services to all major industry sectors throughout western Canada for 18 years. In 2009, the Mains Group also expanded its operations through Mains Crane USA to Fargo, North Dakota adjacent to the Bakken region.

The Mains Group employed approximately 100 employees and operated a fleet of cranes and specialized heavy haul transportation equipment. The crane fleet of over 60 units consisted of rough terrain cranes, all terrain cranes, crawlers, carry decks and picker trucks. The transportation fleet included 42 lines of hydraulic platform trailers, 10 power units, and approximately 40 conventional heavy haul trailers.

The aggregate consideration paid at closing for the Mains Group consisted of the issuance of 15,150,000 Common Shares issued at a deemed price for accounting purposes of \$1.12 per share, \$37.9 million in cash, and 15,150,000 common share purchase warrants (the "**Warrants**"), exercisable at \$1.50 per share and issued at a deemed price for accounting purposes of \$0.36 per Warrant. The final purchase price for the Mains Group was subject to certain adjustments related to the Mains Group's working capital balances as at May 31, 2012, resulting in an additional \$3.8 million in cash consideration being paid to the vendors.

Each Warrant entitles the holder thereof the right to acquire one Common Share at an exercise price of \$1.50 per Common Share at any time from June 1, 2013 to May 31, 2014 (the "**Expiry Date**"). The holder shall not, at any time, be entitled to exercise any portion of the Warrants that would result in the holder owning 20% or more of ENTREC's issued

and outstanding Common Shares. If upon the Expiry Date, any portion of these Warrants is not exercisable because such exercise would result in the holder owning 20% or more of ENTREC's issued and outstanding Common Shares, then the Expiry Date of such portion of the Warrants shall be extended by a period of one year, provided that the Expiry Date may not be extended beyond June 1, 2017.

*Rain Coast Cranes & Equipment Inc.*

Effective October 1, 2012, ENTREC acquired 100% of the issued and outstanding shares of Rain Coast Cranes & Equipment Inc. ("**Rain Coast**"). With operating locations in Kitimat and Prince George, Rain Coast had been providing crane services for over 25 years to customers throughout British Columbia.

Rain Coast's equipment fleet included approximately 20 cranes, including carry deck, boom truck, rough terrain, all terrain and hydraulic truck mounted cranes. The equipment fleet also included several power units and trailers used to support its crane operations.

The aggregate consideration paid on closing consisted of (i) the issuance of 4,400,000 Common Shares; and (ii) \$8.4 million in cash. The final purchase price for Rain Coast remains subject to certain adjustments related to Rain Coast's working capital balances as at September 30, 2012.

*Tiggo Transport Ltd.*

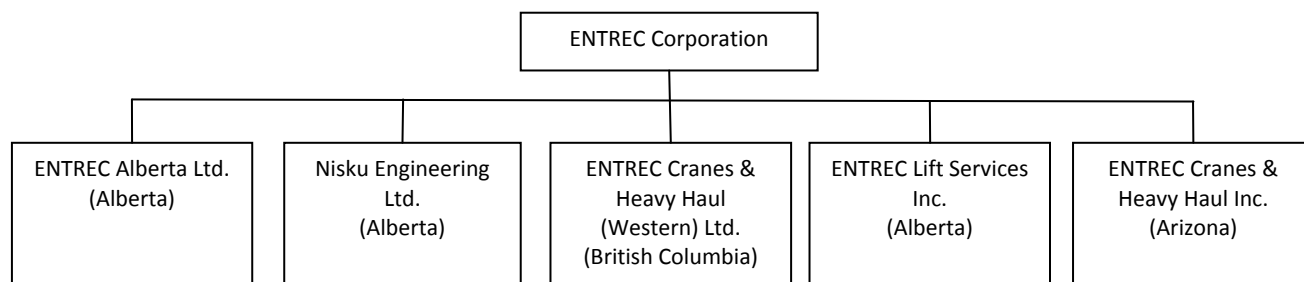
On September 4, 2012, ENTREC announced that it has entered into a letter of intent, subject to certain conditions, to acquire 100% of the issued and outstanding shares of Tiggo Transport Ltd. ("**Tiggo**"). Based in Grande Prairie, Alberta, Tiggo has been providing heavy haul transportation and lifting services to the oil and gas industry since 1999. In 2010, Tiggo expanded its operations into Dawson Creek, British Columbia. Tiggo operates an equipment fleet valued at approximately \$10 million, including 6 crane mounted picker trucks, 25 tractor units, 25 support vehicles and over 60 trailers.

The letter of intent contemplates that the aggregate consideration payable for 100% of the issued and outstanding shares of Tiggo will consist of (i) the issuance of 4,800,000 Common Shares; (ii) \$10,000,000 in cash, less any debt outstanding as at closing; and (iii) a non-interest bearing vendor take-back arrangement for \$3,000,000, payable in cash and due April 1, 2013. However, as due diligence activities have not yet been completed and a definitive binding agreement has not yet been executed, there can be no guarantee that the terms of this potential acquisition will not change from those cited above.

Completion of the proposed transaction is subject to, among other things, the negotiation and execution of a definitive binding agreement, approval of the board of directors of the Corporation, regulatory approval (including but not limited to the approval of the TSX-V, and the completion of due diligence activities). There can be no assurance that these conditions precedent, or any other conditions precedent, will be satisfied. Further, there can be no assurance that the proposed transaction will be completed as proposed or at all.

***Inter-Corporate Relationships***

The following diagram sets forth the organizational structure of ENTREC and its subsidiaries as at the date hereof:



## USE OF PROCEEDS

ENTREC is undertaking the Offering to better position the Corporation to take advantage of acquisition opportunities that may arise from time to time. The net proceeds to the Corporation from the sale of the Debentures hereunder will be \$21,120,000 (assuming the Over-Allotment Option is not exercised) after deducting the Underwriters' Fee of \$880,000, but prior to deducting the estimated expenses of the Offering of \$350,000. If the Over-Allotment Option is exercised in full, the net proceeds to the Corporation from the sale of the Debentures hereunder will be \$24,288,000, after deducting the Underwriters' Fee of \$1,012,000, but prior to deducting the estimated expenses of the Offering of \$350,000. Initially, the net proceeds of the Offering will be used to repay a portion of the indebtedness under the Credit Facilities, the proceeds of which were used by ENTREC to fund its capital expenditure program and for business acquisitions (see *"Relationship Between the Corporation and a Certain Underwriter"*). Thereafter, ENTREC intends to draw down the indebtedness under the Credit Facilities to fund future capital expenditures and, if necessary, for potential future business acquisitions, working capital and general corporate purposes.

As indicated earlier, in August 2012, and following completion of the acquisition of the Mains Group, ENTREC increased its expected 2012 capital expenditure program to \$39 million from a previous program of \$22.3 million. This program consists of \$5 million in maintenance capital expenditures and \$34 million in growth capital expenditures to expand ENTREC's crane and transportation fleets. As at September 30, 2012, ENTREC had spent approximately \$24 million in capital expenditures as part of its 2012 capital expenditure program. ENTREC expects to fund substantially all of the remainder of its 2012 capital expenditure program from its Credit Facilities (after initially using the net proceeds of the Offering to repay a portion of the indebtedness under the Credit Facilities).

ENTREC's 2012 capital expenditure program consists of the following:

<u>Capital Expenditure</u>	<u>Amount (\$)</u>
Heavy automotive equipment	7,900,000
Light automotive equipment	2,300,000
Cranes (including picker trucks)	16,900,000
Trailers	7,500,000
Other	<u>4,400,000</u>
<b>Total</b>	<b>39,000,000</b>

The following is an approximate breakdown of the proposed use of the net proceeds of the Offering assuming the Over-Allotment Option is not exercised (after initially using the net proceeds of the Offering to repay a portion of the indebtedness under the Credit Facilities):

<u>Use of Proceeds</u> <sup>(1) (2)</sup>	<u>Amount (\$)</u>
Remainder of 2012 Capital Expenditure Program	15,000,000
2013 Capital Expenditure Program <sup>(3)</sup>	<u>6,120,000</u>
<b>Total</b>	<b>21,120,000</b>

Notes:

- (1) In the event the Over-Allotment Option is exercised, the net proceeds will be allocated to the 2013 Capital Expenditure program.
- (2) Before deducting the estimated expenses of the Offering estimated at \$350,000, which will be paid from the proceeds of the Offering. See "Plan of Distribution".
- (3) ENTREC's 2013 Capital Expenditure program has not yet been finalized.

The Board of Directors will evaluate acquisition and investment opportunities as they arise from time to time and will pursue those which they determine are strategic for, and in the best interests of, ENTREC and accretive to Shareholders of ENTREC. The growth strategy of ENTREC is an ongoing process and there is no one particular significant event or milestone that must occur for ENTREC's growth strategy to be accomplished other than the identification, negotiation and implementation of one or more accretive acquisitions as indicated above. Management of ENTREC will retain broad

discretion in allocating the net proceeds of the Offering and ENTREC's actual use of the net proceeds will vary depending on the availability and suitability of acquisition and investment opportunities and its operating and capital needs from time to time. There may be circumstances that are not known at this time where a reallocation of the net proceeds of the Offering or a change in the timing of the particular expenditure may be advisable for business reasons that management believes are in ENTREC's best interests. See "Risk Factors".

#### DESCRIPTION OF SHARE CAPITAL

ENTREC is authorized to issue an unlimited number of Common Shares and an unlimited number of Preferred Shares, issuable in series. As at the date hereof, 82,113,487 Common Shares were issued and outstanding and nil Preferred Shares were issued and outstanding. The material characteristics of the Common Shares and Preferred Shares are described below.

##### Common Shares

The holders of Common Shares are entitled to dividends as and when declared by the Board of Directors, to one vote per Common Share at meetings of holders of Common Shares and, upon liquidation, to receive such assets as are distributable to the holders of the Common Shares.

##### Preferred Shares

The Preferred Shares may be issued from time to time in one or more series, each series consisting of the number of shares and having the designation, rights, privileges, restrictions and conditions which the Board of Directors determines prior to the issue thereof. The Preferred Shares rank prior to the Common Shares with respect to the payment of dividends and distribution in the event of liquidation, dissolution or winding-up of the Corporation.

#### CONSOLIDATED CAPITALIZATION OF THE CORPORATION

The following table sets forth the consolidated capitalization of ENTREC as at June 30, 2012: (i) before giving effect to the Offering; and (ii) after giving effect to this Offering (assuming the Over-Allotment Option is not exercised).

Designation (Authorization)	Outstanding as at June 30, 2012 prior to giving effect to the Offering (unaudited)	Outstanding as at June 30, 2012 after giving effect to the Offering (unaudited)
(amounts in \$000's, except Debenture and Common Share amounts)		
Debt:		
Long-term Debt <sup>(1)</sup>	\$63,890	\$43,120 <sup>(2)</sup>
Obligations Under Finance Leases	\$3,420	\$3,420
Debentures <sup>(3)(4)</sup>	Nil	\$18,928 (22,000 Debentures)
Share Capital:		
Common Shares <sup>(5)(6)</sup> (unlimited)	77,713,487	77,713,487
	\$82,041	\$82,041

Notes:

- (1) Long-term debt consists primarily of the Credit Facilities (as defined below). ENTREC has entered into senior credit facilities with a syndicate of lenders led by Canadian Western Bank and including Bank of Nova Scotia, the Canadian Imperial Bank of Commerce, the Toronto-Dominion Bank and the Bank of Montreal (the "Credit Facilities"). The Credit Facilities consist of a \$20 million operating facility (via account overdraft) and a \$120 million revolving term facility. The operating facility requires payments of interest only, while individual draws under the revolving term facility are repayable over a five year amortization period. The Credit Facilities mature on June 1, 2015. Amounts borrowed under the Credit Facilities bear interest at the bank's prime rate plus

a credit spread based on a sliding scale. The Credit Facilities are subject to compliance with financial covenants including, but not limited to, a cash flow coverage ratio and a funded debt to EBITDA ratio calculated quarterly on a trailing twelve month basis. The definitions of these measures are in accordance with the lending agreement and are calculated based on the lender's interpretation, which may not be equal to individual financial statement figures presented in ENTREC's consolidated financial statements. The required cash flow coverage ratio is "greater than 1.20" (the actual cash flow coverage ratio as at June 30, 2012 being 3.07) and the required funded debt to EBITDA ratio is "less than 3.00" (the actual funded debt to EBITDA ratio as at June 30, 2012 was 1.79). The Credit Facilities are collateralized by substantially all of ENTREC's assets. As of October 15, 2012, there is currently \$78.6 million drawn under the revolving term facility and \$nil drawn under the operating facility. ENTREC uses the Credit Facilities to fund its capital expenditure program and for business acquisitions. ENTREC is in compliance in all material respects with the terms of the agreements governing its Credit Facilities.

- (2) Assuming the Over-Allotment Option is not exercised and that the net proceeds of the Offering, after deducting the Underwriters' fee of \$880,000 and estimated expenses of the Offering of \$350,000, are applied to the Credit Facilities.
- (3) The Debentures may be converted at the option of the holder of the Debentures into Common Shares. See "*Details of the Offering – Debentures*".
- (4) Under IFRS, the Debentures will include an equity amount currently estimated to be \$1.8 million and a liability amount currently estimated to be \$18.9 million. The fair value of liability component was estimated by measuring the fair value of a similar liability that does not have an associated equity component using a discount rate of 9.25%. The carrying amount of the equity amount represented by the option to convert the Debentures into Common Shares was then determined by deducting the fair value of the liability amount from the fair value of the Debentures as a whole. Estimated expenses of the Offering were then allocated to the liability and equity components on a pro rata basis. The deferred income tax calculations in regards of the Debentures have been excluded. For accounting purposes, the portion of the Debentures classified as a liability will be accreted over the term of the Debentures using the effective interest rate method to increase the carrying value of the liability up to the principal balance of the outstanding Debentures at the Maturity Date with the accretion recognized as interest expense.
- (5) Does not include: (i) an aggregate of 3,321,500 Common Shares issuable pursuant to the equity compensation plans of the Corporation as at June 30, 2012 (as at the date hereof, an aggregate of 4,240,500 Common Shares are issuable pursuant to the equity compensation plans of the Corporation); (ii) 15,150,000 common shares issuable pursuant to common share purchase warrants issued to the vendor on the acquisition of the Mains Group (see "*ENTREC Corporation – Recent Developments – Business Acquisitions – Mains Group of Companies*"); and (iii) 1,256,000 common shares issuable pursuant to broker warrants granted to an investment banker in connection with an equity financing completed by ENTREC in May 2011.
- (6) Does not include 4,400,000 common shares issued on October 1, 2012 as partial consideration for the acquisition of Rain Coast (see "*ENTREC Corporation – Recent Developments – Business Acquisitions – Rain Coast Cranes and Equipment Inc.*").

#### EARNINGS COVERAGE RATIO

ENTREC has changed its fiscal year end from October 31 to December 31 to better align the Corporation's financial reporting with the calendar year and the seasonality of its business and, as a result, ENTREC reported a fourteen month transitional year for the period ended December 31, 2011. However, applicable securities legislation requires the following earnings coverage ratios to be calculated based on 12 month periods. Also, ENTREC has adopted IFRS effective for interim and annual periods commencing January 1, 2012. Prior to the adoption of IFRS, ENTREC prepared its consolidated financial statements in accordance with Canadian generally accepted accounting principles. However, for the purposes of presenting the earnings coverage ratios, all amounts appearing under this heading for the twelve months ended December 31, 2011 and the twelve months ended June 30, 2012 are presented under IFRS.

ENTREC's income before interest expense and income taxes for the twelve month period ended December 31, 2011 was \$1.882 million. After giving effect to the issuance of the Debentures (assuming the Over-Allotment Option is not exercised), as if the issuance of the Debentures had occurred at the beginning of the calculation period and the related servicing costs had been incurred during the calculation period, as well as assuming the net proceeds from the Offering are used to repay indebtedness under the Credit Facilities, ENTREC's *pro forma* borrowing cost requirements, which includes interest expense on the Debentures, for the twelve months ended December 31, 2011, was \$1.692 million, for an earnings coverage ratio of 1.11 for the twelve months ended December 31, 2011.

ENTREC's income before interest expense and income taxes for the twelve month period ended June 30, 2012 was \$11.416 million. After giving effect to the issuance of the Debentures (assuming the Over-Allotment Option is not exercised), as if the issuance of the Debentures had occurred at the beginning of the calculation period and the related servicing costs had been incurred during the calculation period, as well as assuming the net proceeds from the Offering are used to repay indebtedness under the Credit Facilities, ENTREC's *pro forma* borrowing cost requirements, which includes interest expense on the Debentures, for the twelve month period ended June 30, 2012, was \$2.725 million, for an earnings coverage ratio of 4.19 for the twelve month period ended June 30, 2012.

Under IFRS, the Debentures will be classified on ENTREC's balance sheet as a liability, with a portion allocated to equity related to the conversion feature and with the related interest expensed as incurred and financing charges amortized, using the effective interest method.

The following table sets out the earnings coverage ratios discussed above in accordance with IFRS.

(\$000s, except Earnings Coverage Ratio)

	For the 12 months ended December 31, 2011	For the 12 months ended June 30, 2012
Interest Expense <sup>(1)(2)</sup>	1,692	2,725
Dividends Paid to Shareholders	-	-
<b>Denominator for Earnings Coverage Ratio</b>	<b>1,692</b>	<b>2,725</b>
Net Income	762	6,803
Income Taxes	362	2,822
Interest Expense	758	1,791
<b>Numerator for Earnings Coverage Ratio</b>	<b>1,882</b>	<b>11,416</b>
<b>Earnings Coverage Ratio</b>	<b>1.11</b>	<b>4.19</b>

Notes:

- (1) Assumes the Debentures were issued at the beginning of the calculation period.
- (2) Under IFRS, the liability component will be accounted for under the effective interest rate method.

#### PRIOR SALES

The following table summarizes the issuances of Common Shares or securities convertible into Common Shares for the 12 month period prior to the date hereof.

Date	Securities	Number of Common Shares Issued/Issuable	Price / Exercise Price Per Security
October 25, 2011	Common Shares	422,223 <sup>(1)</sup>	\$1.00
November 1, 2011	Restricted Shares	56,000 <sup>(2)</sup>	-
November 3, 2011	Common Shares	777,778 <sup>(3)</sup>	\$1.05
December 1, 2011	Restricted Shares	15,000 <sup>(2)</sup>	-
December 6, 2011	Common Shares	105,000 <sup>(4)</sup>	\$1.00
January 1, 2012	Restricted Shares	22,000 <sup>(2)</sup>	-
January 9, 2012	Common Shares	358,047 <sup>(5)</sup>	\$1.19
February 21, 2012	Common Shares	21,739,131 <sup>(6)</sup>	\$1.15
March 5, 2012	Common Shares	1,511,308 <sup>(7)</sup>	\$1.15
April 1, 2012	Common Shares	3,900,000 <sup>(8)</sup>	\$1.19
April 1, 2012	Restricted Shares	699,500 <sup>(2)</sup>	-
June 1, 2012	Common Shares	15,150,000 <sup>(9)</sup>	\$1.12
June 1, 2012	Warrants	15,150,000 <sup>(10)</sup>	\$1.50
June 5, 2012	Options	150,000 <sup>(11)</sup>	\$1.12
June 5, 2012	Restricted Shares	100,000 <sup>(2)</sup>	-
October 1, 2012	Common Shares	4,400,000 <sup>(12)</sup>	\$1.63
October 1, 2012	Restricted Shares	749,000 <sup>(2)</sup>	-
October 1, 2012	Options	200,000 <sup>(11)</sup>	\$1.63

Notes:

- (1) Represents Common Shares issued in partial payment for the acquisition of the business and assets of Jay Reid Trucking Ltd.
- (2) Represents restricted shares granted pursuant to ENTREC's restricted share plan (also known as the employee ownership share plan).
- (3) Represents Common Shares issued in partial payment for the acquisition of the business and assets of TRAK Equipment Haulers.

- (4) Represents Common Shares issued pursuant to the exercise by an investment banker of broker warrants issued to it in connection with ENTREC's initial public offering.
- (5) Represents Common Shares issued in partial payment for two separate acquisitions of certain heavy haul transportation equipment.
- (6) Represents Common Shares issued pursuant to a bought deal equity offering completed by ENTREC.
- (7) Represents Common Shares issued pursuant to the partial exercise of an over-allotment option granted by ENTREC to the underwriters for the bought deal equity offering referred to in note 6 above.
- (8) Represents Common Shares issued in partial payment for the acquisition of the Singer Specialized Group of Companies. See "ENTREC Corporation – Recent Developments – Business Acquisitions – Singer Specialized Group of Companies".
- (9) Represents Common Shares issued in partial payment for the acquisition of the Mains Group of Companies. See "ENTREC Corporation – Recent Developments – Business Acquisitions – Mains Group of Companies".
- (10) Represents Common Share purchase warrants issued to the vendors of the Mains Group of Companies. See "ENTREC Corporation – Recent Developments – Business Acquisitions - Mains Group of Companies" for further details on these Common Share purchase warrants.
- (11) Represents common shares issuable upon exercise of options granted pursuant to ENTREC's share option plan.
- (12) Represents Common Shares issued in partial payment for the acquisition of Rain Coast Cranes & Equipment Inc. See "ENTREC Corporation – Recent Developments – Business Acquisitions – Rain Coast Cranes & Equipment Inc.".

## MARKET FOR SECURITIES

The issued and outstanding Common Shares are listed on the TSX-V under the trading symbol "ENT". On October 10, 2012, the last completed trading day prior to the public announcement of the Offering, the closing price of the Common Shares on the TSX-V was \$1.57 and on October 22, 2012, the last completed trading day prior to the date of this short form prospectus, the closing price of the Common Shares on the TSX-V was \$1.585. The following table sets forth the high and low trading prices and the aggregate volume of trading of the Common Shares, as reported by the TSX-V for the periods indicated.

Period	High	Low	Volume
<b><u>2011</u></b>			
September	\$1.60	\$1.00	100,150
October	\$1.40	\$0.90	1,087,043
November	\$1.30	\$1.10	165,562
December	\$1.20	\$1.02	224,417
<b><u>2012</u></b>			
January	\$1.37	\$1.16	214,119
February	\$1.27	\$1.03	1,656,485
March	\$1.29	\$1.15	3,681,665
April	\$1.25	\$1.15	2,298,171
May	\$1.22	\$1.05	2,196,407
June	\$1.20	\$1.10	1,341,884
July	\$1.26	\$1.11	1,368,567
August	\$1.59	\$1.18	3,525,438
September	\$1.72	\$1.41	23,393,522
October 1-22	\$1.75	\$1.40	11,996,593

## DETAILS OF THE OFFERING

### Debentures

The Debentures will be issued under and pursuant to the provisions of the Indenture. The following description of the Debentures is a summary of their material attributes and characteristics and is subject to the detailed provisions of the Indenture and is qualified in its entirety by reference to the Indenture. Following the Closing Date, the Indenture will be available for inspection at the offices of the Corporation and will be filed on SEDAR at [www.sedar.com](http://www.sedar.com).

## **General**

The Debentures will be limited to an aggregate principal amount of \$22.0 million (plus any amount in respect of which the Over-Allotment Option is exercised). The Corporation may, however, from time to time, without the consent of the holders of any outstanding Debentures, issue debentures of the same series or a different series in addition to the Debentures offered hereby.

The Debentures will be dated as of the Closing Date. The Debentures will be issuable only in denominations of \$1,000 and integral multiples thereof. The Debentures have a maturity date of October 31, 2017 and on that date, the holders shall be entitled to receive the principal amount of the Debentures at par together with all accrued and unpaid interest thereon.

The Debentures will initially be issued in global form and registered in the name of CDS or its nominee, and purchasers of Debentures hereunder will receive only beneficial interests in such Debentures in book-entry form through the facilities of CDS. Holders of beneficial interests in the Debentures will not have the right to receive physical certificates evidencing their ownership of Debentures except under certain circumstances described under "*Details of the Offering – Debentures – Book-entry, Delivery and Form*".

The Debentures will bear interest from the date of issue at 7.00% per annum, which will be payable semi-annually on an Interest Payment Date, computed on the basis of a 365-day or 366-day year, as the case may be. The first payment will represent accrued interest for the period from the Closing Date up to, but not including, April 30, 2013. It is estimated that the first interest payment, payable on April 30, 2013, will be \$34.90 per \$1,000 principal amount of Debentures. See "*Details of the Offering – Debentures*". Interest on the Debentures will be payable in lawful money of Canada as specified in the Indenture.

Unless an Event of Default has occurred and is continuing, the Corporation may elect, from time to time, subject to applicable regulatory approval, to satisfy its obligation to pay all or any portion of the Interest Obligation on an Interest Payment Date by delivering sufficient Common Shares to the Debenture Trustee for sale, to satisfy the Interest Obligation, or portion thereof, as applicable, on the applicable Interest Payment Date, in which event holders of the Debentures will be entitled to receive a cash payment equal to the interest payable from the proceeds of the sale of such Common Shares. See "*Details of the Offering – Debentures – Interest Payment Election*" below.

The Indenture will not contain a requirement for the Corporation to increase the amount of interest or other payments to holders of Debentures should the Corporation become required to withhold amounts in respect of income or similar taxes on payment of interest or other amounts.

Principal on the Debentures will be payable in lawful money of Canada or, at the Corporation's option and subject to applicable regulatory approval and provided no Event of Default has occurred and is continuing, by delivery of Common Shares to satisfy, in whole or in part, the Corporation's obligation to repay principal under the Debentures, as further described under "*Details of the Offering – Debentures – Payment upon Redemption or at Maturity*" and "*Details of the Offering – Debentures – Redemption and Purchase*".

The Debentures will be the Corporation's direct obligation and will not be secured by any mortgage, pledge, hypothec or other charge and will be subordinated to the Senior Indebtedness, as described under "*Details of the Offering – Debentures – Subordination*". The Indenture will not restrict the Corporation or its subsidiaries from incurring additional indebtedness for borrowed money or from mortgaging, pledging or charging its assets to secure any indebtedness.

The Debentures will be transferable, and may be presented for conversion, at the principal offices of the Debenture Trustee in Calgary, Alberta.

## **Conversion Privilege**

Subject to the Cash Conversion Option, each Debenture will be convertible at the option of the holder thereof into fully paid and non-assessable Common Shares at any time prior to 4:30 p.m. (Calgary time) on the earlier of: (i) the last Business Day immediately preceding the Maturity Date; (ii) the last Business Day immediately preceding the Redemption



Date (as defined herein); or (iii) if called for repurchase pursuant to a Change of Control, on the Business Day immediately preceding the payment date, in each case, at the Conversion Price, representing a Conversion Rate of approximately 384.6154 Common Shares per \$1,000 principal amount of Debentures, subject to adjustment in accordance with the Indenture. Interest will be paid on conversion from, and including, the last Interest Payment Date, up to, but not including the date that is one day prior to the Conversion Date.

Subject to the Cash Conversion Option, holders converting their Debentures will become holders of record of Common Shares on the Conversion Date provided that, if a Debenture is surrendered for conversion on a day on which the register of Common Shares is closed, the person entitled to receive Common Shares shall become the holder of record of such Common Shares as at the date on which such register is next reopened. Notwithstanding the foregoing, no Debentures may be converted on an Interest Payment Date as the registers of the Debenture Trustee will be closed during such period.

Subject to the provisions thereof and the requirements of the TSX-V, the Indenture will provide for the adjustment of the Conversion Price in certain events including: (i) the subdivision or consolidation of the outstanding Common Shares; (ii) the distribution to all or substantially all the holders of Common Shares of Common Shares or securities convertible into Common Shares by way of stock dividend, distribution or otherwise other than an issue of securities to holders of Common Shares who have elected to receive dividends in securities of the Corporation in lieu of receiving cash dividends paid in the ordinary course; (iii) the issuance of options, rights or warrants to all or substantially all the holders of Common Shares entitling them to acquire Common Shares or other securities convertible into Common Shares at less than 95% of the then Current Market Price of the Common Shares; (iv) the distribution to all holders of Common Shares of any securities, evidences of indebtedness or assets including any cash dividends; and (v) the payment to all holders of Common Shares of cash or any other consideration in respect of an issuer bid for Common Shares by the Corporation or any of the Corporation's subsidiaries to the extent that the cash and fair market value of any other consideration included in the payment per Common Share exceeds the Current Market Price of the Common Shares on the date of expiry of such tender offer, take-over bid or exchange offer. Subject to prior regulatory approval, if required, there will be no adjustment of the Conversion Price in respect of any event described in (ii), (iii), (iv) or (v) above if the holders of the Debentures are allowed to participate as though they had converted their Debentures prior to the applicable record date or effective date. The Corporation will not be required to make adjustments in the Conversion Price unless the cumulative effect of such adjustments would change the Conversion Price by at least 1%. However, any adjustments that are less than 1% of the Conversion Price will be carried forward and taken into account when determining subsequent adjustments.

In the event that the Corporation pays a dividend or makes a distribution to all holders of Common Shares consisting of capital stock of, or similar equity interests in, a subsidiary or other business of the Corporation, the conversion rate will be adjusted based on the market value of the securities so distributed relative to the market value of Common Shares, in each case based on the weighted average trading price of those securities for the 20 consecutive trading days commencing on and including the fifth trading day after the date on which "ex-dividend trading" commences for such dividend or distribution on the TSX-V, or such other national or regional exchange or market on which the securities are then listed or quoted. No conversion rate adjustment will be made to the extent that the Corporation makes an equivalent distribution to holders of Debentures.

Provided the Common Shares are then listed on the TSX-V, the term "**Current Market Price**" will be defined in the Indenture to mean, on any day, the volume weighted average trading price of the Common Shares on the TSX-V (or such other recognized stock exchange) for the 20 consecutive trading days ending on the fifth trading day preceding such date. If the Common Shares are not listed on the TSX-V, reference shall be made for the purpose of the above calculation to the principal securities exchange or market on which the Common Shares are listed or quoted or if no such prices are available, then the current market price shall be the fair value of a Common Share as reasonably determined by the Corporation's board of directors.

In the case of: (i) any reclassification, capital reorganization, recapitalization or change (other than a change resulting only from consolidation or subdivision) of the Common Shares; (ii) the Corporation's amalgamation, arrangement, consolidation, share exchange or merger with or into any other entity; (iii) any sale, transfer or other disposition of the Corporation's properties and assets as, or substantially as, an entirety to any other entity; or (iv) the Corporation's liquidation, dissolution or winding-up, the terms of the conversion privilege will be adjusted so that each Debenture will, after such reclassification, capital reorganization, change, amalgamation, arrangement, consolidation, merger, sale,

transfer, disposition, liquidation, dissolution or winding-up, be exercisable for the kind and amount of the Corporation's securities or property, or of such continuing, successor or purchaser entity, as the case may be, which the holder thereof would have been entitled to receive as a result of such reclassification, capital reorganization, change, amalgamation, arrangement, consolidation, merger, sale, transfer, disposition, liquidation, dissolution or winding-up if on the effective date thereof it had been the holder of the number of Common Shares into which the Debenture was convertible prior to the effective date thereof. The Corporation shall give notice to the holders of Debentures at least 30 days prior to the effective date of such transaction in writing and by release to a business newswire stating the consideration into which the Debentures will be convertible after the effective date of such transaction.

No fractional Common Shares will be issued upon any conversion of the Debentures; in lieu thereof, the Corporation will satisfy such fractional interests by a cash payment equal to the fraction of the Common Share multiplied by the Current Market Price of the Common Shares.

### ***Cash Conversion Option***

Upon conversion of the Debentures, in lieu of delivering Common Shares, the Corporation may elect, by written notice delivered to the Debenture Trustee within one business day of the Conversion Date, to pay the holder cash (the "**Cash Conversion Option**"). If no election is made by the Corporation, Common Shares will be delivered on exercise of the conversion right as described under "*Conversion Privilege*" above. If the Corporation elects to use the Cash Conversion Option, settlement amounts under the Cash Conversion Option will be computed by paying cash to the converting holder of Debentures in an amount equal to the sum of the Daily Conversion Values (as defined below) for each of the 10 consecutive trading days during the related Observation Period (as defined below). In the Indenture, (i) "**Daily Conversion Value**" shall mean, for each of the 10 consecutive trading days during the Observation Period, one-tenth (1/10th) of the product of (x) the Conversion Rate on such day and (y) the Daily VWAP (as defined below) of the Common Shares on such trading day; (ii) "**Daily VWAP**" for the Common Shares will generally be the per Common Share volume-weighted average price on the TSX-V in respect of the period from the scheduled open of trading until the scheduled close of trading of the primary trading session on such trading day; and (iii) "**Observation Period**" shall be defined, in respect of any Debentures to which a Cash Conversion Option applies, as: (A) for conversions that occur on or after the 12th trading day prior to the Maturity Date, the 10 consecutive trading day period beginning on, and including, the 12th trading day preceding the Maturity Date; and (B) in all other cases, the 10 consecutive trading day period beginning on, and including, the third trading day after the related Conversion Date. For greater certainty, the Corporation shall not be permitted to elect the Cash Conversion Option once a notice of redemption has been delivered.

Pursuant to the Cash Conversion Option, the Corporation will pay cash to the holders that converted their Debentures as soon as practicable and, in any event, no later than the third business day following the last day of the related Observation Period.

Any payments made pursuant to the Cash Conversion Option are subject to the subordination provisions contained in the Indenture as though such payments were payments of principal or interest on the Debentures. In addition, notwithstanding any election by the Corporation to use the Cash Conversion Option or any election by a holder of Debentures to convert Debentures into Common Shares, the Cash Conversion Option shall be immediately suspended if any payment pursuant to the Cash Conversion Option would violate the subordination provisions of the Indenture and any holder who converted their Debentures shall receive Common Shares in accordance with the procedures outlined under "*Details of the Offering – Conversion Privilege*" above. See "*Details of the Offering – Subordination*" below.

### ***Redemption and Purchase***

The Debentures may not be redeemed by the Corporation before October 31, 2015, except in certain limited circumstances following a Change of Control. See "*Details of the Offering – Debentures – Repurchase upon a Change of Control*" below. On or after October 31, 2015 and prior October 31, 2016, the Debentures may be redeemed by the Corporation, in whole or in part from time to time, at the Corporation's option on not more than 60 days' and not less than 30 days' prior written notice at a redemption price equal to the principal amount plus accrued and unpaid interest thereon, if any, provided that the Current Market Price of the Common Shares on the date on which notice of redemption is given is not less than 125% of the Conversion Price. On or after October 31, 2016, the Debentures may be redeemed by the Corporation, in whole or in part from time to time, on not more than 60 days' and not less than 30 days' prior written

notice, at a redemption price equal to the principal amount thereof plus accrued and unpaid interest thereon, if any, up to, but not including, the Redemption Date. In the event that a holder of Debentures exercises their conversion right following a notice of redemption by the Corporation, such holder shall be entitled to receive accrued and unpaid interest, in addition to the applicable number of Common Shares to be received on conversion, for the period from the latest Interest Payment Date up to, but not including, the day that is one day prior to the Conversion Date.

In the case of redemption of less than all of the Debentures, the Debentures to be redeemed will be selected by the Debenture Trustee on a *pro rata* basis or in such other manner as the Debenture Trustee deems equitable, subject to regulatory approvals.

The Corporation will have the right to purchase Debentures for cancellation in the market, by tender or by private contract, at any time, subject to regulatory requirements.

### ***Payment upon Redemption or at Maturity***

On any Redemption Date or on the Maturity Date, as applicable, the Corporation will repay the indebtedness represented by the Debentures by paying to the Debenture Trustee in lawful money of Canada an amount equal to the principal amount of the outstanding Debentures, together with accrued and unpaid interest thereon, if any, up to but not including such Redemption Date or the Maturity Date, as applicable. On any Redemption Date or on the Maturity Date, as applicable, the Corporation may, at its option, on not more than 60 days' and not less than 40 days' prior notice and subject to any required regulatory approvals, provided that no Event of Default has occurred and is continuing, elect to satisfy its obligation to repay, in whole or in part, the principal amount of the Debentures which are to be redeemed or which have matured by issuing and delivering freely tradable Common Shares to the holders of the Debentures. Payment for such Debentures subject to the election would be satisfied by delivering that number of Common Shares obtained by dividing the principal amount of the Debentures subject to the election which are to be redeemed or have matured by 95% of the Current Market Price of the Common Shares on the Redemption Date or Maturity Date, as applicable. Any accrued and unpaid interest thereon, up to and including the Redemption Date or Maturity Date, as applicable, will be paid in cash. In the event a holder of Debentures exercises its conversion rights following delivery of a notice of redemption by the Corporation, such holder shall be entitled to receive the applicable number of Common Shares to be received on conversion on the last Business Day immediately preceding the Redemption Date.

No fractional Common Shares will be issued upon redemption or at maturity of the Debentures; in lieu thereof, the Corporation will satisfy such fractional interests by a cash payment equal to the fraction of the Common Share multiplied by the Current Market Price of the Common Shares.

The Corporation may not satisfy its obligation to pay the principal amount of a Debenture, together with accrued and unpaid interest thereon, by delivering Common Shares unless the Corporation satisfies the requirements of applicable securities laws and certain other conditions, as provided in the Indenture, prior to the Maturity Date, the redemption date or the purchase date, as applicable, including the following conditions:

- (a) there is not a current Event of Default under the Indenture;
- (b) the Common Shares to be issued upon redemption or repayment at maturity of Debentures shall not be subject to any "restricted period" or "seasoning period" under National Instrument 45-102 – *Resale of Securities* ("**NI 45-102**") other than in respect of a "control distribution" (as defined in NI 45-102) or a transaction or series of transactions incidental to a control distribution; and
- (c) the Common Shares to be issued upon redemption or repayment at maturity of Debentures shall be listed on the TSX-V or a national securities exchange or quoted in an inter-dealer quotation system of any registered national securities association.

If the conditions are not satisfied (or waived) with respect to a holder prior to the close of business on the applicable payment date, the Corporation will make the required payment entirely in cash. If the Corporation elects to satisfy any amount payable on redemption of the Debentures by issuing Common Shares, the Corporation will advise the holders of Debentures of such election in the applicable redemption notice. If the Corporation elects to satisfy any amount payable

on repayment or maturity of the Debentures by issuing Common Shares, the Corporation will provide notice of such election to the holders of Debentures not more than 60 days and not less than 40 days before the payment date.

The Corporation may not change the form of components or percentages of consideration to be paid for the Debentures once it has given the notice that it is required to give holders of Debentures, except as described in the preceding paragraph. When the Corporation determines the actual number of Common Shares in accordance with the foregoing procedures, it will issue a press release on a national newswire. As the Current Market Price of the Common Shares will be determined prior to the applicable payment date, holders of the Debentures will bear the market risk with respect to the value of the Common Shares to be received from the date such price is determined to such payment date.

### **Cancellation**

All Debentures converted, redeemed or purchased will be cancelled and may not be reissued or resold.

### **Rank**

The Debentures will be direct, unsecured obligations of the Corporation and will be fully subordinated to all Senior Indebtedness, as more particularly described below under "*Subordination*". The Debentures will rank *pari passu* with one another and will rank *pari passu* with all other existing and future unsecured subordinated indebtedness of the Corporation to the extent subordinated on the same terms and except as prescribed by law. The Indenture will not restrict the ability of the Corporation or its subsidiaries from incurring additional indebtedness, including Senior Indebtedness, or from mortgaging, pledging or charging their respective properties to secure any indebtedness or liabilities, including Senior Indebtedness.

### **Subordination**

The payment of the principal and premium, if any, of, and interest on, the Debentures will be subordinated and postponed, and subject in right of payment in the circumstances referred to below and more particularly as set forth in the Indenture, to the full and final payment of all Senior Indebtedness of the Corporation. "**Senior Indebtedness**" of the Corporation will be defined in the Indenture and will include all obligations, liabilities and indebtedness of the Corporation and its subsidiaries which would, in accordance with IFRS, be classified upon a consolidated balance sheet of the Corporation as liabilities of the Corporation and its subsidiaries and, whether or not so classified, shall include (without duplication): (a) indebtedness of the Corporation or its subsidiaries for borrowed money; (b) obligations of the Corporation and its subsidiaries evidenced by bonds, debentures, notes or other similar instruments; (c) obligations of the Corporation and its subsidiaries arising pursuant or in relation to bankers' acceptances, letters of credit, letters of guarantee, performance bonds and surety bonds (including payment and reimbursement obligations in respect thereof) or indemnities issued in connection therewith; (d) obligations of the Corporation and its subsidiaries under any swap, hedging or other similar contracts or arrangements; (e) obligations of the Corporation and its subsidiaries under guarantees (as defined in the Indenture), indemnities, assurances, legally binding comfort letters or other contingent obligations relating to the Senior Indebtedness or other obligations of any other person which would otherwise constitute Senior Indebtedness within the meaning of this definition; (f) all indebtedness of the Corporation and its subsidiaries representing the deferred purchase price of any property including, without limitation, purchase money mortgages; (g) accounts payable to trade creditors; (h) all renewals, extensions and refinancing of any of the foregoing; (i) all declared but unpaid dividends or distributions; and (j) all costs and expenses incurred by or on behalf of the holder of any Senior Indebtedness in enforcing payment or collection of any such Senior Indebtedness, including enforcing any security interest securing the same. "Senior Indebtedness" shall not include any indebtedness that would otherwise be Senior Indebtedness if it is expressly stated to be subordinate to or rank *pari passu* with the Debentures.

The Indenture will provide that in the event of any insolvency or bankruptcy proceedings, or any receivership, liquidation, reorganization or other similar proceedings relative to the Corporation, or to its property or assets, or in the event of any proceedings for voluntary liquidation, dissolution or other winding-up of the Corporation, whether or not involving insolvency or bankruptcy, or any marshalling of the assets and liabilities of the Corporation, then holders of Senior Indebtedness will receive payment in full before the holders of Debentures will be entitled to receive any payment or distribution of any kind or character, whether in cash, property or securities, which may be payable or deliverable in any such event in respect of any of the Debentures or any unpaid interest accrued thereon. The Indenture will also provide

that the Corporation will not make any payment, and the holders of the Debentures will not be entitled to demand, institute proceedings for the collection of, or receive any payment or benefit (including, without any limitation, by set-off, combination of accounts or realization of security or otherwise in any manner whatsoever) on account of indebtedness represented by the Debentures: (a) in a manner inconsistent with the terms (as they exist on the date of issue) of the Debentures; or (b) at any time when a default or an event of default has occurred under the Senior Indebtedness and is continuing or upon the acceleration of Senior Indebtedness, unless the Senior Indebtedness has been repaid in full.

The Debenture Trustee and the Corporation will also be authorized (and obligated upon a request from certain holders of Senior Indebtedness) under the Indenture to enter into subordination agreements on behalf of the holders of Debentures with any holder of Senior Indebtedness.

### ***Repurchase upon a Change of Control***

Within 30 days following the occurrence of a Change of Control, the Corporation will be required to make an offer (the "**Debenture Offer**") in writing to holders of Debentures to, at the Debenture holder's election, either: (i) purchase all of the Debentures then outstanding at a price equal to 101% of the principal amount thereof plus accrued and unpaid interest thereon (the "**Debenture Offer Price**"); or (ii) convert the Debentures at the Change of Control Conversion Price (as defined herein). If 90% or more of the aggregate principal amount of the Debentures outstanding on the date of the giving of notice of the Change of Control have been tendered to the Corporation pursuant to the Debenture Offer, the Corporation will have the right to redeem all of the remaining Debentures at the Debenture Offer Price. If such purchase date is after a record date but on or prior to an Interest Payment Date, however, then the interest payable on such date will be paid to the holder of record of the Debentures on the relevant record date.

A Change of Control will be defined in the Indenture as: (i) any transaction resulting in the acquisition by any person, or group of persons acting jointly or in concert, of voting control or direction over more than 66 2/3% of the outstanding voting securities of the Corporation; (ii) the amalgamation, consolidation or merger of the Corporation with or into any other person or any merger of another person into the Corporation, unless the holders of voting securities of the Corporation immediately prior to such amalgamation, consolidation or merger hold securities representing 66 2/3% or more of the voting control or direction of the Corporation or the successor entity upon completion of the amalgamation, consolidation or merger; or (iii) any conveyance, transfer, lease, sale or other disposition of all or substantially all of the Corporation's and the Corporation's subsidiaries' assets and properties, taken as a whole, to another arm's length person. The Change of Control Conversion Price will be calculated as follows:

COCCP =  $ECP / (1 + (CP \times (c/t)))$  where:

COCCP is the Change of Control Conversion Price;

ECP = the Conversion Price in effect on the date on which the

Change of Control becomes effective;

CP = 65%;

c = the number of days from and including the date of the Change of Control to but excluding the Maturity Date; and

t = the number of days from and including the Closing Date to but excluding the Maturity Date.

See "*Details of the Offering – Debentures – Repurchase upon a Change of Control*".

Beneficial ownership will be determined in accordance with Multilateral Instrument 63-104 – *Take Over Bids and Issuer Bids* ("**MI 62-104**"). The term "person" includes any syndicate or group that would be deemed to be a "person" under MI 62-104.

### ***Interest Payment Election***

Unless an Event of Default has occurred and is continuing, the Corporation may elect, from time to time, subject to applicable regulatory approval, to satisfy its obligation to pay all or any portion of the Interest Obligation on an Interest Payment Date by delivering sufficient freely tradable Common Shares to the Debenture Trustee for sale, to satisfy the Interest Obligation, or portion thereof, as applicable, on the Interest Payment Date, in which event holders of the

Debentures will be entitled to receive a cash payment equal to the interest payable from the proceeds of the sale of such Common Shares (the "**Common Share Interest Payment Election**").

The Indenture will provide that, upon the Corporation making a Common Share Interest Payment Election, the Debenture Trustee will: (i) accept delivery from the Corporation of Common Shares; (ii) accept bids with respect to, and consummate sales of, such Common Shares, each as the Corporation shall direct in its absolute discretion through investment banks, brokers or dealers identified by the Corporation; (iii) invest the proceeds of such sales in debentures issued or guaranteed by the Government of Canada which mature prior to the applicable Interest Payment Date, and use the proceeds received from investment in such permitted government debentures, together with any additional cash provided by the Corporation, to satisfy the Interest Obligation; and (iv) perform any other action necessarily incidental thereto.

The Indenture will set out the procedures to be followed by the Corporation and the Debenture Trustee in order to effect the Common Share Interest Payment Election. If a Common Share Interest Payment Election is made, the sole right of a holder of Debentures in respect of interest will be to receive a cash payment equal to the interest owed on his Debentures from the Debenture Trustee out of the proceeds of the sale of Common Shares (plus any amount received by the Debenture Trustee from the Corporation) in full satisfaction of the Interest Obligation, and the holder of such Debentures will have no further recourse to the Corporation in respect of the Interest Obligation.

Notwithstanding the foregoing, neither the Corporation making the Common Share Interest Payment Election nor the consummation of sales of Common Shares will: (i) result in the holders of the Debentures not being entitled to receive, on the applicable Interest Payment Date, cash in an aggregate amount equal to the interest payable on such Interest Payment Date; or (ii) entitle or require such holders to receive any Common Shares in satisfaction of the Interest Obligation.

#### ***Modification***

The rights of the holders of Debentures may be modified in accordance with the terms of the Indenture. For that purpose, among others, the Indenture will contain certain provisions which make binding on all holders of outstanding Debentures, resolutions passed at meetings of the holders of outstanding Debentures by votes cast thereat by holders of not less than 66⅔% of the principal amount of the then-outstanding Debentures present at the meeting or represented by proxy, or rendered by instruments in writing signed by the holders of not less than 66⅔% of the principal amount of the then-outstanding Debentures. Under the Indenture, certain amendments of a technical nature or which are not prejudicial to the rights of the holders of the Debentures may be made to the Indenture without the consent of the holders of the Debentures.

#### ***Consolidation, Mergers or Sales of Assets***

The Indenture will provide that the Corporation may not, without the consent of the holders of the Debentures, consolidate or amalgamate with or merge into any person or sell, convey, transfer or lease all or substantially all of the Corporation's properties and assets to another person (other than the Corporation's direct or indirect wholly-owned subsidiaries) unless:

- (a) the resulting, surviving, continuing or transferee person expressly assumes all of the Corporation's obligations under the Debentures and Indenture;
- (b) if such resulting, surviving, continuing or transferee person is organized otherwise than under the laws of Canada, any province or territory thereof, the United States or any state or district thereof, it attorns to the jurisdiction of the courts of Alberta;
- (c) the Debentures will be valid and binding obligations of the resulting, surviving, continuing or transferee person entitling the holders thereof, as against such person, to all the rights of holders of Debentures under the Indenture;
- (d) after giving effect to the transaction, no Event of Default, and no event that, after notice or lapse of time, or both, would become an Event of Default, will occur; and

(e) such other conditions as may be described in the Indenture are met.

For certainty, the sale, conveyance, transfer or lease (in a single transaction or a series of related transactions) of the properties or assets of one or more subsidiaries (other than to the Corporation or another direct or indirect wholly-owned subsidiary) which, if such properties or assets were directly owned by the Corporation, would constitute all or substantially all of the properties and assets of the Corporation on a consolidated basis, shall be deemed to be a sale, conveyance, transfer or lease of all or substantially all of the properties and assets of the Corporation.

Although such transactions are permitted under the Indenture, certain of the foregoing transactions could constitute a Change of Control, which would require the Corporation to offer to purchase the Debentures as described above. An assumption of the Corporation's obligations under the Debentures and the Indenture by such resulting, surviving, continuing or transferee person or Corporation might be deemed for Canadian federal income tax purposes to be an exchange of the Debentures for new Debentures by the holders thereof, resulting in recognition of gain or loss for such purposes and possibly other adverse tax consequences to the holders. Holders should consult their own tax advisors regarding the tax consequences of such an assumption.

### ***Events of Default***

The Indenture will provide that an event of default ("**Event of Default**") in respect of the Debentures will occur if certain events described in the Indenture occur, including if any one or more of the following described events has occurred and is continuing: (i) failure for 15 days to pay interest on the Debentures when due; (ii) failure to pay principal or premium, if any (whether by payment in cash or delivery of Common Shares), on the Debentures when due, whether at maturity, upon redemption, on a Change of Control, by declaration or otherwise; (iii) default in the delivery, when due, of any Common Shares or other consideration payable upon conversion with respect to the Debentures, which default continues for 15 days; (iv) default in the observance or performance of any other covenant or condition of the Indenture and the failure to cure (or obtain a waiver for) such default for a period of 30 days after notice in writing has been given by the Debenture Trustee or from holders of not less than 25% of the aggregate principal amount of the Debentures specifying such default and requiring the Corporation to rectify or obtain a waiver for same; (v) certain events of bankruptcy, insolvency or reorganization of the Corporation under bankruptcy or insolvency laws; and (vi) if an event of default occurs or exists under any agreement evidencing indebtedness for borrowed money (other than non-recourse debt) of the Corporation and as a result of such event of default (a) indebtedness for borrowed money thereunder in excess of \$10,000,000 (or the equivalent amount in any other currency) has become due and payable before the date it would otherwise have been due and payable, and (b) the holders of such indebtedness are entitled to commence, and have commenced, the enforcement of security they hold for such indebtedness (if any) or the exercise of any other creditors' remedies to collect such indebtedness.

If an Event of Default has occurred and is continuing, the Debenture Trustee may, in its discretion, and will, upon the request of holders of not less than 25% in principal amount of the then-outstanding Debentures declare the principal of (and premium, if any) and interest on all outstanding Debentures to be immediately due and payable. In the case of certain events of bankruptcy or insolvency, the principal amount of the Debentures together with any accrued but unpaid interest through the occurrence of such events, shall automatically become due and payable. In certain cases, the holders of more than 50% of the principal amount of the Debentures then-outstanding may, on behalf of the holders of all Debentures, waive any Event of Default and/or cancel any such declaration upon such terms and conditions as such holders shall prescribe.

### ***Offers for Debentures***

The Indenture will contain provisions to the effect that if an offer is made for the Debentures which is a take-over bid for Debentures within the meaning of Multi-lateral Instrument 62-104 and in Ontario, the *Securities Act* (Ontario) and Ontario Securities Commission Rule 62-504 if the Debentures were considered equity securities, and not less than 90% of the principal amount of the then-outstanding Debentures (other than Debentures held at the date of the take-over bid by or on behalf of the offeror or associates or affiliates of the offeror) are taken up and paid for by the offeror, the offeror will be entitled to acquire the Debentures held by those who did not accept the offer on the terms offered by the offeror.

### ***Discharge of the Indenture***

The Corporation may satisfy and discharge the Corporation's obligations under the Indenture in certain circumstances, including by delivering to the Debenture Trustee for cancellation all outstanding Debentures or by depositing with the Debenture Trustee, or the paying agent, if applicable, after the Debentures have become due and payable, whether at stated maturity or any redemption date, or any purchase date, or a Change of Control Purchase Date (to the extent applicable), or upon conversion or otherwise, cash or Common Shares (as applicable under the terms of the Indenture) sufficient to pay the principal and premium of and all accrued and unpaid interest owing under all of the outstanding Debentures and paying all other sums payable under the Indenture.

### ***Calculations in Respect of Debentures***

The Corporation is responsible for making all calculations called for under the Debentures. These calculations include, but are not limited to, determination of the Current Market Price of Common Shares. The Corporation will make all these calculations in good faith and, absent manifest error, the Corporation's calculations are final and binding on holders of Debentures and the Debenture Trustee. The Corporation will provide a schedule of the Corporation's calculations to the Debenture Trustee and the Debenture Trustee is entitled to conclusively rely upon the accuracy of the Corporation's calculations without independent verification.

### ***No Personal Liability of Board of Directors, Officers, Employees, subsidiaries, Incorporators and Shareholders***

No past, present or future director, officer, employee or shareholder of the Corporation or any successor, as such, shall have any liability for any of the obligations of the Corporation under the Debentures or the Indenture or for any claim based on, in respect of or by reason of, such obligations or their creation. Each holder of Debentures by accepting a Debenture waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Debentures.

### ***Book-entry, Delivery and Form***

The Debentures will be issued as Global Debentures held by, or on behalf of, CDS, as custodian for its Participants. On the Closing Date, the Debenture Trustee will cause the Debentures to be delivered to CDS and registered in the name of its nominee.

Except as noted below, a purchaser acquiring a beneficial interest in the Debentures represented by Global Debentures (a "**Beneficial Owner**") will not be entitled to receive a certificate or other instrument representing the Debentures in definitive form. Rather, Beneficial Owners will receive only beneficial interests in such Debentures in "book-entry only" form (unless the Corporation elects or is required pursuant to the Indenture to prepare and deliver definitive Debentures in fully-registered form).

Beneficial interests in the Global Debentures will be represented through book-entry accounts of Participants. Each Beneficial Owner will receive a customer confirmation of purchase from the registered dealer from whom the Debenture is purchased in accordance with the practices and procedures of that registered dealer. The practices of registered dealers may vary, but generally customer confirmations are issued promptly after execution of a customer order. CDS will be responsible for establishing and maintaining book-entry accounts for its Participants having interests in Global Debentures.

Neither the Corporation nor the Underwriters nor the Debenture Trustee will assume any liability for: (a) any aspect of the records relating to the beneficial ownership of the Debentures held by CDS or the payments relating thereto; (b) maintaining, supervising or reviewing any records relating to the Debentures; or (c) any advice or representation made by or with respect to CDS and contained in this short form prospectus and relating to the rules governing CDS or any action to be taken by CDS or at the direction of its Participants. The rules governing CDS provide that it acts as the agent and depositary for the Participants. As a result, Participants must look solely to CDS and Beneficial Owners must look solely to Participants for the payment of the principal and interest on the Debentures paid by or on behalf of the Corporation to CDS.



As indirect holders of Debentures, investors should be aware that they (subject to the situations described below): (a) may not have Debentures registered in their name; (b) may not have physical certificates or other instruments representing their interest in the Debentures; (c) may not be able to sell the Debentures to institutions required by law to hold physical certificates for securities they own; and (d) may be unable to pledge Debentures as security.

The Debentures will be issued to Beneficial Owners in fully registered form (the “**Definitive Debenture Certificates**”) only if: (a) required to do so by applicable law, including where a Debenture certificate requires the addition of a legend under applicable securities law in the United States; (b) the book-entry only system ceases to exist; (c) the Corporation or CDS advises the Debenture Trustee that CDS is no longer willing or able to properly discharge its responsibilities as depository with respect to the Debentures and the Corporation is unable to locate a qualified successor; (d) the Corporation, at its option, decides to terminate the book-entry only system through CDS; or (e) after the occurrence of an Event of Default (as defined herein), provided that Participants acting on behalf of Beneficial Owners representing, in the aggregate, more than 25% of the aggregate principal amount of the Debentures then outstanding advise CDS in writing that the continuation of a book-entry only system through CDS is no longer in their best interest, and provided further that the Debenture Trustee has not waived the Event of Default in accordance with the terms of the Indenture.

Upon the occurrence of any of the events described in the immediately preceding paragraph, the Debenture Trustee must notify CDS, for and on behalf of Participants and Beneficial Owners, of the availability through CDS of Definitive Debenture Certificates. Upon surrender by CDS of the global certificates representing the Debentures and receipt of instructions from CDS for the new registrations, the Debenture Trustee will deliver the Debentures in the form of Definitive Debenture Certificates and thereafter the Corporation will recognize the holders of such Definitive Debenture Certificates as holders of Debentures under the Indenture.

Interest on the Debentures will be paid directly to CDS while the book-entry only system is in effect. If Definitive Debenture Certificates are issued, interest will be paid by cheque drawn on the Corporation and sent by prepaid mail to the registered holder or by such other means as may become customary for the payment of interest. Payment of principal, including payment in the form of Common Shares if applicable, and the interest due, at maturity or on a Redemption Date, will be paid directly to CDS while the book-entry only system is in effect. If Definitive Debenture Certificates are issued, payment of principal, including payment in the form of Common Shares if applicable, and interest due, at maturity or on a Redemption Date, will be paid upon surrender thereof at the principal offices of the Debenture Trustee in Calgary, Alberta or Toronto, Ontario, or as otherwise specified in the Indenture.

### ***Transfer and Exchange of Debentures***

Transfers of beneficial ownership in Debentures represented by Global Debentures will be effected through records maintained by CDS for such Debentures or its nominees (with respect to interests of Participants) and on the records of Participants (with respect to interests of persons other than Participants). Unless the Corporation elects or is required pursuant to the Indenture to prepare and deliver Definitive Debentures, beneficial owners who are not Participants in the Depository's book entry system, but who desire to purchase, sell or otherwise transfer beneficial ownership of or other interests in Global Debentures, may do so only through Participants in CDS' book-entry system. The ability of a Beneficial Owner to pledge the Debenture or otherwise take action with respect to such owner's interest in a Debenture represented by a Global Debenture (other than through a Participant) may be limited due to the lack of a physical certificate.

Registered holders of Definitive Debentures Certificates may transfer such Debentures upon payment of taxes or other charges incidental thereto, if any, by executing and delivering a form of transfer together with the Debentures to the Debenture Trustee at its principal offices in Calgary, Alberta, Toronto, Ontario, or such other city or cities as may from time to time be designated by the Corporation, whereupon new Definitive Debenture Certificates will be issued in authorized denominations in the same aggregate principal amount as the Debentures so transferred, registered in the names of the transferees. Neither the Corporation nor the Debenture Trustee, nor any registrar shall be required to: (i) make transfers or exchanges of Debentures on any Interest Payment Date or during the eight business days preceding the Interest Payment Date; (ii) make transfers or exchanges of Debentures on any Redemption Date or the Maturity Date, or during the eight business days preceding a Redemption Date or the Maturity Date; or (iii) make exchanges of any Debentures which will have been selected or called for redemption unless upon due presentation thereof for redemption such Debentures shall not be redeemed.

## **Payments**

Payments of interest and principal on each Global Debenture will be made to CDS or its nominee, as the case may be, as the registered holder of the Global Debenture. As long as CDS or its nominee is the registered owner of a Global Debenture, CDS or its nominee, as the case may be, will be considered the sole legal owner of the Global Debenture for the purposes of receiving payments of interest and principal on the Debentures and for all other purposes under the Indenture and Debentures. Interest payments on Global Debentures will be made by electronic funds transfer or by cheque on the day interest is payable and delivered to CDS or its nominee, as the case may be.

The Corporation understands that CDS or its nominee, upon receipt of any payment of interest or principal in respect of a Global Debenture, will credit Participants' accounts, on the date on which interest or principal is payable, with payments in amounts proportionate to their respective beneficial interest in the principal amount of such Global Debenture as shown on the records of CDS or its nominee. The Corporation also understands that payments of interest and principal by Participants to the owners of beneficial interests in such Global Debenture held through such Participants will be governed by standing instructions and customary practices, as is the case with Debentures held for the accounts of customers in bearer form or registered in "street name" and will be the responsibility of such Participants. The Corporation's responsibility and liability in respect of payments on Debentures represented by the Global Debenture is limited solely and exclusively, while the Debentures are registered in Global Debenture form, to making payment of any interest and principal due on such Global Debenture to CDS or its nominee.

If Definitive Debentures are issued instead of or in place of Global Debentures, payments of interest on each Definitive Debenture will be made by electronic funds transfer, if agreed to by the holder of the Definitive Debenture, or by cheque dated the Interest Payment Date and mailed to the address of the holder appearing in the register maintained by the Debenture Trustee at least one business day prior to the applicable Interest Payment Date. Payment of principal at maturity will be made at the principal office of the Debenture Trustee in Calgary, Alberta (or in such other city or cities as may from time to time be designated by the Corporation) against surrender of the Definitive Debentures, if any.

## **Governing Laws**

The Indenture and Debentures will be governed by, and construed in accordance with, the laws of the Province of Alberta and the federal laws of Canada applicable therein.

## **PLAN OF DISTRIBUTION**

Pursuant to the Underwriting Agreement, the Corporation has agreed to issue and sell \$22,000,000 aggregate principal amount of Debentures to the Underwriters, and the Underwriters have severally agreed to purchase such Debentures from the Corporation on the Closing Date. Delivery of the Debentures to be issued on the Closing Date is conditional upon payment by the Underwriters of \$1,000 per Debenture to the Corporation. The Underwriting Agreement provides that the Corporation will pay the Underwriters' Fee of \$40.00 per Debenture, for an aggregate fee payable by the Corporation of \$880,000 (\$1,012,000 if the Over-Allotment Option is exercised in full), in consideration for the Underwriters' services in connection with the Offering. The terms of the Offering were determined by negotiation among the Corporation and NBF, on its own behalf, and on behalf of the other Underwriters.

The Corporation has granted the Underwriters the Over-Allotment Option (for purposes of covering the Underwriters' over-allocation position, if any, and for market stabilization purposes), which option is exercisable, in whole or in part, for a period commencing at the closing of the Offering and ending 30 days following the Closing Date, and entitles the Underwriters to purchase up to an additional \$3,300,000 aggregate principal amount of Debentures at a price of \$1,000 per Debenture. The Debentures distributed in connection with the exercise of the Over-Allotment Option will have the same terms and conditions as the other Debentures distributed pursuant to the Offering. This short form prospectus qualifies the distribution of Debentures issuable upon the exercise of the Over-Allotment Option. If the Over-Allotment Option is fully exercised, the total Price to the Public, the Underwriters' Fee and the Net Proceeds to the Corporation in respect of the Debentures will be \$25,300,000, \$1,012,000 and \$24,288,000, respectively (prior to giving effect to the expenses of the Offering, which are estimated to be \$350,000). A purchaser who acquires Debentures forming part of the

over-allocation position acquires such Debentures under this short form prospectus regardless of whether the over-allocation position is filled through the exercise of the Over-Allotment Option or secondary market purchases.

The TSX-V has conditionally approved the listing of the Debentures distributed under this short form prospectus (including any Debentures that may be issued pursuant to the Over-Allotment Option) and the Common Shares issuable upon conversion, redemption or at maturity of the Debentures on the TSX-V. The listing of such securities will be subject to the Corporation fulfilling all the listing requirements of the TSX-V, including distribution of these securities to a minimum number of public securityholders.

The obligations of the Underwriters under the Underwriting Agreement are several and not joint, and may be terminated at their discretion upon the occurrence of certain stated events. If an Underwriter fails to purchase the Debentures which it has agreed to purchase, the remaining Underwriter(s) may terminate their obligation to purchase their allotment of Debentures, or may, but are not obligated to, purchase the Debentures not purchased by the Underwriter or Underwriters which fail to purchase. The Underwriters are, however, obligated to take up and pay for all Debentures if any are purchased under the Underwriting Agreement. The Underwriting Agreement also provides that the Corporation will indemnify the Underwriters and their directors, officers, agents, shareholders and employees against certain liabilities and expenses.

The Debentures will be issued in "book entry only" form and must be purchased or transferred through a Participant. See "*Details of the Offering – Debentures - Book Entry, Delivery and Form*".

The Corporation has been advised by the Underwriters that, in connection with the Offering, the Underwriters may effect transactions that stabilize or maintain the market price of the Debentures at levels other than those that might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

The Corporation has agreed that they will not sell or offer to sell, or otherwise issue, lend, transfer or dispose of any Common Shares or other securities that are exchangeable, convertible or exercisable into Common Shares without the prior written consent of NBF, such consent not to be unreasonably withheld, except in connection with: (a) the Corporation's currently established equity based incentive plans; and (b) the payment of the purchase price, or any portion thereof, for arm's length acquisitions completed by the Corporation, for a period of 90 days from the Closing Date.

The Debentures have not been and will not be registered under the U.S. Securities Act or any state securities laws, and accordingly may not be offered or sold within the United States except in transactions exempt from the registration requirements of the U.S. Securities Act and applicable state securities laws.

#### **RELATIONSHIP BETWEEN THE CORPORATION AND A CERTAIN UNDERWRITER**

In connection with this Offering, the Corporation may be considered a "connected issuer" of Scotia Capital Inc. under applicable Canadian securities laws as Scotia Capital Inc. is a subsidiary of a financial institution (the "**Bank**") which is among the Corporation's principal lenders under the Credit Facilities. As at October 15, 2012, approximately \$78.6 million was outstanding under the Credit Facilities. A portion of the net proceeds of the Offering will be used to temporarily repay a portion of the current outstanding indebtedness of the Corporation under the Credit Facilities (see "*Use of Proceeds*"). The Credit Facilities are secured by a first charge security interest against substantially all of the assets of the Corporation and its subsidiaries. The Credit Facilities contain representations and covenants, restrictions and events of default that are customary for such agreements, including restrictions on the Corporation relating to additional indebtedness, liens and encumbrances and adherence to specified financial covenants. As of the date of this short form prospectus, the Corporation is in compliance with the terms of such Credit Facilities and the financial position of the Corporation and the value of the security granted to the Bank pursuant to such agreements have not materially adversely changed since such agreements were entered into. The decision of Scotia Capital Inc. to underwrite the Offering was made independently of the Bank and the Bank has no influence as to the determination of the terms of distribution; however, the Bank has been advised of the issuance and the terms thereof. As a consequence of this issuance Scotia Capital Inc. will receive its respective share of the Underwriters' fee and the Bank, along with the other members of the lending syndicate, will receive a repayment of a portion of the Corporation's outstanding indebtedness (see "*Use of Proceeds*").

## CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Counsel, the following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations generally applicable to a person who acquires a beneficial interest in the Debentures pursuant to this Offering (a “**Holder**”). This summary is based on the facts set out in this short form prospectus and is applicable to a holder who, for the purposes of the Tax Act and at all relevant times; (i) holds the Debentures and will hold the Common Shares issuable on the conversion, redemption or maturity of the Debentures (collectively, the “**Securities**”) as capital property; and (ii) deals at arm's length with and is not affiliated with the Corporation. Generally, the Debentures and Common Shares will be considered to be capital property to a Holder provided that such Holder does not hold the Debentures or Common Shares in the course of carrying on a business or trading or dealing in securities and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade. Certain Holders who are resident of Canada and who might not otherwise be considered to hold their Debentures and Common Shares as capital property may, in certain circumstances, be entitled to have them and any other “Canadian security” (as defined in the Tax Act) treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act.

This summary is not applicable to a Holder: (i) that is a "financial institution" (as defined in the Tax Act for purposes of the mark-to-market rules); (ii) that is a "specified financial institution" (as defined in the Tax Act); (iii) an interest in which would be a "tax shelter investment" (as defined in the Tax Act); or (iv) who makes or has made a functional currency reporting election pursuant to section 261 of the Tax Act. **Such Holders should consult its own tax advisor with respect to an investment in the Debentures and the Common Shares.**

This summary is based on the provisions of the Tax Act in force at the date hereof, all specific proposals to amend the Tax Act which have been publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the “**Proposed Amendments**”), counsel's understanding of the current published administrative practices and assessing policies of the Canada Revenue Agency (the “**CRA**”). This summary assumes the Proposed Amendments will be enacted in the form proposed, however, no assurance can be given that the Proposed Amendments will be enacted in the form proposed or at all. This summary is not exhaustive of all possible Canadian federal income tax considerations and, except for the Proposed Amendments, does not take into account or anticipate any changes in the law, whether by legislative, governmental, administrative or judicial decision or action, nor does it take into account provincial, territorial or foreign tax legislation or considerations, which may differ significantly from those discussed herein.

**This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to particular Holder, and no representations with respect to the income tax consequences to any Holder or prospective Holder are made. Prospective Holders should consult their own tax advisors for advice with respect to the tax consequences to them of acquiring, holding and disposing of the Debentures and Common Shares, having regard to their particular circumstances.**

### **Holders Resident in Canada**

Subject to the foregoing limitations and exclusions, the following discussion applies to a holder of Debentures and Common Shares who, at all relevant times, is or is deemed to be resident in Canada for purposes of the Tax Act and any applicable income tax convention (a “**Resident Holder**”).

### ***Taxation of Interest on Debentures***

A Resident Holder that is a corporation, partnership, unit trust or any trust of which a corporation or a partnership is a beneficiary will be required to include in computing its income for a taxation year any interest on the Debentures that accrues or that is deemed to accrue to it to the end of that taxation year or that has become receivable or is received by the Resident Holder before the end of that taxation year, except to the extent that such interest was included in computing the Resident Holder's income for a preceding taxation year.

Any other Resident Holder, including an individual, will be required to include in computing its income for a taxation year all interest on the Debentures that is received or receivable by the Resident Holder in that taxation year (depending upon

the method regularly followed by the Resident Holder in computing income), except to the extent that the interest was included in the Resident Holder's income for a preceding taxation year. In addition, if at any time a Debenture should become an "investment contract" (as defined in the Tax Act) in relation to a Resident Holder, such Resident Holder will be required to include in computing income for a taxation year any interest that accrues (or is deemed to accrue) to the Resident Holder on the Debenture 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 Resident Holder's income for that year or a preceding taxation year.

A Resident Holder of Debentures that throughout the relevant taxation year is a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay an additional refundable tax of 6<sup>2/3</sup>% on certain investment income, which is defined in the Tax Act to include interest. As described above under the heading "*Details of the Offering - Debentures - Interest Payment Election*", the Corporation may elect to pay interest by issuing Common Shares to the Debenture Trustee for sale, in which event a Resident Holder would be entitled to receive a cash payment equal to the interest owed to the Resident Holder from the proceeds of sale of such Common Shares by the Debenture Trustee. If the Corporation were to pay interest in this manner, the Canadian federal income tax consequences to a Resident Holder would generally be the same as those described above.

### ***Exercise of the Conversion Privilege***

Generally, a Resident Holder who converts a Debenture into Common Shares (or Common Shares and cash delivered in lieu of a fraction of a Common Share) pursuant to the conversion privilege will be deemed not to have disposed of the Debenture and, accordingly, will not be considered to realize a capital gain (or capital loss) on such conversion. Under the current administrative practice of the CRA, a Resident Holder who, upon conversion of a Debenture, receives cash not in excess of \$200 in lieu of a fraction of a Common Share may either treat this amount as proceeds of disposition of a portion of the Debenture, thereby recognizing a capital gain (or capital loss), or reduce the adjusted cost base of the Common Shares that the Resident Holder receives on the conversion by the amount of the cash received.

Resident Holders that convert their Debentures on an Interest Payment Date will receive the interest that has accrued to that date and be required to include such amount of interest in income as described above under the heading "*Taxation of Interest on Debentures*". Resident Holders that convert their Debentures between interest payment dates will not receive any interest accrued to the date of conversion. Any Resident Holder that disposes of its Debentures on a conversion for consideration equal to fair market value will generally be entitled to deduct in computing income for the year of disposition an amount equal to any interest included in income for that or any preceding year to the extent that no amount was received or became receivable by the Resident Holder in respect of such interest.

The aggregate cost to a Resident Holder of the Common Shares acquired on the conversion of a Debenture will generally be equal to the aggregate of the Resident Holder's adjusted cost base of the Debenture immediately before the conversion. The adjusted cost base to a Resident Holder of Common Shares at any time will be determined by averaging the cost of such Common Shares with the adjusted cost base of any other Common Shares owned by the Resident Holder as capital property at that time.

Where a Resident Holder has exercised their conversion privilege in respect of a Debenture and the Corporation pays cash to the Holder in accordance with the Cash Conversion Option, the Resident Holder will be considered to have disposed of the Debenture for proceeds of disposition equal to the amount of cash consideration so received (except any cash received in satisfaction of accrued interest). In such circumstances, the Resident Holder will be subject to the tax treatment described below under "*Certain Canadian Federal Income Tax Considerations - Dispositions of Debentures*".

### ***Disposition of Debentures***

A disposition or deemed disposition of a Debenture by a Resident Holder, including a redemption, payment on maturity, payment pursuant to the Cash Conversion Option or purchase for cancellation (but not including the conversion of a Debenture into Common Shares pursuant to the Resident Holder's right of conversion described above) will generally give rise to a capital gain (or capital loss) equal to the amount by which the proceeds of disposition, net of any amount otherwise required to be included in the Resident Holder's income as interest, are greater (or less) than the aggregate of the Resident Holder's adjusted cost base of the Debenture and any reasonable costs of disposition. Such capital gain (or

capital loss) will be subject to the tax treatment described below under the heading "*Certain Canadian Federal Income Tax Considerations - Taxation of Capital Gains and Capital Losses*".

If the Corporation pays any amount upon the redemption, purchase or maturity of a Debenture by issuing Common Shares to the Resident Holder, the Resident Holder's proceeds of disposition of the Debenture will be equal to the fair market value, at the time of disposition of the Debenture, of the Common Shares and any other consideration so received (except consideration received in satisfaction of accrued interest). The Resident Holder's cost base of the Common Shares so received will be equal to the fair market value of such Common Shares. The adjusted cost base to a Resident Holder of Common Shares at any time will be determined by averaging the cost of such Common Shares with the adjusted cost base of any other Common Shares owned by the Resident Holder as capital property at that time.

Upon a disposition or deemed disposition of a Debenture, interest accrued thereon to the date of disposition will generally be included in computing the income of the Resident Holder as described above under the heading "*- Taxation of Interest on Debentures*" and will generally be excluded in computing the Resident Holder's proceeds of disposition of the Debenture.

### ***Receipt of Dividends on Common Shares***

A Resident Holder will be required to include in computing its income for a taxation year any taxable dividends received or deemed to be received on such Resident Holder's Common Shares. In the case of a Resident Holder who is an individual (other than certain trusts), such taxable dividends will be subject to the normal gross-up and dividend tax credit rules applicable to taxable dividends received from taxable Canadian corporations under the Tax Act. Taxable dividends received from a taxable Canadian corporation which are designated by such Corporation as "eligible dividends" will be subject to an enhanced gross-up and dividend tax credit regime in accordance with the rules in the Tax Act.

Taxable dividends received by a Resident Holder who is an individual (other than certain trusts) may result in such Resident Holder being liable for alternative minimum tax under the Tax Act. Resident Holders who are individuals should consult their own tax advisors in this regard.

A Resident Holder that is a corporation will be required to include any dividends received or deemed to be received on Common Shares in computing its income for the purposes of the Tax Act and will generally be entitled to deduct the amount of such dividends in computing its taxable income for that taxation year with the result that no tax will be payable by it in respect of such dividends. The Tax Act imposes a 33 1/3% refundable tax on dividends received (or deemed to be received) in a taxation year by a corporation that is a "private corporation" or "subject corporation" (as defined in the Tax Act) for purposes of Part IV of the Tax Act to the extent that such dividends are deductible in computing the corporation's taxable income for the year. This tax will generally be refunded to the Corporation at a rate of \$1.00 for every \$3.00 of taxable dividends paid while it is a private corporation.

### ***Disposition of Common Shares***

A disposition or deemed disposition of a Common Share by a Resident Holder (except to the Corporation) will generally result in the resident Holder realizing a capital gain (or capital loss) equal to the amount by which the proceeds of disposition of the Common Share are greater (or less) than the aggregate of the Resident Holder's adjusted cost base of the Common Shares and any reasonable cost of disposition. Such capital gain (or capital loss) will be subject to the tax treatment described below under the heading "*Certain Canadian Federal Income Tax Considerations - Taxation of Capital Gains and Capital Losses*".

### ***Taxation of Capital Gains and Capital Losses***

Generally, one half of any capital gain (a "**taxable capital gain**") realized by a Resident Holder in a taxation year will be included in the Resident Holder's income for the year, and one half of any capital loss (an "**allowable capital loss**") realized by a Resident Holder in a taxation year must be deducted from taxable capital gains realized by the Resident Holder in that year. Allowable capital losses for a taxation year in excess of taxable capital gains for that year generally may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized in such years, to the extent and under the circumstances described in the Tax Act.

The amount of any capital loss realized by a Resident Holder that is a corporation on the disposition of a Common Share may be reduced by the amount of any dividends received or deemed to be received by the Resident Holder on such Common Share (or on a share for which the Common Share has been substituted) to the extent and under the circumstances described in the Tax Act. Similar rules may apply where a corporation is a member of a partnership or a beneficiary of a trust that owns Common Shares, directly or indirectly, through a partnership or trust. A Resident Holder that throughout the relevant taxation year is a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay an additional refundable tax of 6 2/3% on its aggregate investment income, which is defined in the Tax Act to include taxable capital gains.

Capital gains realized by an individual (including certain trusts) may give rise to liability for alternative minimum tax as calculated under the detailed rules set out in the Tax Act.

### **Holders Not Resident in Canada**

Subject to the foregoing limitations and exclusions, the following discussion applies to a holder of Debentures and Common Shares who, at all relevant times, is or is deemed to not be resident in Canada for purposes of the Tax Act and any applicable income tax convention (a "**Non-Resident Holder**"). Special rules, which are not discussed in this summary, may apply to a non-resident insurer or an authorized foreign bank (as defined in the Tax Act), and this summary is not applicable to such holders.

### ***Taxation of Interest on Debentures***

A Non-Resident Holder will generally not be subject to Canadian withholding tax in respect of amounts paid or credited or deemed to have been paid or credited by the Corporation as, on account or in lieu of, or in satisfaction of, interest or principal on the Debentures. See "*Risk Factors – Withholding Tax*".

### ***Exercise of the Conversion Privilege***

The conversion of a Debenture into Common Shares pursuant to the conversion privilege by a Non-Resident Holder will generally be deemed not to constitute a disposition of the Debenture and, accordingly, a Non-Resident Holder will not recognize a gain (or loss) on such conversion.

### ***Disposition of Common Shares***

A Non-Resident Holder will not be subject to tax under the Tax Act in respect of any capital gain realized by such Non-Resident Holder on a disposition or deemed disposition of a Debenture (but not including the conversion of a Debenture into Common Shares pursuant to the Non-Resident Holder's right of conversion discussed above) or a Common Share, as the case may be, unless the Debenture or Common Share is, or is deemed to be, "taxable Canadian property" (as defined in the Tax Act) to the Non-Resident Holder at the time of disposition and the Non-Resident Holder is not entitled to relief under an applicable tax treaty between Canada and the country of residence of the Non-Resident Holder. Provided the Common Shares are listed on a designated stock exchange (which currently includes the TSX-V) at the time of disposition, the Debentures and the Common Shares generally will not constitute taxable Canadian property of a Non-Resident Holder, unless, at any time during the 60-month period that ends at that time, the Non-Resident Holder, persons not dealing at arm's length with such Non-Resident Holder or the Non-Resident Holder together with all such persons, owned 25% or more of the issued shares of any class or series of the capital stock of the Corporation and more than 50% of the fair market value of the Common Shares are derived directly or indirectly from one or any combination of: (i) real or immovable property situated in Canada; (ii) Canadian resource properties; (iii) timber resource properties; and (iv) options in respect of, or interests in or rights in property described in (i) to (iii). A Non-Resident Holder owning Debentures or Common Shares that may constitute taxable Canadian property should consult its tax advisors prior to a disposition thereof.

### ***Receipt of Dividends on Common Shares***

Where a Non-Resident Holder receives or is deemed to receive a dividend on Common Shares, the amount of such dividend will be subject to Canadian withholding tax at the rate of 25% of the gross amount of the dividend unless the rate is reduced under the provisions of an applicable income tax treaty or convention between Canada and the Non-

Resident Holder's country of residence. Where the Non-Resident Holder is a resident of the United States who is entitled to benefits under the *Canada-United States Income Tax Convention* (1980), as amended and is the beneficial owner of the dividends, the rate of Canadian withholding tax applicable to dividends is generally reduced to 15%.

#### **ELIGIBILITY FOR INVESTMENT**

In the opinion of Counsel, based on the provisions of the Tax Act in force on the date hereof and specific proposals to amend the Tax Act publicly announced prior to the date hereof, and subject to the terms of any particular plan or accounts, provided the Common Shares are listed on a designated stock exchange (which currently includes the TSX-V), the Debentures and the Common Shares issuable on the conversion, redemption or maturity of the Debentures, if issued on the date hereof, would be qualified investments under the Tax Act on the date hereof for trusts governed by registered retirement savings plans ("**RRSPs**"), registered retirement income funds ("**RRIFs**"), deferred profit sharing plans (except, in the case of the Debentures, a deferred profit sharing plan to which the Corporation, or an employer that does not deal at arm's length with the Corporation, has made a contribution), registered education savings plans, registered disability savings plans and tax-free savings accounts ("**TFSAs**").

In the case of an RRSP, RRIF or TFSA that holds the Debentures and the Common Shares, a penalty tax may be imposed on the holder if such securities are a "prohibited investment" within the meaning of the Tax Act. The Debentures and the Common Shares will generally be a "prohibited investment" if the holder or the annuitant (hereafter, the "**Controlling Person**"), as the case may be, does not deal at arm's length with the Corporation for purposes of the Tax Act or has a "significant interest" (for the purposes of the prohibited investment rules) in the Corporation or a corporation, partnership or trust with which the Corporation does not deal at arm's length for the purposes of the Tax Act. Generally, a Controlling Person should not hold a significant interest in the Corporation provided that neither the Controlling Person nor any one or more persons with whom the Controlling Person does not deal at arm's length, alone or in any combination, directly or indirectly holds 10% or more of the issued shares of any class of shares in the capital stock of the Corporation. For these purposes, specific rules may deem a Controlling Person to own shares of the Corporation that are held by a partnership in which the holder is a member or by a trust of which the holder is a beneficiary.

**Prospective purchasers who intend to hold Debentures and Common Shares in their TFSA, RRSP or RRIF should consult their own tax advisors regarding their particular circumstances.**

#### **RISK FACTORS**

**An investment in the Debentures, including the Common Shares issuable upon conversion, redemption or at maturity of the Debentures, is subject to certain risks inherent in the Corporation's business. Investors should carefully consider the risks described under the heading "*Business Risks*" in the Corporation's Annual MD&A incorporated by reference in this short form prospectus as well as the risks identified elsewhere in this short form prospectus, including those described below in this section, and in the other documents incorporated by reference herein, prior to making an investment in the Debentures.**

##### ***Market for Debentures***

There is currently no market through which the Debentures may be sold and purchasers may not be able to resell Debentures purchased under this short form prospectus. This may affect the pricing of the Debentures in the secondary market, the transparency and availability of trading prices, the liquidity of the Debentures and the extent of issuer regulation. There can be no assurance that an active trading market will develop for the Debentures after completion of the Offering, or if developed, that such a market will be sustained at the price level of the Offering. If an active or liquid market for the Debentures fails to develop or be sustained, the prices at which the Debentures trade may be adversely affected. Whether or not the Debentures will trade at lower prices depends on many factors, including the liquidity of the Debentures, prevailing interest rates and the markets for similar securities, the market price of the Common Shares, general economic conditions and the Corporation's financial condition, historic financial performance and future prospects. Further, the holders of the Common Shares may suffer dilution if the Corporation decides to redeem outstanding Debentures for Common Shares or to repay outstanding principal amounts thereunder at maturity of the Debentures by issuing additional Common Shares.



### ***Volatility of Market Price of Common Shares***

The market price of the Common Shares may be volatile. The volatility may affect the ability of holders of Common Shares to sell the Common Shares issuable on conversion, redemption or at maturity of the Debentures at an advantageous price. Market price fluctuations in the Common Shares may be due to the Corporation's operating results failing to meet the expectations of securities analysts or investors in any quarter, downward revision in securities analysts' estimates, governmental regulatory action, adverse change in general market conditions or economic trends, acquisitions, dispositions or other material public announcements by the Corporation or its competitors, along with a variety of additional factors, including, without limitation, those set forth under the heading "*Business Risks*" in the Corporation's Annual MD&A incorporated by reference in this short form prospectus. In addition, the market price for securities in the stock markets can experience significant price and trading fluctuations. These fluctuations can result in volatility in the market prices of securities that is often unrelated or disproportionate to changes in operating performance. These broad market fluctuations may adversely affect the market prices of the Common Shares.

### ***Existing and Prior Ranking Indebtedness***

The Debentures will be subordinate to Senior Indebtedness of the Corporation. The Debentures will also be effectively subordinate to claims of creditors of the Corporation's subsidiaries, except to the extent that the Corporation is a creditor of such subsidiaries ranking at least *pari passu* with such creditors. In the event of the Corporation's insolvency, bankruptcy, liquidation, reorganization, dissolution or winding up, its assets would be made available to satisfy the obligations of the creditors of such Senior Indebtedness before being available to pay the Corporation's obligations to the holders of the Debentures. Accordingly, all or a substantial portion of the Corporation's assets could be unavailable to satisfy the claims of the holders of the Debentures.

The Corporation's ability to meet its debt-service requirements will depend on its ability to generate cash in the future, which depends on many factors, including the Corporation's financial performance, debt-service obligations, working capital and future capital-expenditure requirements. In addition, the Corporation's ability to borrow funds in the future and to make payments on outstanding debt will depend on the satisfaction of covenants in then existing credit agreements and other agreements. A failure to comply with any covenants or obligations under the Corporation's consolidated indebtedness could result in a default, which, if not cured or waived, could result in the acceleration of the relevant indebtedness. If such indebtedness were to be accelerated, there can be no assurance that the Corporation's assets would be sufficient to repay such indebtedness in full. There can also be no assurance that the Corporation will generate cash flow in amounts sufficient to pay outstanding indebtedness or to fund any other liquidity needs.

### ***Repayment of the Debentures***

The Corporation may not be able to refinance the principal amount of the Debentures in order to repay the principal outstanding or may not have generated enough cash from operations to meet this obligation. The Corporation may, at its option, on not more than 60 days' and not less than 40 days' prior notice and subject to any required regulatory approvals, unless an Event of Default has occurred and is continuing, elect to satisfy its obligation to repay, in whole or in part, the principal amount of the Debentures which are to be redeemed or which have matured by issuing and delivering Common Shares to the holders of the Debentures. There is no guarantee that the Corporation will be able to repay the outstanding principal amount in cash at maturity of the Debentures.

### ***Prevailing Yields on Similar Debentures***

Prevailing yields on similar Debentures will affect the market value of the Debentures. Assuming all other factors remain unchanged, the market value of the Debentures will decline as prevailing yields for similar Debentures rise, and will increase as prevailing yields for similar Debentures decline.

### ***Redemption on a Change of Control***

The Corporation may be required to offer to purchase for cash all outstanding Debentures upon the occurrence of a Change of Control. However, it is possible that following a Change of Control, the Corporation will not have sufficient funds at that time to make the required purchase of outstanding Debentures or that restrictions contained in other

indebtedness will restrict those purchases. See "*Details of the Offering – Debentures – Repurchase Upon a Change of Control*". In addition, the Corporation's ability to purchase the Debentures in such an event may be limited by law, by the Indenture, by the terms of other present or future agreements relating to indebtedness, and agreements that the Corporation may enter into in the future which may replace, supplement or amend the Corporation's future debt. The Corporation's future credit agreements or other agreements may contain provisions that could prohibit the purchase of the Debentures by the Corporation. The Corporation's failure to purchase the Debentures would constitute an Event of Default under the Indenture, which might constitute a default under the terms of the Corporation's other indebtedness at that time.

#### ***Absence of Covenant Protection***

The Indenture will not restrict the Corporation or any of its subsidiaries from incurring additional indebtedness or from mortgaging, pledging or charging its assets to secure any indebtedness. The Indenture will not contain any provisions specifically intended to protect holders of the Debentures in the event of a future leveraged transaction involving the Corporation or any of its subsidiaries.

#### ***Redemption Prior to Maturity***

On or after October 31, 2015 and prior to October 31, 2016, the Debentures may be redeemed by the Corporation, in whole or in part from time to time, on not more than 60 days' and not less than 30 days' prior written notice, at a redemption price equal to the principal amount thereof plus accrued and unpaid interest thereon, if any, up to, but not including, the Redemption Date, provided that the Current Market Price of the Common Shares on the date on which notice of redemption is given is not less than 125% of the Conversion Price. On or after October 31, 2016, the Debentures may be redeemed by the Corporation, in whole or in part from time to time, on not more than 60 days' and not less than 30 days' prior written notice, at a redemption price equal to the principal amount thereof plus accrued and unpaid interest thereon, if any, up to, but not including, the Redemption Date. See "*Details of the Offering – Debentures – Redemption and Purchase*". Holders of Debentures should assume that this redemption option will be exercised if the Corporation is able to refinance at a lower interest rate or it is otherwise in the interest of the Corporation to redeem the Debentures.

#### ***Dilutive Effects on Holders of Common Shares***

The Corporation expects to issue Common Shares upon conversion, redemption or at maturity of the Debentures. Additionally, the Corporation may issue Common Shares in connection with the payment of interest on the Debentures. Accordingly, holders of Common Shares may suffer dilution.

#### ***Cash Conversion Option***

The Debentures, although generally convertible into Common Shares at the Conversion Price, have a feature pursuant to which the Corporation can elect to satisfy its obligation under the conversion right of investors by paying cash. Investors should be aware that the value paid pursuant to the Cash Conversion Option can be less than the principal amount of the Debentures as the calculation is based on the trading prices of the Common Shares commencing on the third day following the Conversion Date and the number of Common Shares used to determine the cash value is based on the Conversion Price (which may be higher than the trading price). Holders should also be aware that there are different tax consequences of receiving cash pursuant to the Cash Conversion Option and receiving Common Shares pursuant to the conversion feature. See "*Certain Canadian Federal Income Tax Considerations*".

The Corporation's election to deliver cash in respect of the conversion obligation as described under "*Details of the Offering - Cash Conversion Option*" may: (i) result in holders receiving no Common Shares upon conversion; (ii) result in tax liability that would otherwise be deferred upon a conversion of the Debentures until the Common Shares received on conversion were sold; and (iii) delay holders' receipt of the consideration due upon conversion. Pursuant to the Cash Conversion Option, the Corporation will pay the cash consideration due no later than the third business day after the last trading day in the Observation Period, which will generally be 15 trading days after the holders surrender their Debentures for conversion.

If the Corporation has elected to deliver cash in respect of the conversion obligation, because the consideration due upon conversion is based on the trading prices of the Common Shares during the Observation Period, any decrease in the price of the Common Shares after a holder surrenders the Debentures for conversion may significantly decrease the value of the consideration a holder receives upon conversion.

### ***Credit Risk***

The likelihood that purchasers of the Debentures will receive payments owing to them under the terms of the Debentures will depend on the Corporation's financial health and creditworthiness at the time of such payments.

### ***Change in Tax Laws***

The Indenture will not contain a requirement that the Corporation increase the amount of interest or other payments to holders of Debentures in the event that the Corporation is required to withhold amounts in respect of income or similar taxes on payment of interest or other amounts on the Debentures. At present, no amount is required to be withheld from such payments to holders of Debentures resident or non-resident of Canada dealing at arm's length with the Corporation, but no assurance can be given that applicable income tax laws or treaties will not be changed in a manner that may require the Corporation to withhold amounts in respect of tax payable on such amounts.

### ***Withholding Tax***

Effective January 1, 2008, the Tax Act was amended to generally eliminate withholding tax on interest paid or credited to non-residents of Canada with whom the payor deals at arm's length. However, Canadian withholding tax continues to apply to payments of "participating debt interest". For purposes of the Tax Act, participating debt interest is generally interest that is paid on an obligation where all or any portion of such interest is contingent or dependent on the use of or production from property in Canada or is computed by reference to revenue, profit, cash flow, commodity price or any similar criterion.

Under the Tax Act, when a debenture or other debt obligation issued by a person resident in Canada is assigned or otherwise transferred by a non-resident person to a person resident in Canada (which would include a conversion of the obligation or payment at maturity), the amount, if any, by which the price for which the obligation was assigned or transferred exceeds the price for which the obligation was issued is deemed to be a payment of interest on that obligation made by the person resident in Canada to the non-resident (an "Excess"). The deeming rule does not apply in respect of certain "excluded obligations", although it is not clear whether a particular convertible debenture would qualify as an "excluded obligation". If a convertible debenture is not an "excluded obligation", issues that arise are whether any Excess would be considered to exist, whether any such Excess which is deemed to be interest is "participating debt interest", and if the Excess is participating debt interest, whether that results in all interest on the obligation being considered to be participating debt interest.

The CRA has stated that no Excess, and therefore no participating debt interest, would in general arise on the conversion of a "traditional convertible debenture" and therefore, there would be no withholding tax in such circumstances (provided that the payor and payee deal at arm's length for purposes of the Tax Act). The CRA has published guidance on what it believes to be a "traditional convertible debenture" for these purposes. The Debentures should generally meet the criteria set forth in CRA's published guidance; however, there can be no assurance that amounts paid or payable by the Corporation to a Holder of Debentures on account of interest or any Excess amount will not be subject to Canadian withholding tax at 25% (subject to any reduction in accordance with a relevant tax treaty).

### ***The Corporation May Use the Proceeds of this Offering for Purposes Other Than Those Set Out in this Short Form Prospectus***

The Corporation currently intends to allocate the proceeds received from the Offering as described under "Use of Proceeds" in this short form prospectus. However, management will have discretion in the actual application of the proceeds, and may elect to allocate proceeds differently from that described in "Use of Proceeds" if it is believed it would be in the best interests of the Corporation to do so if circumstances change. The failure by management to apply these funds effectively could have a material adverse effect on the business of the Corporation.

### ***Acquisition Related Risks***

Strategic acquisitions have been an important element of the Corporation's business strategy, and the Corporation will continue to pursue such acquisitions in the future. Although the Corporation engages in discussions with, and submits proposals to acquisition candidates, suitable acquisitions may not be available in the future on reasonable terms. If the Corporation does identify an appropriate acquisition candidate, the Corporation may not be able to successfully negotiate the terms of the acquisition, finance the acquisition or, if the acquisition occurs, effectively integrate the acquired business into the Corporation's existing business. In addition, the negotiation of a potential acquisition and the integration of an acquired business may require a disproportionate amount of management's attention and resources.

Even if the Corporation completes additional acquisitions, continued acquisition financing may not be available or available on reasonable terms, the new business acquired may not generate revenues as anticipated, and any anticipated cost efficiencies or synergies may not be realized.

The Corporation's inability to successfully identify, execute or effectively integrate future acquisitions may negatively affect its results of operations. Even though the Corporation performs a due diligence review of the businesses it acquires that it believes is consistent with industry practices, such reviews are inherently incomplete. Even an in-depth due diligence review of a business may not necessarily reveal existing or potential problems or permit the Corporation to become familiar enough with the business to fully assess its deficiencies and potential. Even when problems are identified, the Corporation may assume certain risks and liabilities in connection with the acquired business.

### ***Investment Eligibility***

The Corporation will endeavor to ensure that the Debentures continue to be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans, registered disability savings plans and tax free savings accounts. No assurance can be given in this regard. The Tax Act imposes penalties for the acquisition or holding of non-qualified investments by such plans. See "*Eligibility for Investment*".

### ***No Rights as a Shareholder***

The Debentures do not confer any rights as a shareholder of the Corporation upon the Debenture holders or entitle the Debenture holders to any voting privileges or to receive notice of or attend at any meeting of the shareholders. Debenture holders will not have the statutory rights normally associated with ownership of shares of a corporation, including for example the right to bring "oppression" or "derivative" actions.

### ***Forward-looking Information May Prove Inaccurate***

Investors are cautioned not to place undue reliance on forward-looking information. By its nature, forward-looking information involves numerous assumptions, known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking information or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate.

### ***Risks Associated with Option on Fort McMurray Property***

ENTREC will only be able to exercise its option to purchase the Fort McMurray Property following the receipt of regulatory approval to the subdivision of the Fort McMurray Property from the 27 acre parcel of land in which it is currently included and, while such regulatory approval is anticipated to be received on favourable terms and conditions, there can be no assurance that such regulatory approval will be obtained or that it will be obtained on favourable terms and conditions. Also, PIPL financed a significant portion of its original acquisition of the lands with a vendor take-back financing and the Original Vendor registered its interest in the entire 27 acre parcel of land as security for the vendor take-back financing. If approval to the subdivision of the lands is not obtained and if PIPL defaults on its obligations to the Original Vendor, ENTREC will have the option of purchasing the balance of the 27 acres from PIPL subject to the vendor take-back financing of the Original Vendor. If ENTREC does not exercise that option, the Original Vendor may enforce its security interest on the lands, including the Fort McMurray Property leased by ENTREC.

## **INTEREST OF EXPERTS**

Certain legal matters in connection with the Offering will be passed upon by Shea Nerland Calnan LLP, on behalf of ENTREC, and by Torys LLP, on behalf of the Underwriters. Mr. Joe Brennan, a director and the Corporate Secretary of ENTREC, is a partner at Shea Nerland Calnan LLP, which law firm renders legal services to ENTREC. As of the date hereof, the partners and associates of Shea Nerland Calnan LLP and Torys LLP, as a group, beneficially own, directly or indirectly, less than 1% of the outstanding Common Shares.

Ernst & Young LLP, Chartered Accountants, audited certain of the financial statements of ENTREC that are incorporated by reference in this short form prospectus. Ernst & Young LLP is independent of ENTREC within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta. See "*Documents Incorporated by Reference*".

Pennock Acheson Nielsen Devaney, Chartered Accountants, audited certain of the financial statements of the former Entrec Transportation Services Ltd. that are included in ENTREC's business acquisition report dated July 26, 2011 that is incorporated by reference in this short form prospectus. Pennock Acheson Nielsen Devaney is independent of ENTREC within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta. See "*Documents Incorporated by Reference*".

MNP LLP, Chartered Accountants, audited certain of the financial statements of the Nanaimo Group of Companies (also referred to herein as the Mains Group of Companies) that are included in ENTREC's business acquisition report dated July 19, 2012 that is incorporated by reference in this short form prospectus. MNP LLP is independent of ENTREC within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta. See "*Documents Incorporated by Reference*".

## **LEGAL PROCEEDINGS**

There are no outstanding legal proceedings material to the Corporation to which the Corporation is a party or in respect of which any of its properties are subject, nor are there any such proceedings known to be contemplated.

## **AUDITORS, TRANSFER AGENT AND REGISTRAR**

The auditors of the Corporation are Ernst & Young LLP, Chartered Accountants, of Edmonton, Alberta.

The transfer agent and registrar for the Common Shares is Olympia Trust Company, at its principal office in Calgary, Alberta.

## **STATUTORY AND CONTRACTUAL RIGHTS OF WITHDRAWAL AND RESCISSION**

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal advisor.

In addition, under the Indenture, original purchasers of the Debentures will have a contractual right of rescission against the Corporation in respect of the conversion of the Debentures into Common Shares. The contractual right of rescission will entitle such original purchasers to a right of rescission against the Corporation in respect of the conversion in the event that this short form prospectus (as amended) contains a misrepresentation, provided that: (i) the conversion takes place within 180 days of the date of the purchase of the Debentures under this short form prospectus; and (ii) the right of rescission is exercised within 180 days of the date of the acquisition of the convertible security under this short form prospectus. This contractual right of rescission will be consistent with the statutory right of rescission described under

section 203 of the Securities Act (Alberta), and is in addition to any other right or remedy available to original purchasers under section 203 of the Securities Act (Alberta) or otherwise at law.

## CONSENT OF AUDITORS

We have read the short form prospectus of ENTREC Corporation (the "**Corporation**") dated October 23, 2012 relating to the issue and sale of 7.00% convertible unsecured subordinated debentures of the Corporation (the "**Prospectus**"). We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use, through incorporation by reference in the above-mentioned Prospectus, of our report to the shareholders of the Corporation on the consolidated financial statements of the Corporation, which comprise the consolidated balance sheets of the Corporation as at December 31, 2011 and October 31, 2010, and the consolidated statements of earnings (loss), comprehensive income (loss) and retained earnings (deficit) and cash flows for the 14 months ended December 31, 2011 and the year ended October 31, 2010, and a summary of significant accounting policies and other explanatory information. Our report is dated March 16, 2012.

Edmonton, Canada  
October 23, 2012

*"Ernst & Young LLP"*  
Chartered Accountants

## CONSENT OF AUDITORS

We have read the short form prospectus of ENTREC Corporation (the "**Corporation**") dated October 23, 2012 relating to the issue and sale of 7.00% convertible unsecured subordinated debentures of the Corporation (the "**Prospectus**"). We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use, through incorporation by reference in the above-mentioned Prospectus of the business acquisition report of the Corporation dated July 26, 2011, of our report to the Directors of Flint Energy Services Ltd. on the balance sheets of Entrec Transportation Services Ltd., a division of Flint Energy Services Ltd., as described in Note 1 of the financial statements, as at December 31, 2010 and December 31, 2009 and the statements of operations and deficit and cash flows for the years ended December 31, 2010 and December 31, 2009 and the nine month period ended December 31, 2008, and a summary of significant accounting policies and other explanatory information. Our report is dated March 31, 2011.

Edmonton, Canada  
October 23, 2012

*"Pennock Acheson Nielsen Devaney"*  
Chartered Accountants



## CONSENT OF AUDITORS

We have read the short form prospectus of ENTREC Corporation (the "**Corporation**") dated October 23, 2012 relating to the issue and sale of 7.00% convertible unsecured subordinated debentures of the Corporation (the "**Prospectus**"). We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use, through incorporation by reference in the above-mentioned Prospectus of the business acquisition report of the Corporation dated July 19, 2012, of our report to the Shareholders of the Nanaimo Group of Companies on the combined financial statements of the Nanaimo Group of Companies which comprise the combined balance sheet as at June 30, 2011, and the combined statements of earnings (loss) and retained earnings and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. Our report is dated July 12, 2012.

Edmonton, Canada  
October 23, 2012

*"MNP LLP"*  
Chartered Accountants

**CERTIFICATE OF THE CORPORATION**

Date: October 23, 2012

This short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the Provinces of Canada, except Québec.

**ENTREC CORPORATION**

*(signed) "Rod Marlin"*  
Chief Executive Officer

*(signed) "Jason Vandenberg"*  
Chief Financial Officer

On behalf of the Board of Directors

*(signed) "John Stevens "*  
Director

*(signed) "Joe Brennan"*  
Director

**CERTIFICATE OF THE UNDERWRITERS**

Dated: October 23, 2012

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the Provinces of Canada, except Québec.

**NATIONAL BANK FINANCIAL INC.**

*By: (signed) "Arun Chandrasekaran"*

**SCOTIA CAPITAL INC.**

*By: (signed) "Anthony Aulicino"*

**CANACCORD GENUITY CORP.**

*By: (signed) "Andrew D. Birkby"*

**GMP SECURITIES L.P.**

*By: (signed) "Jason Robertson"*