



## AMENDED AND RESTATED OFFERING MEMORANDUM

**Date:** May 15, 2015  
**The Issuer:** Yorkton Group Energy Crossing III Inc. (the “Corporation” or the “Issuer”)  
**Head Office:** Suite 2430, 10180 – 101  
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**Phone:** 780-409-8228  
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**Email:** reg@yorktongroup.com  
**Currently listed or quoted?** No. **These securities do not trade on any exchange or market.** **Reporting Issuer?** No.  
**SEDAR filer?** No.

### The Offering

<b>Securities Offered</b>	Up to 6,840,000 Class “A” Voting Participating Shares without nominal or par value (the “Class “A” Shares” or the “Shares”) in the capital of the Corporation for aggregate gross proceeds of up to \$6,840,000.00 (the “Offering”).
<b>Price Per Security</b>	<b>\$1.00 per Share.</b>
<b>Minimum Offering</b>	None. <sup>(1)</sup> <b>Subject to Note 1, there is no Minimum Offering and consequently you may be the only purchaser. (Funds raised under the Offering may not be sufficient to accomplish our proposed objectives.)</b>
<b>Maximum Offering</b>	\$6,840,000 or 6,840,000 Shares.
<b>Minimum/Maximum Subscription Per Investor and Increments</b>	\$5,000 or 5,000 Shares and increments of \$1.00 or one (1) Share thereafter. <b>See Item 5.1 - Terms of Securities.</b> The maximum number of Shares that may be allocated to any Subscriber is ten (10%) percent of the Offering or 684,000 Shares (\$684,000). <b>See Item 5.1-Terms of Securities.</b>
<b>Payment Terms</b>	<b>Non-Deferred Plan purchase</b> - payment shall be made in full by certified cheque, bank draft or money order for the subscription price which shall be delivered with a duly executed and completed subscription agreement to “Parlee McLaws LLP, in trust”. <b>Deferred Plans purchase</b> - payment shall be made in full by certified cheque, bank draft or wire transfer from the Subscribers own self-administered account at Western Pacific Trust Company or from such other self-administered account. <b>See Item 5.2-Subscription Procedures.</b>
<b>Prior Closings</b>	The prior closings resulted in the issuance of 5,763,364 Class “A” Shares. <b>See Item 4.3-Prior Sales.</b>
<b>Proposed Closing Date(s)</b>	Further closings will take place periodically as determined by the management of the Corporation.

- Tax Consequences:** There are important tax consequences to these securities. **See Item 6-Income Tax Consequences And Deferred Plan Eligibility.**
- Selling Agents:** The Corporation reserves the right as permitted by applicable securities legislation, to retain such qualified agents to help effect sales of the Shares. Where an agent is retained, the agent may be paid aggregate fees and commissions of ten percent (10%) of the gross proceeds realized on the sale of Shares sold by such agent. Subject to applicable securities legislation, the Corporation may also compensate its directors, employees and consultants and those of its affiliates ten percent (10%) of the gross proceeds realized in the sale of Shares for soliciting subscriptions for Shares (with respect to Shares not sold by an agent). **See Item 7-Compensation Paid To Sellers And Finders.**
- Resale Restrictions:** **This investment is not liquid. You will be restricted from selling your Shares for an indefinite period.** The securities offered hereunder will be subject to a number of resale restrictions, including restrictions on trading. Until the restriction on trading expires, if ever, a purchaser will not be able to trade the securities unless they comply with very limited exemptions from the prospectus and registration requirements under applicable securities legislation. As the Issuer has no intention of becoming a reporting issuer in any jurisdiction, these trading restrictions will not expire. Consequently, purchasers may not be able to liquidate their securities in a timely manner, if at all, or pledge their securities for loans. **See ITEM 10-RESALE RESTRICTIONS.**
- Purchaser's Rights:** **You have two (2) business days to cancel your agreement to purchase these securities. If there is a misrepresentation in this Offering Memorandum, you have the right to sue either for damages or to cancel the agreement. See ITEM 11-PURCHASERS' RIGHTS.**
- No securities regulatory authority or regulator has assessed the merits of these securities or reviewed this Offering Memorandum. Any misrepresentation to the contrary is an offence. The information disclosed on this page is a summary only. Purchasers should read the entire Offering Memorandum for full details about the Offering. This is a risky investment. See ITEM 8-RISK FACTORS**
- There is not or may not be a market for you to sell your investment and there is no assurance that you will be able to find a buyer at a later date.**
- The information contained in this Offering Memorandum is intended only for the persons to whom it is delivered for the purposes of evaluating the securities offered hereby. Prospective Subscribers should only rely on the information in this Offering Memorandum, including other sources of information described herein. No persons are authorized to give any information or make any representations regarding the Issuer or the securities offered herein and any such information or representation must not be relied upon.**

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## **NOTE REGARDING FORWARD LOOKING STATEMENTS**

THIS OFFERING MEMORANDUM CONTAINS FORWARD-LOOKING STATEMENTS. THESE STATEMENTS RELATE TO FUTURE EVENTS OR THE CORPORATION'S FUTURE PERFORMANCE. ALL STATEMENTS OTHER THAN STATEMENTS OF HISTORICAL FACT ARE FORWARD LOOKING STATEMENTS. FORWARD LOOKING STATEMENTS ARE OFTEN, BUT NOT ALWAYS, IDENTIFIED BY THE USE OF WORDS SUCH AS "MAY", "WILL", "SHOULD", "EXPECT", "PLAN", "ANTICIPATE", "BELIEVE", "ESTIMATE", "PREDICT", "POTENTIAL", "TARGETING", "INTEND", "COULD", "MIGHT", "CONTINUE", OR THE NEGATIVE OF THESE TERMS OR OTHER COMPARABLE TERMINOLOGY. THESE STATEMENTS ARE ONLY PREDICTIONS. IN ADDITION, THIS OFFERING MEMORANDUM MAY CONTAIN FORWARD-LOOKING STATEMENTS ATTRIBUTED TO THIRD PARTIES OR INDUSTRY SOURCES. UNDUE RELIANCE SHOULD NOT BE PLACED ON THESE FORWARD-LOOKING STATEMENTS AS THERE CAN BE NO ASSURANCE THAT THE PLANS, ASSUMPTIONS, INTENTIONS OR EXPECTATIONS UPON WHICH THEY ARE BASED WILL OCCUR. BY ITS NATURE, FORWARD-LOOKING INFORMATION INVOLVES NUMEROUS ASSUMPTIONS, KNOWN AND UNKNOWN RISKS AND UNCERTAINTIES, BOTH GENERAL AND SPECIFIC, THAT CONTRIBUTE TO THE POSSIBILITY THAT THE PREDICTIONS, FORECASTS, PROJECTIONS AND OTHER FORWARD LOOKING STATEMENTS WILL NOT OCCUR AND MAY CAUSE ACTUAL RESULTS OR EVENTS TO DIFFER MATERIALLY FROM THOSE ANTICIPATED IN SUCH FORWARD-LOOKING STATEMENTS. THE FORWARD-LOOKING STATEMENTS CONTAINED IN THIS OFFERING MEMORANDUM ARE EXPRESSLY QUALIFIED BY THIS CAUTIONARY STATEMENT. THESE FORWARD-LOOKING STATEMENTS SPEAK ONLY AS OF THE DATE OF THIS OFFERING MEMORANDUM. THE CORPORATION IS NOT UNDER ANY DUTY TO UPDATE ANY OF THE FORWARD-LOOKING STATEMENTS AFTER THE DATE OF THIS OFFERING MEMORANDUM TO CONFORM SUCH STATEMENTS TO ACTUAL RESULTS OR TO CHANGES IN THE CORPORATION'S EXPECTATIONS EXCEPT AS OTHERWISE REQUIRED BY APPLICABLE LEGISLATION. THE RISKS, ASSUMPTIONS, OTHER FACTORS REFERENCED IN THIS OFFERING MEMORANDUM ARE NOT EXHAUSTIVE AND UNCERTAINTIES ATTRIBUTABLE TO THESE FORWARD-LOOKING STATEMENTS AND MAY ADVERSELY AFFECT THE DISTRIBUTIONS TO BE MADE ON, OR THE RATE OF RETURN ON, THE SHARES. SOME OF THESE ARE DISCUSSED ITEMS UNDER RISK FACTORS. YOU SHOULD CAREFULLY CONSIDER THE RISK FACTORS, IN ADDITION TO THE OTHER INFORMATION PROVIDED HEREIN OR BY THE CORPORATION.

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## GLOSSARY OF TERMS

In this Offering Memorandum, unless the context otherwise requires, the following words and terms shall have the indicated meanings and grammatical variations of such words and terms shall have corresponding meanings:

“**ABCA**” means the *Business Corporations Act* (Alberta), R.S.A. 2000, c.B-9;

“**affiliate**” shall have the meaning provided in Section 1(b) of the ABCA or National Instrument 45-106;

“**ASP**” means Area Structure Plan;

“**associate**” shall have the meaning provided in Section 1(e) of the ABCA;

“**CRA**” means the Canada Revenue Agency;

“**Class “A” Shares**” or “**Shares**” means the Class “A” Voting Participating Shares of the Corporation, as described in the Articles of the Corporation, as amended;

“**Class “B” Shares**” means the Class “B” Voting Participating Shares of the Corporation, as described in the Articles of the Corporation, as amended;

“**Closing**” means the day or days upon which the Shares are issued to the Subscribers pursuant to this Offering;

“**Company**” unless specifically indicated otherwise, means a corporation, incorporated association or organization, body corporate, partnership, trust, association or other entity other than an individual;

“**Completion of the Offering**” means the Closing achieving the Maximum Offering at which point 6,840,000 Shares have been issued;

“**Corporation**” means Yorkton Group Energy Crossing III Inc., a corporation incorporated under the ABCA;

“**Deferred Plan**” means any one of or collectively an RRSP, LIRA and TFSA;

“**EETP**” means the Edmonton Energy and Technology Park;

“**GAAP**” means the Canadian generally accepted accounting principles consistently applied;

“**Lands**” or “**Property**” means, collectively, all of the land comprising the Project (as defined below), consisting of those lands more specifically set out in Schedule “A” hereto;

“**Loan**” has the meaning as described in **Item 2.7(b) – Vendor Financing**.

“**LIRA**” means a Locked In Retirement Savings Plan or LIRA as defined in the Tax Act;

“**Maximum Offering**” means the subscription of 6,840,000 Shares or \$6,840,000;

“**Minimum Offering**” means \$0, since there is no minimum offering. In order for an investment to be considered a “qualified investment” for deferred plans there must be a minimum of 150 Shareholders and minimum of 750,000 shares issued;

“**Non-Arm’s-Length Parties**” means related Persons within the meaning of the Tax Act;

“**Northwestern Exemption**” means the registration exemptions for trades in connections with certain prospectus exempt distributions currently available by blanket order of the securities regulatory authorities in the Provinces of Alberta, British Columbia, Saskatchewan, Manitoba, the Yukon Territory, Nunavut and the Northwest Territories;

**“Offering”** means the offering of the Shares described herein or in any amendment hereto;

**“Offering Memorandum”** means this confidential amended and restated offering memorandum of the Corporation dated May 15, 2015, including any amendments hereto;

**“Person”** means any individual, partnership, limited partnership, joint venture, syndicate, sole proprietorship, company or corporation with or without share capital, unincorporated association, trust, trustee, executor, administrator or other legal personal representative, regulatory body or agency, government or governmental agency, authority or entity however designated or constituted;

**“Project”** means the Energy Crossing III project as described in Item 2 and all business of the Corporation in respect thereto including: (i) acquiring the Property; (ii) increasing the equity value of the Corporation through rezoning of the Property; and (iii) conducting any other business or activity incidental, ancillary or related thereto;

**“RRSP”** means a Registered Retirement Savings Plan as defined under the Tax Act;

**“Resident”** means a resident of Canada for the purposes of the Tax Act;

**“Securities Act”** means the *Securities Act* (Alberta), R.S.A. 2000, c. S-4 including the rules and regulations promulgated thereunder, as may be amended from time to time;

**“Shareholders”** means the Persons who are holders of Class "A" Shares or Class "B" Shares;

**“Subscribers”** means those Persons subscribing for Shares pursuant to this Offering;

**“Subscription Agreement”** means an agreement between the Corporation and each Subscriber governing the subscription for Class “A” Shares pursuant to this Offering Memorandum and includes all the terms, conditions and exhibits attached thereto;

**“Tax Act”** means the *Income Tax Act* (Canada), R.S.C. 1985, c. 1, as amended;

**“TFSA”** means a Tax-Free Savings Account as defined under the Tax Act; and

**“Yorkton Group”** means Yorkton Group International Ltd., a corporation incorporated under the ABCA.

In this Offering Memorandum, references to “dollars” and “\$” are to Canadian dollars, unless otherwise indicated.

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## ITEM 1 - USE OF AVAILABLE FUNDS

### 1.1 Funds

The following table discloses the net proceeds of this offering (the “Offering”):

		Assuming Maximum Offering
A	Amount to be raised pursuant to this offering	\$6,840,000
B	Selling commissions and marketing fees <sup>(1)</sup>	\$1,026,000
C	Estimated offering costs (e.g. printing, legal, consulting, accounting, audit) <sup>(2)(3)(4)</sup>	\$342,000
D	Available funds: D = A - (B+C)	\$5,472,000
E	Additional sources of funding required	NIL
F	Working capital deficiency <sup>(5)</sup>	NIL
G	<b>Total: G = (D+E) – F</b>	<b>\$5,472,000</b>

**Notes:**

- (1) The Corporation will pay to Yorkton Group ten (10%) percent for commissions or finder’s fees exclusive of marketing fees of five (5%) percent for Shares sold under the Offering Memorandum. See **Item 7- Compensation Paid To Sellers and Finders**.
- (2) The estimated costs include printing, legal, consulting, accounting and audit costs associated with this Offering and are estimated at approximately \$342,000. These amounts may vary. Yorkton Group is a consultant to the Corporation and a “Related Issuer” and “Promoter” under applicable securities legislation. See **Item 2.7 Business of the Corporation – Material Agreements**.
- (3) The Corporation has raised an aggregate of \$5,763,364 under previous offerings as of the date hereof.
- (4) To the extent operating costs are less than estimates, the difference shall be added to general working capital.
- (5) As of May 15, 2105, the date of this amended Offering Memorandum, the Corporation has a positive working capital.

### 1.2 Use of Available Funds

The following table provides a detailed breakdown of how the Corporation will use the available funds of this Offering following the date of this Offering Memorandum:

Description of Intended Use of Available Funds Listed in Order of Priority	Assuming Maximum Offering
Payment due to 1631126 Alberta Ltd. related to acquisition of the Lands	\$3,425,100
Management Services Agreement at 2.25% per annum for seven (7) years paid to the Yorkton Group International Ltd, a related corporation.	\$894,813
General Working Capital (including Engineering and Professional Fees) <sup>(1)</sup>	\$555,517
Interest Expense on Land Purchase at 8% per annum paid to 1631126 Alberta Ltd, a related corporation. <sup>(2)</sup>	\$596,570
Total	\$5,472,000

**Note:**

- (1) To the extent operating costs are less than estimates, the difference shall be added to working capital.
- (2) 1631126 Alberta Ltd, and Yorkton Group International Ltd. amalgamated on January 1, 2014. The interest was calculated from the inception of the loan on April 30, 2012 to April 30, 2014 when the loan was paid out in full.

### **1.3 Reallocation**

The Corporation intends to use the available funds as stated. The Corporation will reallocate the funds only for sound business reasons.

## **ITEM 2 - BUSINESS OF THE CORPORATION**

### **2.1 Structure**

The Corporation was incorporated under the ABCA pursuant to a Certificate of Incorporation dated March 21, 2012. For the purposes of amending the Corporation's share capital in connection with this Offering and removing the "private company" restrictions in the Articles, the Articles of Incorporation (the "Articles") were amended by a Certificate of Amendment and Registration of Restated Articles dated July 12, 2012. Subsequently, on July 13, 2012, the issued Class "B" Shares were split on a one (1) to seven thousand six hundred (7,600) basis pursuant to Section 27.1 of the ABCA.

The Corporation's head office is located at 2430, 10180 - 101 Street, Edmonton, Alberta, T5J 3S4 and the Corporation's records and registered office is located at 1500 Manulife Place, 10180-101 Street, Edmonton, Alberta, T5K 4K1.

### **2.2 Our Business**

The Corporation is in a start-up phase of development and other than the closing of subscriptions for an aggregate of 5,763,364 Class "A" Shares it has not carried out business prior to this Offering, and has no financial or development history. Since the date of its incorporation, the Corporation has been engaged in the preparation of this Offering, which has included organizing and putting in place an experienced management team and Board of Directors and retaining legal counsel and auditors as well as attending to the subscription closings mentioned above.

Pursuant to this Offering, a maximum of 6,840,000 Shares will be offered at a price of \$1.00 per Share. The Corporation will use the funds raised from this Offering for the purpose of retiring the indebtedness of the Corporation in favour of 1631126 Alberta Ltd. incurred in acquiring the Lands, funding certain costs related to the Land including rezoning, and paying for the expenses of the Corporation including management fees payable to Yorkton Group.

### **Highlights of Energy Crossing III**

After extensive research and due diligence by our project management team, the Corporation has acquired the strategically positioned "Energy Crossing III", a parcel of land located inside Edmonton City Limits and within the proposed Edmonton Energy and Technology Park (the "Lands" or the "Property").

The Property is located near the intersection of two major highways, Highway 28A which leads to Fort McMurray, and Highway 15 which leads to Fort Saskatchewan and the petrochemical industry to be developed in the area known as "Alberta's Industrial Heartland". The Property has frontage along Edmonton's Meridian Street and 227th Avenue, and is close to the lands subject to the prior Energy Crossing I and II offerings.

### **The Edmonton Energy and Technology Park (EETP) Area Structure Plan (ASP)**

Over the next decade, more than \$100 billion in projects are being planned for Edmonton and the surrounding region, substantially anchored by projects in the oil industry. In order to take advantage of the significant economic opportunities coming to "Alberta's Industrial Heartland", Edmonton City Council initiated the Edmonton Energy and Technology Park Area Structure Plan, which was approved as Bylaw 15093 on June 9, 2010, thus creating the world's second largest petro-industrial park which is located within Edmonton city



limits.

The ASP envisions a world class downstream industrial cluster, including petrochemical production facilities, shipping operations, and manufacturing, research and development facilities. The ASP has been developed to guide future development in the areas of land use, transportation networks, infrastructure, natural areas, staging, and implementation. The ASP envisions a world class downstream industrial cluster, including petrochemical production facilities, shipping operations, and manufacturing and research and development facilities. The ASP has also taken into consideration expert opinions, technical studies, and the concerns of key stakeholders, including landowners and residents.

The EETP located within Edmonton is an integral part of the vast Alberta's Industrial Heartland (AIH), Canada's largest hydrocarbon processing region.

### **Overview – Quick Facts**

- Land use precincts:
  - Petrochemical
  - Manufacturing
  - Logistics
  - Research and development, education and services
- A range of different types and sizes of greenfield industrial development are available
- Cost-competitive land, servicing and development options are available
- Area structure planning and zoning are in place to support targeted industrial development
- Investment Readiness Initiative reduces development timelines for investors

### **Unique, strategic advantages**

- Easy access to a critical mass of potential customers
- Excellent highway connections to move goods and people in and out, and to all major markets
- Quality rail, pipeline and utility infrastructure in close proximity
- Specialized team dedicated to working with investors to help move projects forward in a timely manner
- Access to urban-quality police, fire and transit services
- Close access to a large, skilled labour pool
- Political, administrative and landowner support for industrial development in the EETP

(Source: City of Edmonton May 2015)

### **Value-added Petrochemical Processing within Edmonton**

The approval process of the ASP has been expedited due to the goal of our political leadership, to process more of Alberta's oil derived petrochemicals locally in the ASP subject area. This will maximize the economic benefit to the local Edmonton market as well as Alberta, since upwards of 300 percent increase in value may be achieved by processing raw bitumen into petrochemicals. More than 46 different chemicals are expected to be produced in the ASP area (Source: Kline Study)

### **Development Activity in the ASP area is not dependent on the new upgraders**

The precursor substrate for petrochemical processing as envisioned in the ASP area is petcoke. Petcoke is a material that is in abundant supply because it is already being accumulated as a by-product of processing bitumen into synthetic crude using existing upgraders. For instance, the stockpile of petcoke in Fort McMurray is so significant that it will have an estimated reserve life of fifteen (15) years when brought into the ASP's yet-to-be-built petrochemical cluster facilities for processing. Because of the abundant supply of petcoke, petrochemical

processing is not reliant on the uncertain construction and installation of new upgraders.

Petrochemicals can also be produced from ethane derived from natural gas. In Alberta, reserves of natural gas are estimated to be well over 1000 trillion cubic feet (TCF), including gas derived from shale and coal bed methane.

### **ASP Approval Achieved**

The ASP was approved by Edmonton City Council on June 9, 2010 with the passage of Bylaw 15093. Zoning Bylaw 12800 was amended by amending Bylaw 15643 in May 2, 2011 to create Special Area zoning for the Edmonton Energy and Technology Park. The permitted land use for the Property has been defined as "Petrochemical Cluster".

Two applications for rezoning utilizing the provisions of the above referenced bylaws have been approved by the City of Edmonton. The lands that are the subject of these two applications are not owned by the Corporation. The above referenced approval is the first test or confirmation that the provisions contained within these by-laws can in fact be utilized to achieve rezoning, which sets a precedent for future rezoning applications within the EETP.

The pace at which industry will start moving into the ASP area after ASP approval will be determined by economic conditions. In the coming years more rezoning applications and subsequent development is expected. The new ASP also anticipates that Light Rail Transit will be extended from its current location in the northeast Edmonton to the general vicinity of the Lands. Further, upgrades to the existing road network and additional new roads and highways are also planned for the EETP by the City of Edmonton.

### **Expected Permitted Zoning**

Typically, areas with Petrochemical Cluster land use may house petrochemical and related facilities consistent with light to medium industrial development. In order to minimize property tax implications, the Corporation may wait to rezone the Lands until towards the end of the investment holding period since industrial land is taxed at a higher rate than agricultural land.

## **2.3 Development of Business**

The Corporation intends to use the net proceeds of this offering as described in Item 1.2 - Use of Available Funds.

### **Energy Crossing III Zoning**

The current zoning of the Land is AG – Agricultural. The Corporation plans to rezone the Land within the parameters of the permitted zoning to Petrochemical Cluster, towards the end of the holding period, whereby the highest and best use of the Land is achieved. Environmental site assessment, traffic study, as well as engineering and technical services will be required for rezoning the Land according to City of Edmonton requirements. When there are favourable economic policies, strong economy, strong oil industry growth, and population in-migration, the demand for land increases generally, and this includes industrial land within the EETP which is anticipated to positively impact returns to our shareholders.

### **Energy Crossing III Exit Strategy**

The Corporation plans to sell the Lands once rezoned (with appropriate Shareholder approval), after the anticipated holding period of approximately seven (7) years commencing on July 18, 2012. However, the Corporation may also sell the Lands within the anticipated holding period, if an offer to purchase acceptable to Shareholders is received and accepted by a majority of 66 2/3% of the holders of the Class "A" Shares and the Class "B" Shares of the Corporation. If the anticipated holding period is extended there is no additional risk to the Corporation as the Corporation holds the land free and clear of all financial encumbrances. The loan to acquire the land was fully repaid at the time of the amended Offering Memorandum on November 19, 2014. As well, with respect to the management services provided pursuant to the Management Services Agreement, the fees

payables is limited to 7 years notwithstanding the continuation of the Project past time. A pro-rated refund is available if the holding period is less than 7 years.

### **Development Option**

Once the expected rezoning has been achieved, after careful consideration of market conditions, the availability and capacity of utility services nearby and all risk factors, the Corporation may after detailed analysis recommend to its Shareholders taking the Project to the construction stage of development. If a majority of 66 2/3% or greater of the holders of the Class "A" Shares and Class "B" Shares vote in favor of proceeding to the construction stage of development, then the Corporation may arrange the necessary financing required for further development at a competitive interest rate. A competitive development management fee may also be charged by the Corporation, which will be billed to the Project. Development means in this context the process of changing the use of the Lands in two stages:

- (i) preconstruction stage: including architectural design, surveying, soil tests, geotechnical or environmental assessments, applications or submissions to various governmental authorities for the change of zoning of the Lands or subdivision of the Lands that require no physical alteration to the Lands; and
- (ii) construction stage: including demolition and removal of existing structures and buildings, arranging for required utility services and construction and managing of any facilities, and related improvements on the Lands or similar activities that require physical alteration of the Lands.

Please note that due to the inherent risks associated with land development, this strategy will only be recommended by the Corporation to its Shareholders, if market conditions are exceptionally favourable for such activity.

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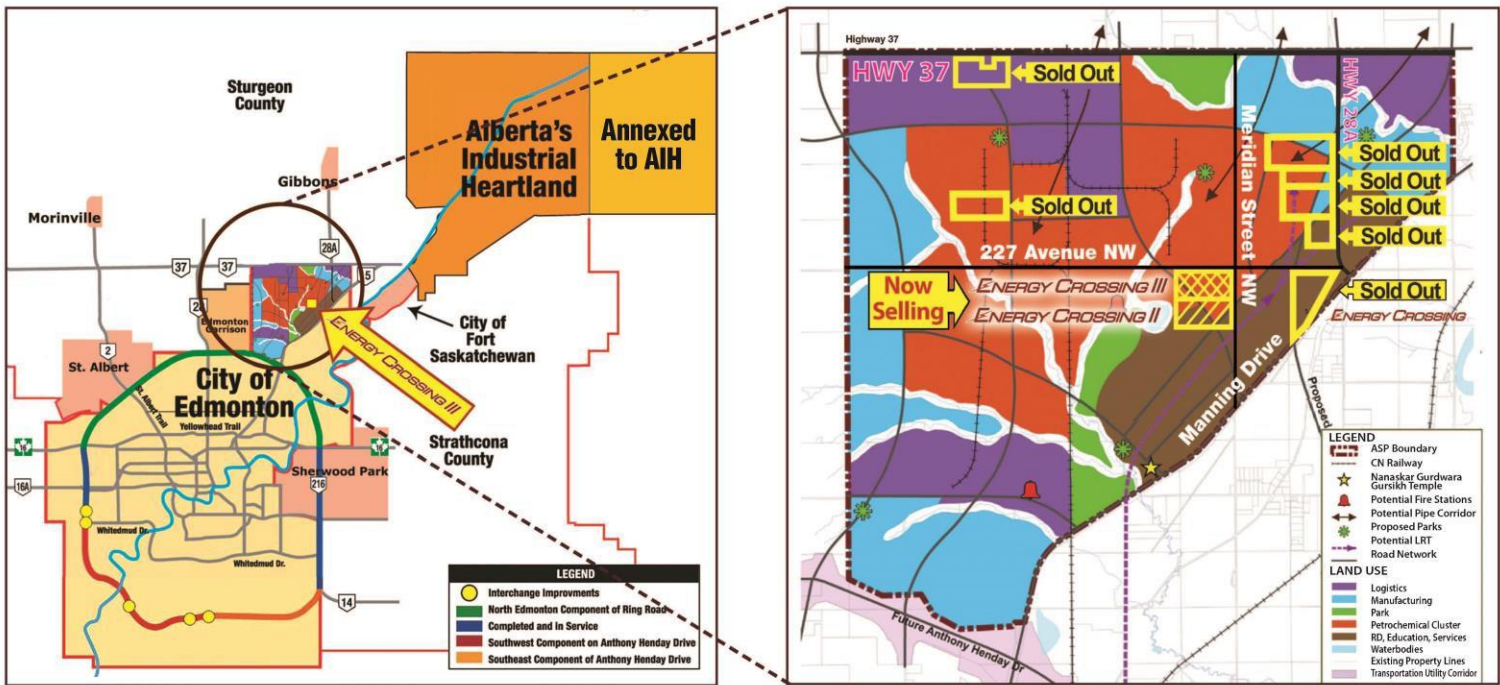
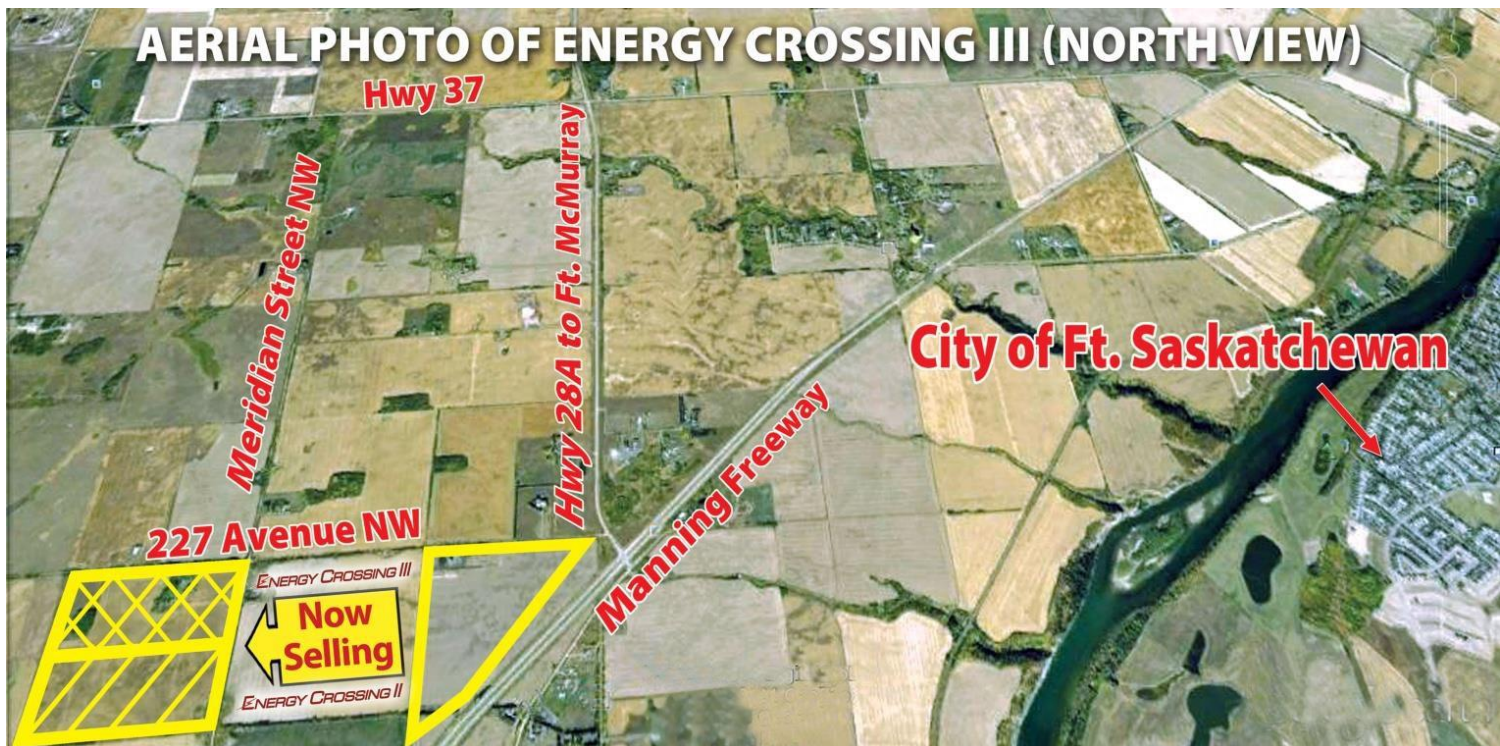


Figure 1: Energy Crossing III, inside the Edmonton Energy and Technology Park ASP within Edmonton City Limits, and near the Alberta Industrial Heartland (AIH).



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Figure 2: Aerial Photo of Energy Crossing III showing roads and highway intersections (North View).





Figure 3: Energy Crossing III, inside the Edmonton Energy and Technology Park ASP Transportation Plan.

### **Development Activity in NE Edmonton**

Commercial development has progressed north of 167th Avenue in the northeast quadrant of Edmonton, and the Corporation expects this trend to continue and accelerate toward the Lands in the coming years. In addition, there is the distinct possibility of development proceeding south from the axis of Highway 37 towards the Edmonton city centre, or development may proceed asymmetrically. Since the ASP has been approved by the Edmonton City Council, more industries will be able to move into the area, the pace of which will be determined by economic conditions. The demand for strategically positioned appropriately zoned light industrial land inside the City of Edmonton remains relatively strong, and the Corporation expects this trend to continue into the future.

### **Bitumen Royalty-in-Kind (BRIK) Policy**

To further encourage the strategic value-added activity based on Alberta's oil sands resource, the Province of Alberta has developed a Bitumen Royalty-in-Kind (BRIK) policy whereby up to 75,000 barrels per day (bpd) of bitumen (6% of current production) will be taken by the Province of Alberta in lieu of cash royalty payments, and contracted to local upgraders for value-added processing. The BRIK policy is a positive step towards further development of upgrading capacity in Alberta. In any event, Alberta Premier Rachel Notley has indicated that her government intends to review this policy.

### **Alberta Major Projects Update**

#### **Owner: Fort Hills Energy Corporation / Suncor Energy**

Fort Hills Oil Sands Mine: Estimated cost \$13.5 Billion

Scheduled: 2013-2017

#### **Owner: Imperial Oil Ltd.**

Kearl Lake Oil Sands Project Phase 2: Estimated cost \$8.9 Billion

110,000 barrels per day. Scheduled: Late 2015 (Source: May 2015 ImperialOil.ca)

#### **Owner: North West Red Water Partnership**

North West Bitumen Upgrader Phase 1: Estimated cost \$8.5 Billion

Scheduled 2013-2017

#### **Owner: Shell Canada Ltd.**

Carmon Creek VSD Bitumen Project" Estimated cost \$3.45 Billion

80,000 bpd thermal in situ. Scheduled: Late 2019 (Source: Calgary Herald May 8, 2015)

#### **Owner: Cenovus Energy Inc.**

Christina lake Thermal Expansion Project: Estimated cost \$2.7 Billion

Scheduled 2012-2016

**Owner: Canadian Natural Resources Ltd.**

Horizon Oil Sands Project Phase 2: Estimated cost \$2.06 Billion

Scheduled: 2012-2017

**Owner: Canadian Natural Resources Ltd.**

Project Horizon Mining and Drilling Project: Estimated cost \$2.06 Billion

Schedule 2012-2017 (Source CNRL May 2015)

**Owner: Cenovus Energy Inc. / Conoco Phillips**

Foster Creek Oil Sands Project Phases F, G, H: Estimated cost \$2.0 Billion

Scheduled 2012-2017

**Owner: Imperial Oil Ltd.**

Nabiye Oil Sands Project Phases 1, 2, 3: Estimated cost \$2.0 Billion

Completed and in production (Source: Financial Post May 11, 2015)

**Owner: Conoco Phillips Canada / Total Canada**

Surmont Phase 2 Oil Sands Development: Estimated cost \$2.0 Billion

Scheduled Late 2015 (Source: Conoco Phillips May 2015)

**(Source: AIHA & Government of Alberta Finance & Enterprise May 2015)**

Despite recent cut backs in the energy sector, the total value of major projects in Alberta remains strong at \$199.2 billion.

**(Source: Government of Alberta Finance & Enterprise May 2015)**

**(Source: Government of Alberta May 2015)**

**Summary of Major Milestones Achieved for the EETP****Area Structure Plan (ASP) “Master Plan” Approved (Bylaw 15093)**

On June 9, 2010, the Edmonton Energy and Technology Park achieved final ASP approval with the passage of Bylaw 15093 by Edmonton City Council. As a result, the permitted land use has now been defined. It has become a bylaw. The permitted land use for the subject land parcel is Petrochemical Cluster.

**Development Regulations Approved (Bylaw 15643)**

On May 2011 with the passage of Bylaw 15643 which amended Bylaw 12800 to adopt Section 970 “Special Area”, the development regulations for EETP were approved by Edmonton City Council.

The stage is now set for developers to rezone the EETP land according to the approved ASP. It is expected that industry will start moving into the ASP subject area after rezoning, the pace of which will be determined by economic conditions.

#### **Approval of Natural Gas Liquids as a Feedstock Source for Producing Petrochemicals (Bylaw 16767)**

On September 8, 2014 the passage of Bylaw 16767 relaxed height and footprint restrictions on buildings to be erected in the Edmonton Energy and Technology Park. More importantly was the amendment to allow for NGL (Natural Gas Liquid) production and service companies to build within the Edmonton Energy and Technology Park ASP.

#### **City rezoned select parcels within EETP (Bylaw 16942)**

On October 20, 2014, Bylaw 16942 was passed which rezoned select parcels within the EETP, on behalf of land owners in the Petrochemical Cluster permitted land use areas. **This bylaw substantially broadens the type of industries which can be located within the park.** This is a very significant development since this opens the EETP to a much greater variety of industries, which has the potential to substantially increase the demand for land within the EETP. Some of the industry types which can be located within the petrochemical cluster area of the EETP where the Corporation is located include:

- a. Heavy Industrial
- b. Industrial Manufacturing
- c. Industrial Logistics
- d. Major Impact Utility Services
- e. Minor Impact Utility Services
- f. Recycled Materials Drop-off Centre
- g. Specified Industrial Facility
- h. Temporary Storage
- i. Fascia On-premise Signs
- j. Freestanding On-premise Signs
- k. Minor Digital On-premises Signs
- l. Projecting On-premises Signs
- m. Roof On-premises Signs

(Source: City of Edmonton May 2015)

#### **Premier Rachel Notley and the Alberta Government**

Management of the Corporation believes that the new Alberta government headed by Premier Rachel Notley brings a new fresh perspective on governance in Alberta. This is a positive development as previous governments successively were heavily influenced by large corporations to protect their interests at the expense of Alberta constituents. Management is hopeful that the Notley government will bring some degree of balance to these competing interests, with an emphasis on what is best for all Albertans.



Moving from a flat corporate tax to a progressive tiered tax structure as proposed by the Notley government should make practical sense given the current low oil prices, as it has the potential to significantly increase tax revenue and stabilize tax cash flows not only in the present environment but also in the future.

Premier Notley has also announced a comprehensive review of energy royalties, which has the potential to bring additional revenue to the government. Granted, there have been some industry apprehension with regard to this issue; however, the results of such a review and the overall impact of any new energy policies remain to be seen. Premier Notley has indicated a willingness to engage with industry in formulating new policies.

### **Environmental Policy**

The environmental policies of Premier Notley may have a negative impact on the oil industry in the short term, but over time industry is expected to adjust to the potential new policies, which is in line with responsible development of the oil industry as demanded by the world community.

Management believes responsible development of the oil industry is essential for securing export markets for petrochemical and other products, and as such will help the EETP where such value added processing is expected to take place.

All things considered, management of the Corporation is of the view that the Notley government's policies will help stimulate the economy, stabilize tax cash flows, address environmental and First Nations concerns that have been impediments to energy sector development. All of this bodes well for the EETP as a strong and healthy Alberta economy, backed by sound policies, will increase the demand for industrial land.

### **Political Support for Value added Petrochemical Processing**

The current political leadership including Edmonton Mayor Don Iveson as well as Alberta Premier Rachel Notley support value added processing within Alberta.

Notley reiterated in an interview on Global Television's "The West Block" that she wants Alberta, the biggest source of U.S. oil imports, to be a "healthy place for investment". But she said the industry should do more value-added processing in the province.

*"Let's make sure that we have more upgraded product and more upgrading here because the higher up the supply chain you get, the more a drop in oil prices helps those higher up in the supply chain,"* she said in a transcript of the interview.

*"Let's make sure some of that's happening here in Alberta. And, I'm not saying all of it, but I am saying that we need to look towards being more than simply drawers of water and hewers of wood."*

Premier Notley, who had said ahead of the vote that she would not lobby on behalf of TransCanada Corp's TRP.TO controversial Keystone XL pipeline if elected, noted the pipeline would ship unrefined crude abroad.

*"My concern about Keystone as it's currently thought out, and of course, it doesn't need to be exactly what it is right now, is that it's going to ship a lot of jobs south of here,"* she said.

(Source: Reuters May 10, 2015)

Premier Notley said they also talked about TransCanada Corp.'s (TSX:TRP) Energy East pipeline to the East Coast and Kinder Morgan's Trans Mountain expansion to the Vancouver area — two proposals she supports.

On Trans Mountain, she said there was some discussion about what Ottawa can do to boost spill recovery efforts in the Lower Mainland.

Premier Notley has been less keen on TransCanada's long-delayed cross-border Keystone XL proposal and Enbridge Inc.'s (TSX:ENB) Northern Gateway pipeline to Kitimat, B.C.

The Notley government's position with regard to pipelines has the potential to encourage value added processing by discouraging the shipment of our raw bitumen in large scale to the U.S., which is currently done, and this will only accelerate if the Keystone XL pipeline is approved.

Premier Notley's position with regard to this issue will help the EETP, as it is envisioned as a place where value added petrochemical processing will take place in the future.

### **Edmonton's Industrial Land Strategy**

Edmonton's Industrial Land Strategy is a framework for programs and policies that are updated to respond to changing requirements and market conditions. The nine elements of the strategy are:

1. Ensure that Edmonton's major industrial areas have a minimum three-year supply of serviced industrial land, based on current trends, through public and private sector land and infrastructure development activities.
2. Undertake and facilitate new industrial planning activities to encourage development and redevelopment of industrial areas in an orderly, cost-effective way, and ensure development opportunities are continually available.
3. Streamline development approval processes and enhance communication and customer service to facilitate the development of industrial land and buildings.
4. Review financing policies and mechanisms and adapt them to the unique needs of the industrial land development business, where necessary to facilitate the development of industrial land, and will seek new sources and methods for financing major infrastructure.
5. Build transportation, drainage and other infrastructure in Edmonton's industrial areas at the rate required to meet demand for industrial land and provide services that support business activity.
6. Play an active and strategic role as a land developer through strategic land acquisition, planning, land development, development partnerships and land sales, to ensure that land is available for industrial development.
7. Implement enhanced active marketing programs and use the City's advanced information technologies to make marketing and real estate information readily available to prospective users of industrial property.
8. Participate in strategic partnerships and programs to capitalize on economic development opportunities that involve industrial land development.
9. Develop and maintain a reliable information base on vacant industrial land, land absorption rates and market trends.

Edmonton's Industrial Land Strategy was approved by City Council on August 27, 2002.

Edmonton's industrial land strategy benefits the EETP as it demonstrates that there is a policy framework and strategy in place to guide the rezoning, development, and marketing of industrial land within Edmonton.

### **EETP Investment Readiness Initiative**

The Edmonton Energy and Technology Park (EETP) Investment Readiness Initiative is designed to make the EETP more attractive for investment by preparing the petrochemical precinct for natural gas-based value-added development by:

- Reducing the time required to approve major projects

- Planning new infrastructure options and solutions
- Attracting private investment to an eco-industrial hub
- Specifically, the project has focused on:
  - Aligning the EETP Area Structure Plan (ASP) with current marketplace needs
  - Carrying out technical studies to address petrochemical, environmental, social and infrastructure requirements

### **Recent changes supporting development**

- The petrochemical precinct is being prepared specifically for natural gas based value-added development
- The City of Edmonton has secured Edmonton City Council approval and Capital Region Board approval for recent changes to the ASP to support heavy industrial development
- Thirteen parcels within the petrochemical precinct have been rezoned to allow for greater flexibility in development, streamlining the approval process for petrochemical-orientated uses
- The City has completed a range of technical studies related to the EETP
- New, more flexible servicing options for the EETP are in approval stages

(Source: City of Edmonton May 2015)

### **Oil Price Volatility**

Over the past 40 years industry has witnessed significant periodic oil price volatility, and the Corporation expects this trend will continue in the future.

The current oversupply of crude oil on the market is largely a result of excess oil production on the part of many countries, and their refusal to cut production to reduce supply. Ironically, as the price of oil kept decreasing suppliers had to increase production in order to keep the same cash flow to meet their fiscal obligations. This only served to exacerbate the oil over supply.

Over the past 5 years, US shale oil production in particular has flooded the global market with oil. Shale oil production is a very high cost producer with most operations requiring an oil price in the \$80 range to be profitable. There is speculation that Saudi Arabia, the world's largest oil producer, is refusing to cut oil production to not only maintain market share, but also eliminate this new competitor.

Many Shale oil producers, as well as other high cost operators have gone out of business over the past year, thereby setting the stage for the future oil price recovery based on reduced supply, and increase in demand from a growing world economy.

According to the International Energy Agency, high oil prices generally have a large negative impact on global economic growth, and conversely low oil prices will have a large positive impact on global economic growth.

Alberta has a diversified and resilient economy with oil and gas revenues, accounting for 22 per cent of provincial GDP. The relatively low oil price over the past year, while negatively impacting the oil sector has had a positive impact on other sectors such as transportation and manufacturing. This is not the first time oil prices have been volatile.

No commodity goes up in value without a correction or "pull backs" and oil is not an exception. These "pull backs" in oil prices are necessary for the long term stable appreciation of prices; otherwise there would develop inevitably a bubble and a catastrophic crash in the price of oil, as have occurred periodically in the past.

In the middle of the financial crisis of 2007–2008, the price of oil underwent a significant decrease after the record peak of US\$145 it reached in July 2008. On December 23, 2008, WTI crude oil spot price fell to US\$30.28 a barrel. The price then sharply rebounded after the crisis and rose to US\$82 a barrel in 2009.

Management of the Corporation expects the price of oil to rebound to the \$80 per barrel range over the next one to two years as it did in 2009, as excess supplies of crude oil that are currently on the market are consumed, and a new supply/demand equilibrium is reached.

The Corporation's project within the EETP is a long-term project, and as such the Corporation is more concerned about what the oil price will be over the next 5 years than over the next few years. Management does not believe the current oil price will have any negative impact on the Corporation's project given its timeline.

### **Alberta to Reduce Oil Industry CO2 Emissions**

Burning fossil fuels like coal, oil and natural gas through activities like transportation and energy development produces greenhouse gas emissions (GHG). These emissions contribute to global climate change. Climate change is a serious concern for our planet. Governments across the globe are responding to climate change through a number of initiatives, including reducing their GHG emissions. Alberta is no different.

Carbon Capture and Storage (CCS) balances the economic benefits our province receives from the development of its resources and our responsibility to reduce greenhouse gas (GHG) emissions. Alberta has committed a total of \$1.3 billion over 15 years to fund two large-scale CCS projects:

- Alberta Carbon Trunk Line project
- Quest Project

These projects will reduce Alberta's GHG emissions by 2.76 million tonnes annually beginning in 2015. That's the equivalent of taking 550,000 Alberta vehicles off the road.

Additionally, the use of CO<sub>2</sub> for enhanced oil recovery (EOR) means that CCS has the potential to generate future royalty revenue.

(Source: Alberta Energy May 2015)

### **The Heartland Transmission Line**

The Heartland Transmission Project involves the construction of an overhead double circuit 500kV transmission line, which connects to the Heartland Substation (northwest of Fort Saskatchewan) to the Ellerslie Substation. The *Electric Statutes Amendment Act, 2009* (formerly Bill 50) identified the Heartland Project as Critical Transmission Infrastructure.

On November 1, 2011 the Alberta Utilities Commission approved the East TUC route part of which runs through the EETP. This line will allow facilities requiring very high electric power usage to locate within the EETP. The Heartland Transmission project has been completed.

### **Edmonton Real Estate Market**

1. Edmonton Market at Low Risk Edmonton, May 4, 2015:
2. Canadian Home and Mortgage Corporation (CMHC) released the Updated Results of its House Price Analysis and Assessment Framework for Canada and 12 Markets last week. The report focused on housing market risk factors such as overheating, acceleration in house prices, overvaluation, and overbuilding. Their conclusion about the Edmonton market was that it presented a low risk in all these factors.
3. "While price growth has increased slightly since 2011, price increases remain in line with growth in the population of first-time home buyers and growth in personal disposable income. As is the case for Calgary, the economy is being impacted by lower oil prices and slower inflows of migrants that will likely contribute to an expected slowdown in the rate of price growth in 2015," stated the report from CMHC.

4. We are still confident that our market remains stable. We are seeing prices starting to level off. While still higher than last year, the average Edmonton single family home still remains one of the most affordable among major Canadian cities,” REALTORS® Association of Edmonton President Geneva Tetreault explains. Residential sales in Edmonton’s Census Metropolitan Area (CMA) are beginning to pick up with 1,597 in April 2015. That is up 10% from 1,453 in March but still down 13% from April 2014.
5. Despite a decline in all residential sales, the average sale price was \$337,270 up 3% from April last year. Single family dwellings sold for an average of \$438,641 (up 2% from last April), condos for \$252,935 (up 0.2% y/y) and duplex/rowhouses were \$356,022 (up 7.23% y/y).
6. “Sales are definitely down this year, but the sales numbers are still higher than 2011. It is unlikely that anyone would call 2011 a bad year for housing sales. It’s just in comparison to last year, we are not quite as busy. Prices are stabilizing and inventory is robust. We will continue to see increases in sales as we move into the selling season,” Tetreault says.
7. “Our realtors are out there working hard, not just listing new properties, but selling properties to clients who have been waiting for more inventory. The increase in listings is allowing REALTORS® to find the property that is right for their buyers. A lot of buyers waited to see what would happen in the first quarter. We are starting to see their confidence come back as a result of the continued stability of our market.”

(Source: EREB May 2015)

## 2.4 Long Term Objectives

The Corporation’s long-term goal is to raise up to \$6,840,000 prior to December 31, 2015, and use the available funds of this Offering pursuant to **Item 1.2 - Use of Available Funds**.

Development is not necessary for the land to increase in value. Land values can increase substantially as a result of the change of use of land (from agricultural to industrial), and the natural increase in land values that occur over time, as a result of economic growth and population in-migration. The corporation has plans to hold the land until the next major surge in land prices, rezone the land from agricultural to industrial, at that time and sell the land parcel. As currently envisioned, the Corporation is not a development project. The Development option does not need to be exercised for the land to increase in value substantially. The intention of rezoning is to achieve the highest and best use of the land. While the framework for development is available as an option should 2/3 of the shareholders approve it as a special resolution, the actual development of the land is not intended and should not be implied or expected.

*Rezoning Process (Soft Costs) (timeline: 1-2 years):*

1. Land Development Application (LDA) submitted reviewed, and accepted - \$4,500
2. LDA Application fee - \$1,768 payable to City of Edmonton (CITY OF EDMONTON)
3. Notice sent to Property Owners – CITY OF EDMONTON covers this cost
4. Technical Review by City Departments and external agencies – CITY OF EDMONTON covers this cost
5. If adjustments need to be made;
  - a. Rezoning Sign may be needed – approximately \$1,000 payable to sign company
  - b. Application revised and issues addressed - \$4,000
  - c. Public Meeting may be held - \$3,500
  - d. Additional reports/studies may be required – To be determined after a meeting with CITY OF EDMONTON – Approximately \$186,000
    - 1) Engineering Soft Costs
    - 2) Surveying
    - 3) Traffic Studies

- 4) Environmental Assessment
- 5) Environmental Impact Studies
- e. Repeat technical review may be necessary – CITY OF EDMONTON covers this cost
- f. Application revised and issues addressed – likely unnecessary given the type of rezoning proposed
- 6. Council Report and Bylaw prepared – CITY OF EDMONTON covers this cost
- 7. Public Hearing Notice sent to Property Owners – CITY OF EDMONTON covers this costs
- 8. Public Hearing advertised in newspapers – approximately \$1,500 payable to CITY OF EDMONTON
- 9. Public Hearing - \$3,000
- 10. Council Decision – CITY OF EDMONTON

Total Estimated Cost of Rezoning - \$205,268

Sources: City of Edmonton Planning & Development, ISL (Infrastructure Services Limited)

## 2.5 Short Term Objectives and How the Corporation Intends to Achieve Them

The Corporation's goal for the next twelve (12) months is to complete the offering of \$6,840,000 according to the Offering Memorandum and use the funds raised for the purposes outlined in **Item 1.2 - Use of Available Funds**

As of the initial closing, sufficient funds were raised to complete the repayment of the loan from 1631126 Alberta Ltd., a related corporation. The balance of the short-term objective is to raise funds to fully fund the Management Services Agreement and for general working capital purposes.

The following outlines the Corporation's short-term objectives and the methods and costs associated with the achievement of these objectives:

Short Term Objective	Target completion date or number of months to complete	Our cost to complete
To raise the balance of the Offering funds to be used for the purposes outlined in <b>Item 1.2 - Use of Available Funds</b> .	12 months	\$107,663 <sup>(1)</sup>

### Note:

(1) Denotes sellers' commission of ten percent (10%), exclusive of marketing fees and operating costs. See **Item 1.1 - Funds**

## 2.6 Insufficient Funds

The majority of funds raised pursuant to this Offering will be used pursuant to **Item 1.2 - Use of Available Funds**. The Corporation does not intend to hold any significant cash reserves, other than those amounts necessary to pay for all administration and operating expenses incurred by the Corporation in the conduct of its business. The funds raised under the Offering may not be sufficient to accomplish the proposed objectives.

## 2.7 Material Agreements

The following are the key terms of all material agreements which the Corporation has or expects to enter into, and which can reasonably be regarded as presently being material to the Corporation, or a prospective purchaser of the securities being offered pursuant to this Offering. A parcel of land of 162.84 acres was purchased by 1631126 Alberta Ltd. for \$3,656,000. From this parcel, 1631126 Alberta Ltd. then sold the Lands, that being

81.54 acres, to the Corporation for \$3,262,000. A pro-rated refund is available if the holding period is less than 7 years. **All material agreements are made available for inspection by prospective investors at the Corporation's head office during normal business hours.**

**(a) Offer to Purchase land between 1631126 Alberta Ltd. and the Corporation**

On March 26, 2012, 1631126 Alberta Ltd (a related corporation) sold 81.54 acres of the land to the Corporation (formerly 1666455 Alberta Ltd) for \$3,262,000. The terms of the transactions are as follows:

**(i) OFFER TO PURCHASE**

THE UNDERSIGNED 1666455 ALBERTA LTD. (the PURCHASER) hereby OFFERS TO PURCHASE from the VENDOR those certain lands legally described on Certificate of Title Numbered 112362 988 attached hereto as Schedule 1 and forming a part hereof (the Lands) together with the residential building, which building is municipally known as 333-227 Avenue, Edmonton, Alberta and appurtenances thereto (the Building) and any other improvements, fixed or otherwise located on the Lands (the Other Improvements), as well as all fixtures and equipment and other apparatus appurtenant thereto and necessary for or used in the operation of the Building and the Other Improvements (the Fixtures and Equipment), the Building, the Other Improvements, the Fixtures and Equipment collectively the Improvements, the Land and the Improvements sometimes collectively referred to as the Property, and any and all chattels belonging to the VENDOR and used in connection with the Property (the chattels), the Property and the Chattels free and clear of all liens, charges, adverse claims, equities, mortgages, demands, pledges, security interests, notifications, easements and encumbrances whatsoever (collectively Free and Clear) except for any notifications or easements which the PURCHASER has placed thereon (collectively the Permitted Notifications) on the following terms and conditions:

**PURCHASE PRICE**

The full purchase price of THREE MILLION TWO HUNDRED and SIXTY TWO THOUSAND DOLLARS (\$3,262,000) (The Purchase Price) payable as follow:-

- (a) The Purchase Price, namely THREE MILLION TWO HUNDRED and SIXTY TWO THOUSAND DOLLARS (\$3,262,000) plus or minus adjustments shall be paid to the VENDOR's Take Back Mortgage on or before 2:00 o'clock in the afternoon, (the Time of Closing) on March 26<sup>th</sup>, 2012 (the Day of Closing), (the Time of Closing and the Day of Closing collectively the Closing or the Closing Date) on such terms and conditions as the PURCHASER's Solicitors may reasonably require.

**(ii) VENDOR FINANCING**

The Corporation entered into an agreement with 1631126 Alberta Ltd., dated effective March 26, 2012, wherein the Corporation has agreed to repay the sum of \$3,425,100 (the "Loan") on the terms and conditions as out in such agreement. 1631126 Alberta Ltd. is an affiliate of the Corporation and is owned sixty percent (60%) by Ben Lui and forty percent (40%) by Reg Liyanage. The interest to be paid on the Loan is eight percent (8%) per annum. The loan was fully repaid on April 30, 2014. The Loan was evidenced by way of a Promissory Note and secured by a collateral mortgage registered against title to the Lands. A minimum of eighty percent (80%) of the net proceeds of any Closing shall be applied in payment of the Loan, with the balance of such proceeds to be used in respect of other costs set out in **Item 1.2 – Use of Proceeds** of this

## Offering Memorandum.

**(b) Management Services Agreement**

The Management Services Agreement was entered into between the Corporation and Yorkton Group effective July 18, 2012. Yorkton Group is an affiliate of the Corporation and owned sixty percent (60%) by Benny (“Ben”) Lui and forty percent (40%) by Rajeev (“Reg”) Liyanage. Yorkton Group, as the “Management Company” shall receive a 2.25% management fee per annum of the full Maximum Offering amount, plus GST during the initial seven year term. The total management fee for the seven (7) year term shall be due and payable upon demand after the Vendor Financing described below is paid in full. Any overdue unpaid management fee following demand is subject to an interest charge, with interest on any unpaid amounts at a rate of twelve percent (12%) per annum. Management services include the following without limitation:

- Basic Services provided by the Management Company to the Corporation, by employees or contractors of the Management Company whose duties are of a managerial, supervisory, or administrative nature, or which relate to accounting or bookkeeping, or whose function is to support the activities of the Corporation and the Key Personnel in connection with the offering pursuant to the Offering Memorandum or to support the Business and which:
  - include supplies and expenditures and which are incidental to such services such as office equipment, equipment rental and capital expenditures;
  - may be more efficiently carried on by the Management Company than by the Corporation or may be shared by other corporations affiliated with the Management Company.
- Property Management:
  - advertising and negotiating leases of the Lands for agricultural purposes;
  - collection of rents and making payment of all expenses, including property tax, weed control and other incidental expenses;
  - protecting the Lands with proper insurance coverage;
  - accounting for all rental revenues and expenditures;
  - attending to all landlord and tenant issues in a timely manner, including maintenance, city by-law enforcement, eviction and taking legal actions against tenants for major breach, if any;
- Change of Use of the Lands at the appropriate time:
  - working closely with architects, engineers, surveyors and professionals to obtain architectural designs, surveys, environmental and geotechnical site assessments, traffic studies and all necessary preconstruction professional and technical services required related to rezoning, subdivision or any other change of use of the Lands resulting in a potential increase in value of the Lands, as part of the preconstruction stage of Development;
  - liaising and negotiating with various levels of government agencies for rezoning, subdivision or any other change of use of the Lands resulting in a potential increase in value of the Lands, to achieve the Lands highest and best use;
  - attending all necessary public meetings, addressing all issues and questions and arise from all government agencies, neighbourhood communities, and surrounding property and business owners and residents;
- Project Administration:



- administering and processing all share sales pursuant to the Offering Memorandum;
- approving of budget, advertising and promotion as necessary and as required;
- accounting for all revenues and expenditures of the Corporation's Business in accordance with Canadian generally accepted accounting principles;
- filing all income and sales tax returns and reports and tax withholdings under the Income Tax Act(Canada) and provincial taxing statutes and any amendments thereto on behalf of the Corporation;
- attending to all banking matters at any institutions where the Corporation regularly banks;
- managing all business and financial affairs to ensure the cash flow of the business meets all financial obligations;
- managing all business and legal affairs of the Project to ensure full compliance with applicable security regulations;
- informing and meeting with the shareholders of the Corporation on a regular basis to provide updates of the Business;
- hosting and arranging annual general or special meetings of the Shareholders of the Corporation;
- Project Exit Strategies;
  - conducting market research and analysis to monitor the economy and the real estate market, in order to determine appropriateness and timing for the exit strategies;
  - marketing the Lands by working with licensed real estate brokers and others when prudent after all requisite shareholder approval; and
  - qualifying and negotiating with potential buyers of the Land in the best interest of all shareholders of the Corporation; and
- Development (if required)
  - conducting market research and analysis to monitor the economy and the real estate market as part of the preconstruction stage of Development as defined in section 1.1(f)(i), in order to determine appropriateness and timing for the construction stage of Development as defined in section 1.1(f)(i);
  - performing any services related to the preconstruction stage related to the preconstruction stage of Development as defined in section 2.3 above necessary or advisable in connection with making a recommendation with respect to the construction stage of Development; and
  - after careful consideration of the information obtained with respect to above, real; estate market conditions in Edmonton and the surrounding region, the availability and capacity of utility services adjacent to the Lands, progress with respect to creation of the Edmonton Energy and Technology Park pursuant to the area structure plan, evaluation of any other changes impacting to use of the Lands by government authorities and evaluation of all risk factors related to Development, recommended to the Board of Directors of the Corporation for recommendation to its shareholders proceeding to the construction stage of Development of the Lands as defined in section 2.3 above in accordance with the then current area structure plan and other regulatory requirements related to the Lands.

**(c) Lease Agreement**

The Corporation entered into a Farm Land Lease Agreement with 1631126 Alberta Ltd. with respect to the Lands dated March 26, 2012 (the "Head Lease") and assigned to it the benefit of the existing tenancy

agreement (the "Tenancy Agreement") dated October 14, 2011. 1631126 Alberta Ltd. is an affiliate of the Corporation and is owned sixty percent (60%) by Ben Lui and forty percent (40%) by Reg Liyanage. The Head Lease is a triple net care free lease effective March 26, 2012 for a term of five (5) years commencing March 26, 2012, to and including March 25, 2017, with rent in the amount of one (\$1.00) dollar per year, plus applicable GST. 1631126 Alberta Ltd. is required to have insurance coverage on the Lands for the buildings, equipment and public liability and property damage including personal injury liability. The Lessee is required to pay all utilities and land taxes and similar rates and assessment made and levied against the Lands and is responsible for all repair and maintenance during the lease term. The Lessee is not permitted to transfer, assign or sublet the Lands, other than with respect to the Tenancy Agreement.

### ITEM 3 – INTERESTS OF DIRECTORS, MANAGEMENT, PROMOTERS AND PRINCIPAL HOLDERS

#### 3.1 Compensation and Securities Held

The Corporation has completed its second full financial year and no compensation has been paid since its inception.

Name and municipality of principal residence	Positions held (e.g., director, officer, promoter and/or principal holder) and date of obtaining that position	Compensation paid by the Corporation in the most recently completed financial year and the compensation anticipated to be paid in the current financial year	Number, type and percentage of securities of the Issuer held prior to first Closing of the Offering <sup>(1)(2)</sup>	Number, type and percentage of security of the issuer held after completion of Maximum Offering <sup>(1)(2)</sup>
Ben Lui Edmonton, Alberta	President and Director since March 21, 2012	Nil	456,000 Class "B" Shares <sup>(1)</sup> (60%)	0 Class "A" Shares and 456,000 Class "B" Shares (6%)
Reg Liyanage Edmonton, Alberta	Vice-President and Corporate Secretary and Director since March 21, 2012	Nil	304,000 Class "B" Shares <sup>(2)</sup> (40%)	0 Class "A" Shares and 304,000 Class "B" Shares (4%)

**Notes:**

- (1) Ben Lui was issued 60 Class "B" Shares effective on March 21, 2012 for proceeds of \$60.00. Effective July 13, 2012, the Corporation undertook a 1 to 7,600 share split and Ben Lui's 60 Class "B" Shares became 456,000 Class "B" Shares.
- (2) Reg Liyanage was issued 40 Class "B" Shares effective on March 21, 2012 for proceeds of \$40.00. Effective July 13, 2012, the Corporation undertook a 1 to 7,600 share split and Reg Liyanage's 40 Class "B" Shares became 304,000 Class "B" Shares.

#### 3.2 Management Experience

The names and principal occupations of each of the Officers and Directors of the Corporation over the past five (5) years are as follows:

Name	Principal Occupations and Related Experience
Ben Lui	Mr. Lui is the President and CEO of Yorkton Group, and is also the President and CEO of over 20 other various real estate companies and strata corporations. Mr. Lui graduated from the University of Toronto in 1979, with a Bachelor of Science degree in Computer Science and Commerce. Mr. Lui has over 25 years of experience in real estate with a focus on strategic acquisitions, business development, project and business financing, property management, development and redevelopment, as well as in business and systems management consulting. In addition, Mr. Lui owns and leads a team of property management professionals in managing a large portfolio of residential and commercial properties in Western Canada, as well as overseas.
Reg Liyanage	Mr. Liyanage is the Vice-President of Yorkton Group. Mr. Liyanage holds a Bachelor of Science degree from the University of Alberta and comes from a financial services background. He has held leadership positions as well as ownership in a variety of businesses. In the commercial real estate field, Mr. Liyanage has over 20 years' experience with a focus on the successful marketing of a variety of commercial real estate properties, including condo units, strip mall units, as well as land syndications. In addition, Mr. Liyanage has extensive experience in project management, development, and redevelopment of commercial properties.

The Corporation is an affiliate of Yorkton Group. Yorkton Group was duly incorporated in 1989, and is a full service real estate developer with experience in land development, home building, commercial construction, leasing, real estate investment, development, and asset management. Currently Yorkton Group wholly owns and manages an extensive portfolio of properties in Western Canada including; numerous low and high-rise multifamily properties, a shopping mall, as well as large land holdings. Yorkton Group is a member of the Edmonton Homebuilders Association, the Edmonton Chamber of Commerce, and the Better Business Bureau of Northern Alberta.

Built on a foundation of professionalism and integrity, Yorkton Group creates wealth opportunities for its clients by offering secure investment opportunities in quality real estate properties, in select high-growth areas of Western Canada. Exhaustive research and analysis of markets and properties, shrewd market timing, patience, and persistence, helps Yorkton Group uncover opportunities in real estate, for the benefit of its clients.

### 3.3 Penalties, Sanctions and Bankruptcy

Except as otherwise disclosed herein, there are no penalties or sanctions that have been in effect during the last ten (10) years, nor any cease trade order that has been in effect for a period of more than thirty (30) consecutive days during the past ten (10) years, against an executive officer, director or control person of the Corporation or against a company of which any of the foregoing was an executive officer, director or control person including Yorkton Group. No declaration of bankruptcy, voluntary assignment in bankruptcy, proposal under any bankruptcy or insolvency legislation, proceedings, arrangement or compromise with creditors or appointment of a receiver, receiver manager or trustee to hold assets, has been in effect during the last ten (10) years with regard to those individuals or any companies of which any of those individuals was an executive officer, director or control person at that time or against a company of which any of the foregoing was an executive officer, director or control person.

### 3.4 Loan

The Corporation provided a promissory note and collateral mortgage to 1631126 Alberta Ltd. dated effective March 26, 2012 which is registered against the Lands, wherein the Corporation has agreed to repay the sum of \$3,425,100.00 to 1631126 Alberta Ltd. (the "Loan"), on the terms and conditions as set out in such agreements. 1631126 Alberta Ltd. is an affiliate of the Corporation and is owned sixty percent (60%) by Ben Lui and forty percent (40%) by Reg Liyanage. The interest to be paid on the Loan is eight percent (8%), and

the principal sum and interest was fully paid on April 30, 2014. A minimum of eighty percent (80%) of the net proceeds of any closing shall be applied in payment of the Loan, with the balance of such proceeds to be used in respect of other costs set out in **Item 1.2 – Use of Proceed** of this Offering Memorandum.

#### ITEM 4 - CAPITAL STRUCTURE

##### 4.1 Share Capital

Description of Security	Number Authorized to be Issued	Price per Security issued from Treasury	Number Outstanding as of May 15, 2015	Number Outstanding Assuming Completion of Maximum Offering
Class "A" Shares	Unlimited	\$1.00	5,763,364	6,840,000
Class "B" Shares	Unlimited	\$1.00	760,000 <sup>(1)</sup>	760,000

**Note:**

- (1) Originally 60 Class "B" Shares were issued to Ben Lui and 40 Class "B" Shares were issued to Reg Liyanage on March 21, 2012 at a price of \$1.00 per share. Those Class "B" Shares were split 1 to 7,600 by a directors' resolution effective July 13, 2012 without further payment resulting in 760,000 issued and outstanding Class "B" Shares as of that date. Directors will not have the right to issue additional Class "B" Shares other than the 760,000 Class "B" Shares that are currently issued and outstanding.

##### 4.2 Long Term Debt

There is no outstanding Long Term Debt as of fiscal year ended December 31, 2014.

##### 4.3 Prior Sales

As of May 15, 2015 there are 760,000 Class "B" Shares and 5,763,364 Class "A" Shares issued and outstanding as follows:

Date of Issuance	Type of Security Issued	Number of Security Issued	Price per Security (\$)	Total Funds Received (\$)
May 7, 2013	Class "A" Shares	10,000	1.00	10,000
June 27, 2013	Class "A" Shares	12,500	1.00	12,500
July 30, 2013	Class "A" Shares	5,000	1.00	5,000
April 28, 2014	Class "A" Shares	4,329,268 <sup>(1)</sup>	1.00	4,329,268
February 24, 2015	Class "A" Shares	321,118	1.00	321,118
April 15, 2015	Class "A" Shares	1,085,478	1.00	1,085,478
March 21, 2012 <sup>(2)</sup>	Class "B" Shares	760,000	1.00	100

**Note:**

- (1) The Corporation issued the required minimum of 750,000 Shares to a minimum of 150 Shareholders resulting in the Corporation qualifying as a "public corporation". As a result, these shares are a "qualified investment" for Deferred Plans. **See Item 6 - Income Tax Consequences and Deferred Plan Eligibility.**
- (2) Originally 60 Class "B" Shares were issued to Ben Lui and 40 Class "B" Shares were issued to Reg Liyanage on March 21, 2012. Those Class "B" Shares as amended on July 12, 2012 were split 1 to 7,600 by director's resolution pursuant to section 27.1 of the ABCA without further payment, resulting in 760,000 issued and outstanding shares effective as of July 13, 2012.

The Class "B" Shares shall have the right to ten (10) votes per share prior to the Completion of the Offering. After the Completion of the Offering, the Class "B" Shares shall be entitled to one (1) vote in respect of each share held and the holders of the Class "A" Shares and Class "B" Shares will rank pari passu with each other with respect to voting rights, the payment of dividend and rights on dissolution.

## **ITEM 5 - SECURITIES OFFERED**

### **5.1 Terms of Securities**

The Corporation is offering 6,840,000 Class "A" Shares for sale. The minimum number of Shares that may be purchased by a Subscriber is 5,000 Shares for a minimum investment of \$5,000.00, and increments of \$1.00 or one (1) Share thereafter. **The maximum number of Shares that may be allocated to any Subscriber is ten (10%) percent of the offering, or 684,000 Shares (\$684,000.00).**

#### **Class "A" Shares**

There are special rights and restrictions attached to the Class "A" Shares of the Corporation. A summary of these certain rights and restrictions can be found below.

#### **VOTING**

The holders of the Class "A" Shares in the Corporation shall be entitled to notice of and to attend at meetings of the Shareholders of the Corporation, and shall be entitled to one (1) vote in respect of each such share so held and the holder shall also be entitled to consent to and sign a resolution in writing to be signed by the Shareholders of the Corporation. **Sixty six and two-thirds percent (66 2/3%) majority vote by the cumulative holders of the Class "A" Shares and Class "B" Shares is required for any major decision regarding the Project, including without limitation the issuance of further shares in the share capital of the Corporation, to take effect.**

#### **DIVIDENDS**

The holders of the Class "A" Shares shall be entitled to receive a dividend when, as, and if declared by the Directors of the Corporation and such declaration shall apply equally on both the Class "A" Shares and the Class "B" Shares. Notwithstanding anything to the contrary herein contained, no dividends or other payment or distribution of assets or property of the Corporation shall be made to the holders, as such, of shares of the Corporation, if the Corporation would after the payment be unable to pay its liabilities as they became due or the realizable value of the Corporation's assets would thereby be less than the aggregate of its liabilities and stated capital of all classes. Subject to the foregoing and for greater certainty, dividends may be declared and paid on the Class "A" Shares and the Class "B" Shares to the complete exclusion of dividends being declared and paid on any other class of shares of the Corporation.

#### **WINDING-UP**

The holders of the Class "A" Shares and Class "B" Shares shall rank pari passu with one another and shall be entitled to receive the remaining property of the Corporation on liquidation, dissolution, or winding-up.

### **Class “B” Shares**

There are special rights and restrictions attached to the Class “B” Shares of the Corporation held by Ben Lui and Reg Liyanage. A summary of these certain rights and restrictions can be found below.

#### **VOTING**

The holders of the Class “B” Shares in the Corporation shall be entitled to notice of and to attend at meetings of the Shareholders of the Corporation, and until the Completion of the Offering shall be entitled to ten (10) votes in respect of each such share so held and after the Completion of the Offering shall have one (1) vote in respect of each share held. The holder shall also be entitled to consent to and sign a resolution in writing to be signed by the Shareholders of the Corporation. Sixty six and two thirds percent (66 2/3%) majority vote by the cumulative holders of the Class “A” Shares and Class “B” Shares is required for any major decision regarding the Project, including without limitation the issuance of further shares in the share capital, to take effect.

#### **DIVIDENDS**

The holders of the Class “B” Shares shall be entitled to receive a dividend when, as, and if declared by the Directors of the Corporation and such declaration shall apply equally on both the Class “A” Shares and the Class “B” Shares. Notwithstanding anything to the contrary herein contained, no dividends or other payment or distribution of assets or property of the Corporation shall be made to the holders, as such, of shares of the Corporation, if the Corporation would after the payment be unable to pay its liabilities as they became due or the realizable value of the Corporation's assets would thereby be less than the aggregate of its liabilities and stated capital of all classes. Subject to the foregoing and for greater certainty, dividends may be declared and paid on the Class “B” Shares and the Class “A” Shares to the complete exclusion of dividends being declared and paid on any other class of shares of the Corporation.

#### **WINDING UP**

The holders of the Class “B” Shares and Class “A” Shares shall rank *pari passu* with one another and shall be entitled to receive the remaining property of the Corporation on liquidation, dissolution, or winding up.

## **5.2 Subscription Procedures**

### **(a) Subscription Documents**

Subscribers wishing to subscribe for Shares will be required to enter into a Subscription Agreement with the Corporation which will contain, among other things, representations, warranties and covenants by the Subscriber that it is duly authorized to purchase the Shares, that it is purchasing the Shares as principal and for investment and not with a view to resale and as to its corporate or other status to purchase the Shares and that the Corporation is relying on an exemption from the requirements to provide the Subscriber with a prospectus and as a consequence of acquiring the securities pursuant to this exemption, certain protections, rights and remedies, provided by applicable securities laws, including statutory rights of rescission or damages, will not be available to the Subscriber.

Reference is made to the Subscription Agreement attached as Schedule "B" to this Offering Memorandum for the terms of these representations, warranties and covenants.

In order to subscribe for Shares, a purchaser must complete, execute and deliver the following documentation to the Corporation's head office at 2430, 10180 – 101 Street, Edmonton, Alberta T5J 3S4:

- (i) one (1) completed and signed copy of the Subscription Agreement in the form set out in Schedule “B” to this Offering Memorandum (including any schedules attached thereto);

- (ii) an amount equal to the Subscription Amount (as set forth in the Subscription Agreement), in respect of a cash purchase, by way of a certified cheque, bank draft or money order payable to “Parlee McLaws LLP, in trust”, or in the event of a Deferred Plan, by way of a certified cheque, bank draft or wire transfer payable to Pacific Western Trust Company, in trust;
- (iii) a completed and executed Form 45-106F4 attached as **Exhibit 1** to the Subscription Agreement; and
- (iv) if a resident in Alberta, Manitoba, Northwest Territories, Nunavut, Saskatchewan or Yukon and the Subscription Price exceeds \$10,000, a completed **Exhibit 2** and, if applicable, the Representation Letter as follows:
  - (A) in the case of a Subscriber who is an “accredited investor” a fully completed and duly executed Representation Letter, in the form of Appendix “A” attached to Exhibit 2 to the Subscription Agreement; or
  - (B) in the case of a Subscriber who is a “close personal friend” or “close business associate” as defined herein, a fully executed and completed Close Personal Friend and/or Close Business Associate Questionnaire in the form of Appendix “B” attached to Exhibit 2 to the Subscription Agreement; and
- (v) a completed and duly signed Risk Acknowledgement Form in the form attached as **Exhibit 3**; and

Parlee McLaws LLP, as legal counsel to the Corporation will hold any subscription funds provided to it “in trust”, until a signed and dated Subscription Agreement is duly accepted by the Corporation and a Closing has occurred.

Subject to applicable securities laws and the Subscriber’s two-day cancellation right, a subscription for Shares, evidenced by a duly completed Subscription Agreement delivered to the Corporation shall be irrevocable by the Subscriber. See Item 11 — Purchasers’ Rights.

Subscriptions for Shares will be received, subject to rejection and allotment, in whole or in part, and subject to the right of the Corporation to close the subscription books at any time, without notice. If a subscription for Shares is not accepted, all subscription proceeds will be promptly returned to the Subscriber without interest.

### 5.3 Sale by Exempt Market Dealers or Pursuant to an Exemption

Neither the Corporation nor Yorkton Group is registered as an exempt market dealer with any securities regulatory authority. The Shares are being sold by the Corporation and Yorkton Group pursuant to the Northwestern Exemption.

The Northwestern Exemption provides that the sale of Shares in Alberta, British Columbia, Manitoba, Saskatchewan, the Northwest Territories, Nunavut and the Yukon Territory pursuant to the following prospectus exempt distributions: i) the accredited investor, ii) family, friends and business associates, iii) offering memorandum and iv) minimum \$150,000 purchase of a security in one transaction may be made by a dealer not registered as Exempt Market Dealer with a securities regulatory authority, provided the trade is made in accordance with the requirements of the blanket order made by the relevant securities regulatory authority. An issuer relying on the Northwestern Exemption must: i) not be registered in any category of dealer registration with a securities regulatory authority in any jurisdiction, ii) not provide suitability advice about the trade to the Subscriber, iii) not otherwise provide financial services to the Subscriber, iv) not hold or have access to the Subscriber’s assets, (v) provide the Subscriber the Risk Acknowledgement Form attached as Exhibit 3 to the Subscription Agreement; and vi) file a dealer information report with the relevant securities regulatory authority.

Persons selling securities who are not registered with a securities regulatory authority in accordance with NI 31-103 are prohibited from providing advice as to the suitability of this investment. **Advice about the merits of this investment and whether these securities, are suitable for any potential subscriber, should be provided by a registered adviser or dealer.**

## **ITEM 6 - INCOME TAX CONSEQUENCES AND DEFERRED PLAN ELIGIBILITY**

The following describes the principal Canadian federal income tax considerations under the Tax Act generally applicable to the Corporation and a person who acquires Shares pursuant to this Offering Memorandum and who, for purposes of the Tax Act, is resident in Canada, holds the Shares as capital property and deals at arm's length and is not affiliated with the Corporation. Generally, the Shares will be considered to be capital property to a person provided the person does not hold the Shares in the course of carrying on a business and has not acquired the Shares in one or more transactions considered to be an adventure in the nature of trade.

This summary is based upon the provisions of the Tax Act in force as of the date hereof, all specific proposals to amend the Tax Act that have been publicly announced prior to the date hereof by the Minister of Finance and our understanding of the current published administrative and assessing policies of the Canada Revenue Agency (the "CRA"). This summary is not applicable to a person or a partnership, an interest in which would be a "tax shelter investment" as defined in section 143.2 of the Tax Act, or to a person that is a "financial institution" as defined in section 142.2 of the Tax Act. This summary is not exhaustive of all possible Canadian federal income tax considerations, and does not take into account or anticipate any changes in the law, whether by way of legislative, governmental or judicial actions, nor does it take into account provincial, territorial or foreign tax considerations, which might differ significantly from those discussed herein.

### ***Taxation of the Corporation***

The Corporation's taxation year-end is December 31. The Corporation will be subject to federal income tax at applicable rates, plus applicable provincial or territorial tax, on its taxable income.

In computing its income for a taxation year for purposes of the Tax Act, generally, the Corporation may deduct reasonable administrative and certain other general expenses incurred in the taxation year for the purpose of gaining or producing income from business or property. The Corporation also may deduct from its income for tax purposes up to 20% per year of the total selling commission and fees incurred in connection with the issuance of the Class "A" Shares under the Offering, pro-rated where the number of days that the Corporation's taxation year is less than 365, to the extent that such expenses were not reimbursed or deductible by the Corporation in any preceding taxation year.

### ***Taxation of Non-Exempt Persons Holding Shares***

#### **Capital Gain (Loss)**

A Shareholder may realize a capital gain (or sustain a capital loss) upon the disposition or deemed disposition of a Share to the extent that the proceeds of disposition of the Share exceed (or are less than) the aggregate of that Shareholder's adjusted cost base of the Share and any reasonable costs of disposition. A Shareholder's adjusted cost base of a Share generally will be the Shareholder's cost of the Share, subject to certain adjustments in accordance with the Tax Act.

One-half of any capital gain realized by a Shareholder in a taxation year must be included in computing the Shareholder's income for that year as a taxable capital gain. One-half of a capital loss realized in a taxation year will be deductible as an allowable capital loss against taxable capital gains realized in that year or in any of the three taxation years preceding that year or any subsequent taxation year, subject to certain restrictions contained in the Tax Act.

A Shareholder that is an individual or a trust may be liable for alternative minimum tax as a result of realizing a capital gain. A Shareholder that is a "Canadian-controlled private corporation" throughout the relevant taxation



year, within the meaning of the Tax Act, will be subject to a refundable tax of twenty-six and two thirds (26 2/3%) percent in respect of its “aggregate investment income” for the year (as defined in the Tax Act) which includes taxable capital gains. A corporation that is subject to the twenty-six and two thirds (26 2/3%) percent tax will be entitled to a refund of the tax as taxable dividends are paid, at the rate of One (\$1.00) Dollar refunded for every Three (\$3.00) Dollars of taxable dividends paid by the corporation, subject to certain limitations contained in the Tax Act.

### **Taxable Dividends and Deemed Taxable Dividends**

Taxable dividends received by a Shareholder in respect of the Shares will be included in the Shareholder’s income.

Any amount paid by the Corporation upon a redemption, an acquisition, or a cancellation of Shares will be deemed to have been paid by the Corporation, and received by the Shareholder to whom it was paid, as a taxable dividend to the extent the amount so paid exceeds the paid-up capital of the Shares.

Distributions on the winding-up, discontinuance or reorganization of the Corporation’s business will be deemed to be a taxable dividend paid by the Corporation on the Shares at that time equal to the amount, if any, by which the amount of the distribution exceeds the amount, if any, by which the paid-up capital in respect of the Shares is reduced on the distribution.

In the case of a Shareholder who is an individual, a taxable dividend will be subject to the gross-up and dividend tax credit rules under the Tax Act normally applicable to dividends received from a “taxable Canadian corporation” as defined in the Tax Act. Taxable dividends paid, or deemed to be paid, by the Corporation may be designated as “eligible” dividends that will qualify for a higher dividend tax credit than non-eligible dividends.

In the case of a Shareholder that is a corporation, a taxable dividend will be included in the Shareholder’s income, but generally will be deductible in computing the Shareholder’s taxable income, subject to certain restrictions contained in the Tax Act. A Shareholder that is a “private corporation” or a “subject corporation” (as defined in the Tax Act) may be liable to pay a refundable tax under Part IV of the Tax Act in the amount of thirty-three and one third (33 1/3 %) percent of any taxable dividend received from the Corporation, to the extent such taxable dividend is deductible in computing the Shareholder’s taxable income. A corporation that is subject to Part IV tax will be entitled to a refund of the tax as taxable dividends are paid, at the rate of One (\$1.00) Dollar refunded for every Three (\$3.00) Dollars of taxable dividends paid by the corporation, subject to certain limitations contained in the Tax Act.

### **Return of Capital - Deemed Taxable Dividends and Share ACB Adjustments**

Any amount paid by the Corporation on the reduction of the paid-up capital in respect of the Shares, otherwise than by way of a redemption, an acquisition, or a cancellation, of any of the Shares or on the winding-up, discontinuance or reorganization of its business, or by way of a reorganization of share capital described in section 86 of the Tax Act, will be deemed to have been paid by the Corporation and received by a Shareholder to whom it was paid, as a dividend (unless, based on certain proposed amendments to the Tax Act, the amount so paid was derived from proceeds realized from a transaction that occurred outside the ordinary course of the business of the Corporation within the period that commenced 24 months before the payment, and no amount that may reasonably be considered to be derived from those proceeds was paid by the Corporation on a previous reduction of the paid-up capital in respect of any class of the Corporation’s Shares).

A return of capital that is deemed to be received by a Shareholder as a taxable dividend will be subject to tax under the Tax Act in the manner described above under the heading “Taxable Dividends and Deemed Taxable Dividends.”

A return of capital which is not deemed to be received by a Shareholder as a dividend will reduce the adjusted cost base of the Shareholder’s Shares. If the total of all amounts required under the Tax Act to be deducted from the adjusted cost base of a Shareholder’s Shares exceeds the sum of the Shareholder’s adjusted cost base of the Shares plus the total of all amounts required under the Tax Act to be added to the adjusted cost base of the

Shareholder's Shares, the amount of the excess shall be deemed to be a capital gain of the Shareholder for the year from a disposition at that time of the Shares and will be subject to tax under the Tax Act in the manner described above under the heading "Capital Gain (Loss)." The amount of such excess thereafter will be added to the adjusted cost base of the Shareholder's Shares.

### ***Eligibility for Investment by Deferred Plans***

The Corporation intends to qualify as a "public corporation" within the meaning of the Tax Act and accompanying regulations (the "**Regulations**") before issuing Shares to any trust governed by a Deferred Plan. Provided that the Corporation qualifies as a "public corporation" within the meaning of the Tax Act and the Regulations, the Shares will be qualified investments for Deferred Plans.

To qualify as a "public corporation," the Corporation must meet the following conditions:

- 1 The Corporation must be resident in Canada;
- 2 The Corporation must file an election in form T2073 pursuant to which the Corporation will elect to be a "public corporation" in accordance with subparagraph (b)(i) of the definition of that term in subsection 89(1) of the Act;
- 3 The Shares must be qualified for distribution to the public;
- 4 The Shares must be designated in the Corporation's form T2073 election;
- 5 The Corporation must have no fewer than 150 Shareholders each of whom owns not less than 100 Class "A" Shares having an aggregate fair market value of not less than \$500; and
- 6 "Insiders" of the Corporation (as defined in subsection 4803(1) of the Regulations) must not hold more than 80 per cent of the issued and outstanding Class "A" Shares.

As of the date of this Offering Memorandum, the Corporation has satisfied all of the conditions for a "public corporation" status as set out in the Tax Act and the Regulations and has filed a form T2073 election with the CRA to qualify it as a public corporation for the purposes of the Tax Act. Subsequently, the Shares are a qualified investment for trusts governed by Deferred Plans.

Based on representations made by the Corporation (and subject to the accuracy of those representations), the law firm of Felesky Flynn LLP has provided a legal opinion to the Corporation stating that the Shares will be qualified investments for Deferred Plans once the Corporation meets the requirements for "public corporation" status set out in the Tax Act and the Regulations and has filed a form T2073 election with the CRA.

**Not all securities that are qualified investments for Deferred Plans can be acquired in an RRSP, LIRA or TFSA.** RRSPs, LIRAs and TFSAs are subject to rules in Part XI.01 of the Tax Act that may result in negative tax consequences if a trust governed by an RRSP, LIRA or TFSA acquires a security that is a "prohibited investment" for that particular RRSP, LIRA or TFSA as defined in Part XI.01, notwithstanding that the security may otherwise be a qualified investment for Deferred Plans. **Potential investors should consult their own professional advisors to obtain advice on the potential application of Part XI.01 of the Tax Act before acquiring Shares in an RRSP, LIRA or TFSA.**

Finally, there can be no assurance that the Canadian federal income tax laws and administrative policies of the CRA respecting the status of the Shares as qualified investments for Deferred Plans will not be changed in a manner that adversely affects the Shareholders. In that event, negative tax consequences will result and potential investors should consult with their own professional advisors in this regard.

**This summary is of a general nature only and is not intended to be legal, tax or business advice to any particular prospective purchaser of Shares. Consequently, prospective Shareholders should seek**

**independent professional advice regarding the income tax consequences of investing in the Shares, based upon their own particular circumstances.**

**The assumption has been made that all Subscribers who become Shareholders will be residents of Canada. Non-resident subscribers should consult their own professional advisors.**

**You should consult your own professional advisors to obtain advice on the tax consequences that would apply to you as a Shareholder prior to completion of the Subscription Agreement.**

## **ITEM 7 - COMPENSATION PAID TO SELLERS AND FINDERS**

The Corporation as allowed by applicable securities legislation, has retained Yorkton Group to help effect the sale of the Shares in the provinces and territories covered by the Northwestern Exemption. A commission of 10% and marketing fee of 5% of the gross proceeds of the sale of the Shares will be paid to Yorkton Group by the Corporation on each Closing of the Offering. The Corporation retains the right, as allowed by applicable securities legislation to retain agents in provinces and territories not covered by the Northwestern Exemption to help effect the sale of shares in those jurisdictions for commissions and fees to be determined.

## **ITEM 8 - RISK FACTORS**

**It is strongly recommended that each Subscriber, in order to assess tax, legal and other aspects of an investment in the Shares, obtain independent legal and tax advice with respect to the Offering and this Offering Memorandum.**

Purchase of Shares pursuant to this Offering should only be made after consulting with independent and qualified sources of investment and tax advice. Investment in the Shares at this time is highly speculative due to the stage of the Corporation's development. An investment in Shares is appropriate only for investors who are prepared to invest money for a long period of time and who have the capacity to absorb a loss of some or all of their investment. Shareholders must rely on management of the Corporation. Any investment in the Corporation at this stage involves a high degree of risk.

In addition to factors set forth elsewhere in this Offering Memorandum, potential Subscribers should carefully consider the following factors, many of which are inherent to the ownership of the Shares. An investment in the Shares involves various risks and uncertainties. The risks discussed in this Offering Memorandum can adversely affect the Corporation's operations, operating results, prospects and financial condition. This could cause the value of the Shares to decline and cause Subscribers therein to lose part or all of their investment. In addition to those set out below and elsewhere in this Offering Memorandum, other material risks and uncertainties of which the Corporation is not presently aware may also harm its business. The following is a summary of some of the material risk factors involved in an investment in the Shares. Prospective Subscribers should review the risks with their legal and financial and tax advisors.

### **8.1 Investment Risks**

**The Shares are speculative. The Corporation is a new business venture and investment in the Shares should only be made after consulting with independent and qualified sources of investment and tax advice.**

#### ***No Guarantee that Investment in Shares will be Profitable***

There can be no guarantee against losses resulting from an investment in Shares and there can be no assurance that the Corporation's strategy of investing in the Lands will be successful or that the objective of earning a profit on the eventual sale of the Lands will be achieved. The success of the Corporation in these objectives will depend to a certain extent on the efforts and abilities of the management of the Corporation and on a number of other external factors such as, among other things, the general economic conditions that may prevail from time to time, future development of the ASP for the Edmonton Energy and Technology

Park, and related political decisions which factors are out of the control of the management of the Corporation.

### ***No Involvement of Registered Investment Dealers***

No independent investment dealer (IDA or MFDA registered) has made any review or investigation of the terms of this Offering, the structure of the Corporation or the background of the directors and officers. The Shares are not being sold by an Exempt Market Dealer and as such the Issuer and its sales staff are prohibited from providing advice to any Subscriber as to the suitability of the investment.

### ***Highly Speculative***

The purchase of Shares is highly speculative. A potential Subscriber should purchase Shares only if it is able to bear the risk of the entire loss of its investment. An investment in the Shares should not constitute a significant portion of a Subscriber's investment portfolio.

### ***Restrictions on Trading***

The Shares will be subject to a number of resale restrictions, including a restriction on trading. Until the restriction on trading expires, a Shareholder will not be able to trade the Shares unless it complies with very limited exemptions from the prospectus and registration requirements under applicable securities legislation. As the Corporation has no intention of becoming a reporting issuer in any jurisdiction in Canada, these restrictions in trading may never expire. There is no public or established market over which the Shares may be traded and it is very unlikely that one will ever develop. Consequently, Shareholders may not be able to liquidate their investment in a timely manner, if at all, or pledge the Shares as collateral for loans. See **Item 10 - Resale Restrictions**.

### ***Shares Not Insured***

The Corporation is not a member institution of the Canada Deposit Insurance Corporation and the Shares offered pursuant to this Offering Memorandum are not insured against loss through the Canada Deposit Insurance Corporation.

### ***Dilution***

Prior to closing of the Offering memorandum there is a risk to the class A shareholders if the maximum offering is not achieved, as the Class B shareholders have the right to ten (10) votes per share. Therefore, prior to closing the offering memorandum class A shareholders will have less voting power per share than Class B shareholders. The directors have resolved to not issue additional class "B" Shares other than the 760,000 class "B" Shares that are currently issued and outstanding.

## **8.2 Issuer Risk**

### ***Operating History***

The Corporation has been incorporated for the purpose of investing in the Lands. The Corporation's operations are subject to all the risks inherent in the establishment of a new business enterprise, including a lack of major long-term operating history. The Corporation cannot be certain that its investment strategy will be successful. The likelihood of success of the Corporation must be considered in light of the problems, expenses, difficulties, complications and delays frequently encountered in connection with the establishment of any business. If the Corporation fails to address any of these risks or difficulties adequately, its business will likely suffer. Future profits, if any, will depend upon various factors, government regulations and enforcement and general economic conditions. There is no assurance that the Corporation can operate profitably or that it will successfully implement its plans.

### ***Potential Conflicts of Interest***

The directors and officers of the Corporation are also directors and officers and shareholders of other affiliates or companies that may be engaged and will continue to be engaged in activities that may put them in conflict with the business strategy of the Corporation including without limitation 1631126 Alberta Ltd. and Yorkton Group and prior Energy Crossing projects. Consequently, there exists the possibility for such directors and officers to be in the position of conflict. All decisions to be made by such directors and officers involved in the Corporation are required to be made in accordance with their duties and obligations to act honestly and in good faith with a view to acting in the best interests of the Corporation. In addition, such directors and officers are required to declare their interest in, and such directors are required to refrain from voting on, any matter in which they may have a material conflict of interest.

### **8.3 Industry Risks**

#### ***Investment in Real Estate Relatively Illiquid***

Real property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for, and for the perceived desirability of, the investment. If it was necessary to liquidate all or a portion of the Lands, the proceeds to the Corporation from the sale of the Lands might be significantly less than the total value of its investment on a going concern basis.

#### ***Default on Indebtedness***

If the Corporation defaults in the repayment of any indebtedness, the creditors holding such indebtedness will be entitled to exercise all available legal remedies against the Corporation including potential recourse against the Corporation's assets. There is no assurance that there will be assets available to recover any portion of a Shareholder's investment.

#### ***Competition***

The Corporation competes with other investors, developers, and owners of competitive projects. Some of the competitors of the Corporation are more established, better located or better capitalized than the Corporation. Certain of these competitors have greater financial and other resources and greater operating flexibility than the Corporation. The existence of competing companies could have a material adverse effect on the ability of the Corporation to market or develop the Lands and could adversely affect the profitability of the Corporation.

#### ***Regulatory Approvals***

The Corporation's success depends upon:

- (a) Management's ability to rezone as permitted by ASP, at the appropriate time.
- (b) The Lands appreciating in value over the holding period, assuming expected rezoning has been achieved.

Subscribers are also advised to independently assess the likelihood of management's ability to rezone the land. The current permitted uses and potential for rezoning under the ASP could be detrimentally impacted should the City of Edmonton pass further bylaw amendments altering the ASP.

Subscribers are also advised to independently assess the likelihood of land values increasing in value over the holding period, once the proposed change of use has been achieved.

Sixty six and two thirds percent (66 2/3%) majority vote by the holders of the Class "A" Shares and Class "B"

Shares is required for any major decisions regarding the Project to take effect. Although the expected holding period is approximately 7 years, the actual Project exit may fall outside this time-frame.

Economic conditions world-wide, and the health of Alberta's petroleum industry, including the demand for its oil based products and related environmental requirements, may impact development of Edmonton Energy and Technology Park in accordance with ASP and land values in the subject area, including the Lands.

**Any documents publicly released by the City of Edmonton Planning and Development, as well as contact information, and other pertinent independent information will be provided on request, so that Subscribers are able to make an intelligent decision with regard to all risk factors associated with the Project.**

### ***Management Risk***

The Corporation has no employees. However, through the Management Services Agreement with Yorkton Group as the "Management Company", the Corporation will have at its disposal certain individuals who will be available to work on the Project. Through the Management Company, it will rely on Ben Lui and Reg Liyanage, the Key Personnel as defined in that agreement and other employees of its affiliates for the day-to-day management of its affairs. The directors of the Corporation estimate that Ben Lui will dedicate an average of 5 to 10% of his productive time to the day to day operations of the Corporation and Reg Liyanage will dedicate an average of 20 to 30% of his productive time to the day to day operations of the Corporation. There is no assurance that these persons will continue to be owners, directors, officers or employees of the Management Company or be able to devote adequate time to the operations of the Corporation. If the primary businesses of the Management Company suffer any adverse financial or operational problems in connection with its operations unrelated to the Corporation, the Key Personnel's expected allocated time and resources to the operations of the Corporation may be replaced by other key employees of Yorkton Group. If any of these things occur, the value increase of the investment may be affected.

### ***Environmental Matters***

Environmental laws provide for sanctions for non-compliance and may be enforced by governmental agencies or, in certain circumstances, by private parties. Certain environmental laws and common law principles could be used to impose liability for release of and exposure to hazardous or toxic substances into the air. Third parties may seek recovery from real property owners or operators for personal injury or property damage associated with exposure to released hazardous or toxic substances. The cost of defending against claims of liability, of complying with environmental regulatory requirements, of remediating any contaminated property, or of paying personal injury claims could be substantial and reduce the value of the Lands and any investment in the Shares. The Corporation may be subject to liability for undetected pollution or other environmental hazards against which it cannot insure, or against which it may elect not to insure where premium costs are disproportionate to the Corporation's perception of relative risk. **Subscribers may review the Corporation's environmental assessment as prepared by Venture Engineering of Edmonton, Alberta dated August 11, 2011 with respect to the original acquisition of the Lands by 1631126 Alberta Ltd. during normal business hours at the Corporation's head office.**

### ***Financing***

The Lands were purchased by the Corporation from 1631126 Alberta Ltd. with such outstanding debt evidenced by a promissory note and secured by a collateral mortgage in favour of the vendor, a company owned sixty percent (60%) by Ben Lui and forty percent (40%) by Reg Liyanage. The offering proceeds will be used to pay off this indebtedness as identified in **Item 2.7(b) - Vendor Financing** and **Item 3.4 - Debt**, in priority over any distribution to the Shareholders. Thereafter, the Project will be kept free and clear of all financial encumbrances for the duration of the holding period, unless the development option is exercised by the Corporation with approval of the Shareholders.

If the development option is exercised, the Corporation may need to rely on funding by other third parties for significant amounts of money to pay the ongoing costs and expenses of the Corporation. As well, such other

sources of funding may not be available or may not be available under terms that are acceptable to the Corporation.

Any borrowings by the Corporation will take priority over the distribution of income or other amounts to the Shareholders and such amounts will be required to be repaid before any distributions of income or other amounts are made to the Shareholders.

### ***Construction Costs***

The Project is not currently envisioned as a development Project. If however the development option is exercised, the Subscribers should be aware that the real estate and building industry is significantly impacted by fluctuations in the cost of construction. Any material increase in construction and/or building costs may have a materially adverse effect on the Corporation and the timing of selling either the Lands or a light industrial/commercial park development to end purchasers.

### ***Political and Economic Climate***

The Province of Alberta, and more specifically, the City of Edmonton, in which the head office is located, presents social, economic and political conditions that are reasonably stable. However, both of these levels of government and the federal government could implement policies that would have an adverse effect on the value of the Lands or the Shares. Examples of such policies are tax reform, zoning restrictions, land ownership restrictions, transportation policies, development moratoriums, annexation proceedings or other adverse economic and/or monetary policies. Also, if there is a change in political leadership or government in Alberta, this may impact land values. Finally, the Canadian and U.S. economies may not sustain recent levels of growth and projections regarding future growth may not be accurate. On May 5, 2015, the New Democratic Party was elected for a four-year term. Premier Rachel Notley has announced a review of key longstanding Alberta policies, with regard to the minimum wage, energy royalties, and the environment, which may have an impact on the economy, thereby affecting the demand for industrial land.

### ***General Real Estate Risks***

This Project is not currently envisioned as a development project, however, if the development option is exercised, it should be noted that various factors can affect the timing and profitability of concluding any land development Project. While management has made certain plans, there is no assurance that such plans will be met on a timely basis or at all. There is no assurance that the Corporation will be profitable. The Corporation will be subject to certain risks inherent in owning the Lands including: (i) unforeseen delays with successful registrations at Alberta Land Titles Office or in obtaining required regulatory approvals; and (ii) the decrease in the overall market price of commercial lots and/or buildings. As well, the market for land and commercial lots can be affected adversely by certain economic factors, such as the availability of credit, which may be regional, provincial, national or international in scope. **Subscribers may review the Corporation's real estate appraisal with respect to the Lands prepared by Essex Appraisals Group Ltd. of Edmonton, Alberta, dated March 27, 2012 during normal business hours at the Corporation's head office.**

### ***Reliance on Directors***

Decisions regarding the management of the Corporation's affairs will be made exclusively by the officers and directors of the Corporation and the Management Company and not by the Shareholders. However, Shareholders will be entitled to vote with respect to all major decisions including but not limited to, the sale or further development of the Lands. Accordingly, Subscribers must carefully evaluate the personal experience and business performance of the officers and directors of the Corporation and the Management Company. The Corporation has retained the Management Company, may retain other independent contractors, including affiliates of the Corporation, to provide services to the Corporation. These contractors have no fiduciary duty to the Shareholders and may not perform consistently with the fiduciary duty owed to shareholders by the Corporation and its directors and officers.

The success of the Corporation will be largely dependent upon the performance and decision making of its board of directors and officers or the Management Company. There is a risk that the death, disability or departure of any member of management or the board of directors or any key employee of the Corporation or the Management Company could have a material adverse effect on the Corporation, the value of the Corporation's assets and prospects for successful completion of the Offering and the Project.

### ***Tax Aspects***

Canadian federal and provincial tax aspects and local tax aspects should be considered prior to investing in the Shares (see **Item 6 - Income Tax Consequences and Deferred Plan Eligibility** of this Offering Memorandum). The return on a Shareholder's investment is subject to changes in Canadian tax laws. The discussion of income tax considerations in this Offering Memorandum is provided for general information only based upon current income tax laws. There can be no assurance that tax laws or judicial or administrative interpretations will not be changed in a manner which fundamentally alters the tax consequences to Shareholders of holding or disposing of the Class "A" Shares.

**The foregoing risk factors do not purport to be a complete explanation of all risks involved in the purchase of the Shares. Potential Subscribers should read this entire Offering Memorandum and the Subscription Agreement and consult with their legal and other professional advisors before deciding to invest in the Shares.**

## **ITEM 9 - REPORTING OBLIGATIONS**

### **9.1 Reporting to Shareholders**

The Corporation is not a reporting issuer in any jurisdiction. It is therefore not required to disclose material changes which occur in its business and affairs, nor is it required to file with any securities regulatory authorities. Pursuant to the ABCA, the Corporation is required to hold an annual general meeting and deliver audited financial statements to the Shareholders of the Corporation, unless a waiver is obtained from all Shareholders pursuant to Section 163(3) of the ABCA.

Financial or other information relating to the Corporation and provided to you in the future may not by itself be sufficient for your needs to enable you to prepare your income tax returns or to assess the performance of your investment. **The Corporation is not required to send Shareholders any documents on an annual or ongoing basis, beyond the information provided in the ABCA.**

## **ITEM 10 - RESALE RESTRICTIONS**

The Shares are subject to a number of resale restrictions under securities legislation, including a restriction on trading. Until the restriction on trading expires, you will not be able to trade the Shares unless you are able to rely on and comply with an exemption from the prospectus and registration requirements under securities legislation. For information about these resale restrictions you should consult a lawyer.

The certificates representing the Shares of the Corporation issued pursuant to this Offering will have the following legend inscribed thereon:

***"Unless permitted under securities legislation, the holder of this security must not trade the security before the date that is four (4) months and a day after the later of (i) [date of distribution], and (ii) the date the Corporation became a reporting issuer in any province or territory of Canada."***

The Corporation has no intention of becoming a reporting issuer in any province or territory of Canada.

For Manitoba residents, you must not trade the securities without the prior written consent of the regulator in Manitoba unless:



- (a) the Corporation has filed a prospectus with the regulator in Manitoba with respect to the securities you have purchased and the regulator in Manitoba has issued a receipt for that prospectus; or
- (b) you have held the securities for at least 12 months.

The regulator in Manitoba will only consent to your trade if the regulator is of the opinion that to do so is not prejudicial to the public interest.

## **ITEM 11 - PURCHASER'S RIGHTS**

If you purchase the Shares you will have certain rights, some of which are described below. For complete information about your rights, you should consult a lawyer.

### **Two Day Cancellation Right for a Subscriber**

You can cancel your agreement to purchase the Shares. To do so, you must send a notice to the Corporation before midnight on the second Business Day after you sign the Subscription Agreement in respect of the Shares.

### **Rights of Action in the Event of a Misrepresentation**

Applicable securities laws in the Offering Jurisdictions provide you with a remedy to sue to cancel your agreement to buy these securities or for damages if this Offering Memorandum, or any amendment thereto, contains a misrepresentation. Unless otherwise noted, in this section, a "misrepresentation" means an untrue statement or omission of a material fact that is required to be stated or that is necessary in order to make a statement in this Offering Memorandum not misleading in light of the circumstances in which it was made. A "material fact" is a fact that significantly affects, or would reasonably be expected to have a significant effect on, the market price or value of the securities. These rights must be exercised by the purchaser within time limits prescribed by the applicable securities legislation.

The following is a summary of the rights of rescission or damages available to purchasers under the securities legislation of certain of the provinces of Canada. These rights are in addition to and without derogation from any other rights or remedies that a purchaser might have at law, and may be subject to defences that the Corporation or their representatives might have at law. Subscribers should refer to the applicable securities laws of their respective Offering Jurisdiction for the particulars of these rights or consult with professional advisors.

### **Rights for Subscribers in the Provinces of Alberta and British Columbia**

If this Offering Memorandum, together with any amendment thereto, contains a misrepresentation, an Subscriber in Alberta or British Columbia who purchases a security offered by this Offering Memorandum during the period of distribution shall be deemed to have relied on the misrepresentation, if it was a misrepresentation at the time of purchase, and such Subscriber shall have a right of action for damages against the Corporation, every director of the Corporation at the date of the Offering Memorandum and every person or company who signed the Offering Memorandum or, at the election of the Subscriber, a right of rescission against the Corporation (in which case the Subscriber does not have a right of action for damages), provided that:

- (a) no action may be commenced to enforce a right of action:
  - (i) for rescission more than 180 days after the date of the purchase; and
  - (ii) in the case of any other action, other than an action for rescission, more than the earlier of (A) 180 days after the purchaser first had knowledge of the facts giving

rise to the cause of action, and (B) three years after the date of purchase;

- (b) where a misrepresentation is contained in this Offering Memorandum, the Corporation or any person or company is not liable for damages:
  - (i) if it is proven that the purchaser had knowledge of the misrepresentation;
  - (ii) if it is proven that the Offering Memorandum was delivered to the purchaser without the person's or company's knowledge or consent and that, on becoming aware of its being delivered, the person or company promptly gave written notice to the Corporation that it was delivered without the knowledge and consent of the person or company;
  - (iii) if it is proven that the person or company, on becoming aware of the misrepresentation in the Offering Memorandum, withdrew the person's or company's consent to the Offering Memorandum and gave written notice to the Corporation of the withdrawal and the reason for it;
  - (iv) if, with respect to any part of the Offering Memorandum purporting to be made on the authority of an expert or purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, the person or company proves that the person or company did not have any reasonable grounds to believe and did not believe that there had been a misrepresentation, or the relevant part of the Offering Memorandum did not fairly represent the report, opinion or statement of the expert, or was not a fair copy of, or an extract from, the report, opinion or statement of the expert; and
  - (v) with respect to any part of the Offering Memorandum not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company did not conduct a reasonable investigation sufficient to provide reasonable grounds for a belief that there had been no misrepresentation, or believed there had been a misrepresentation;
- (c) in no case will the amount recoverable in any action under this section exceed the price at which the securities were offered under the Offering Memorandum;
- (d) subsection (b)(ii) to (v) do not apply to the Corporation; and
- (e) in an action for damages, the Corporation or any person or company will not be liable for all or any portion of such damages that it proves do not represent the depreciation in value of the security as a result of the misrepresentation.

Subscribers should refer to the applicable provisions of the securities legislation for particulars of their rights or consult with a lawyer.

### **Statutory Rights of Action for Subscribers in the Province of Manitoba**

In the event that this Offering Memorandum (including any amendment hereto) delivered to a purchaser of Shares resident in Manitoba contains a misrepresentation and it is a misrepresentation at the time of purchase, the purchaser shall be deemed to have relied upon the misrepresentation and shall have, in addition to any other rights they may have at law: (a) a right of action for damages against (i) the Corporation, (ii) every director of the Corporation at the date of this Offering Memorandum (collectively, the "Directors"), and (iii) every person or company who signed this Offering Memorandum (collectively, the "Signatories"); and (b) a right of rescission against the Corporation.

If a misrepresentation is contained in a record incorporated by reference in, or is deemed to be incorporated

into this Offering Memorandum, the misrepresentation is deemed to be contained in this Offering Memorandum.

A purchaser may elect to exercise a right of rescission against the Corporation, in which case the purchaser will have no right of action for damages against the Corporation, the Directors or Signatories.

The Corporation, the Directors and Signatories will not be liable if they prove that the purchaser purchased Shares with knowledge of the misrepresentation.

All persons or companies referred to above that are found to be liable or accept liability are jointly and severally liable. A person or company who is found liable to pay a sum in damages may recover a contribution, in whole or in part, from a person who is jointly and severally liable to make the same payment in the same cause of action unless, in all the circumstances of the case, the court is satisfied that it would not be just and equitable.

A Director or Signatory will not be liable:

- (a) if they prove this Offering Memorandum was sent or delivered to the purchaser without their knowledge or consent and, on becoming aware of its delivery, gave reasonable notice to the Corporation that it was delivered without their knowledge and consent;
- (b) if they prove that, after becoming aware of a misrepresentation in this Offering Memorandum, they withdrew their consent to this Offering Memorandum and gave reasonable notice to the Corporation of their withdrawal and the reasons therefore;
- (c) if, with respect to any part of this Offering Memorandum purporting to be made on the authority of an expert or to be a copy of, or an extract from, a report, opinion or statement of an expert ("Expert Opinion"), such person proves they did not have any reasonable grounds to believe and did not believe that there was a misrepresentation or that the relevant part of this Offering Memorandum did not fairly represent the Expert Opinion or was not a fair copy of, or an extract from, such Expert Opinion; or
- (d) with respect to any part of this Offering Memorandum not purporting to be made on an expert's authority, or not purporting to be a copy of, or an extract from an Expert Opinion, unless the Director or Signatory
  - (i) did not conduct an investigation sufficient to provide reasonable grounds for a belief that there had been no misrepresentation, or
  - (ii) believed there had been a misrepresentation.

In an action for damages, the Corporation, the Directors and Signatories will not be liable for all or any part of the damages that they prove do not represent the depreciation in value of the Shares as a result of the misrepresentation relied upon. The amount recoverable under the right of action shall not exceed the price at which the Shares were offered for sale.

A purchaser of Shares to whom this Offering Memorandum was not delivered prior to such purchase in circumstances where such Offering Memorandum was required to be delivered has a right of rescission or a right of action for damages against the Corporation or any dealer who failed to deliver the Offering Memorandum within the prescribed time.

A purchaser of Shares to whom the Offering Memorandum is required to be sent may rescind the contract to purchase the Shares by sending a written notice of rescission to the Corporation not later than midnight on the second day, excluding Saturdays and holidays, after the purchaser signs the agreement to purchase the Shares.

Unless otherwise provided under applicable securities legislation, no action shall be commenced to enforce a right of action unless the right is exercised:

- (a) in the case of rescission, not later than 180 days from the day of the transaction that gave rise to

the cause of action; or

- (b) in the case of an action, other than an action for rescission, the earlier of (i) 180 days from the day the purchaser first had knowledge of the facts giving rise to the cause of action; or (ii) two years from the day of the transaction that gave rise to the cause of action.

The rights discussed above are in addition to, and without derogation from, any other right or remedy which purchasers may have at law and are intended to correspond to the provisions of the Securities Act (Manitoba) and are subject to the defences contained therein.

### **Statutory Rights of Action for Subscribers in the Province of Saskatchewan**

If this Offering Memorandum, together with any amendment thereto, contains a misrepresentation, an Subscriber in Saskatchewan who purchases a security offered by this Offering Memorandum during the period of distribution shall be deemed to have relied on the misrepresentation, if it was a misrepresentation at the time of purchase, and has a right of action for rescission against the issuer or a selling security holder on whose behalf the distribution is made or has a right of action for damages against:

- (a) the issuer or a selling security holder on whose behalf the distribution is made;
- (b) every promoter and director of the issuer or the selling security holder, as the case may be, at the time the Offering Memorandum or any amendment to it was sent or delivered;
- (c) every person or company whose consent has been filed respecting the offering, but only with respect to reports, opinions or statements that have been made by them;
- (d) every person who or company that, in addition to the persons or companies mentioned in (a) to (c) above, signed the Offering Memorandum or the amendment to the Offering Memorandum; and
- (e) every person who or company that sells securities on behalf of the Corporation or selling security holder under the Offering Memorandum or amendment to the Offering Memorandum.

Such rights of rescission and damages are subject to certain limitations including the following:

- (a) if the purchaser elects to exercise its right of rescission against the issuer or selling security holder, it shall have no right of action for damages against that party;
- (b) in an action for damages, a defendant will not be liable for all or any portion of the damages that he, she or it proves do not represent the depreciation in value of the securities resulting from the misrepresentation relied on;
- (c) no person or company, other than the Corporation or a selling security holder, will be liable for any part of the Offering Memorandum or any amendment to it not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company failed to conduct a reasonable investigation sufficient to provide reasonable grounds for a belief that there had been no misrepresentation or believed that there had been a misrepresentation;
- (d) in no case shall the amount recoverable exceed the price at which the securities were offered; and
- (e) no person or company is liable in an action for rescission or damages if that person or company proves that the purchaser purchased the securities with knowledge of the misrepresentation.

In addition, no person or company, other than the issuer or selling security holder, will be liable if the person or company proves that:

- (a) the Offering Memorandum or any amendment to it was sent or delivered without the person's or company's knowledge or consent and that, on becoming aware of it being sent or delivered, that person or company gave reasonable general notice that it was so sent or delivered; or
- (b) after the filing of the Offering Memorandum or any amendment to it and before the purchase of the securities by the Subscriber, on becoming aware of the misrepresentation in the Offering Memorandum or amendment, the person or company withdrew the person's or company's consent to the Offering Memorandum and gave reasonable general notice of the person's or company's withdrawal and the reason for it;
- (c) with respect to any part of the Offering Memorandum or any amendment to it purporting to be made on the authority of an expert, or purporting to be a copy of, or an extract from, a report, an opinion or a statement of an expert, that person or company had no reasonable grounds to believe and did not believe that there had been a misrepresentation, the part of the Offering Memorandum or any amendment to it did not fairly represent the report, opinion or statement of the expert, or was not a fair copy of, or an extract from, the report, opinion or statement of the expert.

Not all defences upon which the Corporation or others may rely are described herein. Please refer to the full text of the *Securities Act, 1988* (Saskatchewan) (the "Saskatchewan Act") for a complete listing.

Similar rights of action for damages and rescission are provided in section 138.1 of the Saskatchewan Act in respect of a misrepresentation in advertising and sales literature disseminated in connection with an offering of securities.

Section 138.2 of the Saskatchewan Act also provides that where an individual makes a verbal statement to a prospective purchaser that contains a misrepresentation relating to the security purchased and the verbal statement is made either before or contemporaneously with the purchase of the security, the purchaser is deemed to have relied on the misrepresentation, if it was a misrepresentation at the time of purchase, and has a right of action for damages against the individual who made the verbal statement.

Section 141(1) of the Saskatchewan Act provides a purchaser with the right to void the purchase agreement and to recover all money and other consideration paid by the purchaser for the securities if the securities are sold in contravention of the Saskatchewan Act, the regulations to the Saskatchewan Act or a decision of the Saskatchewan Financial Services Commission.

Section 141(2) of the Saskatchewan Act also provides a right of action for rescission or damages to a purchaser of securities to whom an offering memorandum or any amendment to it was not sent or delivered prior to or at the same time as the purchaser enters into an agreement to purchase the securities, as required by Section 80.1 of the Saskatchewan Act.

Section 147 of the Saskatchewan Act provides that no action shall be commenced to enforce any of the foregoing rights more than:

- (a) in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or
- (b) in the case of any other action, other than an action for rescission, the earlier of:
  - (i) One year after the plaintiff first had knowledge of the facts giving rise to the cause of action; or
  - (ii) Six years after the date of the transaction that gave rise to the cause of action.

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Financial Statements

**Yorkton Group Energy Crossing III Inc.**  
December 31, 2014



Building a better  
working world

## INDEPENDENT AUDITORS' REPORT

To the Shareholders of  
**Yorkton Group Energy Crossing III Inc.**

We have audited the accompanying financial statements of **Yorkton Group Energy Crossing III Inc.**, which comprise the statements of financial position as at December 31, 2014 and 2013, and the statements of loss and comprehensive loss, shareholders' equity, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Yorkton Group Energy Crossing III Inc.** as at December 31, 2014 and 2013, and the results of its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Edmonton, Canada,  
April 30, 2015

*Ernst & Young LLP*  
Chartered Accountants



A member firm of Ernst & Young Global Limited



**Yorkton Group Energy Crossing III Inc.**

**STATEMENTS OF FINANCIAL POSITION**

As at December 31

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<b>ASSETS</b>		
Cash	<b>2,477</b>	1,534
GST receivable	<b>39,140</b>	1,614
Funds held in trust	<b>612,113</b>	3,499,980
Investment property <i>[notes 3 and 4]</i>	<b>4,098,883</b>	3,924,592
	<b>4,752,613</b>	<b>7,427,720</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Liabilities</b>		
Accounts payable and accrued liabilities	<b>26,138</b>	18,004
Liability for trust funds	<b>612,113</b>	3,499,980
Advances from related parties <i>[notes 4 and 5]</i>	<b>657,193</b>	4,062,668
<b>Total liabilities</b>	<b>1,295,444</b>	<b>7,580,652</b>
Commitments <i>[note 6]</i>		
<b>Shareholders' equity</b>		
Share capital <i>[note 7]</i>	<b>3,549,383</b>	(83,483)
Deficit	<b>(92,214)</b>	(69,449)
<b>Total shareholders' equity (deficiency)</b>	<b>3,457,169</b>	<b>(152,932)</b>
	<b>4,752,613</b>	<b>7,427,720</b>

*See accompanying notes*

On behalf of the Board:

"Signed"  
Director

"Signed"  
Director

**Yorkton Group Energy Crossing III Inc.**

**STATEMENTS OF LOSS  
AND COMPREHENSIVE LOSS**

Year ended December 31

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<b>General and administrative expenses</b>		
Office expenses	<b>1,011</b>	85
Professional fees	<b>21,754</b>	23,442
<b>Net loss and comprehensive loss for the year</b>	<b>22,765</b>	23,527

*See accompanying notes*

**Yorkton Group Energy Crossing III Inc.**

**STATEMENTS OF SHAREHOLDERS' EQUITY**

Year ended December 31

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<b>Shareholders' equity (deficiency), beginning of year</b>	<b>(152,932)</b>	(146,927)
Net loss and comprehensive loss for the year	<b>(22,765)</b>	(23,527)
	<b>(175,697)</b>	(170,454)
Share capital issued for the year <i>[note 7]</i>	<b>4,329,268</b>	27,500
Share issuance costs for the year <i>[note 7]</i>	<b>(696,402)</b>	(9,978)
<b>Shareholders' equity (deficiency), end of year</b>	<b>3,457,169</b>	(152,932)

*See accompanying notes*

**Yorkton Group Energy Crossing III Inc.**

**STATEMENTS OF CASH FLOWS**

Year ended December 31

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<b>OPERATING ACTIVITIES</b>		
Net loss and comprehensive loss for the year	<b>(22,765)</b>	(23,527)
Changes in non-cash working capital balances related to operations		
GST receivable	<b>(37,526)</b>	4,899
Accounts payable and accrued liabilities	<b>8,134</b>	579
<b>Cash used in operating activities</b>	<b>(52,157)</b>	(18,049)
<b>FINANCING ACTIVITIES</b>		
Advances to/from related parties	<b>(3,579,766)</b>	(7,152)
Share issuance costs	<b>(696,402)</b>	(9,978)
Proceeds from the issuance of shares	<b>4,329,268</b>	27,500
<b>Cash provided by financing activities</b>	<b>53,100</b>	10,370
<b>Net increase (decrease) in cash during the year</b>	<b>943</b>	(7,679)
Cash, beginning of year	<b>1,534</b>	9,213
<b>Cash, end of year</b>	<b>2,477</b>	1,534

*See accompanying notes*

## **Yorkton Group Energy Crossing III Inc.**

# **NOTES TO FINANCIAL STATEMENTS**

December 31, 2014

## **1. DESCRIPTION OF BUSINESS**

1666455 Alberta Ltd. [operating as Energy Crossing III] was incorporated as a private company under the Business Corporations Act (Alberta) on March 21, 2012. The legal name of the company was changed in July 2012 to Yorkton Group Energy Crossing III Inc. [the “Company” or “ECIII”]. The Company is a land owner in the Edmonton, Alberta area. The head office is located at 2430 Manulife Place, 10180 101 Street, Edmonton, Alberta, T5J 3S4, Canada.

These financial statements were authorized for use in accordance with a resolution of the Company’s Board of Directors on April 30, 2015. The Board of Directors has the power to amend and reissue the financial statements.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Statement of compliance**

These financial statements have been prepared by management in accordance with International Financial Reporting Standards [“IFRS”], as issued by the International Accounting Standards Board [“IASB”].

### **Functional and presentation currency**

These financial statements are presented in Canadian dollars, which is the Company’s functional currency. All financial information presented in Canadian dollars has been rounded to the nearest dollar, unless otherwise stated.

### **Basis of presentation**

The financial statements of the Company have been prepared on a historical cost basis.

The statements of financial position have been prepared using a liquidity based presentation because the operating cycle of the Company revolves around the sale of land, the timing of which is uncertain. As a result, presentation based on liquidity is considered by management to provide information that is more reliable and relevant to users of the financial statements. With the exception of investment property [note 3] and advances from related parties [note 5], all assets and liabilities are current in nature and are expected to be settled in less than twelve months.

## **Yorkton Group Energy Crossing III Inc.**

### **NOTES TO FINANCIAL STATEMENTS**

December 31, 2014

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]**

##### **Cash**

Cash consists of amounts on deposit at financial institutions.

##### **Funds held in trust and liability for trust funds**

Funds held in trust and liability for trust funds are proceeds raised under the Offering Memorandum, held in trust in a depository institution, for which common shares have not yet been issued.

##### **Investment property**

Land is accounted for as investment property under International Accounting Standard ["IAS"] 40, *Investment Property*, based on the intent of the Company to hold the land for appreciation of value. Investment property under IFRS can be accounted for using the fair value model or the cost model. The Company has selected the cost model. Upon acquisition, land is initially measured at cost, including transaction costs, and is not depreciated due to its indefinite life. Borrowing costs directly attributable to acquisition and holding of the property to bring the property to the condition intended by the Company are capitalized. At each reporting period, land is assessed for indicators of impairment. Where indicators of impairment are identified, the carrying value of the land is compared against the recoverable amount and any excess is recorded as an impairment loss. The recoverable amount is calculated as the greater of fair value less cost to sell or value in use. Any impairment loss is recognized in the statement of loss and comprehensive loss in the period the impairment is identified. Recoveries in the fair value of land are recognized to the extent of any previously recognized impairment losses.

The cost model also requires that the fair value of land be disclosed in the notes to the financial statements [*note 3*].

##### **Advances from related parties**

Advances from related parties are initially measured at fair value, net of transaction costs and financing fees, and are subsequently measured at amortized cost. Related direct financing fees are net against the related debt and are amortized on a straight-line basis over the term of the advance.

## **Yorkton Group Energy Crossing III Inc.**

### **NOTES TO FINANCIAL STATEMENTS**

December 31, 2014

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]**

##### **Financial instruments**

Financial assets and liabilities are recognized when the Company becomes party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is discharged.

Financial instruments are recognized initially at fair value, which is the amount of consideration that would be agreed upon in an arm's length transaction between willing parties. Subsequent measurement depends on how the financial instrument has been classified.

Cash is recognized at fair value. Any directly attributable transactions costs are expensed as incurred.

GST receivable and funds held in trust have been classified as loans and receivables, and are carried at amortized cost using the effective interest rate method.

Accounts payable and accrued liabilities, liability for trust funds and advances from related parties have been classified as other financial liabilities, and are carried at amortized cost using the effective interest rate method.

##### **Use of estimates**

These financial statements have been prepared by management in accordance with IFRS. The preparation of these financial statements necessarily involves the use of estimates and approximations, which have been made using careful judgment by management. Actual results could differ from those estimates. Significant estimates and judgments are used by the Company include: determining the fair values assigned to the investment property and the advances from related parties. These financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized above.

## **Yorkton Group Energy Crossing III Inc.**

### **NOTES TO FINANCIAL STATEMENTS**

December 31, 2014

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]**

##### **New accounting standards**

The listing below includes standards, amendments, and interpretations that the Company reasonably expects to be applicable at a future date and intends to adopt when they become effective.

##### **IAS 32 – Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32**

These amendments clarify the meaning of “currently has a legally enforceable right to set-off” and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. The amendments are effective for annual periods beginning on or after January 1, 2014. The adoption of the amendments to IAS 32 had no effect on the Company’s financial statements.

##### **IFRIC 21 – Levies**

This interpretation clarifies that an entity recognizes a liability for a levy no earlier than when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, no liability is recognized before the specified minimum threshold is reached. This standard is effective for annual periods beginning on or after January 1, 2014 and is applied retrospectively. The adoption of IFRIC 21 had no effect on the Company’s financial statements.

##### **Accounting standards and amendments issued but not yet adopted**

The listing below includes standards, amendments, and interpretations that the Company reasonably expects to be applicable at a future date and intends to adopt when they become effective.

##### **IFRS 9 – Financial Instruments**

In July 2014, the IASB issued IFRS 9 Financial Instruments to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 provides a revised model for the recognition and measurement of financial assets, financial liabilities, and some contracts to buy or sell non-financial items. In addition, IFRS 9 includes a single expected-loss impairment model and a reformed approach to hedge accounting. This standard is effective January 1, 2018, on a retrospective basis subject to certain exceptions. The Company is evaluating the potential effect that the adoption of IFRS 9 could have on its financial position or results of operations.



## Yorkton Group Energy Crossing III Inc.

### NOTES TO FINANCIAL STATEMENTS

December 31, 2014

#### 3. INVESTMENT PROPERTY

Investment property represents the Company's 100% ownership of the land which was acquired on March 26, 2012 from 1631126 Alberta Ltd., which is a company related by virtue of common control. The transaction was measured at the property's fair value at the time of the transaction as determined by an independent appraiser, plus any costs necessary to bring the investment property to the condition intended by the Company.

A reconciliation of the carrying amount of the land is as follows:

	\$
<b>Balance, December 31, 2013</b>	<u><b>3,924,592</b></u>
Additions	
Interest costs and management fees	174,291
<b>Balance, December 31, 2014</b>	<u><b>4,098,883</b></u>

Management has estimated the fair value of the investment property as at December 31, 2014 to be approximately \$15,084,900 [2013 - \$14,670,000] based on comparison to the listing price of similar pieces of land in the area, and is not based on an appraisal.

#### 4. RELATED PARTY TRANSACTIONS

The Company has advances from related parties [related by virtue of Class A common shareholders]. All related party transactions are incurred in the normal course of operations and are subject to normal trade terms. These advances are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

During the year, the Company incurred interest of \$100,616 [2013 - \$290,448] and management fees of \$73,675 [2013 - \$338]. These charges have been recorded to investment property.

## Yorkton Group Energy Crossing III Inc.

### NOTES TO FINANCIAL STATEMENTS

December 31, 2014

#### 5. ADVANCES FROM RELATED PARTIES

	2014 \$	2013 \$
Advance from 1631126 Alberta Ltd. [operating as Energy Crossing 2&3]		
\$3,425,100, 8% interest, demand promissory note, balance fully repaid during the year	—	3,921,055
Advances from Yorkton Group International Inc.	<b>657,193</b>	141,613
	<b>657,193</b>	4,062,668

The advance from 1631126 Alberta Ltd. [operating as Energy Crossing 2&3], which is related by virtue of common control, was structured under a loan agreement whereby the term of the loan is three years. The loan was unsecured and bore interest at 8% per annum compounded annually. Energy Crossing 2&3 amalgamated with Yorkton Group International Inc. on January 1, 2014. Yorkton Group International Inc. remains a related party through virtue of common control. This loan was repaid in full on April 29, 2014.

The advances from Yorkton Group International Inc., which is related by virtue of common control, are secured by a general security agreement, are due on demand, bear no interest and have no fixed terms of repayment.

#### 6. COMMITMENTS

The Company has entered into an agreement to pay a related corporation [related by virtue of common shareholders] a management services fee equal to 2.25% of the gross proceeds raised by the Company's offering memorandums, plus GST on an annual basis. A maximum management fee for seven years is budgeted, regardless of the duration of the holding period. The budgeted management fee is irrevocable and shall be due and payable from the share sales proceeds, net of all sales commissions and legal fees upon full repayment of the loan financed by 1631126 Alberta Ltd. The maximum management service fee under the agreement is \$894,813 [2013 - \$924,019] before GST.

The Company has entered into commitments to pay the following offering distribution costs: selling commission at 10%; marketing fees at 5% and offering costs at 5%. The totals for each cost assuming the full gross proceeds are raised are \$684,000, \$342,000 and \$342,000, respectively.

## **Yorkton Group Energy Crossing III Inc.**

### **NOTES TO FINANCIAL STATEMENTS**

December 31, 2014

#### **6. COMMITMENTS [CONTINUED]**

Future commitments for management fees for the project assuming full gross proceeds are raised, for the next four years and thereafter, are as follows:

	<b>Management fees</b>
	<b>\$</b>
	<hr/>
2015	153,900
2016	153,900
2017	153,900
2018	153,900
Thereafter	205,200
	<hr/>
	820,800
	<hr/>

#### **7. SHARE CAPITAL**

##### **Authorized**

Unlimited Class A, B, C and D common voting shares  
Unlimited Class E, F, G, H, Q and R preferred voting shares  
Unlimited Class I, J, K, L and M common non-voting shares  
Unlimited Class N, O, P and S preferred non-voting shares

##### **Issued**

As at December 31, 2014, the Company had 4,356,768 Class A common shares issued and outstanding [2013 - 27,500]. The total value of Class A common shares is \$4,356,768 [2013 - \$27,500]. Class A shares have par value of \$1 per share. Share issuance costs incurred in the period for the Class A shares relate to legal costs for the offering memorandum.

As at December 31, 2014, the Company has 760,000 [2013 - 760,000] Class B common shares issued and outstanding. The total value of the Class B common shares is \$100 [2013 - \$100].

## Yorkton Group Energy Crossing III Inc.

### NOTES TO FINANCIAL STATEMENTS

December 31, 2014

#### 7. SHARE CAPITAL [CONTINUED]

The changes in the period are as follows:

	Class A Shares		Class B Shares		Total
	Number of shares	\$	Number of shares	\$	\$
<b>Balance as at December 31, 2012</b>	—	(101,105)	760,000	100	(101,005)
Shares issued	27,500	27,500	—	—	27,500
Share issuance costs	—	(9,978)	—	—	(9,978)
<b>Balance as at December 31, 2013</b>	<b>27,500</b>	<b>(83,583)</b>	<b>760,000</b>	<b>100</b>	<b>(83,483)</b>
Shares issued	4,329,268	4,329,268	—	—	4,329,268
Share issuance costs	—	(696,402)	—	—	(696,402)
<b>Balance as at December 31, 2014</b>	<b>4,356,768</b>	<b>3,549,283</b>	<b>760,000</b>	<b>100</b>	<b>3,549,383</b>

Subsequent to December 31, 2014, the Company issued 1,406,596 Class A shares at a price of \$1 per share for gross proceeds of \$1,406,596. The related share issuance costs incurred of \$218,425 consist of legal costs for the offering memorandum.

#### 8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

##### Fair value

Financial instruments in these financial statements include cash, GST receivable, funds held in trust, accounts payable and accrued liabilities, liability for trust funds, and advances from related parties. Unless otherwise disclosed in these financial statements, the fair value of these financial instruments approximates their carrying value.

##### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is effectively not exposed to interest rate risk as its advances from related parties are non-interest bearing.

##### Currency risk

The Company does not engage in foreign currency denominated transactions. As a result, it has no exposure to currency risk.

**Yorkton Group Energy Crossing III Inc.**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2014

**8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT  
[CONTINUED]**

**Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company is exposed to this risk mainly in respect of its accounts payable and accrued liabilities, and advances to related parties. The Company manages its liquidity risk by managing cash receipts and payments. The liabilities which expose the Company to liquidity risk are a result of the normal operations of the Company and are both current and long term in nature.

**Maturity Analysis of Liabilities – As at December 31, 2014**

	<b>Less than 90 days \$</b>	<b>Between 91 days and 1 year \$</b>	<b>Greater than 1 year \$</b>	<b>Total \$</b>
Accounts payable and accrued liabilities	26,138	—	—	<b>26,138</b>
Advances from related parties	—	657,193	—	<b>657,193</b>
	<b>26,138</b>	<b>657,193</b>	<b>—</b>	<b>683,331</b>

**Maturity Analysis of Liabilities – As at December 31, 2013**

	<b>Less than 90 days \$</b>	<b>Between 91 days and 1 year \$</b>	<b>Greater than 1 year \$</b>	<b>Total \$</b>
Accounts payable and accrued liabilities	18,004	—	—	18,004
Advances from related parties	—	—	4,062,668	4,062,668
	<b>18,004</b>	<b>—</b>	<b>4,062,668</b>	<b>4,080,672</b>

**Yorkton Group Energy Crossing III Inc.**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2014

**8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT  
[CONTINUED]**

**Capital risk management**

The Company's objectives when managing its capital are to safeguard assets and continue as a going concern while, at the same time, maximizing growth and the return to shareholders. The Company views its capital as the combination of borrowings and equity as follows:

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Advances from related parties	<b>657,193</b>	4,062,668
Shareholders' equity (deficiency)	<b>3,457,169</b>	(152,932)
	<b>4,114,362</b>	3,909,736

The amounts due to related parties contain no financial covenants which the Company must meet to remain in compliance with terms of the advances.

**ITEM 13: DATE AND CERTIFICATE**

Dated: May 15, 2015

**This Offering Memorandum does not contain a misrepresentation.**

(signed) "Ben Lui"

Ben Lui, President

(signed) "Rajeev Liyanage"

Rajeev (Reg) Liyanage, Secretary

**ON BEHALF OF THE BOARD OF DIRECTORS OF THE CORPORATION**

(signed) "Ben Lui"

Ben Lui, Director

(signed) "Rajeev Liyanage"

Rajeev (Reg) Liyanage, Director

**ON BEHALF OF THE PROMOTERS OF THE CORPORATION**

(signed) "Ben Lui"

Ben Lui, Promoter

(signed) "Rajeev Liyanage"

Rajeev (Reg) Liyanage, Promoter

SCHEDULE "A" – The Lands  
**LEGAL DESCRIPTION**

Plan 1125265

Block 1

Lot 1

Excepting thereout all Mines and Minerals

Area: 33 Hectares (81.54 Acres) More or Less

Subject to the following Encumbrances, Liens and Interests:

4492RJ	Utility Right of Way dated July 21, 2009 in favour of Atco Gas and Pipeline Ltd. as grantee as to part
052105413	Zoning Regulations dated March 22, 2005 in favour of her Majesty the Queen as Right of Canada as represented by Minister of National Defense
112 343 183	Caveat re: Lease Interest dated October 26, 2011 in favour of Sophie Gloria Bassinghwaghte and Duane Bassinghwaghte.

**In addition to the above described encumbrances, the Vendor of the Lands has or will be registering an unpaid vendors caveat with respect to the note and the collateral mortgage against the Lands and will also be registering a caveat with respect to the head lease, all as described in Section 2.7- Material Agreements of the Offering Memorandum.**



**SCHEDULE "B" – SUBSCRIPTION AGREEMENT  
YORKTON GROUP ENERGY CROSSING III INC.  
(the "Corporation")**

The undersigned Subscriber acknowledges that the Corporation is not registered as an Exempt Market Dealer and is offering Class "A" Voting Participating shares (the "Class "A" Shares") at a price of \$1.00 per Class "A" Share pursuant to the "Northwestern Exemption" and as further described in the Amended and Restated Offering Memorandum dated May 15, 2015 (the "Offering"). The undersigned Subscriber hereby tenders to the Corporation this subscription offer which, upon acceptance by the Corporation, will constitute an agreement of the Subscriber to subscribe for, take up, purchase and pay for and, on the part of the Corporation, to issue and sell to the Subscriber, the number of Shares set out below on the terms and subject to the conditions set out in this Subscription Agreement. Until the Closing of the Offering, all subscription funds shall be held in a non-interest bearing account of Parlee McLaws LLP. Upon Closing of the Offering, all of the subscription proceeds (net of expenses thereon) will be released to the Corporation. In the event the Offering does not close, any and all subscription proceeds will be returned to subscribers without interest, deduction or penalty. The Subscriber hereby acknowledges and agrees that the terms and conditions contained herein form part of this Subscription Agreement and are incorporated herein by reference.

**By executing this subscription you are consenting on your own behalf and if applicable on behalf of the beneficial purchaser to whom you are contracting to the collection, use and disclosure of any personal information to the Corporation and its affiliates, including the Yorkton Group in connection with this Offering and marketing of future Yorkton Group projects and in the manner described in section 3 to this subscription.**

**TO BE COMPLETED BY ALL SUBSCRIBERS:**

Name of Subscriber – please print

Signature of Subscriber or Authorized Signature

Official Capacity or Title – please print

(Please print name of individual whose signature appears above if different than the name of the Subscriber printed above.)

Subscriber's Address

Facsimile Number

Telephone Number/s

E-Mail Address

**TO BE COMPLETED FOR HOLDERS OF REGISTERED  
AND DEFERRED PLANS (please circle):**

RRSP

TFSA

LIRA

**Register the Class "A" Shares as set forth below:**

**Registered Shareholder to appear on Class "A" Shares**

**Address**

**Deliver the Class "A" Shares as set forth below:**

Western Pacific Trust Company – Attention: Cathy Schaeffer

**Name**

920 – 789 West Pender Street

**Address**

Vancouver, British Columbia V6C 1H2

Contract Date: \_\_\_\_\_

**Number of Class "A" Shares:**

**Aggregate Subscription Price (No. of Class "A" Shares X \$1.00 per Class "A" Share):**

**ACCEPTANCE:** The Corporation hereby accepts the above subscription as of this \_\_\_\_\_ day of \_\_\_\_\_, 2015 as forth above on the terms and conditions contained in this Subscription Agreement.

**YORKTON GROUP ENERGY CROSSING III INC.**

By: \_\_\_\_\_

*This is the second page of an agreement comprised of 30 pages (including Exhibits).*

## Instructions:

### **FOR RESIDENTS OF ALBERTA, SASKATCHEWAN, MANITOBA, NORTHWEST TERRITORIES, NUNAVUT, OR YUKON**

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Please make sure that your subscription includes:

1. one (1) properly completed and duly signed copy of this Subscription Agreement; and
2. a certified cheque, bank draft or money order in an amount equal to the Subscription Amount, payable as follows:
  - (A) for Subscribers on a cash basis (i.e., non registered and deferred plans), payment is payable to “Parlee McLaws LLP, in trust”; or
  - (B) for Subscribers of registered and deferred plans purchase, payment is payable from the Subscriber's own self-administered account at Western Pacific Trust Company, or from such other self-administered account; and
3. a properly completed and duly executed Form 45-106F4 attached as **Exhibit 1** hereto (pages 15 to 17); and
4. if the Subscription Price exceeds \$10,000, a completed **Exhibit 2** (pages 18 to 19) and, if applicable, the Representation Letter as follows:
  - (A) in the case of a Subscriber who is an "accredited investor" a fully completed and duly executed Representation Letter, in the form of Appendix “A” attached to Exhibit 2 hereto (pages 20 to 25); or
  - (B) in the case of a Subscriber who is a “close personal friend” or “close business associate” as defined herein, a fully executed and completed Close Personal Friend and/or Close Business Associate Questionnaire in the form of Appendix “B” attached to Exhibit 2 hereto (pages 26 to 29); and
5. a completed and duly signed Risk Acknowledgement Form in the form attached as **Exhibit 3** (page 30).

### **FOR RESIDENTS OF BRITISH COLUMBIA**

Please make sure that your subscription includes:

1. one (1) properly completed and duly signed copy of this Subscription Agreement; and
2. a certified cheque, bank draft or money order in an amount equal to the Subscription Amount, payable as follows:
  - (A) for Subscribers on a cash basis (i.e., non registered and deferred plans), payment is payable to “Parlee McLaws LLP, in trust”; or
  - (B) for Subscribers of registered and deferred plans purchase, payment is payable from the Subscriber's own self-administered account at Western Pacific Trust Company, or from such other self-administered account; and
3. a properly completed and duly executed Form 45-106F4 attached as **Exhibit 1** (pages 15 to 17) hereto; and
4. a completed and duly signed Risk Acknowledgement Form in the form attached as **Exhibit 3** (page 30).

**Please deliver your subscription to:**

**YORKTON GROUP ENERGY CROSSING III INC.**

2430 Manulife Place

10180 – 101 Street

Edmonton, Alberta T5J 3S4

Attention: Reg Liyanage

Tel: 780-409-8228

Fax: 780-409-9228

## TERMS AND CONDITIONS OF SUBSCRIPTION FOR SHARES OF THE CORPORATION

### 1 Definitions

In this Agreement:

- (a) “**Accredited Investor**” has the meaning as more particularly set out in Appendix 1 of Schedule “A” attached hereto;
- (b) “**Agreement**” or “**Subscription Agreement**” means this subscription agreement as may be amended from time to time;
- (c) “**Business Day**” means a day on which Canadian chartered banks are open for the transaction of regular business in the City of Edmonton, Alberta;
- (d) “**Class “A” Shares**” means the Class “A” Voting Participating Shares of the Corporation being offered pursuant to the Offering;
- (e) “**Closing**” means one or more closing(s) of the purchase and sale of the Offered Securities;
- (f) “**Closing Date**” means the date on which a Closing of the sale of the Offered Securities takes place, or such other date or dates designated by the Corporation;
- (g) “**Corporation**” means YORKTON GROUP ENERGY CROSSING III INC., a corporation duly incorporated under the Business Corporations Act (Alberta);
- (h) “**NI 31-103**” means National Instrument 31-103 Registration Requirements and Exemptions of the Canadian Securities Administrators;
- (i) “**NI 45-106**” means National Instrument 45-106 Prospectus and Registration Exemptions of the Canadian Securities Administrators;
- (j) “**Offered Securities**” means the 6,840,000 Class “A” Shares offered under this Offering;
- (k) “**Offering**” means the aggregate offering of up to 6,840,000 Class “A” Shares;
- (l) “**Offering Jurisdictions**” means the Provinces or Territories of Canada in which the Shares are offered for sale pursuant to the Northwestern Exemption;
- (m) “**Offering Memorandum**” means the amended and restated offering memorandum of the Corporation dated effective May 15, 2015;
- (n) “**Person**” means an individual, a firm, a limited partnership, a syndicate, a partnership, a trust, an association, an unincorporated organization, a joint venture, an investment club, a government or an agency political subdivision thereof and every other form of legal or business entity of whatsoever nature of kind;
- (o) “**Purchased Securities**” means the Offered Securities purchased by the Subscriber, as set out on the front page of this Subscription Agreement;
- (p) “**Securities Laws**” means the securities legislation and regulations of, and the instruments, policies, rules, orders, codes, notices and interpretation notes of the applicable securities regulatory authority or applicable securities regulatory authorities of, the Offering Jurisdictions;

- (q) “**Subscriber**” means the signatory herein;
- (r) “**Subscription Amount**” means those funds received by the Corporation with respect to the Purchased Securities subscribed for under this Agreement;
- (s) “**Subscription Price**” means \$1.00 per Class "A" Share; and
- (t) “**Tax Act**” means the Income Tax Act (Canada), as amended, re-enacted or replaced from time to time.

## **2 Acknowledgements of Subscriber**

The Subscriber acknowledges that:

- (a) this subscription for Class "A" Shares is subject to compliance with all relevant securities law requirements;
- (b) the Subscriber is aware that the offer made by this subscription is irrevocable and requires acceptance by the Corporation and will not become an agreement between the Subscriber and the Corporation until accepted by the Corporation;
- (c) the Subscriber is making the investment entirely at its own risk and without any advice on the merits and suitability of this investment by the Corporation;
- (d) no securities commission or similar regulatory authority has evaluated or endorsed the merits of the Offered Securities and there is no government or other insurance covering the Offered Securities;
- (e) there are restrictions on his ability to resell the Offered Securities and it is his responsibility to find out what those restrictions are and to comply with them before selling the Offered Securities;
- (f) the offering of the Class "A" Shares by the Corporation is not underwritten and is not subject to any minimum offering. Therefore, any funds invested are available to the Corporation and need not be returned to the Subscriber;
- (g) no federal or state agency, governmental authority, regulatory body, stock exchange or other entity in Canada has either reviewed this Subscription Agreement, or any other documents which the Corporation has provided or made available to the Subscriber, or made any finding or determination as to the merits of this investment, and no such agencies, governmental authorities, regulatory bodies, stock exchanges or other entities have made any recommendation or endorsement with respect to the Offered Securities;
- (h) the sale of the Offered Securities has not been qualified for distribution under the securities legislation of any province or other jurisdiction, by way of prospectus or otherwise, and that the Subscriber is purchasing the Offered Securities pursuant to exemptions or orders contained in or issued under securities legislation and the Subscriber will not have the right to most of the civil remedies established by securities legislation; and
- (i) the Subscriber has been informed that the Offered Securities sold to Subscribers resident in Alberta, British Columbia, Saskatchewan, Manitoba, the Northwest Territories, Nunavut or the Yukon Territory pursuant to the offering memorandum prospectus exempt distribution may be sold by a person not registered as an Exempt Market Dealer with a Canadian securities regulatory authority pursuant to a dealer registration exemption in accordance with NI 31-103 (commonly known as the Northwestern Exemption); provided that the person relying on the registration exemption must: i) not be registered in any category of dealer registration with a securities regulatory authority in any jurisdiction; ii) not provide suitability advice about the trade to the

Subscriber; iii) not otherwise provide financial services to the Subscriber; iv) not hold or have access to the Subscriber's assets; v) provide the Subscriber the risk disclosure in the form attached hereto at Exhibit 3; and vi) file a dealer information report with the relevant securities regulatory authority.

### **3 Representations and Warranties of the Subscriber**

By executing this Subscription Agreement, the Subscriber represents, warrants and covenants to the Corporation (and acknowledges that the Corporation and its legal counsel are relying thereon) that:

#### **A. General**

- (a) the Subscriber understands that there is no market for the Purchased Securities, that no market may develop, and that the Corporation is not a "reporting issuer", as defined under Securities Laws, and resale of the Purchased Securities is restricted;
- (b) the Subscriber is purchasing the Purchased Securities as principal for his own account, not for the benefit of any other person, and not with a view to resale or distribution;
- (c) the Subscriber, if an individual, has attained the age of majority and is legally competent to execute this subscription and to take all actions required pursuant to its terms;
- (d) the Subscriber, if a corporation, is duly incorporated and organized, is a valid and subsisting corporation and has the full corporate right, power and authority to execute and deliver this Agreement;
- (e) if the Subscriber is a resident of an Offering Jurisdiction and cannot otherwise satisfy any of the requirements set forth in this Section 3, he is acquiring the Purchased Securities pursuant to and in compliance with an exemption from the prospectus requirements of the Securities Laws of the jurisdiction in which he resides and will provide the Corporation, on request, whether before or after the Closing Date, with evidence of such compliance;
- (f) other than the Offering Memorandum, the receipt of which the Subscriber hereby acknowledges, the Subscriber has not (nor, if applicable, has any other person on whose behalf the Subscriber is contracting) received, nor does the Subscriber need to receive, any document purporting to describe the business and affairs of the Corporation that has been prepared for delivery to and review by prospective investors so as to assist those investors to make an investment decision in respect of securities being sold in a distribution of securities of the Corporation. The Subscriber's decision to tender this offer and acquire the Purchased Securities has not been made as a result of any verbal or written representation as to facts or statements otherwise made by or on behalf of the Corporation (other than the Offering Memorandum) or any other person and is based entirely upon the Offering Memorandum;
- (g) the Subscriber is capable of assessing the proposed investment in the Purchased Securities as a result of his financial or investment experience or as a result of advice received from a registered person other than the Corporation or an affiliate thereof and he is able to bear the economic loss of the investment in the Purchased Securities;
- (h) the Subscriber is not a U.S. Person (as that term is defined in Rule 902 of Regulation S under the Securities Act of 1933, as amended, of the United States of America) and is not and will not be purchasing Offered Securities for the account or benefit of any U.S. Person and did not execute or deliver this Agreement in the United States of America;
- (i) the Subscriber acknowledges that no agency, governmental authority, securities commission or similar regulatory body, stock exchange or other entity has reviewed, passed on or made any finding or determination as to the merit for investment of the Purchased Securities nor have any

such agencies or governmental authorities made any recommendation or endorsement with respect to the Purchased Securities;

- (j) the Corporation has advised the Subscriber that the Corporation is relying on an exemption from the requirements to provide the Subscriber with a prospectus and to sell the Purchased Securities through a person registered to sell securities under the Securities Laws and, as a consequence of acquiring securities pursuant to this exemption:
  - (i) certain protections, rights and remedies provided by the Securities Laws, may not be available to the Subscriber, or others for whom he is contracting hereunder;
  - (ii) the Subscriber, or others for whom he is contracting hereunder, may not receive information that would otherwise be required to be given under the Securities Laws; and
  - (iii) the Corporation is relieved from certain obligations that would otherwise apply under the Securities Laws of the Offering Jurisdictions;
- (k) except as set out in this Agreement, no person has made to the Subscriber any written or oral representation:
  - (i) that any person will resell or repurchase any of the Purchased Securities;
  - (ii) that any person will refund the purchase price of the Purchased Securities;
  - (iii) as to the future price or value of any of the Purchased Securities; or
  - (iv) that any of the Purchased Securities will be listed and posted for trading on a stock exchange or that application has been made to list and post any of the Purchased Securities for trading on a recognized stock exchange;
- (l) the Subscriber is a resident in or otherwise subject to the applicable securities laws of the Offering Jurisdictions as set forth under "Subscriber's Address" set out under the heading "Register and Deliver the Shares as set forth below" on the face page hereof and such address was not created and is not used solely for the purpose of acquiring the Shares;
- (m) this Agreement has been duly and validly authorized, executed and delivered by and constitutes a legal, valid, binding and enforceable obligation of the Subscriber;
- (n) if required by applicable securities legislation, policy or order, or securities commission or other regulatory authority, the Subscriber will execute, deliver, file and otherwise assist the Corporation in filing, such reports, undertakings, and other documents with respect to the issue of Purchased Securities that may be required;
- (o) the Subscriber (on its own behalf and, [if applicable, on behalf of others for whom it is contracting hereunder] understands and acknowledges that the Purchased Securities will be subject to certain resale restrictions under applicable Securities Laws and the Subscriber (on its own behalf (and, if applicable, on behalf of others for whom it is contracting hereunder) agrees to comply with such restrictions. **In particular, the Subscriber further understands and acknowledges that the Corporation is not a "reporting issuer" in any Province in Canada and, therefore, the Purchased Securities will be subject to a statutory hold period which will be of an indefinite period (i.e., will not commence to be reduced) unless and until such time as the Corporation becomes a "reporting issuer" in a Canadian jurisdiction, and during such statutory hold period, none of the Purchased Securities may be resold except pursuant to a statutory exemption or a discretionary ruling issued by the securities commission in the Subscriber's province of residence. All Subscribers are advised to consult with their own legal advisors in this regard.** The Subscriber (on its own behalf and, [if applicable, on behalf of others for whom it is contracting hereunder] acknowledges that it has been advised to consult with its own legal



advisors with respect to applicable resale restrictions and that it is solely responsible for complying with such restrictions (and the Corporation is not in any manner responsible for ensuring compliance by the Subscriber with such restrictions);

- (p) the Subscriber is not a “non-resident” of Canada as that term is defined in the Tax Act;
- (q) the Subscriber is able to bear the economic risk of loss of his entire investment and has the investment acumen to assess the securities being offered hereunder because of the Subscriber’s net worth and investment experience;
- (r) the Subscriber has had the opportunity to consult his own independent professional advisors with respect to all income tax consequences of purchasing the Offered Securities, including without limitation the suitability of investment in the Offered Securities for Deferred Plans;
- (s) none of the Offered Securities are being purchased by the Subscriber with knowledge of any material fact about the Corporation that has not been generally disclosed; and
- (t) the Subscriber has had the opportunity to consult a professional advisor or a registered Exempt Market Dealer about the merits of this investment and whether these Offered Securities are a suitable investment for the Subscriber; and
- (u) all representations, warranties and covenants are made by the Subscriber with the intent that they be relied upon in determining the suitability of the Subscriber as a purchaser of the Purchased Securities and the Subscriber undertakes to immediately notify the Corporation of any change in any statement or other information relating to the Subscriber set forth in the Subscription Agreement which takes place prior to the closing time of the purchase and sale of the Purchased Securities.

**B. Offering Jurisdictions**

If the Subscriber is resident in, or are otherwise subject to the Securities Laws of the Offering Jurisdictions, then:

- (a) the Subscriber is either:
  - (i) purchasing the Purchased Securities as principal for his own account and not for the benefit of any other Person and knows that he/she/it is purchasing the Class "A" Shares pursuant to a NI 45-106 prospectus exemption; or
  - (ii) purchasing the Purchased Securities as agent for a beneficial principal disclosed on the execution page of this Subscription Agreement, and he is not an agent or trustee and each disclosed principal for whom he is acting has a NI 45-106 prospectus exemption available to him/her/it and is purchasing as principal for his/her/its own account, and not for the benefit of any other Person;
- (b) the provisions of paragraph (a) of this subsection 3B will be true and correct both as of the date of execution of this Agreement and as of the Closing Date; and
- (c) the Subscriber acknowledges and consents to the release by the Corporation of certain information regarding the subscription, including, without limitation, the Subscriber’s name, address, telephone number and registration instructions, the number of Offered Securities purchased, the number of shares held, the Subscriber's eligibility to purchase the Class "A" Shares under applicable securities legislation, and, if applicable, information regarding the beneficial ownership of the Subscriber or his principal, in compliance with the Securities Laws or as otherwise required by the law of the Corporation and for the purposes of arranging for the preparation of the certificates representing the Purchased Securities; and

- (d) the Subscriber has concurrently properly completed, executed and delivered a Form 45-106F4 in the form attached as **Exhibit 1** to this Subscription Agreement; and
- (e) the Subscriber, if a resident in Alberta, Saskatchewan, Manitoba, Northwest Territories, Nunavut or Yukon and the Subscription Price exceeds \$10,000, has concurrently properly completed, executed and delivered a Representation Letter in the form attached as **Exhibit 2** to this Subscription Agreement and, if applicable, (i) if the Subscriber is an "accredited investor" a fully completed and duly executed Accredited Investors Questionnaire attached as **Appendix "A"** to Exhibit 2 hereto; or (ii) if the Subscriber is a "close personal friend" or "close business associate" as defined herein, a fully executed and completed Close Personal Friend and/or Close Business Associate Questionnaire in the form attached as **Appendix "B"** to Exhibit 2 hereto, and all of the representations therein are true and correct as of the date of execution of this Subscription Agreement and as at Closing; and
- (f) the Subscriber has concurrently properly completed, executed and delivered a Risk Acknowledgement Form in the form attached as **Exhibit 3** to this Subscription Agreement, which the Corporation is relying upon in determining to sell securities of the Corporation to the Subscriber in a manner exempt from the registration requirements of the applicable securities laws, which form is true and correct both as of the date of execution of this Subscription Agreement and as at Closing.

**C. Power of Attorney**

In consideration of the Corporation accepting the subscription of the Subscriber and conditional thereon, the Subscriber hereby:

- (a) agrees to be bound as a shareholder in the Corporation by the terms of the Articles of Incorporation, as amended and restated effective July 12, 2012; and
- (b) irrevocably nominates, constitutes and appoints the Corporation with full power of substitution as the Subscriber's true and lawful attorney and agent, with full power and authority in the name, place and stead of the Subscriber and for the use and benefit of the Subscriber to do the following namely:
  - (i) make, execute, swear to, sign, acknowledge, deliver and file, including filing for recording at the appropriate public offices, as and where required.
  - (ii) execute and file with any governmental body or instrumentality thereof of the Government of Canada, or a province or any other governmental authority having jurisdiction, any documents necessary to be filed in connection with the business, property, assets and undertaking of the Corporation; and
  - (iii) execute and deliver all such other documents or instruments on behalf of and in the name of the Corporation and for the shareholders of the Corporation as may be deemed necessary or desirable by the Corporation.

The powers of attorney granted above are irrevocable, are powers coupled with an interest, shall survive the death, disability, incapacity, insolvency or other legal incapacity of the Subscriber and shall survive the assignment, by the Subscriber of the whole or any part of the interest of the Subscriber in the Corporation, and extends to the heirs, executors, administrators, successors and permitted assigns of the Subscriber and may be exercised by the Corporation on behalf of the Subscriber in executing any instrument by listing thereon or referring to all of the shareholders of the Corporation executing such instrument, or otherwise indicating that it is executing such instrument on behalf of all of them, with a single signature as attorney and agent for all of them.

The Subscriber hereby agrees to be bound by any representations and actions made or taken in good faith by the Corporation pursuant to the above power of attorney in accordance with the terms hereof and waives any right of

action or claim he may have against the Corporation and waives any and all defences which may be available to him to contest, negate or disaffirm any action of the Corporation taken in good faith under such power of attorney.

#### **4 Legends**

For the purposes of complying with applicable Securities Laws, including National Instrument 45-102 Resale of Securities, the Subscriber understands and acknowledges that the certificates representing the Purchased Securities will bear the following legend:

**“Unless permitted under securities legislation, the holder of this security must not trade the security before the date that is four (4) months and a day after the later of (i) [date of distribution], and (ii) the date that the Corporation became a reporting issuer in any province or territory of Canada.”**

#### **5 Representations and Warranties of the Corporation**

The Corporation represents and warrants to and for the benefit of the Subscriber (and acknowledges that the Subscriber is relying thereon) that:

- (a) the Corporation has been duly incorporated and organized, and is a valid and subsisting corporation, under the laws of the Province of Alberta;
- (b) the Corporation, has the full corporate right, power and authority to execute and deliver this Agreement and to authorize the issuance of the Offered Securities to the Subscriber;
- (c) all necessary corporate action will have been taken by the relevant Closing Date to authorize the issue and sale of, and the delivery of certificates representing, the Offered Securities and, upon payment of the requisite consideration for such Offered Securities, the Shares will be validly issued as fully paid and non-assessable;
- (d) this Agreement constitutes a binding obligation of the Corporation enforceable in accordance with its terms; and
- (e) the execution and delivery of, and the performance of the terms of the Agreement by the Corporation, including the issue of the Purchased Securities described herein do not constitute a breach of, or default under, the constating documents of the Corporation or any law, regulation, order or ruling applicable to the Corporation or any agreement, contract or indenture to which the Corporation is a party or by which it is bound.

#### **6 Closing**

The Closing of the Offered Securities will be completed at the offices of Parlee McLaws LLP in Edmonton, Alberta at 4:00 p.m. (local time) (the “Closing Time”), on or before the Closing Date or such other time as may be determined by the Corporation.

#### **7 Required Documents**

The Subscriber agrees to deliver to the Corporation prior to the Closing Date:

- (a) a duly completed and signed Subscription Agreement; and
- (b) a Form 45-106F4 attached as **Exhibit 1** hereto; and
- (c) if a resident in Alberta, Saskatchewan, Manitoba, Northwest Territories, Nunavut or Yukon and the Subscription Price exceeds \$10,000, a completed **Exhibit 2** and, if applicable, the Representation Letter as follows:

- (A) in the case of a Subscriber who is an "accredited investor" a fully completed and duly executed Representation Letter, in the form of Appendix "A" attached to Exhibit 2 hereto; or
- (B) in the case of a Subscriber who is a "close personal friend" or "close business associate" as defined herein, a fully executed and completed Close Personal Friend and/or Close Business Associate Questionnaire in the form of Appendix "B" attached to Exhibit 2 hereto; and
- (d) a completed and duly signed Risk Acknowledgement Form in the form attached as **Exhibit 3**; and
- (e) a certified cheque, bank draft or money order in an amount equal to the Subscription Amount, payable as follows:
  - (A) for Subscribers on a cash basis (i.e., non registered and deferred plans), payment is payable to "Parlee McLaws LLP, in trust"; or
  - (B) for Subscribers of registered and deferred plans purchase, payment is payable from the Subscriber's own self-administered account at Western Pacific Trust Company, or from such other self-administered account; and
- (f) any other documents required by applicable securities laws which the Corporation may request.

## **8 General Terms**

The following general terms shall also apply to this Subscription Agreement:

- (a) this Subscription Agreement shall be governed by and construed in accordance with the laws of the Province of Alberta and the federal laws of Canada applicable therein;
- (b) this Agreement shall be subject to the approval of all securities and regulatory authorities having jurisdiction;
- (c) the Corporation will have the right to accept or reject the Subscriber's subscription in whole or in part at any time prior to Closing. Notwithstanding the foregoing, the Subscriber acknowledges and agrees that the acceptance of this Agreement will be conditional, among other things, upon the sale of the Class "A" Shares to the Subscriber being exempt from any prospectus requirements of applicable Securities Laws;
- (d) this Agreement may be executed in several counterparts each of which when so executed shall be deemed to be an original, and such counterparts shall constitute one and the same instrument and notwithstanding the date of execution shall be deemed to bear date as of the date of this Agreement. This Agreement shall be considered properly executed by any party if executed and transmitted by facsimile or executed, scanned and sent by electronic mail to the other party or its solicitors and it shall not be necessary in making proof of this Agreement to produce or account for more than one such counterpart;
- (e) the Subscriber agrees that the Corporation will not be liable for any misrepresentation if the Subscriber purchased Offered Securities with knowledge of the misrepresentation; and in any event, in an action for damages, the Corporation is not liable for all or any portion of such damages that do not represent the depreciation in value of Purchased Securities as a result of the misrepresentation relied upon;
- (f) the Subscriber agrees that in no case shall the Corporation be liable for the amount recoverable as a result of a breach of the representations and warranties in this Agreement in excess of the price at which Purchased Securities were sold to the Subscriber;

- (g) this Agreement represents the entire agreement of the parties hereto relating to the subject matter hereof and there are no representations, covenants or other agreements relating to the subject matter hereof except as stated or referred to herein;
- (h) the Subscriber hereby consents to the collection, use and disclosure by the Corporation and its authorized agents and representatives of the Subscriber's personal information set forth herein ("Personal Information") to enable the Corporation to fulfill its regulatory and reporting requirements and recognizes that this disclosure may result in the disclosure of some or all of the Personal Information becoming public information and, without limiting the foregoing, consents to the disclosure of such Personal Information to the Corporation's authorized agents and representatives; securities commissions and/or other regulatory agencies in any jurisdiction in which the rules and requirements of such body may require such reporting; or as may be required or permitted by law;
- (i) in order to permit the Corporation to comply with the requirements of Personal Information Protection and Electronic Documents (Canada) ("PIPEDA"), the Subscriber expressly consents to the disclosure by the Corporation in any submission or filing that the Corporation may be required to make with any applicable regulatory authority of any Personal Information;
- (j) the funds representing the aggregate Subscription Price which will be advanced by the Subscriber to the Corporation hereunder will not represent proceeds of crime for the purposes of the Proceeds of Crime (Money Laundering) Act (Canada) (the "PCMLA") and the Subscriber, acknowledges that the Corporation may in the future be required by law to disclose the name of the Subscriber and other information relating to this Subscription Agreement and the subscription of the Subscriber hereunder, on a confidential basis, pursuant to the PCMLA. To the best of its knowledge (i) none of the subscription funds to be provided by the Subscriber: (A) have been or will be derived from or related to any activity that is deemed criminal under the law of Canada, the United States of America, or any other jurisdiction; or (B) are being tendered on behalf of a person or entity who has not been identified to the Subscriber; and (ii) it shall promptly notify the Corporation if the Subscriber discovers that any of such representations ceases to be true, and provide the Corporation with appropriate information in connection therewith;
- (k) should the Subscriber's subscription payment be submitted to the Corporation's lawyers, in trust or otherwise, then the Subscriber agrees that the solicitors shall have no accountability to the Subscriber whatsoever, and acknowledges that the solicitors are merely recipients for the Corporation and have no solicitor's obligations of any nature to the Subscriber. The Subscriber agrees that submission of the payment to the solicitors in trust is to be deposited into the trust account of the Corporation and shall be the property of the Corporation at that point. The only duty the solicitors shall have to the Subscriber is to deliver the subscription agreement (as delivered) and the subscription monies to the Corporation, all solely at the Corporation's instruction, and the solicitors shall require no further instruction from the Subscriber in order to deliver the same to the Corporation. Under no circumstances shall the Corporation's solicitors be considered to be giving legal or other advice or services to the Subscriber and no communication between the Subscriber and such solicitors shall be considered advice (at the most only administrative subscription assistance on behalf of the Corporation) but the Subscriber shall rely solely and exclusively on his own judgment and the advice of his own counsel;
- (l) time is of the essence hereof;
- (m) this Subscription Agreement represents the entire agreement of the parties hereto relating to the subject matter hereof and there are no representations, covenants or other agreements relating to the subject matter hereof except as stated or referred to herein;
- (n) the covenants, representations and warranties contained herein shall survive the closing of the transactions contemplated hereby; and

- (o) in this Subscription Agreement (including attachments), references to “\$” or “Cdn. \$” are to Canadian dollars.

**EXHIBIT 1**  
**FORM 45-106F4**

**Warning**

**Risk Acknowledgement**

I acknowledge that this is a risky investment.

I am investing entirely at my own risk.

No securities regulatory authority has evaluated or endorsed the merits of these securities or the disclosure in the offering memorandum.

The person selling me these securities is not registered with a securities regulatory authority and has no duty to tell me whether this investment is suitable for me.

I will not be able to sell these securities except in very limited circumstances. I may never be able to sell these securities.

I could lose all the money I invest.

I am investing \$\_\_\_\_\_ [total consideration] in total; this includes any amount I am obliged to pay in future. Yorkton Group Energy Crossing III Inc. will pay \$\_\_\_\_\_ of this to Yorkton Group International Ltd. as a fee or commission.

**I acknowledge that this is a risky investment and that I could lose all the money I invest.**

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature of Subscriber

\_\_\_\_\_  
Print name of Subscriber

**Sign 2 copies of this document. Keep one copy for your records.**

**You have 2 business days to cancel your purchase.**

To do so, send a written notice to YORKTON GROUP ENERGY CROSSING III INC. stating that you want to cancel your purchase. You must send the notice before midnight on the 2<sup>nd</sup> business day after you sign the agreement to purchase the securities. You can send the notice by fax or e-mail or deliver it in person to Energy Crossing III Inc. at its business address. Keep a copy of the notice for your records.

Issuer Name and Address: YORKTON GROUP ENERGY CROSSING III INC.  
2430, 10180 – 101 Street  
Edmonton, Alberta, Canada T5J 3S4  
Phone: 780-409-8228  
Fax: 780-409-9228  
Email: reg@yorktongroup.com

## **You are buying Exempt Market Securities**

They are called *exempt market securities* because two parts of securities law do not apply to them. If an issuer wants to sell *exempt market securities* to you:

- The issuer does not have to give you a prospectus (a document that describes the investment in detail and gives you some legal protections), and
- The securities do not have to be sold by an investment dealer registered with a securities regulatory authority.

There are restrictions on your ability to resell *exempt market securities*. *Exempt market securities* are more risky than other securities.

## **You will receive an offering memorandum**

Read the offering memorandum carefully because it has important information about the issuer and its securities. Keep the offering memorandum because you have rights based on it. Talk to a lawyer for details about these rights.

## **You will not receive advice.**

You will not get professional advice from the issuer about whether the investment is suitable for you. But you can still seek that advice from a registered adviser or investment dealer. In Alberta, Saskatchewan, Manitoba, Northwest Territories, Nunavut and Yukon to qualify as an eligible investor, you may be required to obtain that advice.

## **The securities you are buying are not listed.**

The securities you are buying are not listed on any stock exchange, and they may never be listed. You may never be able to sell these securities.

## **The issuer of your securities is a non-reporting issuer.**

A *non-reporting issuer* does not have to publish financial information or notify the public of changes in its business. You will not receive ongoing information about this issuer.

For more information on the exempt market, call your local securities commission.

Alberta Securities Commission  
4th Floor, Stock Exchange Tower  
300— 5th Avenue S.W., Calgary, Alberta T2P 3C4  
Phone: (403) 297-6454 [www.albertasecurities.com](http://www.albertasecurities.com)

British Columbia Securities Commission  
P.O. Box 1042 Pacific Centre  
701 West Georgia Street, Vancouver, B.C. V7Y 1L2  
Phone: (604) 899-6500 [www.bcsc.bc.ca](http://www.bcsc.bc.ca)

The Manitoba Securities Commission  
1130—405 Broadway, Winnipeg, Manitoba R3C 3L6  
Phone: (204) 945-2548 [www.msc.gov.mb.ca](http://www.msc.gov.mb.ca)

Saskatchewan Securities Commission  
800—1920 Broad Street Regina, Saskatchewan S4P 3V7  
Phone: (306) 787-5645

Government of Northwest Territories  
Department of Justice Securities Registry  
1st Floor Stuart M. Hodgson Building  
5009— 49 Street  
Yellowknife, Northwest Territories X1A 2L9  
Phone: (867) 920-3318; Fax: (867) 873-0243

Government of Yukon  
Department of Community Services Law Centre,  
3rd Floor 2130 Second Avenue  
Whitehorse, Yukon Y1A 5H6  
Phone: (867) 667-5314; Fax: (867) 393-6251



Government of Nunavut  
Department of Justice Legal Registries Division  
P.O. Box 1000— Station 570  
1<sup>st</sup> Floor, Brown Building  
Iqaluit, Nunavut XOA OHO  
Phone: (867) 975-6190; Fax: (867) 975-6194

**The Subscriber must sign 2 copies of this form. The Subscriber and the Corporation must each receive a signed copy.**

## EXHIBIT 2

**(For Alberta, Saskatchewan, Manitoba, Northwest Territories, Nunavut, or Yukon Residents)**

### **ELIGIBLE INVESTOR DECLARATION - MUST SIGN IF SUBSCRIBER'S AGGREGATE ACQUISITION COST EXCEEDS \$10,000**

**TO: YORKTON GROUP ENERGY CROSSING III INC. (the "Corporation")**

#### **DECLARATION**

The undersigned DECLARES THAT:

1. The undersigned is a resident of or otherwise subject to the applicable securities laws of the Offering Jurisdiction and is making the purchase in the Class "A" Shares as proposed in this Subscription Agreement with full knowledge that such a transaction should be considered speculative and is subject to numerous risk factors.
2. The undersigned is an eligible investor (as noted below) and the following is applicable to the undersigned:

**(Note: Subscriber must check off and initial beside each applicable category below)**

- \_\_\_\_\_ (a) my net assets, either alone or with my spouse's, exceeds \$400,000; or
- \_\_\_\_\_ (b) my net income before taxes exceeded \$75,000 in each of the two most recent calendar years and I reasonably expect to exceed that income level in the current calendar year; or
- \_\_\_\_\_ (c) my net income before taxes combined with that of my spouse has exceeded \$125,000 in each of the two most recent calendar years and I reasonably expect to exceed that income level in the current calendar year; or
- \_\_\_\_\_ (d) the undersigned is a person of which a majority of the voting securities are beneficially owned by eligible investors or a majority of the directors are eligible investors; or
- \_\_\_\_\_ (e) the undersigned is a general partnership in which all of the partners are eligible investors; or
- \_\_\_\_\_ (f) the undersigned is a limited partnership in which the majority of the general partners are eligible investors; or
- \_\_\_\_\_ (g) the undersigned is a trust or estate in which all of the beneficiaries or a majority of the trustees or executors are eligible investors; or
- \_\_\_\_\_ (h) the undersigned is an "accredited investor" as such term is defined in NI 45-106 and has concurrently executed and delivered a Representation Letter in the form attached as **Schedule A** to this Agreement; or
- \_\_\_\_\_ (i) the undersigned is a family, friend or business associate as described in section 2.5 of NI 45-106 and has concurrently executed and delivered a Representation Letter in the form attached as **Schedule B** to this Agreement; or
- \_\_\_\_\_ (j) the undersigned is a person that has obtained advice regarding the suitability of the investment and, if the person is resident in a jurisdiction of Canada, that advice has been obtained from an eligibility adviser (as defined in the Agreement) and the name of such eligibility adviser is (1) \_\_\_\_\_ of (2) \_\_\_\_\_

((1) Name of and (2) trade name/company name if any, of the undersigned's eligibility adviser)

**For the purposes hereof:**

- (a) **"person"** includes
- (i) an individual;
  - (ii) a corporation;
  - (iii) a partnership, trust, fund and an association, syndicate, organization or other organized group of persons, whether incorporated or not; and
  - (iv) an individual or other person in that person's capacity as a trustee, executor, administrator or other legal representative.
- (b) **"spouse"** means an individual who
- (i) is married to another individual and is not living separate and apart within the meaning of the *Divorce Act* (Canada), from the other individual; or
  - (ii) is living with another individual in a marriage-like relationship, including a marriage-like relationship of individuals of the same gender; or
  - (iii) in Alberta, is an individual referred to in paragraph (i) or (ii) or is an adult interdependent partner within the meaning of the *Adult Interdependent Relationships Act* (Alberta).

3. The undersigned makes this Declaration knowing that failure to meet any one of the requirements set out above will invalidate the undersigned's subscription for the Class "A" Shares of the Corporation made pursuant to the Subscription Agreement.

AND the undersigned makes this declaration, conscientiously believing it to be true and knowing that it is of the same force and effect as if made under oath.

DATED the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_.

SIGNED, SEALED AND DELIVERED )

in the presence of: )

)

\_\_\_\_\_  
WITNESS )

)

\_\_\_\_\_  
NAME (please print) )

)

\_\_\_\_\_  
SIGNATURE OF INDIVIDUAL PURCHASER

\_\_\_\_\_  
NAME (please print)

**-OR-**

\_\_\_\_\_  
CORPORATE PURCHASER NAME (please print)

per \_\_\_\_\_  
Signature of Officer/Director

**Schedule "A"**  
**to Exhibit 2**

**REPRESENTATION LETTER**

**(FOR ACCREDITED INVESTORS)**

**TO: YORKTON GROUP ENERGY CROSSING III INC. (the "Corporation")**

In connection with the purchase of Class "A" Shares of the Corporation ("**Shares**") by the undersigned subscriber or, if applicable, the principal on whose behalf the undersigned is purchasing as agent (the "**Subscriber**" for the purposes of this Schedule "A"), the Subscriber hereby represents, warrants, covenants and certifies to the Corporation (and acknowledges that the Corporation and its counsel are relying thereof) that:

1. The Subscriber is resident in the Offering Jurisdiction and such address was not created and is not used solely for the purpose of acquiring the Shares;
2. The Subscriber, unless it is a person or company described in paragraph (q) in the attached Appendix "A" that is deemed pursuant to the provisions of section 2.3(5) of National Instrument 45-106 entitled "Prospectus and Registration Exemptions" to be purchasing as principal, is purchasing the Shares as principal for its own account;
3. The Subscriber is an "accredited investor" within the meaning of National Instrument 45-106 entitled "Prospectus and Registration Exemptions" by virtue of satisfying the indicated criterion as set out in Appendix "A" to this Representation Letter; and
4. Upon execution of this Schedule "A" by the Subscriber, this Schedule "A" shall be incorporated into and form a part of the Subscription Agreement.

Dated: \_\_\_\_\_.

\_\_\_\_\_  
Print name of Subscriber

By:

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print name of Signatory (if different from Subscriber)

\_\_\_\_\_  
Title

**IMPORTANT: PLEASE INITIAL THE APPROPRIATE PARAGRAPH(S) ON APPENDIX "A"**

**APPENDIX "A"**  
**to Schedule A to Exhibit 2**

**Accredited Investor** - (defined in NI 45-106) means:

- \_\_\_\_\_ (a) a Canadian financial institution or a Schedule III Bank; or
- \_\_\_\_\_ (b) the Business Development Bank of Canada incorporated under the *Business Development Bank of Canada Act* (Canada); or
- \_\_\_\_\_ (c) a subsidiary of any person referred to in paragraphs (a) or (b), if the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by directors of that subsidiary; or
- \_\_\_\_\_ (d) a person registered under the securities legislation of a jurisdiction of Canada as an adviser or dealer, other than a person registered solely as a limited market dealer under one or both of the *Securities Act* (Ontario) or the *Securities Act* (Newfoundland and Labrador); or
- \_\_\_\_\_ (e) an individual registered or formerly registered under the securities legislation of a jurisdiction of Canada, as a representative of a person or company referred to in paragraph (d); or
- \_\_\_\_\_ (f) the Government of Canada or a jurisdiction of Canada, or any crown corporation, agency or wholly owned entity of the Government of Canada or a jurisdiction of Canada; or
- \_\_\_\_\_ (g) a municipality, public board or commission in Canada and a metropolitan community, school board, Comité de gestion de la taxe scolaire de l'île de Montreal or an intermunicipal management board in Québec; or
- \_\_\_\_\_ (h) any national, federal, state, provincial, territorial or municipal government of or in any foreign jurisdiction, or any agency of that government; or
- \_\_\_\_\_ (i) a pension fund that is regulated by either the Office of the Superintendent of Financial Institutions (Canada) or a pension commission or similar regulatory authority of a jurisdiction of Canada; or
- \_\_\_\_\_ (j) an individual who, either alone or with a spouse, beneficially owns, directly or indirectly, financial assets having an aggregate realizable value that before taxes, but net of any related liabilities, exceeds \$1,000,000; or
- \_\_\_\_\_ (k) an individual whose net income before taxes exceeded \$200,000 in each of the 2 most recent calendar years or whose net income before taxes combined with that of a spouse exceeded \$300,000 in each of the 2 most recent calendar years and who, in either case, reasonably expects to exceed that net income level in the current calendar year; or
- \_\_\_\_\_ (l) an individual who, either alone or with a spouse, has net assets of at least \$5,000,000; or
- \_\_\_\_\_ (m) a person, other than an individual or investment fund that has net assets of at least \$5,000,000 as shown on its most recently prepared financial statements and such person was not created or used solely to purchase or hold securities as an "accredited investor"; or
- \_\_\_\_\_ (n) an investment fund that distributes or has distributed its securities only to:
  - (i) a person that is or was an accredited investor at the time of the distribution;
  - (ii) a person that acquires or acquired securities in the circumstances referred to in sections 2.10 and 2.19 of NI 45-106; or
  - (iii) a person described in paragraph (n)(i) or (ii) that acquires or acquired securities under section 2.18 of NI 45-106; or

- \_\_\_\_\_ (o) an investment fund that distributes or has distributed securities under a prospectus in a jurisdiction of Canada for which the regulator, or in Québec, the securities regulatory authority, has issued a receipt; or
- \_\_\_\_\_ (p) a trust company or trust corporation registered or authorized to carry on business under the *Trust and Loan Companies Act* (Canada) or under comparable legislation in a jurisdiction of Canada or a foreign jurisdiction, acting on behalf of a fully managed account managed by the trust company or trust corporation, as the case may be; or
- \_\_\_\_\_ (q) a person acting on behalf of a fully managed account managed by that person, if that person
  - (i) is registered or authorized to carry on business as an adviser or the equivalent under the securities legislation of a jurisdiction of Canada or a foreign jurisdiction; and
  - (ii) in Ontario, is purchasing a security that is not a security of an investment fund; or
- \_\_\_\_\_ (r) a registered charity under the *Income Tax Act* (Canada) that, in regard to the trade, has obtained advice from an eligibility adviser or an adviser registered under the securities legislation of the jurisdiction of the registered charity to give advice on the securities being traded; or
- \_\_\_\_\_ (s) an entity organized in a foreign jurisdiction that is analogous to any of the entities referred to in paragraphs (a) to (d) or paragraph (i) in form and function; or
- \_\_\_\_\_ (t) a person in respect of which all of the owners of interests, direct, indirect, or beneficial, except the voting securities required by law to be owned by directors, are persons that are “accredited investors” (as defined in NI 45-106); or
- \_\_\_\_\_ (u) an investment fund that is advised by a person registered as an adviser or a person that is exempt from registration as an adviser; or
- \_\_\_\_\_ (v) a person that is recognized or designated by the securities regulatory authority or, except in Ontario and Québec, the regulator as
  - (i) an “accredited investor” (as defined in NI 45-106); or
  - (ii) an exempt purchaser in Alberta or British Columbia.

**NOTE: The investor must initial beside the applicable portion of the above definition.**

**For the purposes hereof:**

- (a) **"bank"** means a bank named in Schedule I or II of the *Bank Act* (Canada);
- (b) **"Canadian financial institution"** means
  - (i) an association governed by the *Cooperative Credit Associations Act* (Canada) or a central cooperative credit society for which an order has been made under section 473(1) of that Act; or
  - (ii) a bank, loan corporation, trust company, trust corporation, insurance company, treasury branch, credit union, caisse populaire, financial services cooperative, or league that, in each case, is authorized by an enactment of Canada or a jurisdiction of Canada to carry on business in Canada or a jurisdiction of Canada;
- (c) **"control person"** means
  - (i) for Alberta, any person that holds or is one of a combination of persons that holds

- (A) a sufficient number of any of the securities of an issuer so as to affect materially the control of the issuer, or
  - (B) more than 20% of the outstanding voting securities of an issuer except where there is evidence showing that the holding of those securities does not affect materially the control of the issuer;
- (i) for British Columbia,
  - (A) a person who holds a sufficient number of the voting rights attached to all outstanding voting securities of an issuer to affect materially the control of the issuer, or
  - (B) each person in a combination of persons, acting in concert by virtue of an agreement, arrangement, commitment or understanding, which holds in total a sufficient number of the voting rights attached to all outstanding voting securities of an issuer to affect materially the control of the issuer,
  - (C) and, if a person or combination of persons holds more than 20% of the voting rights attached to all outstanding voting securities of an issuer, the person or combination of persons is deemed, in the absence of evidence to the contrary, to hold a sufficient number of the voting rights to affect materially the control of the issuer; and
- (d) **"director"** means
  - (i) a member of the board of directors of a company or an individual who performs similar functions for a company, and
  - (ii) with respect to a person that is not an company, an individual who performs functions similar to that of a director of a company;
- (e) **"eligibility adviser"** means a person that is registered as an investment dealer or in an equivalent category of registration under the securities legislation of the jurisdiction of a purchaser and authorized to give advice with respect to the type of security being distributed;
- (f) **"EVCC"** means an employee venture capital corporation that does not have a restricted constitution and is registered under Part 2 of the *Employee Investment Act* (British Columbia), R.S.B.C. 1996 c. 112, and whose business objective is making multiple investments;
- (g) **"financial assets"** means
  - (i) cash;
  - (ii) securities; or
  - (iii) a contract of insurance, a deposit or evidence of a deposit that is not a security for the purposes of securities legislation;
- (h) **"foreign jurisdiction"** means a country other than Canada or a political subdivision of a country other than Canada;
- (i) **"fully managed account"** means an account of a client for which a person makes the investment decisions if that person has full discretion to trade in securities for the account without requiring the client's express consent to a transaction;
- (j) **"jurisdiction"** means a province or territory of Canada except when used in the term "foreign jurisdiction";
- (k) **"individual"** means
  - (i) for Alberta, a natural person, but does not include
    - (A) a partnership, unincorporated association, unincorporated syndicate, unincorporated organization or a trust, or

- (B) a natural person in the person's capacity as trustee, executor, administrator or other legal representative;
- (ii) for British Columbia, a natural person, but does not include
  - (A) a partnership, unincorporated association, unincorporated syndicate, unincorporated organization or a trust, or
  - (B) a natural person in the person's capacity as trustee, executor, administrator or personal or other legal representative;
- (l) **"investment fund"** means a mutual fund or a non-redeemable investment fund, and, for greater certainty in British Columbia, includes an EVCC and a VCC;
- (m) **"non-redeemable investment fund"** means an issuer,
  - (i) whose primary purpose is to invest money provided by its securityholders,
  - (ii) that does not invest,
    - (A) for the purpose of exercising or seeking to exercise control of an issuer, other than an issuer that is a mutual fund or a non-redeemable investment fund, or
    - (B) for the purpose of being actively involved in the management of any issuer in which it invests, other than an issuer that is a mutual fund or a non-redeemable investment fund, and
  - (iii) that is not a mutual fund;
- (n) **"person"** includes
  - (i) an individual;
  - (ii) a corporation;
  - (iii) a partnership, trust, fund and an association, syndicate, organization or other organized group of persons, whether incorporated or not; and
  - (iv) an individual or other person in that person's capacity as a trustee, executor, administrator or other legal representative;
- (o) **"related liabilities"** means
  - (i) liabilities incurred or assumed for the purpose of financing the acquisition or ownership of financial assets; or
  - (ii) liabilities that are secured by financial assets;
- (p) **"Schedule III bank"** means an authorized foreign bank named in Schedule III of the *Bank Act* (Canada);
- (q) **"securities legislation"** means
  - (i) for Alberta, the *Securities Act* (Alberta) and the regulations and rules under such Act and the blanket rulings and orders issued by the Alberta Securities Commission;
  - (ii) for British Columbia, the *Securities Act* (British Columbia) and the regulations, rules and forms under such Act and the blanket rulings and orders issued by the British Columbia Securities Commission; and
  - (iii) for other Canadian jurisdictions, such other statutes and instruments as are listed in Appendix B of National Instrument 14-101 – *Definitions*;



- (r) **"securities regulatory authority"** means
- (i) for Alberta, the Alberta Securities Commission;
  - (ii) for British Columbia, the British Columbia Securities Commission; and
  - (iii) for other Canadian jurisdictions, means the securities regulatory authority as listed in Appendix C of National Instrument 14-101 – *Definitions*;
- (s) **"spouse"** means an individual who
- (i) is married to another individual and is not living separate and apart within the meaning of the *Divorce Act* (Canada), from the other individual; or
  - (ii) is living with another individual in a marriage-like relationship, including a marriage-like relationship of individuals of the same gender; or
  - (iii) in Alberta, is an individual referred to in paragraph (i) or (ii) or is an adult interdependent partner within the meaning of the *Adult Interdependent Relationships Act* (Alberta);
- (t) **"subsidiary"** means an issuer that is controlled directly or indirectly by another issuer and includes a subsidiary of that subsidiary; and
- (u) **"VCC"** means a venture capital corporation registered under Part 1 of the *Small Business Venture Capital Act* (British Columbia), R.S.B.C. 1996 c. 429 whose business objective is making multiple investments.

Meaning of Control:

A person ("first person") is considered to **"control"** another person ("second person") if:

- (i) the first person, directly or indirectly, beneficially owns or exercises control or direction over securities of the second person carrying votes which, if exercised, would entitle the first person to elect a majority of the directors of the second person, unless that first person holds the voting securities only to secure an obligation; or
- (ii) the second person is a partnership, other than a limited partnership, and the first person holds more than 50% of the interests of the partnership; or
- (iii) the second person is a limited partnership and the general partner of the limited partnership is the first person.

**Schedule "B"**  
**to Exhibit 2**

**REPRESENTATION LETTER**

**(FAMILY, CLOSE PERSONAL FRIEND OR CLOSE BUSINESS ASSOCIATE)**

**TO: YORKTON GROUP ENERGY CROSSING III INC. (the "Corporation")**

In connection with the purchase of Class "A" Shares of the Corporation ("**Shares**") by the undersigned subscriber or, if applicable, the principal on whose behalf the undersigned is purchasing as agent (the "**Subscriber**" for the purposes of this Schedule "B" to Exhibit 2), the Subscriber hereby represents, warrants, covenants and certifies to the Corporation (and acknowledges that the Corporation and its counsel are relying thereof) that:

1. The Subscriber is one of the following and has so indicated by initialing the applicable paragraph:

- |       |        |   |
|-------|--------|---|
| _____ | (I)    | a director, executive officer or control person of the Corporation, or of an affiliate of the Corporation; or   |
| _____ | (II)   | a "spouse" (within the meaning of that expression as used in the applicable securities laws), parent, grandparent, brother, sister, child or grandchild of a director, executive officer or control person of the Corporation, or of an affiliate of the Corporation; or  |
| _____ | (III)  | a parent, grandparent, brother, sister, child or grandchild of the spouse of a director, executive officer or control person of the Corporation or of an affiliate of the Corporation; or   |
| _____ | (IV)   | a "close personal friend" (as defined below) of a director, executive officer or control person of the Corporation, or of an affiliate of the Corporation, and, has concurrently executed and delivered a Close Personal Friend and/or Business Associate Questionnaire in the form attached as Appendix A; or    |
| _____ | (V)    | a "close business associate" (as defined below) of a director, executive officer or control person of the Corporation, or of an affiliate of the Corporation, and, has concurrently executed and delivered a Close Personal Friend and/or Business Associate Questionnaire in the form attached as Appendix A; or |
| _____ | (VI)   | a founder of the Corporation or a spouse, parent, grandparent, brother, sister, child, grandchild, close personal friend or close business associate of a founder of the Corporation; or  |
| _____ | (VII)  | a parent, grandparent, brother, sister, child, grandchild of a spouse of a founder of the Corporation; or   |
| _____ | (VIII) | a person or company of which a majority of the voting securities are beneficially owned by, or a majority of directors are, persons or companies described in subparagraphs (I) through (VII) above; or   |
| _____ | (IX)   | a trust or estate of which all of the beneficiaries or a majority of the trustees or executors are persons or companies described in subparagraphs (I) through (VII) above; or  |

2. Upon execution of this Schedule "B" by the Subscriber, this Schedule "B" attached to Exhibit 2 shall be incorporated into and form a part of the Subscription Agreement.

Dated: \_\_\_\_\_, \_\_\_\_\_

\_\_\_\_\_  
Print Name of Subscriber

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Name of Subscriber or Authorized Representative (Please Print)

\_\_\_\_\_  
Title (if applicable)

## INTERPRETATION

For the purposes of this Schedule "B":

A **"close personal friend"** of a director, executive officer, founder or control person of the Corporation is an individual who knows the director, executive officer, founder or control person well enough and has known them for a sufficient period of time to be in a position to assess their capabilities and trustworthiness. The term "close personal friend" can include a family member who is not already specifically identified in the exemptions if the family member satisfies the criteria described above. The relationship between the individual and the director, executive officer, founder or control person must be direct. For example the exemption is not available to a close personal friend of a close personal friend of a director of the Corporation. An individual is not a close personal friend solely because the individual is a relative, a member of the same organization, association or religious group, or a client, customer, former client or former customer.

A **"close business associate"** is an individual who has had sufficient prior business dealings with a director, executive officer, founder or control person of the Corporation to be in a position to assess their capabilities and trustworthiness. An individual is not a close business associate solely because the individual is a member of the same organization, association or religious group, or a client, customer, former client or former customer. The relationship between the individual and the director, executive officer, founder or control person must be direct. For example, the exemption is not available for a close business associate of a close business associate of a director of the Corporation. A close business associate must be a natural person and does not include a partnership, unincorporated association, unincorporated syndicate, unincorporated organization, trust, corporation, or a natural person in the person's capacity as trustee, executor, administrator, or personal or other legal representative.

An **"affiliate"** means a Company that is affiliated with another Company as described below.

A Company is an "affiliate" of another Company if:

- (a) one of them is the subsidiary of the other, or
- (b) each of them is controlled by the same person.

A Company is “controlled” by a person if:

- (a) more than 50% of the voting securities of the Company are held, other than by way of security only, by or for the benefit of that person, and
- (a) the voting securities, if voted, entitle the person to elect a majority of the directors of the Company.

A person beneficially owns securities that are beneficially owned by:

- (a) a Company controlled by that person, or
- (b) an affiliate of that person or an affiliate of any Company controlled by that person.

**IMPORTANT: PLEASE COMPLETE APPENDIX "A" ATTACHED HERETO, IF APPLICABLE**

**APPENDIX “A”  
to Schedule B to Exhibit 2**

**CLOSE PERSONAL FRIEND AND/OR CLOSE BUSINESS ASSOCIATE QUESTIONNAIRE**

**TO: YORKTON GROUP ENERGY CROSSING III INC. (the “Corporation”)**

To be completed by Subscribers who are close personal friends and/or close business associates of YORKTON GROUP ENERGY CROSSING III INC.

Name of director, executive officer, control person or founder:
Length of relationship:
Prior business dealings:
Details of relationship:

The undersigned understands that the Corporation is relying on this information in determining to sell securities of the Corporation to the undersigned in a manner exempt from the prospectus requirements of the applicable securities laws.

Upon execution of this Appendix “A” attached to Schedule “B” by the Subscriber, this Appendix “A” shall be incorporated into and form a part of the Subscription Agreement.

The undersigned has executed this Questionnaire as of the \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

\_\_\_\_\_  
*Signature*

\_\_\_\_\_  
*Name of Individual*

**EXHIBIT 3**

**RISK ACKNOWLEDGEMENT  
FORM**

**Registration Exemption for Trades in Connection with Certain Prospectus-Exempt Distributions**

**Name of Issuer:** YORKTON GROUP ENERGY CROSSING III INC.

**Name of Seller:** YORKTON GROUP ENERGY CROSSING III INC.

**I acknowledge that**

- the person selling me these securities is not registered with a securities regulatory authority and is prohibited from telling me that this investment is suitable for me;
- the person selling me these securities does not act for me;
- this is a risky investment and I could lose all my money; and,
- I am investing entirely at my own risk.

Date

\_\_\_\_\_  
Signature of Subscriber

\_\_\_\_\_  
Print name of Subscriber

\_\_\_\_\_  
Name of salesperson acting on behalf of seller

**Sign two copies of this document.** Keep one copy for your records.

National Instrument 45-106 *Prospectus and Registration Exemptions* may require you to sign an additional risk acknowledgement form.

If you want advice about the merits of this investment and whether these securities are a suitable investment for you, contact a registered adviser or dealer.