

**THIS IS EXHIBIT "G" REFERRED TO IN THE  
AFFIDAVIT OF STEVEN CHAMBERS  
SWORN BEFORE ME  
ON THIS 13<sup>th</sup> DAY OF DECEMBER, 2012.**

  
Andree M. Lockhart  
A COMMISSIONER FOR TAKING AFFIDAVITS

**0833824 B.C. LTD.**

**and**

**TERCON INVESTMENTS LTD.**

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**AMENDED AND RESTATED DEBENTURE**

**August 27, 2010**

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## TABLE OF CONTENTS

### ARTICLE 1 PROMISE TO PAY

|             |                               |   |
|-------------|-------------------------------|---|
| Section 1.1 | Promise to Pay.....           | 1 |
| Section 1.2 | Transfer and Assignment ..... | 1 |

### ARTICLE 2 INTERPRETATION

|              |                                     |   |
|--------------|-------------------------------------|---|
| Section 2.1  | Definitions In this Debenture:..... | 2 |
| Section 2.2  | Headings.....                       | 5 |
| Section 2.3  | References to Sections .....        | 6 |
| Section 2.4  | Currency.....                       | 6 |
| Section 2.5  | Gender and Number .....             | 6 |
| Section 2.6  | Invalidity of Provisions.....       | 6 |
| Section 2.7  | Amendment or Waiver .....           | 6 |
| Section 2.8  | Governing Law; Attornment.....      | 6 |
| Section 2.9  | Non-Business Days.....              | 6 |
| Section 2.10 | Certain Phrases, etc.....           | 6 |

### ARTICLE 3 REPAYMENT AND PREPAYMENT

|             |                 |   |
|-------------|-----------------|---|
| Section 3.1 | Repayment.....  | 7 |
| Section 3.2 | Prepayment..... | 7 |

### ARTICLE 4 SECURITY

|             |  |   |
|-------------|--|---|
| Section 4.1 | Security in Favour of the Holder .....         | 7 |
| Section 4.2 | Confirmation of Security and Obligations ..... | 8 |
| Section 4.3 | Additional Security.....                       | 8 |

### ARTICLE 5 COVENANTS OF THE CORPORATION

|             |                         |   |
|-------------|-------------------------|---|
| Section 5.1 | General Covenants ..... | 8 |
|-------------|-------------------------|---|

### ARTICLE 6 CONVERSION OF DEBENTURE

|             |   |    |
|-------------|---|----|
| Section 6.1 | Conversion of Debenture into Class A Shares.....              | 14 |
| Section 6.2 | Manner of Exercise of Right to Convert to Class A Shares..... | 15 |
| Section 6.3 | Accrued Interest, etc.....                                    | 15 |
| Section 6.4 | Adjustment of Conversion Price.....                           | 15 |
| Section 6.5 | No Requirement to Issue Fractional Shares.....                | 16 |
| Section 6.6 | Certificate as to Adjustment.....                             | 16 |
| Section 6.7 | Notice of Special Matters.....                                | 17 |

|             |                                    |    |
|-------------|------------------------------------|----|
| Section 6.8 | Corporation to Reserve Shares..... | 17 |
|-------------|------------------------------------|----|

**ARTICLE 7  
EVENTS OF DEFAULT**

|             |  |    |
|-------------|--|----|
| Section 7.1 | Events of Default.....                 | 17 |
| Section 7.2 | Notice of Event of Default.....        | 20 |
| Section 7.3 | Default under Other Encumbrances ..... | 20 |
| Section 7.4 | Judgment.....                          | 20 |

**ARTICLE 8  
REMEDIES**

|             |   |    |
|-------------|---|----|
| Section 8.1 | Consequences of an Event of Default ..... | 21 |
| Section 8.2 | Limitation of Liability .....             | 21 |

**ARTICLE 9  
GENERAL**

|             |                              |    |
|-------------|------------------------------|----|
| Section 9.1 | Releases .....               | 21 |
| Section 9.2 | Expenses.....                | 21 |
| Section 9.3 | Discharge of Debenture ..... | 22 |
| Section 9.4 | Communication.....           | 22 |
| Section 9.5 | Successors and Assigns.....  | 23 |
| Section 9.6 | No Set-Off.....              | 23 |
| Section 9.7 | Permitted Encumbrance .....  | 23 |
| Section 9.8 | No Novation.....             | 23 |

**ADDENDA**

|             |                          |
|-------------|--------------------------|
| EXHIBIT "A" | PERMITTED ENCUMBRANCES   |
| EXHIBIT "B" | SPECIFIC PERMITTED LIENS |
| EXHIBIT "C" | SUBSIDIARIES             |
| EXHIBIT "D" | OBLIGORS                 |

## **AMENDED AND RESTATED DEBENTURE**

### **Series A Secured Debentures**

Issued to: **0833824 B.C. LTD.**

Issued by: **TERCON INVESTMENTS LTD.**

**\$5,000,000 (Cdn) plus accrued interest in the amount of \$170,048.76 (Cdn).**  
(Aggregate Principal Amount) (the "Principal Amount")

### **ARTICLE 1 PROMISE TO PAY**

#### **Section 1.1 Promise to Pay**

Tercon Investments Ltd. (the "Corporation"), a corporation incorporated under the laws of the Province of British Columbia and having its chief executive office at #100 - 2079 Falcon Road, Kamloops, British Columbia, V2C 4J2, for value received, hereby promises to pay to or to the order of 0833824 B.C. Ltd., its successors and permitted assigns (the "Holder"), at c/o Pala Investments AG, Damstrasse 19, 6300 Zug, Switzerland or at such other place as the Holder may direct at any time and from time to time, the amount of \$5,000,000 (Cdn.) plus accrued interest in the amount of \$170,048.76 (Cdn.) on the Maturity Date (as hereinafter defined) and to pay interest, calculated annually and payable in cash monthly (in arrears), on the last day of each month (beginning on September 30, 2010) on the principal amount outstanding and on all other amounts now or hereafter owing hereunder (including accrued and unpaid interest), at the rate of 8% per annum (calculated annually and not in advance) until and including the Maturity Date. Upon the occurrence of any Event of Default and thereafter, interest shall be calculated on the principal amount outstanding and all other amounts now and hereafter payable hereunder (including accrued and unpaid interest) at the rate of 18% per annum as a reasonable pre-estimate of damages and not as a penalty. The principal amount owing from time to time, any interest payable thereon and all other amounts now or hereafter payable hereunder, and at any time outstanding hereunder, including, without limitation, all amounts owing under the Operating Loan Agreement (as hereinafter defined), shall be referred to herein as the "Obligations".

#### **Section 1.2 Transfer and Assignment**

The Holder may, at any time, transfer and assign this Debenture to any person, provided that: (i) the Holder notifies the Corporation of such transferee's name and address; and (ii) any such transfer is effected in compliance with applicable Securities Laws. The terms and conditions of this Debenture shall enure to the benefit of and be binding upon the Holder's successors and permitted assigns. The Holder may disclose to potential or actual transferees or assignees any confidential information regarding the Corporation and any of its Subsidiaries (including, any such information provided by the Corporation to the Holder) and shall not be liable for any such disclosure.

**ARTICLE 2  
INTERPRETATION**

**Section 2.1 Definitions In this Debenture:**

"**Business Day**" means a day other than a Saturday, Sunday or any other day on which the principal commercial banks located in Toronto, Ontario are not open for business during normal banking hours;

"**Change of Control**" means (a) any sale of all or substantially all of the assets of the Corporation; (b) any merger or other business consolidation which results in the current shareholders of the Corporation, directly or indirectly, owning less than 50% of the surviving entity; or (c) the acquisition by a purchaser or group of purchasers who are not the direct or indirect current shareholders (or related to any existing shareholder) at the time of such acquisition of voting securities exchangeable for or convertible into voting securities of the Corporation resulting in the purchaser(s) of such securities owning more than 50% of all of the outstanding voting securities of the Corporation on a fully diluted basis; provided that any such occurrence is not or could not reasonably be expected to be materially adverse to the Holder as determined by the Holder in its sole discretion, acting reasonably;

"**Class A Shares**" means the shares without nominal or par value of the Corporation designated as Class A shares in its articles of incorporation dated September 29, 2005, as such shares exist at the commencement of business on the date hereof; provided that in the event of a subdivision, redivision, reduction, combination, consolidation or reclassification, then, subject to adjustments, if any, having been made in accordance with the provisions of Section 6.4, "**Class A Shares**" shall mean the shares resulting from the subdivision, redivision, reduction, combination, consolidation or reclassification, as the case may be;

"**Conex**" means Conex Services Inc.;

"**Corporation**" has the meaning attributed thereto in Section 1.1;

"**Corporate Reorganization**" means any transaction whereby all or substantially all of a corporation's undertaking, property and assets would become the property of any other Person whether by way of arrangement, reorganization, consolidation, amalgamation, merger, continuance under any other jurisdiction of incorporation or otherwise;

"**Date of Prepayment**" means a date specified in a written notice given by the Corporation to the Holder pursuant to Section 3.2;

"**Debenture**", "**hereto**", "**herein**", "**hereof**", "**hereby**", "**hereunder**", and any similar expressions refer to this amended and restated Series A secured debenture of the Corporation and the exhibits and schedules attached hereto and not to any particular article, Section or other portion hereof, and include any and every instrument supplemental hereto or amending any part hereof;

- (j) **"Debt"** of the Corporation means, without duplication:
- (i) all indebtedness of the Corporation for or in respect of borrowed money, credit or other financial accommodation, including liabilities and obligations (whether contingent or otherwise) with respect to letters of credit, letters of guarantee, bankers' acceptances or similar instruments issued or accepted by banks and other financial institutions for the account of the Corporation;
  - (ii) all indebtedness of the Corporation for or in respect of the purchase or acquisition price of property or services, whether or not recourse is limited to the repossession and sale of any such property;
  - (iii) all obligations under any lease entered into by the Corporation as lessee which would be classified as a capital lease in accordance with GAAP;
  - (iv) all obligations of the Corporation to purchase, redeem, retract or otherwise acquire any securities issued by the Corporation; and
  - (v) all Debt (as hereinbefore defined) or any other debt which is directly or indirectly guaranteed by the Corporation or which the Corporation has agreed to purchase or otherwise acquire or in respect of which the Corporation has otherwise assured a creditor against loss;

but **"Debt"** shall not include; (i) unsecured trade debt incurred in the ordinary course of business consistent with past practice; nor (ii) any contingent liabilities in connection with contracts entered into in the ordinary course of business.

**"Domestic Accounts"** means Canadian dollar accounts receivable owing to the Corporation from Persons resident in Canada;

**"Eligible Accounts Receivable"** means any Domestic Accounts that are not Ineligible Accounts Receivable;

**"Event of Default"** has the meaning attributed thereto in Section 6.1;

**"Event of Acceleration"** means any Event of Default;

**"Financial Tests"** has the meaning attributed thereto in Section 3.3;

**"Free Cash Flow"** means for the purposes of Section 5.1(I)(v), the net income of the Corporation (i) plus any management fees, bonuses or similar distributions to employees, shareholders or related parties save and except for the management fees payable to Pala Investments AG to a maximum of \$360,000 per annum and also save and except for any bonuses paid to employees in the normal course of business or

pursuant to an employment contract, including any retention bonuses; (ii) plus amortization; (iii) less scheduled payments of principal on all debt of the Corporation save and except for any amount due to Conex or the Holder; and (iv) less the sum of \$700,000 per quarter to be retained by the Corporation for reinvestment purposes.

**"GAAP"** means, at any time, the generally accepted accounting principles in Canada, applied on a consistent basis, and statements and interpretations (if applicable) issued by the Canadian Institute of Chartered Accountants or any successor body in effect from time to time;

**"Holder"** has the meaning attributed thereto in Section 1.1;

**"Ineligible Accounts Receivable"** includes, but is not limited to:

- (i) receivables due more than ninety (90) days from the date of invoice or shipping, whichever is earlier;
- (ii) Non-Domestic Accounts;
- (iii) accounts for which greater than 50% of the balance is due more than ninety (90) days from the date of invoice;
- (iv) accounts subject to offset based on deferred revenue;
- (v) the excess accounts receivable from any particular customer which represents greater than 50% of the total receivable balance of the Corporation;
- (vi) accounts subject to any holdbacks, contra accounts, or rights of set-off;
- (vii) affiliate accounts; and
- (viii) any other accounts excluded by the Lender, acting reasonably.

**"Lien"** means any lien, mortgage, charge, hypothec, pledge, security interest, prior assignment, option, warrant, lease, sublease, right to possession, encumbrance, claim, right or restriction which affects, by way of a conflicting ownership interest or otherwise, the right, title or interest in or to any particular property;

**"Maturity Date"** means, subject to Section 3.3, the earlier of:

- (i) August 27, 2013;
- (ii) an Event of Acceleration; and
- (iii) the date immediately prior to the date of a Change of Control;



**"Notice Date"** has the meaning attributed thereto in Section 3.3;

**"Obligations"** has the meaning attributed thereto in Section 1.1;

**"Obligors"** means those parties set forth in Exhibit "D" attached hereto and their respective successors, assigns, trustees, administrators, executors and "Obligor" means any one of them;

**"Operating Loan Agreement"** means the amended and restated operating loan agreement dated the date hereof between the Holder and the Corporation;

**"Original Debenture"** means the debenture dated as of October 1, 2007 between the Corporation and WF Fund III Limited Partnership, carrying on business as Wellington Financial LP and Wellington Financial Fund III;

**"Original Holder"** means WF Fund III Limited Partnership, carrying on business as Wellington Financial LP and Wellington Financial Fund III;

**"Permitted Debt"** means: (i) this Debenture; (ii) the Operating Loan Agreement; (iii) the indebtedness secured by the Permitted Encumbrances; and (iv) operating leases and capital lease obligations of the Corporation or the Subsidiaries incurred in the ordinary course of business, consistent with past practice, including, without limitation, the Corporation's obligations under its existing real property leases; provided that that in no event shall the aggregate of such amounts under subsections (iii) and (iv) exceed \$42,000,000;

**"Permitted Encumbrances"** has the meaning attributed thereto in Exhibit "A" 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;

**"Secured Property"** has the meaning attributed thereto in Section 4.1;

**"Security Documents"** has the meaning attributed thereto in Section 4.1; and

**"Subsidiaries"** means those entities listed in Exhibit "C" and "Subsidiary" means any one of them.

Other capitalized terms used herein which are not defined herein have the meanings attributed thereto in the Operating Loan Agreement.

## **Section 2.2 Headings**

The inclusion of headings in this Debenture is for convenience of reference only and shall not affect the construction or interpretation hereof.

**Section 2.3 References to Sections**

Whenever in this Debenture a particular article, section or other portion thereof is referred to, such reference pertains to the particular article, section or portion thereof contained herein, unless otherwise indicated.

**Section 2.4 Currency**

Except where otherwise expressly provided, all amounts in this Debenture are stated and shall be paid in Canadian currency.

**Section 2.5 Gender and Number**

In this Debenture, unless the context otherwise requires, words importing the singular include the plural and vice versa and words importing gender include all genders,

**Section 2.6 Invalidity of Provisions**

Each of the provisions contained in this Debenture is distinct and severable and a declaration of invalidity or unenforceability of any such provision or part thereof by a court of competent jurisdiction shall not affect the validity or enforceability of any other provision hereof.

**Section 2.7 Amendment or Waiver**

No amendment or waiver of this Debenture shall be binding unless executed in writing by the party to be bound thereby. No waiver of any provision of this Debenture shall constitute a waiver of any other provision nor shall any waiver of any provision of this Debenture constitute a continuing waiver unless otherwise expressly provided.

**Section 2.8 Governing Law; Attornment**

This Debenture shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein, Each of the Corporation and the Holder hereby irrevocably attorns to the exclusive jurisdiction of the courts of the Province of Ontario with respect to any matter arising under or relating to this Debenture.

**Section 2.9 Non-Business Days**

If any date on which any payment is due or any action is required to be taken is not a Business Day, the date for payment or taking such action shall be the next Business Day following the date specified for such payment or action.

**Section 2.10 Certain Phrases, etc.**

In this Debenture (i) the words "including", "includes" and "include" mean "including (or includes or include) without limitation", and (ii) the phrase "the aggregate of", "the total of", "the sum of", or a phrase of similar meaning means "the aggregate (or total or sum), without duplication, of". Unless otherwise specified, the words "Article" and "Section" followed by a number mean and refer to the specified Article or Section of this Debenture. In the computation of periods of time from a specified date to a later specified date, unless otherwise expressly stated, the word "from" means "from and including" and the words "to" and "until" each mean "to but excluding".

### **ARTICLE 3 REPAYMENT AND PREPAYMENT**

#### **Section 3.1 Repayment**

Subject to Sections 3.2 and 3.3, the Obligations under this Debenture shall become due and payable by the Corporation on the Maturity Date and the Corporation shall repay the Obligations in cash to the Holder on the Maturity Date, or, in the sole discretion of the Holder, by conversion of this Debenture into another instrument acceptable to the Holder and the Corporation.

#### **Section 3.2 Prepayment**

Upon the written consent of the Holder, in its sole discretion, at any time following such date which is twelve (12) months following the date hereof, the Corporation may prepay the outstanding Obligations under this Debenture in full or in part, provided that partial prepayments must be in the amount of \$500,000 or a (whole number) multiple thereof, without penalty or payment of any additional fee unless otherwise directed by the Holder. No prepayment may be made unless a notice of repayment, specifying the Date of Prepayment and amount to be prepaid is delivered to the Holder not less than five (5) Business Days prior to the Date of Prepayment. For greater certainty, the Obligations under this Debenture may not be prepaid within twelve (12) months following the date hereof unless all interest (including all accrued interest) owing to the Holder is paid to the Holder in full.

### **ARTICLE 4 SECURITY**

#### **Section 4.1 Security in Favour of the Holder**

As continuing security for the payment of the Obligations:

- (a) the Corporation shall deliver the general security agreement dated October 1, 2007 (as the same may have been amended, restated, supplemented or replaced from time to time) executed by it granting the Original Holder a security interest in and to all undertakings, property and assets of the Corporation, including a pledge of all shares or other securities of any subsidiary held by the Corporation; and
- (b) the Corporation shall cause each Obligor to (i) execute and deliver, in favour of the Holder, an amended and restated unlimited guarantee, and (ii) the general security agreements each dated October 1, 2007 (as the same may have been amended, restated, supplemented or replaced from time to time) executed by each of the Obligors granting the Original Holder a security interest in and to all undertakings, property and assets of such Obligor, including a pledge of all shares or other securities of any subsidiary held by such Obligor

all in form and substance satisfactory to the Holder and its counsel, with it being understood that all of the undertakings, property and assets of the Corporation and the Obligors shall collectively constitute the "Secured Property" and the general security agreements and the guarantees in this Section 4.1 shall collectively be referred to as the "Security Documents" and each being a "Security Document".

**Section 4.2 Confirmation of Security and Obligations**

- (a) The Corporation hereby confirms and agrees that the Security Documents executed by it in favour of the Original Holder secure all of the debts, liabilities and obligations, direct or indirect, absolute or contingent, matured or unmatured, at any time due or accruing due of the Corporation under or in connection with this Debenture and the Operating Loan Agreement.
- (b) Notwithstanding the amendments to the Original Debenture by way of the execution and delivery of this Debenture or the execution and delivery of any additional Security Document in connection with this Debenture or the Operating Loan Agreement, the Corporation hereby irrevocably and unconditionally (i) acknowledges, confirms and agrees that each of this Debenture, the Operating Loan Agreement and the Security Documents and all of the covenants, agreements, obligations and liabilities of the Corporation under such documents are hereby ratified and confirmed, remain in full force and effect, and continue to constitute valid, binding and enforceable covenants, agreements, obligations and liabilities of the Corporation, and (ii) ratifies, confirms and agrees to perform, observe, comply with and be bound by each and every covenant, agreement, term, condition, undertaking, appointment, duty, guarantee, indemnity, debt, liability, obligation, hypothec and security interest contained in, existing under or created by each of this Debenture, the Operating Loan Agreement and the Security Documents.

**Section 4.3 Additional Security**

In addition, the Holder shall have the continuing right to obtain, at its election, a mortgage creating on any real property of the Corporation or any Obligor or any Subsidiary which is not an Obligor, a perfected lien on such real property as additional security for the payment of the Obligations.

**ARTICLE 5  
COVENANTS OF THE CORPORATION**

**Section 5.1 General Covenants**

For as long as this Debenture remains outstanding, the Corporation declares, covenants and agrees as follows to the matters provided for below:

- (a) **Use of Proceeds.** The Corporation shall use the aggregate principal amount for working capital purposes.

- (b) **To Pay Principal and Interest.** The Corporation will duly and punctually pay the principal and interest accrued on this Debenture at the time and in the manner specified herein.
- (c) **Maintain Corporate Existence.** The Corporation shall and shall cause each of its Subsidiaries to maintain its corporate existence, carry on and conduct its business in a proper and business-like manner, take all reasonable action to maintain all rights, privileges and franchises necessary or desirable in the normal conduct of its business and comply with all applicable legal requirements.
- (d) **Delivery of Secured Property and Perfection.** The Corporation shall and shall cause its Subsidiaries to effect such registrations and obtain such consents and give such other security, at the sole cost and expense of the Corporation, as may be required or desirable to preserve, protect or perfect the security interests to be created with respect to the Secured Property.
- (e) **No Encumbrances.** Neither the Corporation nor its Subsidiaries shall create, assume or suffer to exist any Lien (other than Permitted Encumbrances), including, without limitation, any agreement to give any of the foregoing or any conditional sale or other title retention agreement, upon all or any part of the Secured Property. The Corporation will defend the Secured Property against, and will take such other action as is necessary to remove, any and all security interests on and claims in respect of the Secured Property which ranks ahead of, or *pari passu* with, the security granted to the Holder to secure the Obligations other than the security interests created by the Security Documents and Permitted Encumbrances, and the Corporation will defend the right, title and interest of the Holder in and to the Secured Property against the claims and demands of all Persons.
- (f) **Permitted Debt.** The Corporation and its Subsidiaries (on a consolidated basis) shall not incur Debt in excess of Permitted Debt, but for greater certainty excluding Debt incurred under this Debenture and the Operating Loan Agreement.
- (g) **Insurance.** The Corporation and each of the other Obligors shall insure and keep insured its properties customarily insured by companies carrying on a similar business in similar locations, or owning or operating similar properties, against all risks, including but not limited to business interruption insurance.
- (h) **Non-arm's Length Transactions.** Neither the Corporation nor any of the other Obligors shall enter into any material transaction with any officer, director, employee, shareholder or any Person not dealing at arm's length (within the meaning of the *Income Tax Act (Canada)*) or any affiliate of any of the foregoing, specifically excluding (a) any employment or option agreement, and (b) any transaction for which prior written evidence,

satisfactory to the Holder, is provided that such transaction will be on terms equal to or greater than fair market value.

- (i) **Observer Status.** For as long as this Debenture remains outstanding, the Holder shall be entitled to appoint, from time to time, an observer who shall be entitled to attend and participate in the discussions at all meetings of the Corporation's board of directors or any subcommittees thereof. Such observer shall be entitled to all materials provided in connection with meetings of the Corporation's board of directors or any subcommittees thereof and shall be entitled to reimbursement of expenses as if the observer were a director.
- (j) **Financial Information.** The Corporation shall deliver (on a consolidated basis) to the Holder:
  - (i) within 15 days of the end of each month, monthly accounts receivable, accounts payable and deferred revenue (with aging);
  - (ii) within 45 days of the end of each month and fiscal quarter, monthly and quarterly financial statements;
  - (iii) within 45 days after the end of each quarter, a description of recent events, and a brief description of the business prospects of the Corporation;
  - (iv) within 45 days of the end of each fiscal year, annual internally prepared financial statements;
  - (v) when so prepared and in any event no later than their receipt by the Corporation's Board of Directors or any Committee thereof, audited annual financial statements and annual operating budgets/projections; and
  - (vi) such other financial documents and reports as reasonably requested by the Holder from time to time.

Such statements and reports shall be accompanied by a certificate of the Chief Executive Officer or Chief Financial Officer to the effect that the statements and reports are prepared in accordance with GAAP, all statutory withholdings have been properly made and there is no default under this Debenture and/ or under any other borrowing arrangement. Additionally, if the Corporation undertakes reporting requirements to the lender or lenders under any other borrowing arrangement, the Holder shall also contemporaneously receive copies of all reporting materials sent to such lender or lenders.

- (k) **Negative Covenants.** Without the prior written consent of the Holder, the Corporation shall not and shall cause its Subsidiaries to not:

- (i) incur, issue or make any request for or permit to exist Debt, except for the Permitted Debt;
- (ii) grant or permit the existence of any security for Debt of the Corporation other than the Permitted Encumbrances;
- (iii) sell or dispose of the business of the Corporation or any material part thereof or wind-up or liquidate the Corporation or any Subsidiary or any other subsidiary with material assets or liabilities pursuant to any transaction where the repayment of the Debenture is not provided for;
- (iv) merge, amalgamate or enter into another form of business combination other than with any subsidiary wholly-owned by the Corporation;
- (v) make any payment of any dividend and/or other distribution to any shareholder of the Corporation, save and except for the payment of services rendered in connection with existing bona fide employment or consultant agreements;
- (vi) create, acquire or permit to exist any Subsidiary of the Corporation or its Subsidiaries that has not provided a guarantee, a general security agreement and such other Security Documents as the Holder may reasonably request to the benefit of the Holder;
- (vii) purchase or acquire the assets of any Person or any shares, partnership interests or other similar interests in any Person by any means whatsoever other than purchases in the ordinary course of business;
- (viii) make any prepayment of any Debt that is subordinate to or *pari passu* with the Obligations;
- (ix) continue the Corporation or any Subsidiaries into a jurisdiction in which it is not currently organized or incorporate or establish any Subsidiary in a manner which may prejudice the Holder or potentially result in a material adverse change to the Corporation at the sole discretion of the Holder, acting reasonably;
- (x) make any amendment to the articles or by-laws of the Corporation or any Subsidiaries in a manner which may prejudice the Holder or potentially result in a material adverse change to the Corporation at the sole discretion of the Holder, acting reasonably;
- (xi) provide or permit a guarantee in respect of the obligations of any Person, other than guarantees given in respect of indebtedness

secured by a Permitted Encumbrance or in respect of Permitted Debt;  
or

- (xii) agree or otherwise commit to take any action described in paragraphs (i)-(xi) above.
- (l) **Other Interests.** The Corporation and each of its Subsidiaries shall not permit those entities in which they have an interest from incurring liabilities (other than Permitted Debt) or granting any security for Debt of that entity without the prior written consent of the Holder.
- (m) **Further Documentation.** The Corporation will from time to time at its expense promptly and duly authorize, execute and deliver such further instruments and documents, and take such further action, as the Holder may reasonably request for the purpose of preserving the Secured Property, and full benefits of, and the rights and powers granted by, the Security Documents (including the filing of any financing statements or financing change statements under any applicable legislation, application for the registration or an application for the registration of a rectification with respect to the Secured Property and including any steps required to register security on real property if necessary). The Corporation acknowledges that the Security Documents have been prepared based on the existing laws in the Provinces of British Columbia and Ontario, as applicable, and that a change in such laws may require the execution and delivery of different forms of security documentation. Accordingly, the Corporation agrees that the Holder will have the right to require that the Security Documents be amended, supplemented or replaced, and that the Corporation will immediately on request by the Holder authorize, execute and deliver any such amendment, supplement or replacement (i) to reflect any changes in such laws, whether arising as a result of statutory amendments, court decisions or otherwise, (ii) to facilitate the creation and registration of appropriate security in all appropriate jurisdictions, or (iii) if the Corporation merges or amalgamates with any other Person or enters into any corporate reorganization, in each case in order to confer on the Holder security interests similar to, and having the same effect as, the security interests created by the Security Documents.
- (n) **Delivery and Pledge of Certain Collateral.** Promptly upon request from time to time by the Holder and immediately (without any request by the Holder being necessary) upon the occurrence and during the continuance of any Event of Default, the Corporation will deliver (or cause to be delivered) to the Holder, endorsed and/or accompanied by such instruments of assignment and transfer in such form and substance as the Holder may reasonably request, any and all instruments, securities, documents of title and chattel paper included in or relating to the Secured Property as the Holder may specify in its request (other than Secured Property to which the holder of a Permitted Encumbrance holds a prior ranking charge).



- (o) **Payment of Expenses; Indemnification.** The Corporation will pay within thirty (30) days of demand therefor, and will indemnify and save the Holder harmless from, any and all liabilities, reasonable costs and expenses (including reasonable legal fees (without reduction for tariff rates or similar reductions) and expenses and any sales, goods and services or other similar taxes payable to any governmental authority with respect to any such liabilities, costs and expenses) (i) incurred by the Holder in the enforcement of the Security Documents, (ii) with respect to, or resulting from, any failure or delay by the Corporation in performing or observing any of its obligations under the Security Documents, or (iii) incurred by the Holder in performing or observing any of the other covenants of the Corporation under the Security Documents.
- (p) **Maintenance of Records.** The Corporation will keep and maintain (or will cause the Subsidiaries to keep and maintain) accurate and complete records of the Secured Property.
- (q) **Right of Inspection.** The Holder (or any agent of the Holder) may, at any time during normal business hours, upon reasonable notice, without charge, examine all books and records evidencing or relating to the Secured Property, and may discuss the affairs, finances and accounts of the Corporation with its officers and accountants in the presence of such representatives of the Corporation as the Corporation may designate. The Holder (or any agent of the Holder) may also, upon reasonable notice, without charge, enter the premises of the Corporation or any of the Subsidiaries where any of the Secured Property is located for the purpose of inspecting the Secured Property, observing its use or otherwise protecting its interests in the Secured Property. The Corporation, at its expense, will prepare and provide the Holder (or any agent of the Holder) with such documentation and analysis, including, without limitation, the delivery of copies, electronic or otherwise, of all books and records evidencing or relating to the Secured Property and provide such clerical and other assistance as may be reasonably requested by the Holder (or any agent of the Holder) to exercise any of its rights under this paragraph.
- (r) **Limitations on Dispositions of Collateral.** Other than in the ordinary course of business, the Corporation will not (and will cause each of the Subsidiaries not to), without the Holder's prior written consent, sell, lease or otherwise dispose of any of the Secured Property, except that inventory may be sold, leased or otherwise disposed of, equipment may be replaced that is obsolete or requires replacement and accounts may be collected. Following the occurrence and during the continuance of any Event of Default, all proceeds of the Secured Property (including all amounts received in respect of accounts receivable), whether or not arising in the ordinary course of the Corporation's business (taken as a whole), will be received by the Corporation or applicable Subsidiaries as trustee and agent of the Holder and will be immediately paid over to the Holder.

- (s) **Compliance with Laws, etc.** The Corporation will comply and cause each of its Subsidiaries to comply with the requirements of all applicable laws, judgments, orders, decisions and awards.
- (t) **Notices.** The Corporation will provide thirty (30) days notice to the Holder in accordance with Section 8.4 hereof, of (i) any security interest (other than the security interests created by the Security Documents and Permitted Encumbrances) on, or claim asserted against, any of the Secured Property, (ii) the occurrence of any event, claim or occurrence that is or could reasonably be expected to have a Material Adverse Effect on the value of the Secured Property, (iii) any change in the location of the chief executive office of the Corporation, (iv) any change in the location of any of the corporeal or tangible material Secured Property (including additional locations), (v) any material loss of or damage to any of the Secured Property, and (vi) any Change of Control.
- (u) **Limitations on Modifications, Waivers, Extensions.** Other than in the ordinary course of business, the Corporation will not and will cause each of the Subsidiaries not to (i) amend, modify, terminate or waive any provision of any permit, contract or any agreement giving rise to an account owing to the Corporation or a Subsidiary in any manner which is or could reasonably be expected to be materially adverse to the Corporation or the Holder or (ii) fail to exercise promptly and diligently its rights under each permit, contract and agreement giving rise to an account owing to the Corporation or a Subsidiary if such failure is or could reasonably be expected to be materially adverse to the Corporation or a Subsidiary or the Holder.

## ARTICLE 6 CONVERSION OF DEBENTURE

### Section 6.1 Conversion of Debenture into Class A Shares.

- (a) Upon and subject to the provisions and conditions of this Article 6, the Holder shall have the right, at its option, at any time after the date hereof and up to and including the Maturity Date to convert the whole or any part of the principal amount of this Debenture into 12,255 fully paid and non-assessable Class A Shares for every \$1,000 of this Debenture.
- (b) The Holder's right of conversion pursuant to this Article 6 shall extend only to the maximum number of whole Class A Shares into which the aggregate principal amount of this Debenture surrendered for conversion at any one time by the Holder may be converted in accordance with the provisions of paragraph 5.1(1). Fractional interests in Class A Shares shall be adjusted for in the manner provided below.
- (c) In the case of any reclassification of the Class A Shares at any time outstanding (other than any subdivision or consolidation of Class A Shares into a greater or lesser number of Class A Shares) or change of the Class A

Shares into other shares, or in case of a Corporate Reorganization of the Corporation (other than a Corporate Reorganization which does not result in a reclassification of the outstanding Class A Shares or a change of the Class A Shares into other shares), the Holder shall be entitled to receive upon conversion, and shall accept, in lieu of the number of Class A Shares to which it was previously entitled upon such conversion, the kind and amount of shares and other securities or property which the Holder would have been entitled to receive as a result of the Corporate Reorganization if, on the effective date, it had been the registered holder of the number of Class A Shares to which it was previously entitled upon conversion. If necessary, appropriate adjustments shall be made in the application of the provisions set forth in this Article 6 with respect to the rights and interests thereafter of the Holder so that the provisions set forth in this Article 6 shall thereafter correspondingly be made applicable as nearly as may be possible in relation to any shares or other securities or property thereafter deliverable upon the conversion of this Debenture. Any such adjustments shall be made by and set forth in a supplemental Debenture approved by the board of directors and the Holder and shall for all purposes be conclusively deemed to be an appropriate adjustment.

**Section 6.2 Manner of Exercise of Right to Convert to Class A Shares.**

The Holder may exercise its rights to convert by sending to the Corporation at its principal address a notice exercising its right to convert in accordance with the provisions of this Article 6. Upon receipt of the notice, the Holder shall be entered in the books of the Corporation as at the date of conversion as the holder of the number of Class A Shares into which this Debenture is convertible and, as soon as practicable, the Corporation shall deliver to the Holder a certificate or certificates for such Class A Shares and, if applicable, a cheque for any amount payable under Section 6.5.

**Section 6.3 Accrued Interest, etc.**

At the time of the conversion, the Holder shall be entitled to receive accrued and unpaid interest on this Debenture up to but excluding the date of its conversion. Class A Shares issued upon such conversion shall rank only in respect of dividends declared in favour of shareholders of record on and after the date of conversion or such later date as the Holder becomes the holder of record of Class A Shares pursuant to Section 6.2. As of and from the applicable date, the Class A Shares so issued shall, for all purposes, be and be deemed to be issued and outstanding as fully paid and non-assessable Class A Shares.

**Section 6.4 Adjustment of Conversion Price.**

- (a) The Conversion Price in effect at any date shall be subject to adjustment from time to time as in this Section 6.4 provided.
- (b) If and whenever the Corporation shall (i) subdivide or redivide the outstanding Class A Shares into a greater number of shares, (ii) reduce, combine or consolidate the outstanding Class A Shares into a smaller number of shares, or (iii) issue any Class A Shares to the holders of all or substantially all of the outstanding Class A Shares by way of a stock dividend (other than

any stock dividends constituting dividends paid in the ordinary course) the number of Class A Shares which may be acquired pursuant to Section 6.1 on the date of the subdivision, redivision, reduction, combination or consolidation or on the record date for the issue of Class A Shares by way of a stock dividend, as the case may be, shall be increased, in the case of the events referred to in (i) and (iii) above, in the proportion which the number of Class A Shares outstanding before the subdivision, redivision or dividend bears to the number of Class A Shares outstanding after the subdivision, redivision or dividend, or shall be decreased, in the case of the events referred to in (ii) above, in the proportion which the number of Class A Shares outstanding before the reduction, combination, or consolidation bears to the number of Class A Shares outstanding after the reduction, combination or consolidation. Any issue of Class A Shares by way of a stock dividend shall be deemed to have been made on the record date fixed for the stock dividend for the purpose of calculating the number of outstanding Class A Shares under this paragraph 6.4(2).

- (c) In the case of any reclassification of, or other change in, the outstanding Class A Shares other than a subdivision, redivision, reduction, combination or consolidation, the number of Class A Shares which may be acquired pursuant to Section 6.1 shall be adjusted in such manner as the board of directors, with the approval of the Holder, determine to be appropriate on a basis consistent with this Section 6.4.
- (d) If any question arises with respect to the adjustments provided in this Section 6.4, such question shall be conclusively determined by a firm of chartered accountants (who may be the Corporation's Auditors) appointed by the Corporation and acceptable to the Holder. Such chartered accountants shall be given access to all necessary records of the Corporation and their determination shall be binding upon the Corporation and the Holder.

**Section 6.5 No Requirement to Issue Fractional Shares.**

The Corporation shall not be required to issue fractional Class A Shares upon the conversion. If any fractional interest in a Class A Share would, except for the provisions of this Article 6, be deliverable upon the conversion of the Debenture, the Corporation shall, in lieu of delivering any certificate of fractional interest, satisfy the fractional interest by paying to the Holder an amount of lawful money of Canada equal (computed to the nearest whole cent, and one-half of a cent being rounded up) to the principal amount of this Debenture remaining outstanding after so much of the principal amount as may be converted into a whole number of Class A Shares has been so converted.

**Section 6.6 Certificate as to Adjustment.**

The Corporation shall, from time to time immediately after the occurrence of any event which requires an adjustment or re-adjustment as provided in Section 6.4, deliver a Certificate of the Corporation to the Holder specifying the nature of the event requiring the same and the amount of the necessary adjustment and setting forth in reasonable detail the method of calculation and the facts upon which such calculation is based, which certificate

and the amount of the adjustment specified therein shall be verified by an opinion of a firm of chartered accountants (who may be the Corporation's Auditors) appointed by the Corporation and acceptable to the Holder and, when approved by the Corporation, shall be conclusive and binding on all parties in interest.

**Section 6.7 Notice of Special Matters.**

The Corporation shall give notice to the Holder, in the manner provided in Section 9.4, of its intention to fix a record date for any event mentioned in Section 6.4 which may give rise to an adjustment in the number of Class A Shares which may be acquired pursuant to Section 6.1, and, in each case, the notice shall specify the particulars of the event and the record date and the effective date for the event; provided that the Corporation shall only be required to specify in the notice such particulars of the event as shall have been fixed and determined on the date on which such notice is given. Such notice shall be given not less than 14 days prior to the applicable record date.

**Section 6.8 Corporation to Reserve Shares.**

The Corporation shall at all times reserve and keep available out of its authorized Class A Shares and solely for the purpose of conversion as in this Article 6 provided, and conditionally allot to the Holder, such number of Class A Shares as shall then be issuable upon the conversion. The Corporation covenants with the Holder that all Class A Shares which shall be so issuable shall be duly and validly issued as fully-paid and non-assessable

**ARTICLE 7  
EVENTS OF DEFAULT**

**Section 7.1 Events of Default**

Any of the following shall constitute an Event of Default under this Debenture:

- (a) failure by the Corporation to pay in cash all or any part of the Obligations when due and payable;
- (b) the Corporation or any Subsidiary ceases to carry on business in the normal course or any material part of its business;
- (c) the Corporation or any Subsidiary becomes unable to satisfy its liabilities as they become due and/or the realizable value of the Corporation's assets (taken as a whole) is less than the aggregate sum of its liabilities;
- (d) the Corporation, any Subsidiary, any creditor of the Corporation or any Subsidiary or any other Person institutes any proceeding or takes any corporate action or executes any agreement in connection with the commencement of any proceeding:
  - (i) seeking to adjudicate the Corporation or any Subsidiary a bankrupt or insolvent;

- (ii) seeking liquidation, dissolution, winding-up, reorganization, arrangement, protection, relief or composition of the Corporation or any Subsidiary or any material part of their property or debt, or making a proposal with respect to the Corporation or any Subsidiary under any law relating to bankruptcy, insolvency, reorganization or compromise of debts or other similar laws; or
  - (iii) seeking appointment of a receiver, trustee, agent, custodian or other similar official for the Corporation or any Subsidiary or for any material part of their properties and assets or for any part of the Secured Property; privately appoints a receiver, trustee or similar official for any material part of the properties or assets of the Corporation or any Subsidiary;
- (e) any creditor of the Corporation or any Subsidiary, or any other Person privately appoints a receiver, trustee or similar official for any material part of the properties or assets of the Corporation or any Subsidiary;
  - (f) any execution, distress or other enforcement process, whether by court order or other formal proceeding becomes enforceable (it being acknowledged and agreed that the making of a demand by a third party without court or other formal sanction shall not in itself constitute an Event of Default hereunder) against any material properties or assets of the Corporation or any Subsidiary which could have a Material Adverse Effect on the business of the Corporation on a consolidated basis;
  - (g) the occurrence of any default in payment of monies or otherwise, or any event or condition which, with the giving of notice or passage of time, or both, would constitute a default in payment of monies or otherwise by the Corporation under the terms of any other Debt permitted in accordance with the terms hereof and such default is continuing five (5) Business Days after the Corporation or Subsidiary, as the case may be, has received notice thereof;
  - (h) if any representation or warranty made by the Corporation or any Subsidiary to the Holder in the Operating Loan Agreement or the Security Documents is untrue or incorrect in any material respect as of the date on which it is made;
  - (i) the Corporation or any Subsidiary fails to observe in any material respect, any other term, covenant or agreement contained in the Operating Loan Agreement, this Debenture or the Security Documents (including the failure to preserve the ranking of the security interests created by the Security Documents) and such failure is continuing two (2) Business Days after notice by the Holder to the Corporation;
  - (j) with respect to Debt of the Corporation or any Subsidiary under any agreement with a third party (other than agreements entered into with customers in the ordinary course of business), the Corporation or Subsidiary,

as the case may be, fails to pay any principal, interest or other amount pursuant to such agreement when such amount becomes due and payable (whether by scheduled maturity, required repayment, acceleration, demand or otherwise), other than the extension of the payment of trade and accounts payable in the ordinary course consistent with the past practice of the Corporation or Subsidiary, as the case may be, provided such extension has no Material Adverse Effect upon the Corporation on a consolidated basis;

- (k) a notice is sent to or received by the Corporation or any Subsidiary from any creditor with respect to the intention of such creditor to enforce its Lien on any of the property of the Corporation or Subsidiary, as the case may be, unless such notice is being contested in good faith by appropriate legal proceedings and such notice has not resulted in, or does not involve, any immediate prospect of the sale or forfeiture or loss of any of the property of the Corporation or Subsidiary, as the case may be, that is subject to such notice;
- (l) the Corporation or any Subsidiary challenges the validity or enforceability of this Debenture or the Security Documents or terminates or repudiates any of them or attempts to do so;
- (m) any occurrence, development or change (other than an occurrence, development or change to which the Holder consents), which would result in the Debenture ceasing to have priority over all other Debt except for Permitted Encumbrances;
- (n) the occurrence of any Change of Control;
- (o) any holder of any Lien in excess of \$10,000 enforces against, delivers any notices relating to its rights or its intention to enforce against, or becomes entitled to enforce against, or otherwise takes possession, management or control of the Secured Property or the interest of the Debtor in such Secured Property, or any part of such Secured Property or interest;
- (p) a distress, execution, warrant, garnishment, attachment, sequestration, levy, writ, or any similar process is issued or enforced upon or against all or any part of the Secured Property in excess of \$10,000, or any third party demand is issued by the Crown, governmental authority, administrative body or any taxation authority in respect of the Corporation or all or any part of the Secured Property, or any other seizure is made in respect of all or any part of the Secured Property;
- (q) the resignation or termination of the auditors of the Corporation unless a replacement that is satisfactory to the Holder in its sole discretion, acting reasonably, is found within 30 days;
- (r) any claim, action, litigation, arbitration or proceeding against the Corporation or any Subsidiary results in a judgment against or settlement by

the Corporation or any Subsidiary which, if enforced or paid in accordance with its terms, could have a Material Adverse Effect on the business of the Corporation on a consolidated basis or on the Corporation or any of the Subsidiaries;

- (s) any material portion of the Secured Property is damaged or destroyed;
- (t) a Person institutes proceedings against the Corporation or any Subsidiary alleging infringement of any intellectual property rights and which, if successful, could have a Material Adverse Effect on the Corporation and such proceedings are not dismissed within thirty (30) Business Days from the initiation thereof, subject to extensions in time by the Holder in its sole discretion, acting reasonably;
- (u) an Event of Default as defined in the Operating Loan Agreement or any of the Security Documents occurs; or
- (v) any of the security evidenced by the Security Documents shall cease to be a valid and perfected security interest.

#### **Section 7.2 Notice of Event of Default**

The Corporation will give notice in writing Holder of the occurrence of any Event of Default or other event which, with the lapse of time or giving of notice or otherwise, would be an Event of Default, forthwith upon becoming aware thereof. Such written notice shall specify the nature of such default or Event of Default and the steps taken to remedy the same,

#### **Section 7.3 Default under Other Encumbrances**

Any amount paid by the Holder after the occurrence of an Event of Default on account of monies payable under any encumbrance upon the Secured Property or any part thereof shall:

- (a) be added to the Obligations and constitute a charge upon the Secured Property;
- (b) bear interest at the rate of 18% per annum as a reasonable pre-estimate of damages and not as a penalty; and
- (c) be repaid by the Corporation to the Holder on demand.

#### **Section 7.4 Judgment**

Neither the taking of any judgment nor the exercise of any power of seizure or sale shall operate to extinguish the liability of the Corporation to perform the Obligations nor shall such operate as a merger of any covenant or affect the right of the Holder to receive interest at the specified rate, and any judgment shall bear interest at such rate.



## **ARTICLE 8 REMEDIES**

### **Section 8.1 Consequences of an Event of Default**

Upon the occurrence of an Event of Default, the Holder may provide written notice to the Corporation declaring the Obligations to be immediately due and payable by the Corporation to the Holder. Without the necessity of any further act or formality, but subject to applicable law, the security hereby created and created by the Security Documents shall become enforceable.

### **Section 8.2 Limitation of Liability**

The Holder shall not be liable by reason of any entry into or taking possession of any of the Secured Property hereby charged or intended so to be or any part thereof, to account as mortgagee in possession or for anything except actual receipts or be liable for any loss on realization or any act or omission for which a secured party in possession might be liable. The Holder shall not, by virtue of these presents, be deemed to be a mortgagee in possession of the Secured Property. The Holder shall not be liable or accountable for any failure to exercise its remedies, take possession of, seize, collect, realize, sell, lease or otherwise dispose of or obtain payment for the Secured Property and shall not be bound to institute proceedings for such purposes or for the purpose of preserving any rights, remedies or powers of the Holder, the Corporation or any other person in respect of same. The Corporation hereby releases and discharges the Holder from every claim of every nature, whether sounding in damages or not, which may arise or be caused to the Corporation or any person claiming through or under the Corporation by reason or as a result of anything done or omitted to be done, as the case may be, by the Holder or any successor or assign claiming through or under the Holder under the provisions of this Debenture, unless such claim is the result of gross negligence or wilful misconduct.

## **ARTICLE 9 GENERAL**

### **Section 9.1 Releases**

The Holder may in its discretion from time to time release any part of the Secured Property or any other security either with or without any sufficient consideration therefor, without responsibility therefor and without thereby releasing any other part of the Secured Property or any other security or any Person from the security created by this Debenture or the Security Documents or from any of the covenants herein contained. Each and every portion into which the Secured Property is or may hereafter be divided does and shall stay charged with the Obligations. No Person shall have the right to require the Obligations to be apportioned and the Holder shall not be accountable to the Corporation for any moneys except those actually received by the Holder.

### **Section 9.2 Expenses**

Provided the Corporation is in default, the Corporation shall pay to the Holder on demand all of the Holder's reasonable costs, charges and expenses in connection with the enforcement by any means of any provisions hereof or the exercise of any rights, powers or

remedies hereunder, including, without limitation, all such costs, charges and expenses in connection with taking possession, maintaining, completing, preserving, protecting, collecting or realizing upon all or any part of the Secured Property.

### **Section 9.3 Discharge of Debenture**

After the Obligations have been irrevocably repaid in full, the Holder shall return the Secured Property to the Corporation, cancel and discharge this Debenture with respect to any Obligations that are payable by the Corporation to the Holder and execute and deliver to the Corporation such instruments as shall be necessary to discharge this Debenture and the Security Documents.

### **Section 9.4 Communication**

Any notice or other communication required or permitted to be given hereunder shall be in writing and shall be given by prepaid first-class mail, by facsimile or other means of electronic communication or by hand-delivery as hereinafter provided. Any such notice or other communication, if mailed by prepaid first-class mail at any time other than during, or within three (3) Business Days prior to, a general discontinuance of postal service due to strike, lockout or otherwise, shall be deemed to have been received on the fourth Business Day after the postmarked date thereof, or if sent by facsimile or other means of electronic communication, shall be deemed to have been received on the Business Day of the sending (provided it was sent before 4:30 p.m. Toronto time) and the applicable printed facsimile record shall be definitive evidence of the time and date of such facsimile transmission, or if delivered by hand shall be deemed to have been received at the time it is delivered to the applicable address noted below either to the individual designated below or to an employee of the addressee at such address with responsibility for matters to which the information relates. Notice of change of address shall also be governed by this Section 8.4. In the event of a general discontinuance of postal service due to strike, lock-out or otherwise, notices or other communications shall be delivered by hand or sent by facsimile or other means of electronic communication and shall be deemed to have been received in accordance with the foregoing. Notices and other communications shall be addressed as follows:

(a) if to the Corporation:

Tercon Investments Ltd.  
#100 - 2079 Falcon Road  
Kamloops, BC V2C 4J2

Attention: Chief Executive Officer  
Facsimile: (250) 372-1555

(b) if to the Holder:

0833824 B.C. Ltd.  
c/o Pala Investments AG  
Damstrasse 19  
6300 Zug, Switzerland

Attention: General Council  
Facsimile: +41 41 560 9071

with a copy (that does not constitute notice) to:

Stikeman Elliott LLP  
5300 Commerce Court West  
199 Bay Street  
Toronto, ON M5L 1B9

Attention: D'Arcy Nordick  
Facsimile: (416) 947-0866

**Section 9.5 Successors and Assigns**

This Debenture shall be binding on the Corporation and its successors and shall enure to the benefit of the Holder and its successors and permitted assigns.

**Section 9.6 No Set-Off**

The Obligations secured by this Debenture shall be paid by the Corporation without regard to any set-off, counterclaim or equities between the Corporation and the Holder.

**Section 9.7 Permitted Encumbrance**

Notwithstanding any other provision in this Debenture, the parties confirm their intent that the references to Permitted Encumbrances herein are not intended to imply the subordination by the Holder to any person.

**Section 9.8 No Novation.**

The Corporation acknowledges and confirms that this Amended and Restated Debenture does not constitute a novation of the original Debenture and that all debts, liabilities and obligations of the Corporation shall remain unaffected, except as amended hereby.

*[The remainder of this page has been left blank intentionally]*

IN WITNESS WHEREOF the Corporation has executed this Amended and Restated  
Debenture on the 27 day of August, 2010.

TERCON INVESTMENTS LTD.

By: 

Authorized Signing Officer

I have the authority to bind the  
Corporation.

**EXHIBIT "A"**  
**PERMITTED ENCUMBRANCES**

**"Permitted Encumbrances"** means any of the following:

- (a) liens for taxes, assessments, governmental charges or levies not at the time due unless contested in good faith by all necessary proceedings;
- (b) defects or irregularities in title to land, easements, rights of way or other similar rights in land existing at the date of this agreement which in the aggregate do not materially impair the usefulness in the business of the subsidiary of the property subject thereto;
- (c) rights reserved to or vested in any municipality or governmental or other public authority by the terms of any lease, licence, franchise, grant or permit, or by any statutory provision, to terminate the same or to require annual or other periodic payments as a condition to the continuance thereof;
- (d) any lien or encumbrance the validity of which is being contested by the Corporation in good faith and in respect of which either there shall have been deposited with the Holder cash in an amount sufficient to satisfy the same or the Holder shall be otherwise satisfied that its interests are not prejudiced thereby;
- (e) any reservations, limitations, provisos and conditions expressed in any original grant from the Crown;
- (f) title defects or irregularities which, in the opinion of counsel to the Holder, are of a minor nature and in the aggregate shall not materially impair the usefulness in the business of the Corporation;
- (g) a security interest in cash or governmental obligations deposited in the ordinary course of business in connection with contracts, bids, tenders or to secure worker's compensation, unemployment insurance, surety or appeal bonds, costs of litigation when required by law, public and statutory obligations, liens or claims incidental to current construction, mechanics', warehousemen's, carriers' and other similar liens;
- (h) security given in the ordinary course of business to a public utility or any municipality or governmental or other public authority when required by such utility or municipality or governmental or other authority in connection with the operations of the Corporation;
- (i) a security interest arising under one or more leases entered into in the ordinary course of business over the goods that are the subject matter of such lease, to an aggregate amount of \$42,000,000, which aggregate number shall include any security interests in or title retention relating to Equipment (not constituting, for greater certainty, Inventory) which is created to secure the

unpaid purchase price thereof or retain title thereto until so paid, provided that each such security interest is limited to the asset so acquired (and any insurance or other proceeds thereof) and does not secure an amount in excess of the purchase price thereof or any re-advance on the security of the Equipment (for the purpose of this Exhibit "A", "Equipment" and "Inventory" shall have the meaning set out in the *Personal Property Security Act* (Ontario), as amended);

- (j) security given in favour of the Holder to secure the Corporation's obligations hereunder and thereunder;
- (k) other encumbrances arising by operation of law or which are not material in character, amount, and extent and do not materially detract from the value or use of the Corporation's assets;
- (l) liens held by customers of the Corporation in respect of the work-in-progress relating to: (i) goods under production for customers and any assignment of such liens to third parties as approved by the Holder; and (ii) all equipment drop shipped to the Corporation by its customers (or suppliers) for integration to machinery which is owned by such customers (or suppliers); and
- (m) the specific permitted liens attached as Exhibit "B" hereto.

**EXHIBIT "B"**  
**SPECIFIC PERMITTED LIENS**

**A. British Columbia**

| BASE REG'N NO.<br>& DATE    | SECURED PARTY        | DEBTOR                  | REGISTRATION TYPE &<br>COLLATERAL DESCRIPTION  |
|-----------------------------|----------------------|-------------------------|--|
| 959087D<br>October 2, 2007  | Conex Services Inc.  | Tercon Investments Ltd. | All of the debtor's present and after-acquired personal property, and all proceeds therefrom, renewals thereof, accessions thereto and substitutions therefore.              |
| 417706E<br>June 12, 2008    | Royal Bank of Canada | Tercon Investments Ltd. | Vehicle Collateral: 57 specified.<br>All of the debtor's present and after-acquired personal property  |
| 305587F<br>December 3, 2009 | Conex Services Inc.  | Tercon Investments Ltd. | All of the debtors' present and after-acquired personal property, and all personal property in which the debtor has rights, of whatever nature or kind and wherever situate. |
| 305783F<br>December 3, 2009 | Red Maple Limited    | Tercon Investments Ltd. | All of the debtors' present and after-acquired personal property, and all personal property in which the debtor has rights, of whatever nature or kind and wherever situate. |
| 305783F<br>December 3, 2009 | Red Maple Limited    | Tercon Investments Ltd. | All of the debtors' present and after-acquired personal property, and all personal property in which the debtor has rights, of whatever nature or kind and wherever situate. |

**B. British Columbia**

| <b>REG'N NO. &amp;<br/>DATE</b> | <b>SECURED PARTY</b> | <b>DEBTOR</b>           | <b>REGISTRATION TYPE &amp;<br/>COLLATERAL DESCRIPTION</b>  |
|---------------------------------|----------------------|-------------------------|--|
| 08061220782<br>June 12, 2008    | Royal Bank of Canada | Tercon Investments Ltd. | Vehicle Collateral.<br>All of the debtor's present and after-acquired personal property  |
| 09120325153<br>December 3, 2009 | Conex Services Inc.  | Tercon Investments Ltd. | All of the debtors' present and after-acquired personal property, and all personal property in which the debtor has rights, of whatever nature or kind and wherever situate. |
| 09120326726<br>December 3, 2009 | Red Maple Limited    | Tercon Investments Ltd. | All of the debtors' present and after-acquired personal property, and all personal property in which the debtor has rights, of whatever nature or kind and wherever situate. |
| 09120324085<br>December 3, 2009 | 2147881 Ontario Inc. | Tercon Investments Ltd. | All of the debtors' present and after-acquired personal property, and all personal property in which the debtor has rights, of whatever nature or kind and wherever situate. |



**EXHIBIT "C"  
SUBSIDIARIES**

| <u>Name</u>                           | <u>Jurisdiction</u> | <u>Ownership</u>                      | <u>No. Shares/Units</u> |
|---------------------------------------|---------------------|---------------------------------------|-------------------------|
| Tercon MRC Ltd.                       | British Columbia    | Borrower 100%                         | 1 Class A               |
| Tercon Mining Ltd. ("TML")            | British Columbia    | Borrower 100%                         | 1 Class A               |
| Tercon Equipment Ltd.                 | British Columbia    | Borrower 100%                         | 1,001 Class A           |
| Tercon Construction Ltd. ("TCL")      | British Columbia    | Borrower 100%                         | 120 Class A             |
| Tercon Mining PV Ltd.                 | British Columbia    | TML 100%                              | 1 Class A               |
| Tercon Enterprises Ltd.               | Alberta             | Borrower 100%                         | 100 Common              |
| Tercon Properties Ltd.                | British Columbia    | Borrower 100%                         | 1 Class A               |
| FNP Ventures Inc. ("FNP")             | British Columbia    | Borrower 100%                         | 1 Class A               |
| Tercon A.C. Ltd. ("TAC")              | Alberta             | Borrower 100%                         | 100 Class A             |
| Tahltan - Tercon Limited Partnership  | British Columbia    | FNP 59.9%,<br>TTPL 0.2%               | 59.9, 0.2               |
| Tercon Alaska Ltd. ("TAL")            | Alaska              | Borrower 100%                         | 100 Class A             |
| Tercon International Inc.             | Nevada              | Tercon<br>Investments<br>Limited 100% | 10 Common               |
| Tercon Construction LLC               | Nevada              | Tercon<br>International<br>Inc. 100%  | 10 Units                |
| Tercon Construction (California) Inc. | California          | Tercon<br>International<br>Inc. 100%  | 10 Common               |
| Tercon Leasing Inc.                   | Nevada              | Tercon<br>Investments<br>Limited 100% | 10 Common               |

**EXHIBIT "D"**  
**OBLIGORS**

Tercon MRC Ltd.

Tercon Equipment Ltd.

Tercon Construction Ltd.

Tercon Enterprises Ltd.

Tercon Properties Ltd.

Tercon Mining Ltd.

Tercon Mining PV Ltd.

FNP Ventures Inc.