



COURT FILE NUMBER 2001 06423

COURT Court of Queen's Bench of Alberta

JUDICIAL CENTRE CALGARY

102416

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

AND IN THE MATTER OF THE COMPROMISE OR
ARRANGEMENT OF ENTREC CORPORATION,
CAPSTAN HAULING LTD., ENTREC ALBERTA
LTD., ENT CAPITAL CORP., ENTREC CRANES &
HEAVY HAUL INC., ENTREC HOLDINGS INC.,
ENT OILFIELD GROUP LTD., and ENTREC
SERVICES LTD.

DOCUMENT **AFFIDAVIT**

ADDRESS FOR
SERVICE AND
CONTACT
INFORMATION OF
PARTY FILING THIS
DOCUMENT

Fasken Martineau DuMoulin LLP
Barristers & Solicitors
3400 First Canadian Centre
350 – 7th Avenue S.W.
Calgary, AB T2P 3N9

Darren J. Reed
dreed@fasken.com
Tel: 403.231.6152
Fax: 403.261.5351
File No.: 316625.00009

AFFIDAVIT of SABINA MANCILLA


Sworn on October 6, 2020

I, Sabina Mancilla, of the City of Calgary, in the Province of Alberta, Legal Assistant,
MAKE OATH AND SWEAR AND SAY THAT:

1. I am a Legal Assistant to Darren J. Reed at Fasken Martineau DuMoulin LLP, counsel to Wolverine Energy and Infrastructure Inc., and as such I have personal knowledge of the matters hereinafter deposed to, except where stated to be based on information and belief, and where so stated I believe the same to be true.
2. Now shown to me and attached as “**Exhibit A**” is a copy of an email from Mr. Reed to a Mr. Joe Brennan of Nerland Lindsey LLP dated September 28, 2020 attaching a letter dated September 28, 2020.
3. Now shown to me and attached as “**Exhibit B**” is a copy of an email from a Mr. Asim Iqbal of Miller Thomson LLP to Mr. Reed and others dated September 29, 2020, attaching a letter dated September 29, 2020.
4. Now shown to me and attached as “**Exhibit C**” is a copy of an email from Mr. Reed to Mr. Iqbal and others dated September 29, 2020, attaching a letter dated September 29, 2020, with enclosures.
5. Now shown to me and attached as “**Exhibit D**” is a copy of an email from Mr. Iqbal to Mr. Reed and others dated September 30, 2020 attaching a letter dated September 30, 2020.
6. Now shown to me and attached as “**Exhibit E**” is a copy of an email from Mr. Reed to Mr. Iqbal and others September 30, 2020, attaching a letter dated September 30, 2020, with enclosures.
7. Now shown to me and attached as “**Exhibit F**” is a copy of an email dated September 30, 2020 from Mr. Iqbal to Mr. Reed and others, attaching a letter dated September 30, 2020.

8. Now shown to me and attached as “**Exhibit G**” is a copy of an email dated October 1, 2020 from Mr. Iqbal to Mr. Reed and others, attaching a letter dated October 1, 2020.
9. Now shown to me and attached as “**Exhibit H**” is a copy of an email dated October 2, 2020 from Mr. Reed to Mr. Iqbal and others, attaching a letter dated October 2, 2020.

SWORN (OR AFFIRMED) BEFORE ME at,
Calgary, Alberta this 6th day of October,
2020



A Commissioner/Notary for Oaths in and for
the Province of Alberta

David Both
Barrister & Solicitor

)
)
)
)
)
)
)

SABINA MANCILLA

Sabina Mancilla

From: Darren Reed
Sent: September-28-20 1:30 PM
To: jbreannan@nerlandlindsey.com
Cc: Bill deJong
Subject: Time Sensitive Correspondence - Issues Related to Asset Purchase Agreement between Wolverine and ENT Capital Corp. et al
Attachments: Letter - September 28, 2020.pdf
Importance: High

Hi Joe,

Please see attached, for your attention.

We can be available to speak this afternoon, or tomorrow between 8 and 11, 1-2, 3-4:30.


Best regards,

Darren

 Darren J. Reed
PARTNER

FASKEN

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dreed@fasken.com | www.fasken.com/en/Darren-Reed
350 7th Avenue SW, Suite 3400, Calgary, Alberta T2P 3N9

This is Exhibit " A " referred to in the
Affidavit of
Sabina Mancilla
Sworn before me this 6th day
of October A.D. 2020

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September 28, 2020
File No.: 316625.00009/22183

Darren J. Reed
Direct +1 403 261 6152
Facsimile 1 403 261 5351
dreed@fasken.com

Via Email (jbrennan@nerlandlindsey.com)

Nerland Lindsey LLP
1400, 350 – 7th Ave SW
Calgary, AB T2P 3N9

Attention: Joe Brennan

Dear Mr. Brennan:

Re: Issues Related to Asset Purchase Agreement between Wolverine and ENT Capital Corp., Entrec Holdings Inc., Entrec Cranes & Heavy Haul Inc. and Entrec Corporation

We are counsel to Wolverine Energy and Infrastructure Inc. (“**Wolverine**”), and have been retained to represent Wolverine in relation to the above noted matter.

We write in relation to the positions which we are advised were articulated by the parties in a conference call held September 23, 2020 (“**Conference Call**”) respecting the applicability of Clause 2.4 of the Asset Purchase Agreement (the “**APA**”) between Wolverine and ENT Capital Corp., Entrec Holdings Inc., Entrec Cranes & Heavy Haul Inc. and Entrec Corporation (collectively, “**Entrec**”).

This letter provides an overview of the facts and Wolverine’s position on that issue.

Background

Clause 2.4 of the APA reads as follows:

2.4 Risk

Until completion of this Agreement on the Closing Date, the Purchased Assets shall be and remain at the risk of the Sellers. **Based off a field exam to be conducted pursuant to Section 4.1 by the Buyer, in the event of any damage or unreasonable wear and tear of the Purchased Assets**, as compared with the most recently updated appraisal of the Purchased Assets, on or before the Closing Date the Buyer may elect (i) to require the Sellers to repair the Purchased Assets to the same state and condition as it was in at the time this Agreement was entered into in which event the Buyer will complete the

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transaction without an abatement in the Purchase Price; or (ii) to reduce the Purchase Price by an amount equal to the cost required to complete the repair **and/or any depreciations in value as a result of unreasonable wear and tear** as estimated by an independent qualified mechanic, architect, **equipment appraiser**, or engineer retained by the Sellers **in which event the Buyer will complete the transaction and accept the price reduction equal to such cost.** [Emphasis Added]

We are advised by Wolverine that this clause was added to the original terms of the APA and negotiated between the parties on or around August 21, 2020. The terms bolded above were added by Wolverine in relation to what it perceived to be risks caused by Entrec's continued and heavy use of the Purchased Assets. With respect to these revisions and others, Mr. Brennan indicated in an email dated August 23, 2020 at 11:44 a.m (MST) that, among other things, "The Syndicate is fine with your APA revisions."

On September 21, 2020 at approximately 9:16 p.m. (MST), Wolverine received an email from Great Rock Capital ("**Great Rock**"), wherein it was stated that:

"...I just wanted to provide a quick update on the Rouse appraisal we recently received and reviewed. It should be noted that in the Rouse appraisal, which was based on asset values as of 7/31/2020, the OLV has decreased to \$31.4mm USD from \$33.7mm as of May 31st, 2020, a \$2.3mm decrease in OLV due to the decline in the condition of the assets due to maintenance and excess wear and tear. I just wanted to make sure you were aware of this fact."

As the aforementioned quote details, Rouse provided additional clarity to Great Rock with respect to the depreciation in value described in its July 31, 2020 appraisal.

The September 21, 2020 email from Great Rock was forwarded to Julie Afanasiff ("**Ms. Afanasiff**") at 10:29 a.m. (MST) on September 22, 2020 by Nikolaus Kiefer of Wolverine ("**Mr. Kiefer**"). Along with forwarding the September 21, 2020 email, Mr. Kiefer requested that a call be scheduled with all effected parties to discuss. The Conference Call had the following attendees:

- John Paul Smith ("**Mr. Smith**");
- Asim Iqbal;
- Jason Vanderberg;
- Mr. Kiefer;
- Ms. Afanasiff;
- John Stevens;
- Joe Brennan ("**Mr. Brennan**");

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- Rick Reeson (“**Mr. Reeson**”); and
- Anthony Tillman.

The following outlines Wolverine’s understanding of the parties’ positions during the Conference Call.

Positions of the Parties from the Conference Call

We are advised that Mr. Smith began by enumerating the position of Wolverine which is summarized as follows:

- Based on the information provided to Wolverine through Great Rock via Rouse, Wolverine understood that there was a depreciation in the value of the Purchased Assets resulting from unreasonable wear and tear;
- Clause 2.4 of the APA applies in this instance as it explicitly states that, “...in the event of unreasonable wear and tear of the Purchased Assets, as compared with the most recently updated appraisal of the Purchased Assets, on or before the Closing Date the Buyer may elect...(ii) to reduce the Purchase Price by an amount equal to the cost required to complete the repair and/or any depreciations in value as a result of unreasonable wear and tear as estimated by an independent...equipment appraise...in which event the Buyer will complete the transaction and accept the reduction equal to such cost.”; and
- As the depreciation in value caused by the unreasonable wear and tear of the Purchased Assets amounted to \$2.3mm, Wolverine requested an adjustment of the APA Purchase Price equaling that value or a value directly attributable to depreciation caused by unreasonable wear and tear in accordance with Clause 2.4 of the APA.

Wolverine’s understanding of Mr. Reeson and Mr. Brennan’s position in response was as follows:

- Wolverine was aware of the increased usage of the equipment as indicated in the first appraisal and that the equipment was going to be continued to be utilized prior to the close of the APA and therefore is not in a position to seek a Purchase Price adjustment under Clause 2.4;
- That it is their position that there has been no unreasonable wear and tear of the Purchased Assets;
- That the syndicate is not receptive to any adjustments to the Purchase Price and therefore would not, in any case, allow for an adjustment; and
- That as a result of the aforementioned position, Clause 2.4 of the APA would not apply.



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Wolverine's Intended Path Forward

As a result of the positions enumerated during the Conference Call, Wolverine would like to clearly state its understanding of its contractual rights and the action it will be taking in light of those rights.

1. Clause 2.4 of the APA applies if unreasonable wear and tear of the Purchased Assets causes a depreciation in the value of those assets as identified by an independent appraisal/field exam;
2. Wolverine was provided information that Rouse in fact determined that there was a depreciation in the value of the Purchase Assets caused by unreasonable wear and tear;
3. The syndicate was aware of the possibility of such an adjustment occurring and had in fact approved in writing the relevant revisions to Clause 2.4 of the APA on or around August 23, 2020;
4. Accordingly, Wolverine will confirm with Great Rock details surrounding the discussions it has had with Rouse respecting depreciations in value of the Purchased Assets arising from the July 31, 2020 appraisal;
5. If Wolverine receives adequate confirmation that the Purchased Assets depreciated in value as a result of unreasonable wear and tear, Wolverine will be adjusting the Purchase Price in accordance with the rights granted under Clause 2.4 of the APA and will be paying the adjusted Purchase Price on the closing of the APA; and
6. If Wolverine does not receive adequate confirmation, it will request that Great Rock provide Wolverine with access to Rouse in order to gain an understanding of the matter at hand. Once that information is obtained, Wolverine will provide that information directly to all affected parties. If that information demonstrates any depreciations in value as a result of unreasonable wear and tear of the Purchased Assets, Wolverine will be adjusting the Purchase Price, as applicable, in accordance with Clause 2.4 of the APA and will be paying the adjusted Purchase Price on the closing of the APA.

Should the parties take steps to delay and/or prevent closing in direct breach of the terms of the APA over an issue that should be easily resolved that amounts to less than 10% of the OLV, Wolverine reserves all rights in law and equity to seek compensation for any damages cause as a result. These damages may include, but not be limited to, solicitor client costs, transaction costs, financing costs, reputational damage, share depreciation, loss of revenue, or any other damages relating thereto.

Should you have any questions, we are available to discuss.



FASKEN

Best regards,

FASKEN MARTINEAU DuMOULIN LLP

A handwritten signature in black ink, appearing to read 'Darren J. Reed', with a stylized, looping flourish at the end.

Darren J. Reed

DR/sc



Sabina Mancilla

From: Iqbal, Asim <aiqbal@millerthomson.com>
Sent: September-29-20 6:27 PM
To: Darren Reed
Cc: Reeson, Rick; Joe Brennan; Anthony Tillman (atillman@alvarezandmarsal.com); Q. C Howard Gorman (howard.gorman@nortonrosefulbright.com)
Subject: [EXT] Purchase of certain assets of ENTREC Corporation et. al. by Wolverine Energy and Infrastructure Inc.
Attachments: 49319616_1_With Prejudice Letter to Fasken .PDF

WITH PREJUDICE


Mr. Reed,

Attached please find correspondence of today's date.

Asim

ASIM IQBAL
Associate

Miller Thomson LLP
Scotia Plaza
40 King Street West, Suite 5800
P.O. Box 1011
Toronto, Ontario M5H 3S1
Direct Line: +1 416.597.6008
Fax: +1 416.595.8695
Email: aiqbal@millerthomson.com
millerthomson.com

This is Exhibit " B " referred to in the
Affidavit of
Sabina Mancilla
Sworn before me this 6th day
of October, A.D. 2020

A Notary Public, A Commissioner for Oaths
In and for the Province of Alberta



MILLER THOMSON
AVOCATS | LAWYERS

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September 29, 2020

WITH PREJUDICE

Private and Confidential

Sent Via Email – dreed@fasken.com

Fasken Martineau DuMoulin LLP
350 7th Avenue SW, Suite 3400
Calgary, AB
T3P 3N9

Attention: Darren J. Reed

Asim Iqbal
Direct Line: 416.597.6008
Direct Fax: 416.595.8695
aiqbal@millerthomson.com

Dear Mr. Reed:

Re: In the Matter of the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as Amended

And in the Matter of the Compromise or Arrangement of ENTREC Corporation, Capstan Hauling Ltd., ENTREC Alberta Ltd., ENT Capital Corp., ENTREC Cranes & Heavy Haul Inc., ENTREC Holdings Inc., ENT Oilfield Group Ltd., and ENTREC Services Ltd.

Purchase of certain assets of ENTREC Corporation, ENTREC Cranes & Heavy Haul Inc., ENTREC Holdings Inc., and ENT Oilfield Group Ltd. (collectively, the "Sellers") by Wolverine Energy and Infrastructure Inc. (the "Buyer"), pursuant to the Asset Purchase Agreement dated August 24, 2020 (as amended, the "APA")

We reviewed a copy of your letter dated September 28, 2020 to Joe Brennan of Nerland Lindsey LLP, corporate counsel to the Sellers, among other things, setting out Wolverine's position on the applicability of Clause 2.4 of the APA.

Unless otherwise stated, capitalized terms used but not otherwise defined herein are given the meaning ascribed to such terms in the APA.

As CCAA counsel for the Sellers, we respond to your September 28 letter as follows:

Clarity on Requested Abatement

It is unclear from your letter the actual quantum of the abatement to the Purchase Price sought by Buyer pursuant to Section 2.4 of the APA. The Sellers seek confirmation from the Buyer.

Buyer Cannot Rely on Rouse Appraisal

The Buyer states that a reduction in the Purchase Price is warranted under Section 2.4 of the APA as a result of an email received by the Buyer from Great Rock Capital ("**Great Rock**"), the Buyer's lender, stating that the results of the recent appraisal dated August 31, 2020 effective July 31, 2020 (the "**Rouse Appraisal**") of the Purchased Assets completed by Rouse Appraisals, LLC ("**Rouse**") for Great Rock indicate that the OLV on the Purchased Assets has decreased to USD \$31.4MM from USD \$33.7 million (a USD \$2.3MM decrease in OLV) "...due to the decline in the condition of the assets due to maintenance and excess wear and tear".

The Buyer cannot rely on the Rouse Appraisal for purposes of Section 2.4 of the APA. Section 2.4 requires the Buyer to obtain a field exam in accordance with Section 4.1 of the APA. The Buyer did not retain Rouse in accordance with Section 4.1. Great Rock retained Rouse.

Moreover, the Buyer cannot rely on the Rouse Appraisal for purposes of Clause 2.4(ii). Pursuant to Clause 2.4(ii), any depreciation in value as a result of unreasonable wear and tear must be estimated by, among others, an equipment appraiser, "...retained by the Sellers..." [emphasis added]. The Rouse Appraisal does not meet this requirement.

Buyer's Non-Compliance with Section 4.1 of the APA

The Buyer has not complied with Section 4.1 of the APA. Section 4.1 requires the Buyer, at its own expense, to obtain a field exam of the Purchased Assets "...no more than one week before the Closing Date" [emphasis added]. Pursuant to an amendment to the APA dated September 11, 2020, the Closing Date is September 30, 2020. In order to comply with Section 4.1, the field exam for the Buyer would have to have been conducted no earlier than September 23, 2020. The effective date of the Rouse Appraisal is [July 31, 2020]. In other words, even if the Rouse Appraisal complied with Section 4.1, which the Sellers dispute, the Rouse Appraisal is stale and does not comply with the timelines set out in Section 4.1.

No Unreasonable Wear and Tear

The Sellers maintain that there has been no unreasonable wear and tear between the date of the APA and the date of this letter justifying any abatement to the Purchase Price. Since May 31, 2020, which is the effective date of an appraisal conducted by Rouse for the Sellers, the Sellers' usage of the Purchased Assets has in fact been significantly lower than its past practice. The Sellers are fully prepared to adduce evidence to support this decline in use. As such, there is no basis to suggest that any unreasonable wear and tear occurred to the Purchased Assets since May 31, 2020. Moreover, the Seller has regularly maintained the Purchased Assets and completed any necessary repairs on any Purchased Asset that was damaged following the execution of the APA.

Had the Buyer complied with Section 2.4 and 4.1 of the APA and, on its behalf and at its expense, obtained an appraisal at the appropriate time (no more than one week before the Closing Date), it would be clearly evident that any diminution in value as a result of damage to the Purchased Assets had been repaired by the Sellers and there has been no unreasonable wear and tear.



The Buyer was Aware of the Sellers' Usage of Purchased Assets

The Sellers maintain that the Buyer had at all material times, including at the time the Buyer submitted its offer, been aware that the Sellers' use of the Purchased Assets was generally higher than what was observed in the market. Wolverine confirmed its awareness of this fact on our conference call held September 23, 2020 which is referenced in your letter. The only change has been a significant reduction in use and less wear and tear, not more.

There is simply no justification for a reduction of the Purchase Price for damage or depreciation under Section 2.4. In addition, the Buyer's failure to comply with these provisions negates its ability to seek a reduction of the Purchase Price as a result.

The Sellers are Prepared to Close

The Sellers reiterate that they remain ready, willing and able to close the transaction contemplated by the APA on the Closing Date, being September 30, 2020. The Sellers expect the Buyer to abide by its obligations under the APA and pay the balance of the Purchase Price (CAD \$30.2 million) without any reduction thereof on the Closing Date.

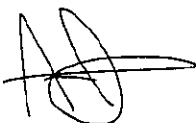
If the Buyer fails to pay the full purchase price on the Closing Date, the Sellers will take the position that the Buyer has breached the terms of the APA and the Sellers will pursue their remedies against the Buyer under the APA, including, without limitation, forfeiture of the Deposit.

The Sellers are supported in their position by the Sellers' senior secured lending syndicate. We trust the foregoing is satisfactory.

Yours truly,

MILLER THOMSON LLP

Per:



Asim Iqbal
MDS

CC: Anthony Tillman, Alvarez & Marsal Canada Inc.
Howard Gorman, Norton Rose Fulbright Canada LLP



Sabina Mancilla

From: Darren Reed
Sent: September-29-20 11:31 PM
To: 'aiqbal@millerthomson.com'; 'jbrennan@nerlandlindsey.com';
'howard.gorman@nortonrosefulbright.com'; 'louis.strubeck@nortonrosefulbright.com'
Cc: 'tmartin@alvarezandmarsal.com'; 'atillman@alvarezandmarsal.com';
'TadDavidson@huntonak.com'; 'jvandenbergh@entrec.com'
Subject: Time Sensitive Correspondence - Notice Letter Pursuant to Asset Purchase Agreement
between Wolverine and ENT Capital Corp. et al
Attachments: 94651980_v(3)_Notice Letter Pursuant to APA, September 29, 2020.PDF; Letter -
September 28, 2020.pdf; 49319616_1_With Prejudice Letter to Fasken .pdf
Importance: High

Please see the attached correspondence, with enclosures.

 Darren J. Reed
PARTNER

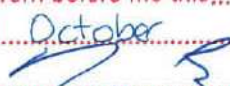
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September 29, 2020
File No.: 316625.00009/22183

Darren J. Reed
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Via Email

ENTREC CORPORATION
#201, 1 Carswell Street
St. Albert, AB T8N 7N5
Attention: Jason Vandenberg, CFO
E-mail: jvandenberg@entrec.com

ALVAREZ & MARSAL CANADA INC.
400 Burrard Street, Unit 1680
Vancouver, BC V63 3A6
Attention: Todd Martin and Anthony Tillman
Email: tmartin@alvarezandmarsal.com;
atillman@alvarezandmarsal.com

Dear Sirs:

Re: Formal Notice of Election Pursuant to Clause 2.4 of the Asset Purchase Agreement between ENTREC Corporation, ENTREC Cranes & Heavy Haul Inc., ENTREC Holdings Inc., and ENT Oilfield Group Ltd. and Wolverine Energy and Infrastructure Inc., dated August 24, 2020, as amended.

Introduction

As previously noted in our letter of September 28, 2020 to Mr. Brennan (copy attached to the email in which this letter is sent) (“**Letter**”), we are counsel to Wolverine Energy and Infrastructure Inc. (“**Wolverine**”). Terms capitalized herein and not otherwise defined have the meaning ascribed to them in the Letter or the APA, as applicable. This letter is addressed to you, with a copy to your respective counsel, as required by Clause 10.4 of the APA, as it is a Notice under that agreement.

We also write in response to the letter of Mr. Iqbal on behalf of Entrec (as defined in the Letter), dated September 29, 2020 and marked “With Prejudice” (copy also attached to the email in which this letter is sent) (the “**Response**”). All communications, unless otherwise stipulated or protected by privilege, are of course “with prejudice” as between the parties.

We take it from the Response that Wolverine’s “intended path forward” set out in the Letter has been rejected by Entrec. As a result, Wolverine relies on the APA and its terms, and expects Entrec to comply with its contractual obligations under the APA, as articulated in this Notice Letter.



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Response to “Clarity on Requested Abatement”/Reliance on Rouse Appraisal

Notwithstanding the views articulated in the Response, Wolverine has been conducting its own investigation/field exam in accordance with Clauses 2.4 and 4.1 of the APA in order to confirm the existence, and condition, of the Purchased Assets (“**Field Exam**”).

The information obtained by Great Rock from Rouse, as outlined in the Letter, did form the basis of the discussions set out in the Conference Call and certainly assisted Wolverine in conducting its Field Exam. However, Wolverine relies upon the results of the Field Exam under Clause 4.1, not the information obtained by Great Rock from Rouse. This information simply brought to light areas which have subsequently been investigated by Wolverine, in very short order, as required by the APA, through the Field Exam.

Wolverine has, effective today, completed the Field Exam. Wolverine has thus completed the Field Exam “no more than one week before the Closing Date”. As such, Wolverine is, and has always been, operating within its contractual rights.

The Field Exam results show that there has been damage and unreasonable wear and tear to the Purchased Assets in an amount of \$2,300,000 CAD, when compared to the “most recently updated appraisal of the Purchased Assets”, being the report of Rouse obtained by Entrec dated July 31, 2020.

Notice of Election Pursuant to Clause 2.4 of the APA, Obligations of Entrec, Offer of Extension to Closing Date

As a result of the above, pursuant to Clause 2.4, Wolverine, on or before the Closing Date can make an election. Wolverine hereby elects to trigger clause 2.4(ii) of the APA, and this is Entrec’s notice thereof.

As a result of this election, as noted in the Response, the Seller (Entrec) is now required to retain and obtain an estimate of an “independent qualified mechanic, architect, equipment appraiser, or engineer to determine the “cost required to complete the repair and/or any depreciations in value as a result of unreasonable wear and tear”.

Unfortunately, the APA is silent on the time in which Entrec must undertake this task, and Wolverine is afforded until on or before the Closing Date to make its election. If Entrec requires an extension to the Closing Date to undertake their mandatory duty under Clause 2.4, Wolverine is happy to consider that request as it is a reasonable one, to give effect to Entrec’s obligations under the APA.

If Entrec does not seek an extension to the Closing Date from Wolverine, and does not otherwise comply with its obligations under Clause 2.4 to permit the APA to close on the Closing Date, then Entrec is in breach of the APA, and Wolverine will proceed to terminate the APA under clause 3.4(b)/(c) of the APA for failure to comply with Clause 7.2(a) and seek the immediate return of the Deposit Amount, and consider all paths available to recover loss or damage suffered as a result of such breach.



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Response to Entrec's Views on Damage and Unreasonable Wear and Tear

Entrec, in the Response, focuses on "unreasonable wear and tear".

Entrec's position on this issue is entirely irrelevant. The purpose of Entrec's obligation to obtain an estimate of an "independent qualified mechanic, architect, equipment appraiser, or engineer to determine the "cost required to complete the repair and/or any depreciations in value as a result of unreasonable wear and tear" is to independently verify the Field Exam and the results thereof, which (assuming it is done in compliance with the APA) Wolverine must accept and complete the transaction on the basis of the Purchase Price as adjusted pursuant to that independent investigation. This is a built in determination mechanism to avoid disputes like the one Entrec is trying to create. This is borne out on a plain reading of Clause 2.4.

In any event, there is clear unreasonable wear and tear documented in the Field Exam, and in addition, damage, to the Purchased Assets. Wolverine is happy to share this information with Entrec as a part of the discharge of Entrec's obligations of independent review under Clause 2.4.

The Closing Cannot Proceed Unless Entrec Performs Its Obligations Under the APA

The Response misses the mark. Entrec cannot close the APA as it has not completed its obligations thereunder, and in the circumstances, cannot demand that Wolverine close the APA.

Wolverine has now, in this letter, made its election under Clause 2.4 of the APA. The transaction contemplated under the APA can only close if, and only if, Entrec undertakes to engage the independent estimation required under Clause 2.4 to determine the adjustment to the Purchase Price that Wolverine must accept, provided that Entrec's adjustment is made in accordance with Clause 2.4 and is made by a party that is truly independent.

Until Entrec undertakes this work, the APA cannot close. If Entrec does not undertake this work, it is in breach of the APA and Wolverine is entitled to, and will, terminate the APA.

As indicated above, Wolverine is sympathetic to the timing that Entrec has, and will contemplate a reasonable extension to the closing date at Entrec's request.

We look forward to hearing from you.

[remainder of page left blank]



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Yours truly,

FASKEN MARTINEAU DuMOULIN LLP



Darren J. Reed

DR/sc

Cc: Joe Brennan	jbrennan@nerlandlindsey.com
Timothy A. Davidson II	TadDavidson@huntonak.com
Howard Gorman	howard.gorman@nortonrosefulbright.com
Louis Strubeck	louis.strubeck@nortonrosefulbright.com

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September 28, 2020
File No.: 316625.00009/22183

Darren J. Reed
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dreed@fasken.com

Via Email (jbrennan@nerlandlindsey.com)

Nerland Lindsey LLP
1400, 350 – 7th Ave SW
Calgary, AB T2P 3N9

Attention: Joe Brennan

Dear Mr. Brennan:

Re: Issues Related to Asset Purchase Agreement between Wolverine and ENT Capital Corp., Entrec Holdings Inc., Entrec Cranes & Heavy Haul Inc. and Entrec Corporation

We are counsel to Wolverine Energy and Infrastructure Inc. (“**Wolverine**”), and have been retained to represent Wolverine in relation to the above noted matter.

We write in relation to the positions which we are advised were articulated by the parties in a conference call held September 23, 2020 (“**Conference Call**”) respecting the applicability of Clause 2.4 of the Asset Purchase Agreement (the “**APA**”) between Wolverine and ENT Capital Corp., Entrec Holdings Inc., Entrec Cranes & Heavy Haul Inc. and Entrec Corporation (collectively, “**Entrec**”).

This letter provides an overview of the facts and Wolverine’s position on that issue.

Background

Clause 2.4 of the APA reads as follows:

2.4 Risk

Until completion of this Agreement on the Closing Date, the Purchased Assets shall be and remain at the risk of the Sellers. **Based off a field exam to be conducted pursuant to Section 4.1 by the Buyer, in the event of any damage or unreasonable wear and tear of the Purchased Assets**, as compared with the most recently updated appraisal of the Purchased Assets, on or before the Closing Date the Buyer may elect (i) to require the Sellers to repair the Purchased Assets to the same state and condition as it was in at the time this Agreement was entered into in which event the Buyer will complete the



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transaction without an abatement in the Purchase Price; or (ii) to reduce the Purchase Price by an amount equal to the cost required to complete the repair **and/or any depreciations in value as a result of unreasonable wear and tear** as estimated by an independent qualified mechanic, architect, **equipment appraiser**, or engineer retained by the Sellers **in which event the Buyer will complete the transaction and accept the price reduction equal to such cost.** [Emphasis Added]

We are advised by Wolverine that this clause was added to the original terms of the APA and negotiated between the parties on or around August 21, 2020. The terms bolded above were added by Wolverine in relation to what it perceived to be risks caused by Entrec's continued and heavy use of the Purchased Assets. With respect to these revisions and others, Mr. Brennan indicated in an email dated August 23, 2020 at 11:44 a.m. (MST) that, among other things, "The Syndicate is fine with your APA revisions."

On September 21, 2020 at approximately 9:16 p.m. (MST), Wolverine received an email from Great Rock Capital ("**Great Rock**"), wherein it was stated that:

"...I just wanted to provide a quick update on the Rouse appraisal we recently received and reviewed. It should be noted that in the Rouse appraisal, which was based on asset values as of 7/31/2020, the OLV has decreased to \$31.4mm USD from \$33.7mm as of May 31st, 2020, a \$2.3mm decrease in OLV due to the decline in the condition of the assets due to maintenance and excess wear and tear. I just wanted to make sure you were aware of this fact."

As the aforementioned quote details, Rouse provided additional clarity to Great Rock with respect to the depreciation in value described in its July 31, 2020 appraisal.

The September 21, 2020 email from Great Rock was forwarded to Julie Afanasiff ("**Ms. Afanasiff**") at 10:29 a.m. (MST) on September 22, 2020 by Nikolaus Kiefer of Wolverine ("**Mr. Kiefer**"). Along with forwarding the September 21, 2020 email, Mr. Kiefer requested that a call be scheduled with all effected parties to discuss. The Conference Call had the following attendees:

- John Paul Smith ("**Mr. Smith**");
- Asim Iqbal;
- Jason Vanderberg;
- Mr. Kiefer;
- Ms. Afanasiff;
- John Stevens;
- Joe Brennan ("**Mr. Brennan**");



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- Rick Reeson (“**Mr. Reeson**”); and
- Anthony Tillman.

The following outlines Wolverine’s understanding of the parties’ positions during the Conference Call.

Positions of the Parties from the Conference Call

We are advised that Mr. Smith began by enumerating the position of Wolverine which is summarized as follows:

- Based on the information provided to Wolverine through Great Rock via Rouse, Wolverine understood that there was a depreciation in the value of the Purchased Assets resulting from unreasonable wear and tear;
- Clause 2.4 of the APA applies in this instance as it explicitly states that, “...in the event of unreasonable wear and tear of the Purchased Assets, as compared with the most recently updated appraisal of the Purchased Assets, on or before the Closing Date the Buyer may elect...(ii) to reduce the Purchase Price by an amount equal to the cost required to complete the repair and/or any depreciations in value as a result of unreasonable wear and tear as estimated by an independent...equipment appraise...in which event the Buyer will complete the transaction and accept the reduction equal to such cost.”; and
- As the depreciation in value caused by the unreasonable wear and tear of the Purchased Assets amounted to \$2.3mm, Wolverine requested an adjustment of the APA Purchase Price equaling that value or a value directly attributable to depreciation caused by unreasonable wear and tear in accordance with Clause 2.4 of the APA.

Wolverine’s understanding of Mr. Reeson and Mr. Brennan’s position in response was as follows:

- Wolverine was aware of the increased usage of the equipment as indicated in the first appraisal and that the equipment was going to be continued to be utilized prior to the close of the APA and therefore is not in a position to seek a Purchase Price adjustment under Clause 2.4;
- That it is their position that there has been no unreasonable wear and tear of the Purchased Assets;
- That the syndicate is not receptive to any adjustments to the Purchase Price and therefore would not, in any case, allow for an adjustment; and
- That as a result of the aforementioned position, Clause 2.4 of the APA would not apply.



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Wolverine's Intended Path Forward

As a result of the positions enumerated during the Conference Call, Wolverine would like to clearly state its understanding of its contractual rights and the action it will be taking in light of those rights.

1. Clause 2.4 of the APA applies if unreasonable wear and tear of the Purchased Assets causes a depreciation in the value of those assets as identified by an independent appraisal/field exam;
2. Wolverine was provided information that Rouse in fact determined that there was a depreciation in the value of the Purchase Assets caused by unreasonable wear and tear;
3. The syndicate was aware of the possibility of such an adjustment occurring and had in fact approved in writing the relevant revisions to Clause 2.4 of the APA on or around August 23, 2020;
4. Accordingly, Wolverine will confirm with Great Rock details surrounding the discussions it has had with Rouse respecting depreciations in value of the Purchased Assets arising from the July 31, 2020 appraisal;
5. If Wolverine receives adequate confirmation that the Purchased Assets depreciated in value as a result of unreasonable wear and tear, Wolverine will be adjusting the Purchase Price in accordance with the rights granted under Clause 2.4 of the APA and will be paying the adjusted Purchase Price on the closing of the APA; and
6. If Wolverine does not receive adequate confirmation, it will request that Great Rock provide Wolverine with access to Rouse in order to gain an understanding of the matter at hand. Once that information is obtained, Wolverine will provide that information directly to all affected parties. If that information demonstrates any depreciations in value as a result of unreasonable wear and tear of the Purchased Assets, Wolverine will be adjusting the Purchase Price, as applicable, in accordance with Clause 2.4 of the APA and will be paying the adjusted Purchase Price on the closing of the APA.

Should the parties take steps to delay and/or prevent closing in direct breach of the terms of the APA over an issue that should be easily resolved that amounts to less than 10% of the OLV, Wolverine reserves all rights in law and equity to seek compensation for any damages cause as a result. These damages may include, but not be limited to, solicitor client costs, transaction costs, financing costs, reputational damage, share depreciation, loss of revenue, or any other damages relating thereto.

Should you have any questions, we are available to discuss.



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Best regards,

FASKEN MARTINEAU DuMOULIN LLP

A handwritten signature in black ink, appearing to read 'Darren J. Reed', with a stylized flourish at the end.

Darren J. Reed

DR/sc





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September 29, 2020

WITH PREJUDICE

Private and Confidential

Sent Via Email – dreed@fasken.com

Fasken Martineau DuMoulin LLP
350 7th Avenue SW, Suite 3400
Calgary, AB
T3P 3N9

Attention: Darren J. Reed

Asim Iqbal
Direct Line: 416.597.6008
Direct Fax: 416.595.8695
aiqbal@millerthomson.com

Dear Mr. Reed:

Re: In the Matter of the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as Amended

And in the Matter of the Compromise or Arrangement of ENTREC Corporation, Capstan Hauling Ltd., ENTREC Alberta Ltd., ENT Capital Corp., ENTREC Cranes & Heavy Haul Inc., ENTREC Holdings Inc., ENT Oilfield Group Ltd., and ENTREC Services Ltd.

Purchase of certain assets of ENTREC Corporation, ENTREC Cranes & Heavy Haul Inc., ENTREC Holdings Inc., and ENT Oilfield Group Ltd. (collectively, the "Sellers") by Wolverine Energy and Infrastructure Inc. (the "Buyer"), pursuant to the Asset Purchase Agreement dated August 24, 2020 (as amended, the "APA")

We reviewed a copy of your letter dated September 28, 2020 to Joe Brennan of Nerland Lindsey LLP, corporate counsel to the Sellers, among other things, setting out Wolverine's position on the applicability of Clause 2.4 of the APA.

Unless otherwise stated, capitalized terms used but not otherwise defined herein are given the meaning ascribed to such terms in the APA.

As CCAA counsel for the Sellers, we respond to your September 28 letter as follows:

Clarity on Requested Abatement

It is unclear from your letter the actual quantum of the abatement to the Purchase Price sought by Buyer pursuant to Section 2.4 of the APA. The Sellers seek confirmation from the Buyer.

Buyer Cannot Rely on Rouse Appraisal

The Buyer states that a reduction in the Purchase Price is warranted under Section 2.4 of the APA as a result of an email received by the Buyer from Great Rock Capital ("**Great Rock**"), the Buyer's lender, stating that the results of the recent appraisal dated August 31, 2020 effective July 31, 2020 (the "**Rouse Appraisal**") of the Purchased Assets completed by Rouse Appraisals, LLC ("**Rouse**") for Great Rock indicate that the OLV on the Purchased Assets has decreased to USD \$31.4MM from USD \$33.7 million (a USD \$2.3MM decrease in OLV) "...due to the decline in the condition of the assets due to maintenance and excess wear and tear".

The Buyer cannot rely on the Rouse Appraisal for purposes of Section 2.4 of the APA. Section 2.4 requires the Buyer to obtain a field exam in accordance with Section 4.1 of the APA. The Buyer did not retain Rouse in accordance with Section 4.1. Great Rock retained Rouse.

Moreover, the Buyer cannot rely on the Rouse Appraisal for purposes of Clause 2.4(ii). Pursuant to Clause 2.4(ii), any depreciation in value as a result of unreasonable wear and tear must be estimated by, among others, an equipment appraiser, "...retained by the Sellers..." [emphasis added]. The Rouse Appraisal does not meet this requirement.

Buyer's Non-Compliance with Section 4.1 of the APA

The Buyer has not complied with Section 4.1 of the APA. Section 4.1 requires the Buyer, at its own expense, to obtain a field exam of the Purchased Assets "...no more than one week before the Closing Date" [emphasis added]. Pursuant to an amendment to the APA dated September 11, 2020, the Closing Date is September 30, 2020. In order to comply with Section 4.1, the field exam for the Buyer would have to have been conducted no earlier than September 23, 2020. The effective date of the Rouse Appraisal is [July 31, 2020]. In other words, even if the Rouse Appraisal complied with Section 4.1, which the Sellers dispute, the Rouse Appraisal is stale and does not comply with the timelines set out in Section 4.1.

No Unreasonable Wear and Tear

The Sellers maintain that there has been no unreasonable wear and tear between the date of the APA and the date of this letter justifying any abatement to the Purchase Price. Since May 31, 2020, which is the effective date of an appraisal conducted by Rouse for the Sellers, the Sellers' usage of the Purchased Assets has in fact been significantly lower than its past practice. The Sellers are fully prepared to adduce evidence to support this decline in use. As such, there is no basis to suggest that any unreasonable wear and tear occurred to the Purchased Assets since May 31, 2020. Moreover, the Seller has regularly maintained the Purchased Assets and completed any necessary repairs on any Purchased Asset that was damaged following the execution of the APA.

Had the Buyer complied with Section 2.4 and 4.1 of the APA and, on its behalf and at its expense, obtained an appraisal at the appropriate time (no more than one week before the Closing Date), it would be clearly evident that any diminution in value as a result of damage to the Purchased Assets had been repaired by the Sellers and there has been no unreasonable wear and tear.



The Buyer was Aware of the Sellers' Usage of Purchased Assets

The Sellers maintain that the Buyer had at all material times, including at the time the Buyer submitted its offer, been aware that the Sellers' use of the Purchased Assets was generally higher than what was observed in the market. Wolverine confirmed its awareness of this fact on our conference call held September 23, 2020 which is referenced in your letter. The only change has been a significant reduction in use and less wear and tear, not more.

There is simply no justification for a reduction of the Purchase Price for damage or depreciation under Section 2.4. In addition, the Buyer's failure to comply with these provisions negates its ability to seek a reduction of the Purchase Price as a result.

The Sellers are Prepared to Close

The Sellers reiterate that they remain ready, willing and able to close the transaction contemplated by the APA on the Closing Date, being September 30, 2020. The Sellers expect the Buyer to abide by its obligations under the APA and pay the balance of the Purchase Price (CAD \$30.2 million) without any reduction thereof on the Closing Date.

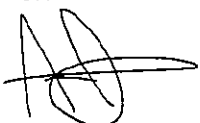
If the Buyer fails to pay the full purchase price on the Closing Date, the Sellers will take the position that the Buyer has breached the terms of the APA and the Sellers will pursue their remedies against the Buyer under the APA, including, without limitation, forfeiture of the Deposit.

The Sellers are supported in their position by the Sellers' senior secured lending syndicate. We trust the foregoing is satisfactory.

Yours truly,

MILLER THOMSON LLP

Per:



Asim Iqbal
MDS

cc: Anthony Tillman, Alvarez & Marsal Canada Inc.
Howard Gorman, Norton Rose Fulbright Canada LLP



Sabina Mancilla

From: Iqbal, Asim <aiqbal@millerthomson.com>
Sent: September-30-20 10:18 AM
To: Darren Reed
Cc: Reeson, Rick; Anthony Tillman (atillman@alvarezandmarsal.com); Q. C Howard Gorman (howard.gorman@nortonrosefulbright.com)
Subject: [EXT] Letter to Wolverine - Sept 30 2020 [MTDMS-Legal.FID7072597]
Attachments: 49332159_1_With Prejudice Letter to Wolverine - Sept 30 2020 .PDF

Mr. Reed:

Please find attached correspondence of today's date.


Asim

ASIM IQBAL Associate

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Toronto, Ontario M5H 3S1
Direct Line: +1 416.597.6008
Fax: +1 416.595.8695
Email: aiqbal@millerthomson.com
millerthomson.com



MILLER THOMSON
AVOCATS | LAWYERS

This is Exhibit " D " referred to in the
Affidavit of
Sabina Mancilla
Sworn before me this 6th day
of October A.D. 2020

A Notary Public, A Commissioner for Oaths
In and for the Province of Alberta

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September 30, 2020

WITH PREJUDICE

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Sent Via Email – dreed@fasken.com

Fasken Martineau DuMoulin LLP
350 7th Avenue SW, Suite 3400
Calgary, AB
T3P 3N9

Attention: Darren J. Reed

Asim Iqbal
Direct Line: 416.597.6008
Direct Fax: 416.595.8695
aiqbal@millerthomson.com

Dear Mr. Reed:

Re: In the Matter of the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as Amended

And in the Matter of the Compromise or Arrangement of ENTREC Corporation, Capstan Hauling Ltd., ENTREC Alberta Ltd., ENT Capital Corp., ENTREC Cranes & Heavy Haul Inc., ENTREC Holdings Inc., ENT Oilfield Group Ltd., and ENTREC Services Ltd.

Purchase of certain assets of ENTREC Corporation, ENTREC Cranes & Heavy Haul Inc., ENTREC Holdings Inc., and ENT Capital Corp. (collectively, the "Sellers") by Wolverine Energy and Infrastructure Inc. (the "Buyer"), pursuant to the Asset Purchase Agreement dated August 24, 2020 (as amended, the "APA")

We are in receipt of your letter dated September 30, 2020. We disagree with the position taken by the Buyer that the alleged "Field Exam" (as defined in your letter) complies with Section 2.4 and 4.1 of the APA.

Proposed Resolution to Address Dispute

In light of the dispute between the Sellers and the Buyer regarding the applicability of Section 2.4 and 4.1 of the APA in respect of an abatement of the Purchase Price (the "**Dispute**"), and in order to close the transaction today, the Sellers propose the following:

1. On the Closing Date, the Buyer will pay to the Monitor the full balance of the purchase price without reduction (*i.e.*, CAD \$30.2 million) (the "**Cash to Close**").

2. The Monitor will hold the disputed amount from the Cash to Close, being the amount of CAD\$2,300,000 (the "**Disputed Amount**") in trust pending a settlement between the parties or a final judicial determination of the Dispute.
3. Should resolution of the Dispute require a final judicial determination, the parties will work together in good faith to establish a mutually agreeable dispute resolution protocol, failing which such dispute resolution protocol shall be determined by the court.
4. The Monitor shall distribute the Disputed Amount in accordance with the terms of a settlement entered into between the Buyer and the Sellers or a final Order of the court. For clarity, any settlement of the Dispute shall be subject to the approval of the Monitor and the Syndicate.
5. The Cash to Close plus the Deposit less the Disputed Amount shall be forthwith payable to the Syndicate in accordance with the Distribution and Sealing Order made by the Alberta Court of Queen's Bench dated August 31, 2020 in the Sellers' CCAA Proceeding.

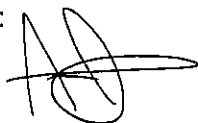
Alvarez & Marsal Canada Inc., the Court-appointed Monitor in the Sellers' CCAA proceeding, supports the closing of the transaction for the full purchase price and is prepared to hold the Disputed Amount in trust if necessary pending resolution of the Dispute.

Given that the Closing Date is today, may we please hear from you as soon as possible today on the Sellers' proposed process to close today and to establish a protocol to resolve the Dispute consensually or by final judicial determination.

Yours truly,

MILLER THOMSON LLP

Per:



Asim Iqbal
MDS

cc: Anthony Tillman, Alvarez & Marsal Canada Inc.
Howard Gorman, Norton Rose Fulbright Canada LLP



Sabina Mancilla

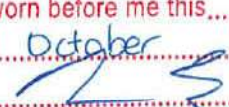
From: Darren Reed
Sent: September-30-20 12:49 PM
To: aiqbal@millerthomson.com; jbreannan@nerlandlindsey.com;
howard.gorman@nortonrosefulbright.com; louis.strubeck@nortonrosefulbright.com
Cc: tmartin@alvarezandmarsal.com; atillman@alvarezandmarsal.com;
TadDavidson@huntonak.com; jvandenbergh@entrec.com
Subject: Time Sensitive Correspondence - Notice of Termination Pursuant to Asset Purchase Agreement between Wolverine and ENT Capital Corp. et al
Attachments: 94651926_v(1)_Notice Letter September 30 2020 (4).pdf; 94651980_v(3)_Notice Letter Pursuant to APA, September 29, 2020.PDF
Importance: High

Please see the attached correspondence, with enclosure.

 Darren J. Reed
PARTNER

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This is Exhibit " E " referred to in the
Affidavit of
Sabina Mancilla
Sworn before me this 6th day
of October A.D. 2020

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September 30, 2020
File No.: 316625.00009/22183

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Via Email

ENTREC CORPORATION
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E-mail: jvandenberg@entrec.com

ALVAREZ & MARSAL CANADA INC.
400 Burrard Street, Unit 1680
Vancouver, BC V63 3A6
Attention: Todd Martin and Anthony Tillman
Email: tmartin@alvarezandmarsal.com;
atillman@alvarezandmarsal.com

Dear Sirs:

Re: Formal Notice of Termination Pursuant to Clause 3.4 of the Asset Purchase Agreement between ENTREC Corporation, ENTREC Cranes & Heavy Haul Inc., ENTREC Holdings Inc., and ENT Oilfield Group Ltd. and Wolverine Energy and Infrastructure Inc., dated August 24, 2020, as amended.

Introduction

As previously noted in our Notice Letter Pursuant to Clause 2.4 of the APA dated September 29, 2020 ("**2.4 Notice Letter**") a copy of which is enclosed with the email in which this letter is sent, we are counsel to Wolverine Energy and Infrastructure Inc. ("**Wolverine**"). Terms capitalized herein and not otherwise defined have the meaning ascribed to them in the 2.4 Notice Letter, Letter or the APA, as applicable. This letter is addressed to you, with a copy to your respective counsel, as required by Clause 10.4 of the APA, as it is a Notice under that agreement.

In response to Mr. Iqbal's letter of September 30, 2020 ("**Notice Response**"), it is clear that Entrec will not honour its obligations under the APA, and in particular, clause 2.4 thereof. It is also patently clear that the APA does not provide Entrec with the ability to disagree with Wolverine's Field Exam. The APA does not define what constitutes such an investigation, other than having a purpose of, "confirming the existence and condition of the Purchased Assets". Wolverine's field exam has complied with all requirements of Clauses 2.4 and 4.1 and the APA generally, and the process that is explicitly required to be followed by Entrec is set out in Clause 2.4, as indicated in the 2.4 Notice Letter. Wolverine has provided Entrec with multiple opportunities to resolve this matter, including its willingness to consider an extension of the Closing Date of the APA.



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Notice of Termination Pursuant to Clause 3.4 of the APA

Entrec has not sought an extension to the Closing Date from Wolverine, and has not otherwise complied with its obligations under Clause 2.4 to permit the APA to close on the Closing Date, and has in fact made it clear it does not intend to do so. Entrec is in breach of the APA. Wolverine hereby terminates the APA effective immediately under clause 3.4(b) and (c) of the APA for failure to comply with Clause 7.2(a) due to its failure to comply with Clause 2.4. Wolverine requires the immediate return of the Deposit Amount pursuant to Clause 2.3(b)(i)(C) of the APA.

Wolverine reserves all of its rights at law, in equity, and under the APA, to pursue Entrec for any and all recoverable loss and damage arising from Entrec's breach of the APA and its termination, and will immediately move to commence proceedings should the Deposit Amount not be returned by close of business tomorrow, October 1, 2020.

Yours truly,

FASKEN MARTINEAU DuMOULIN LLP



Darren J. Reed

DR/sc

Cc: Joe Brennan	jbrennan@nerlandlindsey.com
Timothy A. Davidson II	TadDavidson@huntonak.com
Howard Gorman	howard.gorman@nortonrosefulbright.com
Louis Strubeck	louis.strubeck@nortonrosefulbright.com

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fasken.com

September 29, 2020
File No.: 316625.00009/22183

Darren J. Reed
Direct +1 403 261 6152
Facsimile 1 403 261 5351
dreed@fasken.com

Via Email

ENTREC CORPORATION
#201, 1 Carswell Street
St. Albert, AB T8N 7N5
Attention: Jason Vandenberg, CFO
E-mail: jvandenberg@entrec.com

ALVAREZ & MARSAL CANADA INC.
400 Burrard Street, Unit 1680
Vancouver, BC V6J 3A6
Attention: Todd Martin and Anthony Tillman
Email: tmartin@alvarezandmarsal.com;
atillman@alvarezandmarsal.com

Dear Sirs:

Re: Formal Notice of Election Pursuant to Clause 2.4 of the Asset Purchase Agreement between ENTREC Corporation, ENTREC Cranes & Heavy Haul Inc., ENTREC Holdings Inc., and ENT Oilfield Group Ltd. and Wolverine Energy and Infrastructure Inc., dated August 24, 2020, as amended.

Introduction

As previously noted in our letter of September 28, 2020 to Mr. Brennan (copy attached to the email in which this letter is sent) ("**Letter**"), we are counsel to Wolverine Energy and Infrastructure Inc. ("**Wolverine**"). Terms capitalized herein and not otherwise defined have the meaning ascribed to them in the Letter or the APA, as applicable. This letter is addressed to you, with a copy to your respective counsel, as required by Clause 10.4 of the APA, as it is a Notice under that agreement.

We also write in response to the letter of Mr. Iqbal on behalf of Entrec (as defined in the Letter), dated September 29, 2020 and marked "With Prejudice" (copy also attached to the email in which this letter is sent) (the "**Response**"). All communications, unless otherwise stipulated or protected by privilege, are of course "with prejudice" as between the parties.

We take it from the Response that Wolverine's "intended path forward" set out in the Letter has been rejected by Entrec. As a result, Wolverine relies on the APA and its terms, and expects Entrec to comply with its contractual obligations under the APA, as articulated in this Notice Letter.

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Response to “Clarity on Requested Abatement”/Reliance on Rouse Appraisal

Notwithstanding the views articulated in the Response, Wolverine has been conducting its own investigation/field exam in accordance with Clauses 2.4 and 4.1 of the APA in order to confirm the existence, and condition, of the Purchased Assets (“**Field Exam**”).

The information obtained by Great Rock from Rouse, as outlined in the Letter, did form the basis of the discussions set out in the Conference Call and certainly assisted Wolverine in conducting its Field Exam. However, Wolverine relies upon the results of the Field Exam under Clause 4.1, not the information obtained by Great Rock from Rouse. This information simply brought to light areas which have subsequently been investigated by Wolverine, in very short order, as required by the APA, through the Field Exam.

Wolverine has, effective today, completed the Field Exam. Wolverine has thus completed the Field Exam “no more than one week before the Closing Date”. As such, Wolverine is, and has always been, operating within its contractual rights.

The Field Exam results show that there has been damage and unreasonable wear and tear to the Purchased Assets in an amount of \$2,300,000 CAD, when compared to the “most recently updated appraisal of the Purchased Assets”, being the report of Rouse obtained by Entrec dated July 31, 2020.

Notice of Election Pursuant to Clause 2.4 of the APA, Obligations of Entrec, Offer of Extension to Closing Date

As a result of the above, pursuant to Clause 2.4, Wolverine, on or before the Closing Date can make an election. Wolverine hereby elects to trigger clause 2.4(ii) of the APA, and this is Entrec’s notice thereof.

As a result of this election, as noted in the Response, the Seller (Entrec) is now required to retain and obtain an estimate of an “independent qualified mechanic, architect, equipment appraiser, or engineer to determine the “cost required to complete the repair and/or any depreciations in value as a result of unreasonable wear and tear”.

Unfortunately, the APA is silent on the time in which Entrec must undertake this task, and Wolverine is afforded until on or before the Closing Date to make its election. If Entrec requires an extension to the Closing Date to undertake their mandatory duty under Clause 2.4, Wolverine is happy to consider that request as it is a reasonable one, to give effect to Entrec’s obligations under the APA.

If Entrec does not seek an extension to the Closing Date from Wolverine, and does not otherwise comply with its obligations under Clause 2.4 to permit the APA to close on the Closing Date, then Entrec is in breach of the APA, and Wolverine will proceed to terminate the APA under clause 3.4(b)/(c) of the APA for failure to comply with Clause 7.2(a) and seek the immediate return of the Deposit Amount, and consider all paths available to recover loss or damage suffered as a result of such breach.



FASKEN

Response to Entrec's Views on Damage and Unreasonable Wear and Tear

Entrec, in the Response, focuses on "unreasonable wear and tear".

Entrec's position on this issue is entirely irrelevant. The purpose of Entrec's obligation to obtain an estimate of an "independent qualified mechanic, architect, equipment appraiser, or engineer to determine the "cost required to complete the repair and/or any depreciations in value as a result of unreasonable wear and tear" is to independently verify the Field Exam and the results thereof, which (assuming it is done in compliance with the APA) Wolverine must accept and complete the transaction on the basis of the Purchase Price as adjusted pursuant to that independent investigation. This is a built in determination mechanism to avoid disputes like the one Entrec is trying to create. This is borne out on a plain reading of Clause 2.4.

In any event, there is clear unreasonable wear and tear documented in the Field Exam, and in addition, damage, to the Purchased Assets. Wolverine is happy to share this information with Entrec as a part of the discharge of Entrec's obligations of independent review under Clause 2.4.

The Closing Cannot Proceed Unless Entrec Performs Its Obligations Under the APA

The Response misses the mark. Entrec cannot close the APA as it has not completed its obligations thereunder, and in the circumstances, cannot demand that Wolverine close the APA.

Wolverine has now, in this letter, made its election under Clause 2.4 of the APA. The transaction contemplated under the APA can only close if, and only if, Entrec undertakes to engage the independent estimation required under Clause 2.4 to determine the adjustment to the Purchase Price that Wolverine must accept, provided that Entrec's adjustment is made in accordance with Clause 2.4 and is made by a party that is truly independent.

Until Entrec undertakes this work, the APA cannot close. If Entrec does not undertake this work, it is in breach of the APA and Wolverine is entitled to, and will, terminate the APA.

As indicated above, Wolverine is sympathetic to the timing that Entrec has, and will contemplate a reasonable extension to the closing date at Entrec's request.

We look forward to hearing from you.

[remainder of page left blank]



FASKEN

Yours truly,

FASKEN MARTINEAU DuMOULIN LLP



Darren J. Reed

DR/sc

Cc: Joe Brennan	jbrennan@nerlandlindsey.com
Timothy A. Davidson II	TadDavidson@huntonak.com
Howard Gorman	howard.gorman@nortonrosefulbright.com
Louis Strubeck	louis.strubeck@nortonrosefulbright.com



Sabina Mancilla

From: Iqbal, Asim <aiqbal@millerthomson.com>
Sent: September-30-20 4:25 PM
To: Darren Reed; jbreannan@nerlandlindsey.com;
howard.gorman@nortonrosefulbright.com; louis.strubeck@nortonrosefulbright.com
Cc: tmartin@alvarezandmarsal.com; atillman@alvarezandmarsal.com;
TadDavidson@huntonak.com; jvandenberga@entrec.com
Subject: [EXT] RE: Time Sensitive Correspondence - Notice of Termination Pursuant to Asset Purchase Agreement between Wolverine and ENT Capital Corp. et al
Attachments: 49355722_1_Letter to Wolverine re Response to Termination Letter - Sept 30 2020 .PDF


Mr. Reed:

Please find attached correspondence of today's date.

Asim

ASIM IQBAL Associate

Miller Thomson LLP
Scotia Plaza
40 King Street West, Suite 5800
P.O. Box 1011
Toronto, Ontario M5H 3S1
Direct Line: +1 416.597.6008
Fax: +1 416.595.8695
Email: aiqbal@millerthomson.com
millerthomson.com

This is Exhibit " F " referred to in the
Affidavit of
Sabina Mancilla
Sworn before me this 6th day
of October A.D. 2020

A Notary Public, A Commissioner for Oaths
In and for the Province of Alberta



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From: Darren Reed <dreed@fasken.com>
Sent: Wednesday, September 30, 2020 2:49 PM
To: Iqbal, Asim <aiqbal@millerthomson.com>; jbreannan@nerlandlindsey.com;
howard.gorman@nortonrosefulbright.com; louis.strubeck@nortonrosefulbright.com
Cc: tmartin@alvarezandmarsal.com; atillman@alvarezandmarsal.com; TadDavidson@huntonak.com;
jvandenberga@entrec.com
Subject: **[**EXT**]** Time Sensitive Correspondence - Notice of Termination Pursuant to Asset Purchase Agreement between Wolverine and ENT Capital Corp. et al
Importance: High

Please see the attached correspondence, with enclosure.

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dreed@fasken.com | www.fasken.com/en/Darren-Reed
350 7th Avenue SW, Suite 3400, Calgary, Alberta T2P 3N9

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September 30, 2020

WITH PREJUDICE

Private and Confidential

Sent Via Email – dreed@fasken.com

Fasken Martineau DuMoulin LLP
350 7th Avenue SW, Suite 3400
Calgary, AB
T3P 3N9

Attention: Darren J. Reed

Asim Iqbal
Direct Line: 416.597.6008
Direct Fax: 416.595.8695
aiqbal@millerthomson.com

Dear Mr. Reed:

Re: In the Matter of the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as Amended

And in the Matter of the Compromise or Arrangement of ENTREC Corporation, Capstan Hauling Ltd., ENTREC Alberta Ltd., ENT Capital Corp., ENTREC Cranes & Heavy Haul Inc., ENTREC Holdings Inc., ENT Oilfield Group Ltd., and ENTREC Services Ltd.

Purchase of certain assets of ENTREC Corporation, ENTREC Cranes & Heavy Haul Inc., ENTREC Holdings Inc., and ENT Capital Corp. (collectively, the "Sellers") by Wolverine Energy and Infrastructure Inc. (the "Buyer"), pursuant to the Asset Purchase Agreement dated August 24, 2020 (as amended, the "APA")

We are in receipt of your letter dated September 30, 2020 purporting to terminate the APA.

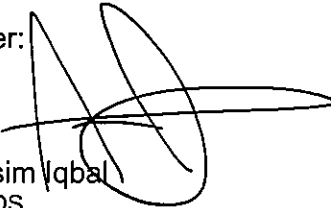
The Sellers dispute the Buyer's assertion that the Sellers have not complied with Section 2.4 of the APA. The Sellers do not have any obligation under Section 2.4 of the APA until the Buyer has complied with Sections 4.1 and 2.4 of the APA. The Buyer has not. Accordingly, the Sellers dispute the Buyer's right to terminate the APA pursuant to Sections 3.4(b) and (c) of the APA.

As set out in our letter to you yesterday, the Sellers maintain that the Sellers (i) have complied with the terms of the APA; (ii) are ready, willing and able to close today as contemplated in the APA; and (iii) expected the Buyer to perform all of its agreements and covenants contained in the APA today (including paying the balance of the cash to close being \$30.2 million), which the Buyer failed to do.

The Sellers reserve all rights and remedies under the APA, at law or in equity.

Yours truly,

MILLER THOMSON LLP

Per: 

Asim Iqbal
MDS

cc: Anthony Tillman, Alvarez & Marsal Canada Inc.
Howard Gorman, Norton Rose Fulbright Canada LLP



Sabina Mancilla

From: Iqbal, Asim <aiqbal@millerthomson.com>
Sent: October-01-20 3:16 PM
To: jsmith@wnrgi.com
Cc: Reeson, Rick; Anthony Tillman (atillman@alvarezandmarsal.com); Q. C Howard Gorman (howard.gorman@nortonrosefulbright.com); Joe Brennan; Darren Reed
Subject: [EXT] In re ENTREC Corporation - Asset Purchase Agreement between ENTREC Corporation and certain of its subsidiaries and Wolverine Energy and Infrastructure Inc.
Attachments: Letter of 10 1 20.pdf

Mr. Smith (cc: Darren Reed):

Please find attached correspondence of today's date.

Asim

ASIM IQBAL Associate

Miller Thomson LLP
Scotia Plaza
40 King Street West, Suite 5800
P.O. Box 1011
Toronto, Ontario M5H 3S1
Direct Line: +1 416.597.6008
Fax: +1 416.595.8695
Email: aiqbal@millerthomson.com
millerthomson.com



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AVOCATS | LAWYERS

This is Exhibit " G " referred to in the
Affidavit of
Sabina Mancilla
Sworn before me this 6th day
of October, A.D. 2020
[Signature]
A Notary Public, A Commissioner for Oaths
In and for the Province of Alberta

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October 1, 2020

Private and Confidential

Sent Via Email – jsmith@wnrgi.com

Wolverine Energy and Infrastructure Inc.
Nisku, Alberta
T9E 0R3

Attention: John Paul Smith

Dear Mr. Smith:

Re: In the Matter of the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as Amended

And in the Matter of the Compromise or Arrangement of ENTREC Corporation, Capstan Hauling Ltd., ENTREC Alberta Ltd., ENT Capital Corp., ENTREC Cranes & Heavy Haul Inc., ENTREC Holdings Inc., ENT Oilfield Group Ltd., and ENTREC Services Ltd. (collectively, the "Applicants")

Purchase of certain assets of ENTREC Corporation, ENTREC Cranes & Heavy Haul Inc., ENTREC Holdings Inc., and ENT Capital Corp. (collectively, the "Sellers") by Wolverine Energy and Infrastructure Inc. (the "Buyer"), pursuant to the Asset Purchase Agreement dated August 24, 2020 (as amended, the "APA")

Unless otherwise stated (i) capitalized terms used but not defined herein are given the meaning ascribed to such terms in the APA, and (ii) section references in this letter refer to sections of the APA.

This notice is being delivered pursuant to Section 3.5(a) of the APA.

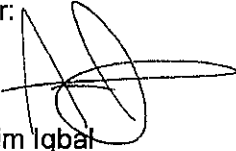
The Buyer has breached the APA. The Buyer has defaulted under the APA by failing to deliver to Sellers at or prior to Closing all of the items set forth in Section 3.3, including, among other things, the Purchase Price less the Deposit Amount by wire transfer of immediately available funds. As a result, the Buyer has failed to satisfy the conditions set forth in Sections 7.1(b) and 7.1(c). Pursuant to Section 3.4(b), Sellers hereby terminate the APA.

The Sellers reserve all of their rights under the APA, at law or in equity.

Yours truly,

MILLER THOMSON LLP

Per:



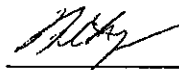
Asim Iqbal
MDS

cc: Anthony Tillman, Alvarez & Marsal Canada Inc.
Howard Gorman, Norton Rose Fulbright Canada LLP

Consent:

**ALVAREZ & MARSAL CANADA INC.
SOLELY IN ITS CAPACITY AS COURT-
APPOINTED MONITOR OF THE
APPLICANTS**

By:



Name, Title

Anthony Tillman, Senior Vice President



Sabina Mancilla

From: Darren Reed
Sent: October-03-20 10:43 AM
To: aiqbal@millerthomson.com; jbreannan@nerlandlindsey.com; howard.gorman@nortonrosefulbright.com; louis.strubeck@nortonrosefulbright.com
Cc: tmartin@alvarezandmarsal.com; atillman@alvarezandmarsal.com; TadDavidson@huntonak.com; jvandenbergh@entrec.com
Subject: Response to Purported Termination Letter of October 1, 2020 - Asset Purchase Agreement between ENTREC Corporation and certain of its subsidiaries and Wolverine Energy and Infrastructure Inc.
Attachments: October 3, 2020 Letter Response to Purported Termination.pdf


Please see the attached correspondence.

Best regards,

 Darren J. Reed
PARTNER

FASKEN

Fasken Martineau DuMoulin LLP
T. +1 403 261 6152 | F. 1 403 261 5351
dreed@fasken.com | www.fasken.com/en/Darren-Reed
350 7th Avenue SW, Suite 3400, Calgary, Alberta T2P 3N9

This is Exhibit "H" referred to in the
Affidavit of
Sabina Mancilla
Sworn before me this 6th day
of October A.D. 2020

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October 3, 2020
File No.: 316625.00009/22183

Darren J. Reed
Direct +1 403 261 6152
Facsimile 1 403 261 5351
dreed@fasken.com

Via Email

ENTREC CORPORATION
#201, 1 Carswell Street
St. Albert, AB T8N 7N5
Attention: Jason Vandenberg, CFO
E-mail: jvandenberg@entrec.com

ALVAREZ & MARSAL CANADA INC.
400 Burrard Street, Unit 1680
Vancouver, BC V63 3A6
Attention: Todd Martin and Anthony Tillman
Email: tmartin@alvarezandmarsal.com;
atillman@alvarezandmarsal.com

Dear Sirs:

Re: Proposed Notice of Termination Pursuant to Clause 3.4 of the Asset Purchase Agreement between ENTREC Corporation, ENTREC Cranes & Heavy Haul Inc., ENTREC Holdings Inc., and ENT Oilfield Group Ltd. and Wolverine Energy and Infrastructure Inc., dated August 24, 2020, as amended.

As previously noted in our Notice Letters Pursuant to Clauses 2.4 and 3.4 of the APA dated September 29, 2020 (“**2.4 Notice Letter**” and “**Termination Letter**”) we are counsel to Wolverine Energy and Infrastructure Inc. (“**Wolverine**”). Terms capitalized herein and not otherwise defined have the meaning ascribed to them in the 2.4 Notice Letter, the Termination Letter or the APA, as applicable. This letter is addressed to you, with a copy to your respective counsel, as required by Clause 10.4 of the APA, as it is a response to Mr. Asim Iqbal’s letter of September 30, 2020 in response to the Termination Letter, and a response to the purported Notice of Termination under that agreement sent by Mr. Iqbal on October 1, 2020.

Wolverine states that Entrec cannot terminate the APA, as it was already terminated in accordance with its terms on September 30, 2020 in the Termination Letter. As such, Entrec’s purported termination is ineffective.

To respond to Mr. Iqbal’s September 30, 2020 letter:

1. Entrec has and had no ability to challenge the Field Exam conducted by Wolverine, save following the very clear procedure set out in clause 2.4 of the APA. In breach of its contractual obligations, Entrec instead chose to disregard Wolverine’s contractual rights and make a formal demand that would have resulted in a waiver of Wolverine’s

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contractual rights and a proposed a closing of the transaction not contemplated by the terms of the APA, in further breach of the APA; and

2. At all material times Wolverine was ready, willing and able to close the transaction contemplated by the APA if its contractual rights and Entrec's contractual obligations were honored. They were not, and as a result Wolverine validly terminated the APA in its letter to Entrec of September 30, 2020.


To respond to Entrec's purported termination letter of October 1, 2020:

1. Entrec's attempt to terminate the APA is ineffective, the APA was already validly terminated by Wolverine on September 30, 2020 due to Entrec's conscious breach of the APA through Entrec's denial of Wolverine's contractual rights and failure to adhere to its own obligations, while attempting to impose an extra contractual closing on Wolverine; and
2. Wolverine denies that it breached the APA at any time, and observes that Entrec is in further breach of the APA for failing to return the Deposit Amount as requested by Wolverine in the Termination Letter.

As previously indicated Wolverine reserves all of its rights at law, equity under statute or the APA, Entrec should expect proceedings to be commenced forthwith to pursue this matter.

Yours truly,

FASKEN MARTINEAU DuMOULIN LLP



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