

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. These securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), or any state securities laws and may not be offered or sold, directly or indirectly, in the United States except pursuant to an exemption from the registration requirements of the U.S. Securities Act and applicable state securities laws. This short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby within the United States. See "Plan of Distribution".

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Chief Financial Officer and Corporate Secretary of Pinnacle Renewable Holdings Inc. at Suite 350, 3600 Lysander Lane, Richmond, British Columbia, V7B 1C3, telephone (604) 270-9613 and are also available electronically at [www.sedar.com](http://www.sedar.com).

## SHORT FORM PROSPECTUS

Secondary Offering

June 19, 2018



### PINNACLE RENEWABLE HOLDINGS INC.

**\$50,050,000**

**3,640,000 Common Shares**

This short form prospectus qualifies the distribution (the "Offering") of an aggregate of 3,640,000 common shares (the "Common Shares") of Pinnacle Renewable Holdings Inc. (the "Company", "Pinnacle", "we", "us" or "our") by ONCAP II L.P., ONCAP (US) II L.P., ONCAP (US) II-A L.P., Onex Parallel Investment (ONCAP) L.P. and Biomass EI Ltd. (collectively, the "ONCAP Entities"), Rob Swaan Holdings Inc. ("RSHI") and Jim Swaan Holdings Inc. ("JSHI", and together with the ONCAP Entities and RSHI, the "Selling Shareholders") at a price of \$13.75 per Common Share (the "Offering Price"). **We will not receive any of the proceeds from the Offering.** See "Plan of Distribution" and "Selling Shareholders".

The ONCAP Entities, collectively, currently own or control (directly or indirectly) 14,112,787 Common Shares, representing approximately 42.8% of our issued and outstanding Common Shares. Upon completion of the Offering, the ONCAP Entities, collectively, will own or control (directly or indirectly) approximately 33.1% of the issued and outstanding Common Shares (or approximately 31.6% if the Over-Allotment Option (as defined herein) is exercised in full). As a result, the ONCAP Entities will continue to have significant influence over us and our affairs.

RSHI and JSHI currently own or control (directly or indirectly) 947,799 Common Shares and 947,799 Common Shares, respectively, representing approximately 2.9% and 2.9%, respectively, of our issued and outstanding Common Shares. Upon completion of the Offering, RSHI and JSHI will own or control (directly or indirectly) approximately 2.2% and 2.2%, respectively, of the issued and outstanding Common Shares (or approximately 2.1% and 2.1%, respectively, if the Over-Allotment Option is exercised in full).

The issued and outstanding Common Shares are listed and posted for trading on the Toronto Stock Exchange (the "TSX") under the trading symbol "PL". The closing price of the Common Shares on the TSX on June 6, 2018, the date of the announcement of the Offering, was \$14.09 per Common Share.

CIBC World Markets Inc. ("CIBC") and RBC Dominion Securities Inc. ("RBC"), as co-leads, together with Scotia Capital Inc. ("Scotiabank"), BMO Nesbitt Burns Inc. ("BMO", and together with CIBC, RBC and Scotiabank, the "Joint Bookrunners"), and National Bank Financial Inc. ("National Bank"), GMP Securities L.P., Raymond James Ltd. and HSBC Securities (Canada) Inc. ("HSBC") (collectively, the "Underwriters"), as principals, have agreed to purchase the Common Shares qualified under this short form prospectus from the Selling Shareholders subject to the terms and conditions set forth in an underwriting agreement dated June 12, 2018 among us, the Selling Shareholders and the Underwriters (the "Underwriting Agreement") referred to under "Plan of Distribution". Subject to applicable laws and in connection with the Offering, the Underwriters may effect transactions that stabilize or maintain the market price of the Common Shares at levels other than those which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time. See "Plan of Distribution".

**Price: \$13.75 per Common Share**

	<b>Price to the Public<sup>(1)</sup></b>	<b>Underwriters' Fee</b>	<b>Net Proceeds to the Selling Shareholders<sup>(2)(3)</sup></b>
Per Common Share .....	\$13.75	\$0.55	\$13.20
Total Offering <sup>(4)</sup> .....	\$50,050,000	\$2,002,000	\$48,048,000

- (1) The Offering Price was determined by negotiation between the Selling Shareholders and CIBC and RBC, as representatives of the Underwriters, with reference to the market price of the Common Shares and other applicable factors.
- (2) After deducting the aggregate Underwriters' fee payable by the Selling Shareholders.
- (3) Each of the Selling Shareholders will be responsible for the payment of the Underwriters' fee and applicable transfer taxes, if any, payable in respect of the Common Shares sold by such Selling Shareholder. All other expenses of the Offering (other than all out-of-pocket expenses incurred by the Underwriters and all legal fees and disbursements of counsel to the Underwriters, which will be borne by the Underwriters except in certain circumstances), estimated at \$335,000, will be paid by us pursuant to the terms of the registration rights agreement made as of February 6, 2018 between us, the Selling Shareholders and Beckman Holdings Inc. (the "**Registration Rights Agreement**") and the Underwriting Agreement. See "Proceeds to the Selling Shareholders".
- (4) The Selling Shareholders have granted the Underwriters an option (the "**Over-Allotment Option**"), exercisable, in whole or in part, at the sole discretion of the Underwriters, at any time for a period of 30 days from the Closing (as defined herein), to purchase from the Selling Shareholders up to an aggregate of 546,000 additional Common Shares (representing 15% of the Common Shares offered hereunder), of which up to 481,346 Common Shares, 32,327 Common Shares and 32,327 Common Shares would be purchased from the ONCAP Entities, RSHI and JSHI, respectively, on the same terms as set out above solely to cover over-allotments, if any, and for market stabilization purposes. The amounts included in the table assume no exercise of the Over-Allotment Option. If the Over-Allotment Option is exercised in full, the total "Price to the Public", "Underwriters' Fee" and "Net Proceeds to the Selling Shareholders" will be \$57,557,500, \$2,302,300 and \$55,255,200, respectively. This short form prospectus qualifies both the grant of the Over-Allotment Option and the distribution of the Common Shares upon exercise of the Over-Allotment Option. A purchaser who acquires Common Shares forming part of the Underwriters' over-allocation position acquires such Common Shares under this short form prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over Allotment Option or secondary market purchases. See "Plan of Distribution" and "Selling Shareholders".

The following table sets out the number of Common Shares that may be sold by the Selling Shareholders to the Underwriters pursuant to the Over-Allotment Option:

<b>Underwriters' Position</b>	<b>Maximum Size or Number of Securities Available</b>	<b>Exercise Period</b>	<b>Exercise Price</b>
Over-Allotment Option	546,000 Common Shares	For a period of 30 days after the Closing	\$13.75 per Common Share

**An investment in the Common Shares is subject to a number of risks that should be considered by a prospective investor. Prospective investors should carefully consider the risk factors described under "Risk Factors" before purchasing the Common Shares.**

The Underwriters, as principals, conditionally offer the Common Shares, subject to prior sale, if, as and when sold and delivered by the Selling Shareholders and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under "Plan of Distribution" and subject to the approval of certain legal matters on our behalf by McCarthy Tétrault LLP and on behalf of the Underwriters by Stikeman Elliott LLP. **The Underwriters may offer the Common Shares at a lower price than that stated above. See "Plan of Distribution".**

Subscriptions will be received subject to rejection or allotment, in whole or in part, and the Underwriters reserve the right to close the subscription books at any time without notice. It is expected that the closing of the Offering (the "**Closing**") will occur on or about June 26, 2018, or such later date as we, the Selling Shareholders and the Underwriters may agree, but in any event not later than July 31, 2018 (the "**Closing Date**"). The Common Shares offered under this short form prospectus will be deposited with CDS Clearing and Depository Services Inc. ("**CDS**") in electronic form on the Closing Date through the non-certificated inventory system administered by CDS. A purchaser of Common Shares pursuant to the Offering will receive only a customer confirmation from the registered dealer from or through which the Common Shares are purchased. See "Plan of Distribution – Non-Certificated Inventory System".

**CIBC, RBC, Scotiabank, BMO, National Bank and HSBC are affiliates of our lenders under the Credit Agreement (as defined herein). Consequently, we may be considered a "connected issuer" of each of CIBC, RBC, Scotiabank, BMO, National Bank and HSBC under applicable securities laws in Canada in connection with the Offering. See "Description of Material Indebtedness" and "Plan of Distribution".**

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## ABOUT THIS PROSPECTUS

An investor should rely only on the information contained in this short form prospectus, including the information incorporated by reference herein, and is not entitled to rely on parts of the information contained in this short form prospectus and incorporated by reference in this short form prospectus to the exclusion of others. Neither we, the Selling Shareholders nor any of the Underwriters have authorized anyone to provide investors with additional or different information. The information contained on [www.pinnaclepellet.com](http://www.pinnaclepellet.com) is not intended to be included in or incorporated by reference into this short form prospectus and prospective investors should not rely on such information when deciding whether or not to invest in the Common Shares. Any graphs, tables or other information demonstrating our historical performance or of any other entity contained in this short form prospectus or the information incorporated by reference herein are intended only to illustrate past performance and are not necessarily indicative of our future performance or that of such other entity. The information contained in this short form prospectus is accurate only as of the date of this short form prospectus or the date indicated, regardless of the time of delivery of this short form prospectus or of any sale of the Common Shares.

The Selling Shareholders and the Underwriters are not offering to sell the Common Shares in any jurisdiction where the offer or sale of such securities is not permitted. For investors outside Canada, neither we, the Selling Shareholders nor any of the Underwriters have done anything that would permit the Offering or possession or distribution of this short form prospectus in any jurisdiction where action for that purpose is required, other than in Canada. Investors are required to inform themselves about, and to observe any restrictions relating to, the Offering and the possession or distribution of this short form prospectus.

## DOCUMENTS INCORPORATED BY REFERENCE

**Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada.** Copies of the documents incorporated by reference herein may be obtained on request without charge from the Chief Financial Officer and Corporate Secretary of Pinnacle Renewable Holdings Inc. at Suite 350, 3600 Lysander Lane, Richmond, British Columbia, V7B 1C3, telephone (604) 270-9613, and are also available electronically on SEDAR at [www.sedar.com](http://www.sedar.com).

The following documents or portions of documents, filed with the various securities commissions or similar authorities in each of the provinces and territories of Canada, are specifically incorporated by reference into and form an integral part of this short form prospectus:

- (a) our audited consolidated financial statements as at and for the years ended December 29, 2017 and December 30, 2016, together with the notes thereto and the independent auditors' report thereon;
- (b) management's discussion and analysis of our financial condition and results of operations for the fiscal year ended December 29, 2017 (the "**Annual MD&A**");
- (c) our unaudited consolidated interim financial statements as at and for the 13-week periods ended March 30, 2018 and March 31, 2017, together with the notes thereto;
- (d) management's discussion and analysis of our financial condition and results of operations for the 13-week period ended March 30, 2018 (the "**Interim MD&A**");
- (e) our annual information form dated March 21, 2018 for the fiscal year ended December 29, 2017 (the "**AIF**");
- (f) our management information circular dated May 15, 2018; and
- (g) the term sheet dated June 6, 2018 in respect of the Offering (the "**Term Sheet**").

Any documents of the type referred to in Item 11.1 of Form 44-101F1 of National Instrument 44-101 – *Short Form Prospectus Distributions* subsequently filed by us with the various securities commissions or similar authorities in Canada after the date of this short form prospectus but prior to the completion or withdrawal of the Offering shall be deemed to be incorporated by reference into this short form prospectus.

**Any statement contained in this short form prospectus or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded, for the purposes of this short form prospectus, to the extent that a statement contained herein or in any other subsequently filed document which also is, or is deemed to be, incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement**

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

#### MEANING OF CERTAIN REFERENCES

Unless otherwise noted or the context otherwise requires, all references in this short form prospectus to the “Company”, “Pinnacle”, “we”, “us” or “our” refer to Pinnacle Renewable Holdings Inc. together with its subsidiaries, on a consolidated basis, as constituted on the date of this short form prospectus.

In this short form prospectus and the documents incorporated by reference herein, references to “\$” are to Canadian dollars and references to “US\$” or “U.S. dollars” are to United States dollars. Amounts are stated in Canadian dollars unless otherwise indicated. Certain totals, subtotals and percentages throughout this short form prospectus may not reconcile due to rounding. Words importing the singular number include the plural, and *vice versa*, and words importing any gender include all genders.

The following financial and technical terms used in this short form prospectus have the following meanings:

“**Contracted Backlog**” means the revenue to be recognized under IFRS under existing executed contracts assuming deliveries occur as specified in the contracts. Contract options and extensions are not included in Contracted Backlog until contractually committed.

“**IFRS**” means International Financial Reporting Standards.

“**Fiscal 2018**” means the 52-week period ending December 28, 2018.

“**Fiscal 2019**” means the 52-week period ending December 31, 2019.

“**MT**” means metric ton, a unit of weight equal to 1,000 kilograms.

“**MTPA**” means metric ton per annum.

#### FORWARD-LOOKING INFORMATION

This short form prospectus contains or incorporates by reference “forward-looking information” within the meaning of applicable securities laws in Canada. Forward-looking information may relate to our future financial outlook and anticipated events or results and may include information regarding our financial position, business strategy, growth strategies, budgets, operations, financial results, taxes, dividend policy, plans and objectives. Particularly, information regarding our expectations of future results, performance, achievements, prospects or opportunities or the markets in which we operate is forward-looking information. In some cases, forward-looking information can be identified by the use of forward-looking terminology such as “plans”, “targets”, “expects” or “does not expect”, “is expected”, “an opportunity exists”, “budget”, “scheduled”, “estimates”, “outlook”, “forecasts”, “projection”, “prospects”, “strategy”, “intends”, “anticipates”, “does not anticipate”, “believes”, or variations of such words and phrases or state that certain actions, events or results “may”, “could”, “would”, “might”, “will”, “will be taken”, “occur” or “be achieved”. In addition, any statements that refer to expectations, intentions, projections or other characterizations of future events or circumstances contain forward-looking information. Statements containing forward-looking information are not historical facts but instead represent management’s expectations, estimates and projections regarding future events or circumstances.

Discussions containing forward-looking information may be found, among other places, under “Our Business”, “Recent Developments”, “Plan of Distribution”, “Proceeds to the Selling Shareholders”, “Selling Shareholders” and “Risk Factors” in this short form prospectus and in the sections “Overview of Our Business”, “Our Industry”, “Risk Factors” and “Dividend Policy” in our AIF, which is incorporated by reference herein.

This forward-looking information includes, among other things, statements relating to:

- the construction of the Smithers Facility (as defined herein);
- commissioning of the Entwistle Facility (as defined herein) and the Smithers Facility;
- the volume of industrial wood pellets that we are able to sell;
- the MTPA of industrial wood pellets to be supplied, and the timing of such supply, under our long-term, take-or-pay contracts; and
- the completion of the Offering.

In addition, our assessments of, and targets for, total metric tons of industrial wood pellets that we expect to sell, taking into account increased production from the Entwistle Facility and the Smithers Facility, are considered forward-looking information. See our Annual MD&A and Interim MD&A for additional information concerning our strategies, assumptions and market outlook in relation to these assessments.

This forward-looking information and other forward-looking information are based on our opinions, estimates and assumptions in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we currently believe are appropriate and reasonable in the circumstances. Despite a careful process to prepare and review the forward-looking information, there can be no assurance that the underlying opinions, estimates and assumptions will prove to be correct. Certain assumptions in respect of our ability to: build our local and international presence; retain key personnel; maintain and expand distribution capabilities; execute on our expansion plans, including with respect to the Entwistle Facility and the Smithers Facility; continue investing in infrastructure to support our growth; obtain and maintain existing financing on acceptable terms; manage currency exchange and interest rates; manage the impact of competition; respond to changes and trends in our industry or the global economy; and adapt to the changes in laws, rules, regulations and global standards that may impact our business are material factors made in preparing forward-looking information and management's expectations.

Forward-looking information is necessarily based on a number of opinions, estimates and assumptions that we consider appropriate and reasonable as of the date such statements are made, are subject to known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information, including, but not limited to, the following risk factors described in greater detail under the section entitled "Risk Factors":

- potential volatility in the market price for Common Shares;
- any issuance of Preferred Shares (as defined herein) could make it difficult for another company to acquire us or could otherwise adversely affect holders of our Common Shares, which could depress the price of our Common Shares;
- our trading price and volume could decline if analysts do not publish research or publish inaccurate or unfavourable research about us or our business;
- financial reporting and other public company requirements; and
- other factors discussed under "Risk Factors" in our AIF.

If any of these risks or uncertainties materialize, or if the opinions, estimates or assumptions underlying the forward-looking information prove incorrect, actual results or future events might vary materially from those anticipated in the forward-looking information. The opinions, estimates or assumptions referred to above and described in greater detail in "Risk Factors" should be considered carefully by readers.

Although we have attempted to identify important risk factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other risk factors not presently known to us or that we presently believe are not material that could also cause actual results or future events to differ materially from those expressed in such forward-looking information. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information, which speaks only as of the date made. The forward-looking information contained in this short form prospectus and in the information incorporated by reference herein represents our expectations as of the date of this short form prospectus

(or as of the date they are otherwise stated to be made) and are subject to change after such date. However, we disclaim any intention or obligation or undertaking to update or revise any forward-looking information whether as a result of new information, future events or otherwise, except as required under applicable securities laws in Canada.

**All of the forward-looking information contained in this short form prospectus and in the information incorporated by reference in this short form prospectus is expressly qualified by the foregoing cautionary statements. Investors should read this entire short form prospectus and consult their own professional advisors to ascertain and assess the income tax, legal, risk factors and other aspects of their investment in the Common Shares.**

#### TRADEMARKS AND TRADENAMES

This short form prospectus and the information incorporated by reference herein include certain trade names and trademarks, such as “Pinnacle Renewable Energy” and “Pinnacle Pellet”, which are protected under applicable intellectual property laws and are our property. Solely for convenience, our trademarks and trade names referred to in this short form prospectus may appear without the ® or ™ symbol, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent possible under applicable law, our rights to these trademarks and trade names.

#### MARKETING MATERIALS

The Term Sheet is not part of this short form prospectus to the extent that the contents of the Term Sheet have been modified or superseded by a statement contained in this short form prospectus. Any “template version” of any “marketing materials” (each as defined in National Instrument 41-101 – *General Prospectus Requirements*) filed by us with the various securities commissions or similar authorities in Canada in connection with the Offering after the date of this short form prospectus, but prior to the completion or withdrawal of the Offering (including any amendments to, or an amended version of, the Term Sheet), is deemed to be incorporated by reference into, and form an integral part of, this short form prospectus.

#### ELIGIBILITY FOR INVESTMENT

Based on the current provisions of the *Income Tax Act* (Canada) and regulations thereunder (the “**Tax Act**”), in the opinion of McCarthy Tétrault LLP, our counsel, and Stikeman Elliott LLP, counsel to the Underwriters, provided that, at all relevant times, the Common Shares are listed on a “designated stock exchange”, as defined in the Tax Act (which currently includes the TSX), the Common Shares acquired pursuant to the Offering on the Closing Date will be, at that time, qualified investments under the Tax Act for a trust governed by a registered retirement savings plan (“**RRSP**”), deferred profit sharing plan, registered retirement income fund (“**RRIF**”), registered education savings plan (“**RESP**”), registered disability savings plan (“**RDSP**”) and a tax-free savings account (“**TFSA**”).

Notwithstanding that Common Shares may be qualified investments for a trust governed by a RRSP, RRIF, TFSA, RDSP or RESP (each a “**Registered Plan**”), the holder of such TFSA or RDSP, the annuitant under such RRSP or RRIF or the subscriber under such RESP, as the case may be, will be subject to a penalty tax in respect of the Common Shares if such Common Shares are a “prohibited investment” and not “excluded property” for the Registered Plan for purposes of the Tax Act. Common Shares will generally be a “prohibited investment” if the holder of a TFSA or RDSP, the annuitant under a RRSP or RRIF, or the subscriber under a RESP, as the case may be, (i) does not deal at arm’s length with us for purposes of the Tax Act or (ii) has a “significant interest” (within the meaning of the Tax Act) in us. Generally, a holder, annuitant or subscriber, as the case may be, will not have a significant interest in us provided the holder, annuitant or subscriber, together with persons with whom the holder, annuitant or subscriber does not deal at arm’s length, does not own (and is not deemed to own pursuant to the Tax Act), directly or indirectly, 10% or more of the issued shares of any class of our capital stock or of any other corporation that is related to us (for purposes of the Tax Act). Individuals who hold or intend to hold Common Shares in a Registered Plan should consult their own tax advisors as to whether such securities will be a “prohibited investment” in their particular circumstances, including with respect to whether the Common Shares would be “excluded property” in their particular circumstances.

## OUR BUSINESS

### Overview

Pinnacle is a rapidly growing industrial wood pellet manufacturer and distributor and is the third largest producer in the world. We produce renewable fuel for electricity generation in the form of industrial wood pellets, which are used by global utilities and large-scale power generators to produce renewable and reliable baseload power. We are a trusted supplier to our customers, who require reliable, high quality fuel supply to maximize utilization of their facilities.

As one of only three large global suppliers, we currently operate seven production facilities with a combined run-rate production capacity in excess of 1.8 million MTPA, and are well positioned to support growing demand, particularly from Europe and Asia as a result of support in those regions for carbon reduction regulations, through construction of new capacity. In March 2018, we commenced operations at our production facility in Entwistle, Alberta (the “**Entwistle Facility**”) (400,000 MTPA) with production from dry fibre and commenced construction of our production facility in Smithers, British Columbia (the “**Smithers Facility**”) (125,000 MTPA) in partnership with West Fraser Timber Co. Ltd. Our wholly-owned Entwistle Facility is expected to be completing dryer commissioning and ramping up production during the second quarter of Fiscal 2018 and the Smithers Facility is expected to commence production in the fourth quarter of Fiscal 2018. Once operational, the Smithers Facility will be our eighth production facility and will be additive to our current combined run-rate production capacity in excess of 1.8 million MTPA. We have entered into long-term take-or-pay contracts with our customers, whereby the buyer has a firm obligation to purchase a fixed quantity of product at specific prices that represent 104% of our production capacity through 2021 and nearly 87% of our production capacity through 2026, on an aggregated basis, including new production capacity from the Entwistle and Smithers Facilities. As of June 1, 2018, our total Contracted Backlog was \$3.6 billion. Further information regarding us and our business is set out in our AIF under “Overview of Our Business”, which is incorporated by reference herein.

## RECENT DEVELOPMENTS

### Off-Take Contracts in Japan

We entered into the following long-term sales contracts with new Japanese customers since the end of our most recently completed fiscal quarter:

- On April 19, 2018, we announced that we entered into a long-term, take-or-pay off-take contract with Ube Industries Ltd. (“**Ube**”), a diversified Japanese conglomerate. Under the terms of the contract, we will supply 70,000 MTPA of industrial wood pellets to Ube beginning in late 2019.
- On May 2, 2018, we announced that we entered into a long-term, take-or-pay contract with Toyota Tsusho Corporation (“**Toyota Tsusho**”), a large trading and investment company in Japan and a group member of Toyota. Under the terms of the contract, we will supply 30,000 MTPA of industrial wood pellets to Toyota Tsusho beginning in late 2021.

On the same date, we also announced that we entered into a long-term, take-or-pay contract with Sumitomo Corporation (“**Sumitomo**”), a large, diversified trading company in Japan. Under the terms of the contract, we will supply 75,000 MTPA of industrial wood pellets to Sumitomo beginning in late 2022.

- On May 22, 2018, we announced that we entered into a new long-term, take-or-pay off-take contract with Hanwa Co., Ltd. (“**Hanwa**”), a large, diversified trading company in Japan. Under the terms of the contract, Pinnacle will supply 75,000 MTPA of industrial wood pellets to Hanwa beginning in early 2022.

## DESCRIPTION OF SHARE CAPITAL

The following description may not be complete and is subject to, and qualified in its entirety by reference to, the terms and provisions of our articles.

Our authorized share capital consists of (i) an unlimited number of Common Shares and (ii) an unlimited number of preferred shares (the “**Preferred Shares**”), issuable in series. As at the date hereof, there are 32,971,293 Common Shares issued and outstanding, and no Preferred Shares issued and outstanding.

## Common Shares

Holders of Common Shares are entitled to one vote per Common Share on all matters upon which holders of Common Shares are entitled to vote and are entitled to receive notice of any meeting of our shareholders (“**Shareholders**”) and may attend and vote at such meetings, except those meetings where only the holders of shares of another class or of a particular series are entitled to vote. A quorum for the transaction of business at a meeting of Shareholders is present if Shareholders who, together, hold not less than 25% of the votes attaching to our outstanding voting shares entitled to vote at the meeting are present in person or represented by proxy.

Holders of Common Shares are entitled to receive dividends out of our assets legally available for the payment of dividends at such times and in such amount and form as our board of directors (our “**Board**”) may from time to time determine, subject to any preferential rights of the holders of any outstanding Preferred Shares. See “Dividend Policy” in our AIF, which is incorporated by reference in this short form prospectus.

Holders of Common Shares have no pre-emptive or redemption rights. Upon our liquidation, dissolution or winding-up, whether voluntary or involuntary, holders of Common Shares, without preference or distinction, will be entitled to receive rateably all of our assets remaining after payment of all debts and other liabilities, subject to any preferential rights of the holders of any outstanding Preferred Shares.

## DESCRIPTION OF MATERIAL INDEBTEDNESS

On December 13, 2017, our wholly-owned subsidiary, Pinnacle Renewable Energy Inc. (“**PREI**”), entered into a third amended and restated credit agreement with a syndicate of lenders including affiliates of CIBC, RBC, Scotiabank, BMO, National Bank and HSBC (the “**Credit Agreement**”). The Credit Agreement is comprised of: (i) a revolving credit facility in the amount of up to \$50.0 million maturing on December 13, 2022 (the “**Revolving Credit Facility**”); (ii) a \$200.0 million term credit facility maturing on December 13, 2022 (the “**Term Credit Facility**”); and (iii) a \$130.0 million delayed draw term credit facility maturing on December 13, 2022, subject to certain reductions set out in the Credit Agreement (the “**Delayed Draw Term Credit Facility**”, and collectively with the Revolving Credit Facility and Term Credit Facility, the “**Credit Facilities**”). As at March 30, 2018, the aggregate amount outstanding under the Credit Facilities was approximately \$200.0 million (nil under the Revolving Credit Facility, \$200.0 million under the Term Credit Facility and nil under the Delayed Draw Term Credit Facility).

Under the Revolving Credit Facility, letters of credit may be issued by affiliates of Scotiabank (the “**Letters of Credit**”), provided that the aggregate face amount of all Letters of Credit outstanding at any time does not exceed \$5.0 million. In addition, a maximum of \$7.5 million under the Revolving Credit Facility has been designated as the “swingline” to be established and maintained by affiliates of Scotiabank. Each of the Credit Facilities have various interest rate charge options that are based on Canadian prime rates, base rates and LIBOR rates plus the applicable margin from time to time in effect.

The Credit Agreement provides for guarantees by the Company and PREI and its direct and indirect wholly-owned subsidiaries. PREI and each of its direct and indirect wholly-owned subsidiaries provide a first priority lien over all property to collateralize the obligations under the Credit Agreement. The Company and PREI and each of its direct and indirect wholly-owned subsidiaries have pledged 100% of the equity interests each entity holds in the capital of their respective subsidiaries, as applicable.

The Credit Agreement contains restrictive covenants customary for credit facilities of this nature, including restrictions on PREI and each of its subsidiaries, subject to certain exceptions, to incur indebtedness, grant liens, merge, amalgamate or consolidate with other companies, transfer, lease or otherwise dispose of all or substantially all of its assets, become obligated under guarantees, make certain distributions (though dividends are permitted so long as PREI is in compliance with its covenants), make investments, acquisitions or loans, cease to carry on business, change its fiscal year, enter into material contracts with any related person, carry on or engage in any business on other than arm’s length terms with affiliates, make any restricted use of any advance or enter into restrictive agreements. PREI is currently in compliance with all covenants contained in the Credit Agreement, and no material breach of such agreement has occurred or been waived.

## CONSOLIDATED CAPITALIZATION

Other than as described in this short form prospectus, there have been no material changes in our share or loan capital, on a consolidated basis, since March 30, 2018, the date of our most recently filed unaudited condensed interim consolidated financial statements. No change in our share capital will result from the Offering as no shares will be issued in connection with the Offering.

## PRIOR SALES

The following table summarizes all our issuances of Common Shares or any securities convertible or exercisable into Common Shares in the twelve-month period preceding the date of this short form prospectus:

<u>Date of Issuance</u>	<u>Nature of Issuance</u>	<u>Number of Securities Issued</u>	<u>Average Issuance/Exercise Price per Security</u>
October 16, 2017 .....	Stock options to acquire Class D common shares <sup>(1)</sup>	408,430	\$12.91
October 16, 2017 .....	Issuance of Class D common shares <sup>(2)</sup>	40,219	\$13.68
February 5, 2018 .....	Issuance of Common Shares <sup>(3)</sup>	26,679,332	N/A
February 6, 2018	Issuance of Common Shares <sup>(4)</sup>	6,223,889	\$11.25
March 19, 2018	Issuance of Restricted Stock Units <sup>(5)</sup>	8,956	\$14.18
March 29, 2018	Stock options to acquire Common Shares <sup>(6)</sup>	85,000	\$14.66
May 8, 2018	Issuance of Common Shares <sup>(7)</sup>	68,072	\$6.48
June 4, 2018	Stock options to acquire Common Shares <sup>(8)</sup>	10,000	\$14.05

Notes:

- (1) On October 16, 2017, we granted 1,200,000 stock options exercisable for Class D common shares under our legacy stock option plan. The stock options vest at a rate of 20% per year and had an exercise price of \$3.19 per Class D common share. As a result of the pre-closing capital changes (“**Pre-Closing Capital Changes**”) implemented in connection with, and prior to, the closing of our initial public offering (“**IPO**”), the stock options are exercisable for 408,430 Common Shares at an exercise price of \$12.91 per Common Share. The “Number of Securities Issued” and “Average Issuance/Exercise Price per Security” in this table are presented on an as adjusted basis after giving effect to the Pre-Closing Capital Changes.
- (2) Participants in our legacy stock option plan (the “**Legacy Stock Option Plan**”) subscribed for these Class D common shares as a condition of the receipt of certain stock options granted on October 16, 2017. As part of the Pre-Closing Capital Changes, Class D common shares were exchanged for Common Shares. The “Number of Securities Issued” and “Average Issuance/Exercise Price per Security” in this table are presented on an as adjusted basis after giving effect to the Pre-Closing Capital Changes.
- (3) As part of the Pre-Closing Capital Changes, we undertook steps to simplify our then existing share structure. Among other things, our then existing common shares and preferred shares were exchanged for a total of 26,679,332 Common Shares prior to the completion of the IPO.
- (4) On February 6, 2018, we issued and sold a total of 6,223,889 Common Shares under our IPO at a price of \$11.25 per Common Share.
- (5) On March 19, 2018, we granted 8,956 restricted share units under our long-term incentive plan (the “**LTIP**”). The restricted share units vest over a three year period.
- (6) On March 29, 2018, we granted 85,000 stock options exercisable for Common Shares under our LTIP. The stock options vest at a rate of 20% per year and have an exercise price of \$14.66 per Common Share.
- (7) On May 8, 2018, we issued 68,072 Common Shares pursuant to an exercise of stock options previously granted under our Legacy Stock Option Plan.
- (8) On June 4, 2018, we granted 10,000 stock options exercisable for Common Shares under our LTIP. The stock options vest at a rate of 20% per year and have an exercise price of \$14.05 per Common Share.

## TRADING PRICE AND VOLUME

The Common Shares are listed for trading on the TSX under the symbol “PL”. The following table shows the monthly range of high and low prices per Common Share at the close of market on the TSX, as well as total monthly volumes of the Common Shares traded on the TSX from the date of closing of our IPO to the date immediately before the date of this short form prospectus:

<u>Month</u>	<u>High</u>	<u>Low</u>	<u>Volume</u>
February 6, 2018 - February 28, 2018 .	\$14.00	\$10.50	2,474,922
March 2018.....	\$15.13	\$13.20	674,743
April 2018.....	\$14.70	\$13.54	147,237
May 2018	\$14.69	\$13.65	448,551
June 1, 2018 – June 18, 2018	\$14.50	\$13.76	518,367

## PROCEEDS TO THE SELLING SHAREHOLDERS

The aggregate net proceeds that the Selling Shareholders will receive from the sale of the Common Shares under this short form prospectus are estimated to be \$48,048,000 after deduction of the Underwriters’ fee of \$2,002,000 (net proceeds of \$55,255,200 assuming the Over-Allotment Option is exercised in full). For a discussion of the nature of our relationship with the Selling Shareholders, please see “Selling Shareholders” below.

We will not receive any proceeds from the Offering or the exercise of the Over-Allotment Option, if exercised by the Underwriters. In accordance with the Registration Rights Agreement and the Underwriting Agreement, each of

the Selling Shareholders will be responsible for the payment of the Underwriters' fee and applicable transfer taxes, if any, payable in respect of the Common Shares sold by such Selling Shareholder. All other expenses of the Offering (other than all out-of-pocket expenses incurred by the Underwriters and all legal fees and disbursements of counsel to the Underwriters, which will be borne by the Underwriters, except if the Offering is not completed other than by reason of breach of the terms of the Underwriting Agreement by the Underwriters), estimated at \$335,000, will be paid by us.

### SELLING SHAREHOLDERS

The following table sets forth information with respect to the ownership of Common Shares by the Selling Shareholders as of the date hereof, as adjusted to reflect the completion of the Offering assuming no exercise of the Over-Allotment Option.

Name of Shareholder	Type of Ownership	Immediately prior to the Closing	Number of Common Shares Sold in the Offering	Immediately following the Closing	Percentage of Outstanding Common Shares
		Number of Common Shares Owned		Number of Common Shares Owned	
ONCAP Entities <sup>(1)</sup>	Of record and beneficial	14,112,787	3,208,978	10,903,809	33.1% <sup>(2)</sup>
RSHI	Of record and beneficial	947,799	215,511	732,288	2.2% <sup>(3)</sup>
JSHI	Of record and beneficial	947,799	215,511	732,288	2.2% <sup>(4)</sup>

Notes:

- (1) The ONCAP Entities are ONCAP II L.P., ONCAP (US) II L.P., ONCAP (US) II-A L.P., Onex Parallel Investment (ONCAP) L.P. and Biomass EI Ltd. The general partner of each of ONCAP II L.P., ONCAP (US) II L.P., ONCAP (US) II-A L.P. and Onex Parallel Investment (ONCAP) L.P. is ONCAP Investment Partners II L.P., which is owned by certain members of management of ONCAP. ONCAP Investment Partners II Inc. has voting control over ONCAP Investment Partners II L.P. Onex Corporation has voting control over ONCAP Investment Partners II Inc. Voting and dispositive powers with respect to the Common Shares which will be held by the ONCAP Entities upon completion of the Offering will be exercised by ONCAP Investment Partners II L.P. The board of directors of ONCAP Investment Partners II Inc. is comprised of Christopher A. Govan and Anthony Munk, each of whom disclaims any beneficial ownership of the Common Shares which will be held by the ONCAP Entities upon completion of the Offering.
- (2) On a fully-diluted basis, assuming the exercise in full of outstanding options, 31.4%. If the Over-Allotment Option is exercised in full, the ONCAP Entities will own 31.6% (30.1% on a fully-diluted basis) of the issued and outstanding Common Shares immediately following the Closing.
- (3) On a fully-diluted basis, assuming the exercise in full of outstanding options, 2.1%. If the Over-Allotment Option is exercised in full, RSHI will own 2.1% (2.0% on a fully-diluted basis) of the issued and outstanding Common Shares immediately following the Closing.
- (4) On a fully-diluted basis, assuming the exercise in full of outstanding options, 2.1%. If the Over-Allotment Option is exercised in full, JSHI will own 2.1% (2.0% on a fully-diluted basis) of the issued and outstanding Common Shares immediately following the Closing.

Upon the completion of the Offering, the ONCAP Entities will, collectively, own or control (directly or indirectly) approximately 33.1% of the issued and outstanding Common Shares (approximately 31.6% if the Over-Allotment Option is exercised in full). As a result, the ONCAP Entities will continue to have a significant influence over us and our affairs.

Upon the completion of the Offering, RSHI and JSHI will own or control (directly or indirectly) approximately 2.2% and 2.2%, respectively, of the issued and outstanding Common Shares (approximately 2.1% and 2.1%, respectively, if the Over-Allotment Option is exercised in full).

## PLAN OF DISTRIBUTION

### General

Pursuant to the Underwriting Agreement, the Selling Shareholders have agreed to sell and the Underwriters have severally agreed to purchase on Closing an aggregate of 3,640,000 Common Shares at a price of \$13.75 per Common Share, payable in cash to the Selling Shareholders against delivery of the Common Shares for aggregate gross proceeds of \$50,050,000. In consideration for their services in connection with the Offering, the Selling Shareholders have agreed to pay the Underwriters a fee equal to \$0.55 per Common Share (being 4.0% of the Offering Price), including any Common Shares forming part of the Over-Allotment Option. It is estimated that the total expenses of the Offering, not including the Underwriters' fee and applicable transfer taxes, if any, in respect of the Common Shares offered hereunder, will be approximately \$335,000. All such expenses of the Offering (other than all out-of-pocket expenses incurred by the Underwriters and all legal fees and disbursements of counsel to the Underwriters, which will be borne by the Underwriters, except if the Offering is not completed other than by reason of breach of the terms of the Underwriting Agreement by the Underwriters) will be paid by us. We will not be entitled to any of the proceeds from the sale of the Common Shares offered by this short form prospectus.

The Offering Price of \$13.75 per Common Share was determined by negotiation among the Selling Shareholders and the Underwriters and the Underwriters propose to offer the Common Shares initially at the Offering Price. Pursuant to applicable securities laws, after the Underwriters have made a reasonable effort to sell all of the Common Shares at the price specified on the cover page of this short form prospectus, the Offering Price may be decreased and may be further changed from time to time to an amount not greater than that set out on the cover page of this short form prospectus, and the compensation realized by the Underwriters will be decreased by the amount that the aggregate price paid by the purchasers for the Common Shares is less than the price paid by the Underwriters to the Selling Shareholders. Any such reduction will not affect the net proceeds received by the Selling Shareholders. The Underwriters may form a selling group including other qualified investment dealers and determine the fee payable to the members of such group, which fee will be paid by the Underwriters out of their fees.

The Selling Shareholders have granted to the Underwriters the Over-Allotment Option, which is exercisable, in whole or in part, at any time for a period of 30 days after Closing to purchase from the Selling Shareholders up to an additional 546,000 Common Shares (representing 15% of the aggregate number of Common Shares sold in the base Offering) on the same terms as set forth above for the purpose of covering the Underwriters' over-allocation position, if any, and consequent market stabilization. This short form prospectus also qualifies the grant of the Over-Allotment Option and the distribution of the Common Shares to be delivered upon the exercise of the Over-Allotment Option. A purchaser who acquires Common Shares forming part of the Underwriters' over-allocation position acquires such Common Shares under this short form prospectus, regardless of whether the Underwriters' over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

The Common Shares distributed under this short form prospectus are already listed and posted for trading on the TSX.

Under the terms of the Underwriting Agreement, the Underwriters may, at their discretion, terminate the Underwriting Agreement upon the occurrence of certain events, including "material change out", "disaster out" and "proceedings to restrict distribution out" clauses. The Underwriters are, however, severally obligated to take up and pay for all of the Common Shares that they have agreed to purchase if any of the Common Shares are purchased under the Underwriting Agreement.

Under applicable securities laws in Canada, certain persons and individuals, including us, the Selling Shareholders and the Underwriters, have statutory liability for any misrepresentation in this short form prospectus, subject to available defences. We have agreed to indemnify the Underwriters and their directors, officers, employees and agents against certain liabilities, including, without restriction, civil liabilities under securities legislation in Canada, and to contribute to any payments that the Underwriters may be required to make in respect thereof. Each Selling Shareholder has severally agreed to indemnify the Underwriters against liabilities with respect to certain information related solely to the applicable Selling Shareholder and furnished for use in this short form prospectus. Pursuant to the Registration Rights Agreement, we have agreed to indemnify the Selling Shareholders against certain liabilities, including without limitation, liabilities arising out of or based upon any untrue statement or alleged untrue statement of any material fact contained in this short form prospectus, and in respect of any statement made herein by any Selling Shareholder, such Selling Shareholder has agreed to indemnify the Company and each other Selling

Shareholder and their respective officers, directors, employees, managers, agents and representatives and any person who controls the ONCAP Entities or is a shareholder of RSHI or JSHI.

Subscriptions for Common Shares will be received subject to rejection or allocation, in whole or in part, and the right is reserved to close the subscription books at any time without notice. The Closing is expected to occur on or about June 26, 2018 or such other date as we, the Selling Shareholders and the Underwriters may agree, but in any event not later than July 31, 2018.

The Common Shares have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state of the United States and may not be offered, sold or delivered, directly or indirectly, in the United States, except pursuant to an exemption from the registration requirements of the U.S. Securities Act and applicable state securities laws. Each Underwriter has agreed that it will not offer or sell Common Shares within the United States, except in transactions exempt from the registration requirements of the U.S. Securities Act and applicable state securities laws. The Underwriting Agreement provides that the Underwriters may re-offer and re-sell the Common Shares that they have acquired pursuant to the Underwriting Agreement in the United States to “qualified institutional buyers” (as defined in Rule 144A under the U.S. Securities Act) in accordance with Rule 144A under the U.S. Securities Act.

The Underwriting Agreement also provides that the Underwriters may offer and sell the Common Shares outside the United States in accordance with Rule 903 of Regulation S under the U.S. Securities Act. In addition, until 40 days after the commencement of the Offering, an offer or sale of the Common Shares within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with an exemption from registration under the U.S. Securities Act.

In connection with the Offering, certain of the Underwriters or securities dealers may distribute this short form prospectus electronically.

#### **Price Stabilization, Short Positions and Passive Market Making**

In connection with the Offering, the Underwriters may, subject to applicable law, over-allocate or effect transactions which stabilize or maintain the market price of the Common Shares at levels other than those which otherwise might prevail on the open market, including: stabilizing transactions; short sales; purchases to cover positions created by short sales; imposition of penalty bids; and syndicate covering transactions.

Stabilizing transactions consist of bids or purchases made for the purpose of preventing or retarding a decline in the market price of the Common Shares while the Offering is in progress. These transactions may also include over-allocating or making short sales of the Common Shares, which involves the sale by the Underwriters of a greater number of Common Shares than they are required to purchase in the Offering. Short sales may be “covered short sales”, which are short positions in an amount not greater than the Over-Allotment Option, or may be “naked short sales”, which are short positions in excess of that amount.

The Underwriters may close out any covered short position either by exercising the Over-Allotment Option, in whole or in part, or by purchasing Common Shares in the open market. In making this determination, the Underwriters will consider, among other things, the price of Common Shares available for purchase in the open market compared with the price at which they may purchase Common Shares from the Selling Shareholders through the Over-Allotment Option.

The Underwriters must close out any naked short position by purchasing Common Shares in the open market. A naked short position is more likely to be created if the Underwriters are concerned that there may be downward pressure on the price of the Common Shares in the open market. Any naked short sales will form part of the Underwriters’ over-allocation position. A purchaser who acquires Common Shares forming part of the Underwriters’ over-allocation position resulting from any covered short sales or naked short sales will, in each case, acquire such Common Shares under this short form prospectus, regardless of whether the Underwriters’ over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

In addition, in accordance with rules and policy statements of certain Canadian securities regulatory authorities and the Universal Market Integrity Rules for Canadian Marketplaces (“UMIR”), the Underwriters may not, at any time during the period of distribution, bid for or purchase Common Shares. The foregoing restriction is, however, subject to exceptions where the bid or purchase is not made for the purpose of creating actual or apparent active trading in,

or raising the price of the Common Shares. These exceptions include a bid or purchase permitted under the by-laws and rules of applicable regulatory authorities and the TSX, including UMIR, relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution.

As a result of these activities, the price of the Common Shares may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the Underwriters at any time. The Underwriters may carry out these transactions on any stock exchange on which the Common Shares are listed, in the over-the-counter market or otherwise.

### **Non-Certificated Inventory System**

No certificates representing the Common Shares to be sold in the Offering will be issued to purchasers under this short form prospectus. Registration will be made in the depository service of CDS, or to its nominee, and electronically deposited with CDS on the Closing Date. Each purchaser of Common Shares will receive only a customer confirmation of purchase from the participants in the CDS depository service (“**CDS Participants**”) from or through which such Common Shares are purchased, in accordance with the practices and procedures of such CDS Participant. Transfers of ownership of Common Shares in Canada will be effected through records maintained by the CDS Participants, which include securities brokers and dealers, banks and trust companies. Indirect access to the CDS book entry system is also available to other institutions that maintain custodial relationships with a CDS Participant, either directly or indirectly.

### **Lock-Up Arrangements**

Pursuant to the Underwriting Agreement, we and the Selling Shareholders have agreed not to, directly or indirectly, without the prior written consent of CIBC and RBC, on behalf of the Underwriters, such consent not to be unreasonably withheld, issue, offer or sell or grant any option, warrant or other right to purchase or agree to issue or sell or otherwise lend, transfer, assign or dispose of any of our equity securities, or other securities convertible or exchangeable into or otherwise exercisable into our equity securities or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of our equity securities, or agree or publicly announce any intention to do any of the foregoing for a period commencing on the date hereof and ending 90 days after the Closing Date, subject to certain limited exceptions, including in connection with the sale of our securities pursuant to the Offering (including the exercise of the Over-Allotment Option), or the grants of employee stock options, grants under other security-based compensation arrangements in the ordinary course and securities issued upon their exercise or settlement.

### **Relationship Between Us and the Underwriters**

CIBC, RBC, Scotiabank, BMO, National Bank and HSBC are affiliates of banks that have made credit facilities available to us under the Credit Agreement. Consequently, we may be considered a “connected issuer” of each of CIBC, RBC, Scotiabank, BMO, National Bank and HSBC under applicable securities laws in Canada. See “Description of Material Indebtedness”.

The terms of the Offering, including the Offering Price, were determined by negotiation between CIBC and RBC, on their own behalf and on behalf of each of the other Underwriters, and the Selling Shareholders. None of the banks with which any of the Underwriters are affiliates were involved in the determination of the terms of the Offering. As a consequence of the Offering, each of such Underwriters will receive its proportionate share of the Underwriters’ fee.

## **RISK FACTORS**

*Prospective investors should carefully consider the risks described below, which are qualified in their entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this short form prospectus, and all other information contained in this short form prospectus and the information incorporated by reference herein (and in particular, the risk factors under the heading “Risk Factors” beginning at page 18 of our AIF) before purchasing Common Shares. The risks and uncertainties described in this short form prospectus and the information incorporated by reference herein are those we currently believe to be material, but they are not the only ones we face. If any of the following risks, or any other risks and uncertainties that we have not yet identified or that we currently consider not to be material, actually occur or become material risks, our business, prospects, financial condition, results of operations and cash flows and consequently the price of the Common Shares could be*

*materially and adversely affected. In all these cases, the trading price of the Common Shares could decline, and prospective investors could lose all or part of their investment.*

### **Risk Factors Related to the Offering and our Common Shares**

#### ***The market price for our Common Shares may be volatile and your investment could suffer a decline in value***

The market price of our Common Shares could be subject to significant fluctuations after the Offering, and it may decline below the Offering Price. Some of the factors that may cause the market price of our Common Shares to fluctuate include:

- volatility in the market price and trading volume of comparable companies;
- actual or anticipated changes or fluctuations in our operating results or in the expectations of market analysts;
- adverse market reaction to any indebtedness we may incur or securities we may issue in the future;
- short sales, hedging and other derivative transactions in our Common Shares;
- litigation or regulatory action against us;
- investors' general perception of us and the public's reaction to our press releases, our other public announcements and our filings with applicable securities regulators, including our financial statements;
- publication of research reports or news stories about us, our competitors or our industry;
- positive or negative recommendations or withdrawal of research coverage by securities analysts;
- changes in general political, economic, industry and market conditions and trends;
- sales of our Common Shares by our existing Shareholders;
- recruitment or departure of key personnel;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving us or our competitors; and
- the other risk factors described in this section of this short form prospectus.

Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. As well, certain institutional investors may base their investment decisions on consideration of our environmental, governance and social practices and performance against such institutions' respective investment guidelines and criteria, and failure to satisfy such criteria may result in limited or no investment in our Common Shares by those institutions, which could materially adversely affect the trading price of our Common Shares. There can be no assurance that fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue for a protracted period of time, our operations and the trading price of our Common Shares may be materially adversely affected.

In addition, broad market and industry factors may harm the market price of our Common Shares. Hence, the price of our Common Shares could fluctuate based upon factors that have little or nothing to do with us, and these fluctuations could materially reduce the price of our Common Shares regardless of our operating performance. In the past, following a significant decline in the market price of a company's securities, there have been instances of securities class action litigation having been instituted against that company. If we were involved in any similar litigation, we could incur substantial costs, and our management's attention and resources could be diverted and it could harm our business, operating results and financial condition.

#### ***Future sales of our securities by existing Shareholders or optionholders or by us could cause the market price for our Common Shares to fall***

Sales of a substantial number of our Common Shares in the public market could occur at any time, including after the expiration of the 90-day contractual lock-up period described in the "Plan of Distribution – Lock-up Arrangements" section of this short form prospectus. These sales, or the market perception that the holders of a large number of Common Shares intend to sell Common Shares, could significantly reduce the market price of our Common Shares and the market price could decline below the Offering Price. We cannot predict the effect, if any, that future public sales of these securities or the availability of these securities for sale will have on the market price

of our Common Shares. If the market price of our Common Shares was to drop as a result, this might impede our ability to raise additional capital and might cause our remaining Shareholders to lose all or part of their investments.

We currently have 32,971,293 Common Shares outstanding. Pursuant to the Underwriting Agreement, each of us and the Selling Shareholders have agreed that it will not, directly or indirectly, without the prior written consent of CIBC and RBC, on behalf of the Underwriters, such consent not to be unreasonably withheld, issue, offer, sell, grant any option to purchase or otherwise dispose of (or announce any intention to do so) any of our Common Shares, or securities convertible or exchangeable into our Common Shares, for a period ending 90 days after the Closing Date, subject to certain exceptions. Following the expiration of the 90-day period, all of our Common Shares that will be then outstanding will be available for sale in the public markets subject to restrictions under applicable securities laws in Canada. In addition, there are currently 1,721,911 stock options outstanding. The Common Shares issuable upon the exercise of these stock options, to the extent permitted by any applicable vesting requirements, lock-up agreements and restrictions under applicable securities laws in Canada, are also eligible for sale in the public market.

Moreover, certain of our Shareholders will have certain rights under the Registration Rights Agreement to require us to file a prospectus covering their registrable securities or to include their registrable securities in prospectuses that we may file for ourselves or on behalf of other Shareholders.

Further, we cannot predict the size of future issuances of our Common Shares or the effect, if any, that future issuances and sales of our Common Shares will have on the market price of our Common Shares. Sales of substantial amounts of our Common Shares, or the perception that such sales could occur, may adversely affect prevailing market prices for our Common Shares.

***Any issuance of Preferred Shares could make it difficult for another company to acquire us or could otherwise adversely affect holders of our Common Shares, which could depress the price of our Common Shares***

Our Board has the authority to issue Preferred Shares, to determine the preferences, limitations and relative rights of Preferred Shares and to fix the number of shares constituting any series of Preferred Shares and the designation of such series, without any further vote or action by our Shareholders. Our Preferred Shares could be issued with liquidation, dividend and other rights superior to the rights of our Common Shares. The potential issuance of Preferred Shares may delay or prevent a change in control of us, discourage bids for our Common Shares at a premium over the market price and adversely affect the market price and other rights of the holders of our Common Shares.

***If securities or industry analysts cease to publish research reports or publish inaccurate or unfavorable research about us or our business, our trading price and volume could decline***

The trading market for our Common Shares will depend in part on the research and reports that securities or industry analysts publish about us or our business. If one or more of the analysts who cover us downgrade our Common Shares or publish inaccurate or unfavorable research about our business, our trading price may decline. If one or more of these analysts cease coverage of us or fail to publish reports on us regularly, demand for our Common Shares could decrease, which could cause our trading price and volume to decline.

#### ***Financial reporting and other public company requirements***

We are subject to reporting and other obligations under applicable Canadian securities laws and rules of any stock exchange on which the Common Shares are listed, including National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*. These reporting and other obligations place significant demands on our management, administrative, operational and accounting resources. If we are unable to accomplish any such necessary objectives in a timely and effective manner, our ability to comply with our financial reporting obligations and other rules applicable to reporting issuers could be impaired. Moreover, any failure to maintain effective internal controls could cause us to fail to satisfy our reporting obligations or result in material misstatements in our financial statements. If we cannot provide reliable financial reports or prevent fraud, our reputation and operating results could be materially adversely affected which could also cause investors to lose confidence in our reported financial information, which could result in a reduction in the trading price of the Common Shares.

We do not expect that our disclosure controls and procedures and internal controls over financial reporting will prevent all error or fraud. A control system, no matter how well-designed and implemented, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Due to the inherent limitations in all control systems, no evaluation of controls can provide

absolute assurance that all control issues within an organization are detected. The inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Controls can also be circumvented by individual acts of certain persons, by collusion of two or more people or by management override of the controls. Due to the inherent limitations in a control system, misstatements due to error or fraud may occur and may not be detected in a timely manner or at all.

#### **LEGAL MATTERS**

The matters referred to under “Eligibility for Investment”, as well as certain other legal matters relating to the issue and sale of the Common Shares, will be passed upon on our behalf by McCarthy Tétrault LLP and on behalf of the Underwriters by Stikeman Elliott LLP. As at the date of this short form prospectus, the partners and associates of each of McCarthy Tétrault LLP and Stikeman Elliott LLP beneficially own, directly and indirectly, less than 1% of our issued and outstanding securities or securities of our affiliates or associates.

#### **LEGAL PROCEEDINGS**

We are, from time to time, involved in legal proceedings of a nature considered normal to our business. We believe that none of the litigation in which we are currently involved, or have been involved since the beginning of the most recently completed financial year, individually or in the aggregate, is material to our consolidated financial condition or results of operations.

#### **AUDITOR, TRANSFER AGENT AND REGISTRAR**

KPMG LLP, Chartered Professional Accountants, located at 777 Dunsmuir Street, Vancouver, British Columbia, V7Y 1K3, is our auditor and has confirmed that it is independent of the Company within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulations.

The transfer agent and registrar for the Common Shares is TSX Trust Company at its principal office in Vancouver, British Columbia.

#### **PURCHASERS’ STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION**

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

**CERTIFICATE OF THE COMPANY**

Dated: June 19, 2018

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

(Signed) ROBERT MCCURDY  
Chief Executive Officer

(Signed) ANDREA JOHNSTON  
Chief Financial Officer

On behalf of the Board of Directors

(Signed) GREGORY BAYLIN  
Director

(Signed) PAT BELL  
Director

**CERTIFICATE OF THE UNDERWRITERS**

Dated: June 19, 2018

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

**CIBC WORLD MARKETS INC.**

(Signed) KATHY BUTLER

**RBC DOMINION SECURITIES INC.**

(Signed) STEVEN BORRITT

**SCOTIA CAPITAL INC.**

(Signed) JOHN CREAN

**BMO NESBITT BURNS INC.**

(Signed) DANIEL ARMSTRONG

**NATIONAL BANK FINANCIAL INC.**

(Signed) BRAD SPRUIN

**GMP SECURITIES L.P.**

(Signed) DEAN M. WILLNER

**RAYMOND JAMES LTD.**

(Signed) IAN G. MACKAY

**HSBC SECURITIES (CANADA) INC.**

(Signed) JAY LEWIS



**Pinnacle.**  
RENEWABLE ENERGY