

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.

This 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. The securities offered hereby have not been and will not be registered under the United States Securities Act of 1933, as amended, or any state securities laws, and may not be offered or sold, within the United States unless pursuant to an exemption from such registration. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered within the United States. See "Plan of Distribution".

Information has been incorporated by reference in this 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 secretary of Armtec Holdings Limited, the general partner of Armtec Limited Partnership, the administrator of Armtec Infrastructure Income Fund, at 370 Speedvale Avenue West, Suite 3, Guelph, Ontario N1H 7M7 and are also available electronically at www.sedar.com.

Short Form Prospectus

New Issue

October 19, 2006



ARMTEC INFRASTRUCTURE INCOME FUND

\$25,006,600

1,289,000 Units

This short form prospectus qualifies the distribution of 1,289,000 trust units ("Units") of Armtec Infrastructure Income Fund (the "Fund") at a price of \$19.40 per Unit (the "Offering"). The offering price was determined solely by negotiation between Armtec Holdings Limited ("AHL") on behalf of the Fund and Scotia Capital Inc., BMO Nesbitt Burns Inc., TD Securities Inc., CIBC World Markets Inc. and M Partners Inc. (collectively, the "Underwriters"). Approximately \$6.8 million of the net proceeds of the Offering will be used to finance the acquisition (the "Prairie Steel Acquisition") of the culvert manufacturing and distribution business of Prairie Steel Products Ltd. and Prairie Steel Manufacturing Ltd. (collectively, "Prairie Steel"), including related integration and transaction costs. See "Recent Developments". The balance of the net proceeds after transaction costs will be used to reduce the outstanding bank indebtedness owing by the Fund and its affiliated entities under existing credit facilities. See "Use of Proceeds" and "Credit Facilities".

Price: \$19.40 per Unit

	<u>Price to the Public</u>	<u>Underwriters' Fee</u>	<u>Net Proceeds to the Fund⁽¹⁾</u>
Per Unit	\$19.40	\$0.97	\$18.43
Total	\$25,006,600	\$1,250,330	\$23,756,270

(1) Before deducting expenses of the Offering estimated to be \$200,000, which will be paid out of the general funds of the Fund.

The issued and outstanding Units are listed and posted for trading on the Toronto Stock Exchange (the "TSX") under the symbol "ARF.UN". On October 6, 2006, the last trading day prior to the announcement of the Offering, the closing price of the Units on the TSX was \$19.60 per Unit. The closing price of the Units on October 18, 2006 was \$19.50. The TSX has conditionally approved the listing of the Units offered hereunder. Listing is subject to the Fund fulfilling all the listing requirements of the TSX on or before January 10, 2007.

Holders of the Units offered hereunder will be eligible to receive distributions commencing with the distribution of \$0.13 per Unit payable on November 15, 2006 to holders of Units ("Unitholders") of record on October 31, 2006 as announced on October 18, 2006.

A return on an investment in the Units is not comparable to the return on an investment in a fixed-income security. The recovery of the initial investment in the Units by a Unitholder is at risk, and the anticipated return on a Unitholder's investment is based on certain performance assumptions. **Although the Fund intends to make regular monthly cash distributions to Unitholders, these cash distributions are not guaranteed and may be reduced or suspended.** The ability of the Fund to make cash distributions and the actual amount distributed will depend on numerous factors disclosed in the Fund's continuous disclosure documents, including its financial performance, its debt covenants and obligations, working capital requirements and future capital requirements. In addition, the market value of the Units may decline if the Fund is unable to meet its cash distribution targets in the future, and that decline may be significant. It is important for a person making an investment in Units to consider the particular risk factors that may affect the Fund, its subsidiaries and the industries in which the Fund's subsidiaries operate and that may, therefore, affect the stability of the cash distributions on the Units. See the risk factors described in the Fund's AIF and MD&A (each as defined herein) that are incorporated by reference herein, which describe the Fund's assessment of those risk factors, as well as the potential consequences to a Unitholder if a risk should occur. See also "Risk Factors".

The after-tax return to holders from an investment in Units, subject to Canadian income tax, will depend, in part, on composition for income tax purposes of distributions paid by the Fund, portions of which may be fully or partially taxable or may constitute non-taxable returns of capital. That composition may change over time, thus affecting a holder's after-tax return. Returns on capital are generally taxed as ordinary income or as dividends in the hands of the holder. Returns of capital are generally tax-deferred (and reduce a holder's cost base in the Units for tax purposes). See "Certain Canadian Federal Income Tax Considerations".

The Fund is not a trust company and is not registered under applicable legislation governing trust companies as it does not carry on or intend to carry on the business of a trust company. The Fund qualifies as a mutual fund trust for the purposes of the *Income Tax Act* (Canada) and the regulations promulgated thereunder (the "Tax Act") and offers and sells its Units to the public. Units are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under the provisions of that act or any other legislation.

In the opinion of Fraser Milner Casgrain LLP, counsel to the Fund, and Blake, Cassels & Graydon LLP, counsel to the Underwriters, provided the Fund is, on closing of the Offering, a "mutual fund trust" or a "registered investment" within the meaning of the Tax Act, Units will be, at that time, qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, and registered education savings plans ("Exempt Plans"). See "Certain Canadian Federal Income Tax Considerations".

Scotia Capital Inc. and BMO Nesbitt Burns Inc. are direct or indirect subsidiaries of Canadian chartered banks that are lenders under the Credit Facilities (as defined under "Credit Facilities"). Accordingly, pursuant to applicable securities legislation, the Fund may be considered a "connected issuer" to Scotia Capital Inc. and BMO Nesbitt Burns Inc. A portion of the net proceeds from the sale of the Units will be used to reduce the outstanding indebtedness under the Credit Facilities. See "Relationship between the Fund and Certain Underwriters", "Use of Proceeds" and "Credit Facilities".

The Underwriters, as principals, conditionally offer the Units, subject to prior sale, if, as and when issued by the Fund 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 by Fraser Milner Casgrain LLP on behalf of the Fund and by Blake, Cassels & Graydon LLP on behalf of the Underwriters.

Subscriptions for the Units will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. The closing of this Offering is expected to take place on or about October 26, 2006, but in any event not later than October 31, 2006. The Underwriters may effect transactions which stabilize or maintain the market price for the Units at levels other than those which otherwise might prevail in the open market. See "Plan of Distribution".

The head and registered office of the Fund is located at 370 Speedvale Avenue West, Suite 3, Guelph, Ontario, N1H 7M7.

Unless otherwise specifically stated, all dollar amounts in this short form prospectus are expressed in Canadian dollars.

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DOCUMENTS INCORPORATED BY REFERENCE

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

- (a) annual information form of the Fund dated March 21, 2006 (the "AIF");
- (b) consolidated financial statements of the Fund as at December 31, 2005 and 2004 and for the year ended December 31, 2005 and the fiscal period from commencement of operations on July 27, 2004, to December 31, 2004, together with the notes thereto and the report of the auditor thereon and the Fund's management's discussion and analysis ("MD&A") relating thereto;
- (c) the Fund's management information circular dated May 3, 2006 relating to the annual meeting of Unitholders held on June 14, 2006;
- (d) unaudited interim consolidated financial statements of the Fund for the three and six months ended June 30, 2006 (excluding the reference on the first page thereof that provides that such interim financial statements have not been subjected to a review by the Fund's external auditor), together with the notes thereto and the Fund's management's discussion and analysis relating thereto;
- (e) the Fund's material change report dated January 27, 2006 relating to the entering into of an agreement to acquire the Construction Products Division of Twister Pipe Ltd. for approximately \$8.0 million; and
- (f) the Fund's material change report dated February 2, 2006 relating to the increase of \$0.01 per Unit in the monthly cash distribution to Unitholders and the closing of the acquisition of the Construction Products Division of Twister Pipe Ltd.

Any documents of the type required by National Instrument 44-101 to be incorporated by reference in a short form prospectus, including any material change reports (excluding confidential reports), business acquisition reports, comparative interim financial statements, comparative annual financial statements and the auditors' report thereon, management's discussion and analysis and information circulars filed by the Fund with the securities commissions or similar authorities in the provinces of Canada subsequent to the date of this prospectus and prior to the termination of this distribution, shall be deemed to be incorporated by reference in this prospectus.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded, for purposes of this short form prospectus, to the extent that a statement contained herein or in any other subsequently filed document that also is or is deemed to be incorporated by reference herein modifies or replaces 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 in its unmodified or superseded form to constitute part of this short form prospectus.

FORWARD-LOOKING STATEMENTS

This short form prospectus and the documents incorporated herein by reference contain forward-looking statements. All statements other than statements of historical fact contained in this short form prospectus and the documents incorporated herein by reference are forward-looking statements, including, without limitation, statements regarding the future financial position, cash distributions, business strategy, proposed acquisitions, budgets, litigation, projected costs and plans and objectives of or involving the Fund or the businesses in which it has invested. Prospective investors can identify many of these statements by looking for words such as “believe”, “expects”, “will”, “intends”, “projects”, “anticipates”, “estimates”, “continues” and similar words or the negative thereof. There can be no assurance that the plans, intentions or expectations upon which these forward-looking statements are based will occur. Although management believes that the expectations represented in such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct.

By their nature, forward-looking statements require assumptions and are subject to inherent risks and uncertainties including those discussed in this short form prospectus. There is significant risk that forward-looking statements will not prove to be accurate. Readers of this short form prospectus are cautioned not to place undue reliance on forward-looking statements made herein because a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward-looking statements.

The future outcomes that relate to forward-looking statements may be influenced by many factors, including but not limited to: industry cyclicality; competition; reduction in demand for products; collection from customers; relationships with suppliers; lack of long-term agreements; expiration of rights under licence and distribution arrangements; raw material price volatility; product liability; intellectual property; reliance on key personnel; environmental; collective bargaining; interest rates; uninsured and underinsured losses; operating hazards; risks of future legal proceedings; dependence on Armtec Entities (as defined herein); income tax matters; leverage and restrictive covenants; credit facilities; nature of units; distribution of securities on redemption or termination of Fund; restrictions on potential growth; effect of market interest rates on price of Units; undiversified and illiquid holdings in Armtec Operating Trust (“AOT”) and potential dilution. Readers of this short form prospectus are cautioned that the foregoing list of factors is not exhaustive and that when relying on forward-looking statements to make decisions with respect to the Fund, investors and others should carefully consider these factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements. The information contained in this short form prospectus and the documents incorporated herein by reference, including the information set forth under “Risk Factors”, identifies additional factors that could affect the operating results and performance of the Fund and its subsidiaries.

The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement. The Fund undertakes no obligation to publicly update or revise any forward-looking statements except as expressly required by applicable securities law.

ARMTEC INFRASTRUCTURE INCOME FUND

The Fund is an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Ontario by a declaration of trust dated June 15, 2004, as amended and restated on July 27, 2004 (the “**Declaration of Trust**”). The head and registered office of the Fund is located at 370 Speedvale Avenue West, Suite 3, Guelph, Ontario, N1H 7M7.

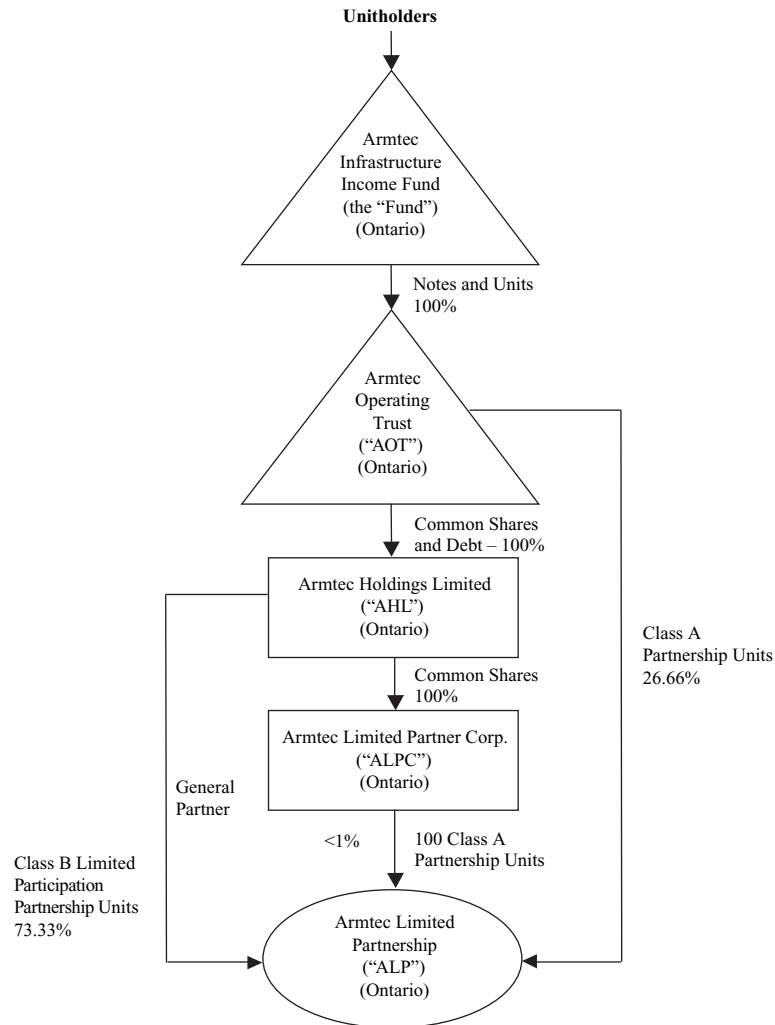
Among other things, the Fund has been established to hold, directly or indirectly, securities and assets of AOT, AHL, Armtec Limited Partner Corporation (“**ALPC**”), Armtec Limited Partnership (“**ALP**”) and other investments in entities conducting the business of manufacturing and/or marketing drainage products and/or engineered solutions for infrastructure applications and such other investments as the trustees of the Fund (the “**Trustees**”) may determine; provided, however, that the Fund may not undertake any activity, take any action, or make any investment that would result in the Fund not being considered a “mutual fund trust” or a “registered investment” for purposes of the Tax Act.

AOT is an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Ontario pursuant to a declaration of trust (the “**AOT Declaration of Trust**”) dated July 16, 2004. Among other things, AOT has been established to hold, directly or indirectly, securities of AHL, ALPC, ALP and other investments in entities conducting the business of manufacturing and/or marketing drainage products and/or engineered solutions for infrastructure applications and such other investments as the trustees of AOT may determine.

AHL is the sole general partner of ALP, a limited partnership established under the laws of the Province of Ontario to, among other things, conduct the business of manufacturing and/or marketing drainage products and/or engineered solutions for infrastructure applications and to own, operate and lease assets and property in connection therewith. AOT and ALPC, a corporation incorporated pursuant to the laws of the Province of Ontario, are the limited partners of ALP.

The Fund owns, directly, 100% of the issued and outstanding securities of AOT and owns, indirectly, 100% of the issued and outstanding securities of each of AHL, ALPC and ALP.

The following chart illustrates the relationship of the Fund to its subsidiary entities:



In this short form prospectus, the term “Armtec” refers to the Fund together with its affiliated entities, AOT, AHL, ALPC, and ALP. The term “Armtec Entities” refers to AOT together with AHL, ALPC, and ALP.

DESCRIPTION OF THE BUSINESS

Armtec is a leading manufacturer and marketer of drainage products and engineered solutions for infrastructure applications in a diverse cross-section of industries, including the public infrastructure market and private sector markets such as natural resources, residential and agricultural drainage in Canada. Armtec is Canada’s only national multi-material manufacturer specializing in corrugated steel pipe (“CSP”) and High Density Polyethylene (“HDPE”) pipe, and related engineered products. Armtec also distributes water control gates and geosynthetic products, and manufactures and distributes certain high value-added engineered products internationally.

Armtec has developed a suite of complementary HDPE pipe, CSP and related engineered products, which has positioned Armtec as a leading solutions provider to its diverse base of industrial, commercial and residential customers. Armtec established a technically-trained national sales team of 46 people, and the technical expertise of its sales team often leads to Armtec being consulted early in the engineering-intensive specifications stage of major infrastructure projects.

Armtec operates through the industry’s largest manufacturing and distribution network in Canada, with 28 manufacturing plants, sales and distribution offices located across the country.

RECENT DEVELOPMENTS

On May 3, 2006, the Fund announced an 8% increase in the monthly cash distribution to Unitholders to \$0.13 per Unit from \$0.12 per Unit, starting with the distribution for May 2006. The distribution increase was in response to the continued strong demand for Armtec's products and the expected positive results from recently announced growth initiatives.

On October 10, 2006, ALP entered into an asset purchase agreement to acquire, subject to the terms and conditions thereof, the culvert manufacturing and distribution business of Prairie Steel based in Clavet, Saskatchewan for approximately \$6.8 million including transaction costs, subject to working capital adjustments. Prairie Steel manufactures CSP and well cribbing and distributes guard rail throughout Saskatchewan, where it is a significant supplier to the rural municipality infrastructure market. The Prairie Steel Acquisition is expected to close on November 15, 2006. Following the completion of the acquisition, Armtec expects to consolidate the acquired manufacturing activities with its existing Saskatoon operations and to retain key sales and production employees from Prairie Steel.

RISK FACTORS

An investment in the Units is subject to certain risks. Investors should carefully consider the risks described under the heading "Risk Factors" in the AIF and "Risk and Uncertainties" in the MD&A.

DISTRIBUTIONS TO UNITHOLDERS

The Fund makes monthly cash distributions of its distributable cash to Unitholders to the extent determined prudent by the Trustees. Monthly distributions are paid to Unitholders of record on the last business day of each calendar month and are paid within 30 days following each calendar month end.

The Fund may make additional distributions in excess of the aforementioned monthly distributions during the year, as the Trustees may determine. The distribution declared in respect of the month ending December 31 in each year will include such amount in respect of the taxable income and net realized capital gains, if any, of the Fund for such year as is necessary to ensure that the Fund will not be liable for income taxes under Part I of the Tax Act in such year.

The Fund has made the following distributions from its inception to the distribution for the month of August 2006 which was paid on September 15, 2006:

<u>Distribution for Month of</u>	<u>Payment Date</u>	<u>Distribution per Unit (\$)</u>
July 27-August 31, 2004	September 15, 2004	0.11
September 2004	October 15, 2004	0.10
October 2004	November 15, 2004	0.10
November 2004	December 15, 2004	0.10
December 2004	January 14, 2004	0.10
Special Distribution	January 28, 2005	0.35
January 2005	February 15, 2005	0.10
February 2005	March 15, 2005	0.10
March 2005	April 15, 2005	0.10
April 2005	May 16, 2005	0.10
May 2005	June 15, 2005	0.11
June 2005	July 15, 2005	0.11
July 2005	August 15, 2005	0.11
August 2005	September 15, 2005	0.11
September 2005	October 14, 2005	0.11
October 2005	November 15, 2005	0.11
November 2005	December 15, 2005	0.11
December 2005	January 16, 2006	0.11
Special Distribution	January 27, 2006	0.22
January 2006	February 15, 2006	0.11
February 2006	March 15, 2006	0.12
March 2006	April 13, 2006	0.12
April 2006	May 15, 2006	0.12
May 2006	June 15, 2006	0.13
June 2006	July 14, 2006	0.13
July 2006	August 15, 2006	0.13
August 2006	September 15, 2006	0.13
September 2006	October 13, 2006	0.13

Holders of the Units offered hereunder will be eligible to receive distributions commencing with the distribution of \$0.13 per Unit payable on November 15, 2006 to Unitholders of record on October 31, 2006 as announced on October 18, 2006.

CAPITALIZATION

There have been no material changes in the unit capitalization or in the indebtedness of the Fund since June 30, 2006.

USE OF PROCEEDS

The estimated net proceeds from the sale of Units issued pursuant to the Offering will be approximately \$23.5 million after deducting expenses of the Offering, estimated to be \$200,000. Approximately \$6.8 million of the net proceeds of the Offering will be used to finance the Prairie Steel Acquisition including related integration and transaction costs. See “Recent Developments”. The balance of the net proceeds will be used to reduce Armtec’s outstanding indebtedness under the Credit Facilities. Should the Prairie Steel Acquisition not close, the entire net proceeds of this Offering will be used to reduce Armtec’s outstanding indebtedness under the Credit Facilities. The purpose of the Revolving Loan Facility (as defined under “**Credit Facilities**”) is for ALP’s general business purposes. The Term Loan Facility (as defined under “**Credit Facilities**”) was made available to AOT for the purpose of repaying its then existing credit facilities, establishing the Fund and AOT’s general business purposes which include funding certain acquisitions of AOT or other Armtec Entities permitted pursuant to the Credit Facilities. See “Credit Facilities”.

CREDIT FACILITIES

Pursuant to a credit agreement dated as of July 27, 2004 between AOT and ALP, as borrowers, and Canadian chartered banks, as lenders (collectively, the “**Lenders**”) as amended on February 1, 2006, the Lenders agreed to provide a credit facility in an aggregate maximum principal amount of \$60.0 million to AOT and ALP comprised of a term loan facility (the “**Term Loan Facility**”) in the maximum principal amount of \$35.0 million in favour of AOT and a revolving loan facility (the “**Revolving Loan Facility**”) and together with the Term Loan Facility, the “**Credit Facilities**”) in the maximum principal amount of \$25.0 million in favour of ALP.

The Credit Facilities bear interest at rates that depend on certain financial ratios of the Fund and vary in accordance with borrowing rates in Canada and the United States. The Credit Facilities are secured by a first charge on the assets of the Fund’s subsidiaries subject to certain exceptions. The terms of these facilities provide for restrictions on the operations and activities of Armtec. Generally, the most significant restrictions relate to permitted investments, distributions, as well as the incurrence and maintenance of certain financial ratios primarily linked to operating earnings before interest, taxes, depreciation and amortization.

Armtec entered into an interest rate swap agreement to mitigate its interest rate risk on \$11.5 million of the \$32.7 million presently outstanding under the \$35.0 million Term Loan Facility. The swap agreement fixes the interest rate on the hedged portion of the Term Loan Facility at an effective rate of 3.8% and the hedge instrument expires on July 27, 2007. Armtec is still subject to interest rate risk on the remaining \$21.2 million outstanding under the Term Loan Facility, as well as market value fluctuations on the swap itself in the event of early termination, and fluctuations on interest incurred on the Revolving Loan Facility.

Approximately \$6.8 million of the net proceeds of the Offering will be used to finance the Prairie Steel Acquisition, including related integration and transaction costs. The balance of the net proceeds of the Offering will be used to reduce Armtec’s outstanding indebtedness under the Credit Facilities. Notwithstanding this reduction, the Lenders have agreed to amend the Credit Facilities, subject to the entering into of definitive documentation, such that AOT will be permitted to draw amounts under the Term Loan Facility up to a maximum aggregate principal amount not to exceed \$35.0 million (subject to certain conditions) and such that certain interest rates and fees payable by Armtec on the Credit Facilities will be reduced.

The Credit Facilities mature in February 2009, with full repayment due at maturity, at which time AOT and ALP will have to refinance such credit facilities.

DESCRIPTION OF THE UNITS

Units

An unlimited number of Units are issuable pursuant to the Declaration of Trust. Each Unit entitles the holder or holders thereof to one vote on a ballot vote at any meeting of Unitholders. Each Unit is transferable and represents an equal undivided beneficial interest in any distributions from the Fund whether of net income, net realized capital gains or other amounts, and in the net assets of the Fund in the event of the termination or winding-up of the Fund. All Units are of the same class with equal rights and privileges.

No certificates are issued for fractional Units and fractional Units do not entitle holders thereof to vote. The Units are not “deposits” within the meaning of the *Canada Deposit Insurance Corporations Act* (Canada) and are not insured under the provisions of such act or any other legislation. Furthermore, the Fund is not a trust company and, accordingly, is not registered under any trust and loan company legislation as it does not carry on or intend to carry on the business of a trust company.

Issuance of Units

The Declaration of Trust provides that Units or rights to acquire Units may be issued at the times, to the persons, for the consideration and on the terms and conditions that the Trustees determine, including pursuant to any Unitholder rights plan, or any incentive option or other compensation plan established by the Fund. Units may also be issued in satisfaction of any non-cash distribution of the Fund to Unitholders on a *pro rata* basis. The Declaration of Trust also provides that immediately after any *pro rata* distribution of Units to all Unitholders in satisfaction of any non-cash distribution, the number of outstanding Units will be consolidated such that each

Unitholder will hold after the consolidation the same number of Units as the Unitholder held before the non-cash distribution (except where tax was required to be withheld in respect of the Unitholder's share of the distribution). In this case, each certificate representing a number of Units prior to the non-cash distribution will be deemed to represent the same number of Units after the non-cash distribution and consolidation. Where amounts so distributed represent income (or capital gains that arise on the disposition of taxable Canadian property), non-resident Unitholders will be subject to withholding tax and the consolidation will not result in such non-resident Unitholders holding the same number of Units.

Additional Information

For additional information respecting the Declaration of Trust and the Units, including information respecting redemption rights, limitations on non-resident ownership, compulsory acquisition rights in the event of a successful take-over bid, actions that may be taken in connection with regulatory compliance, meetings and voting see "Description of the Business" at pages 10 to 19, inclusive, of the Fund's AIF. A copy of the Declaration of Trust is available through the Internet on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR), which may be accessed at www.sedar.com.

PLAN OF DISTRIBUTION

Under an agreement dated as of October 12, 2006 (the "**Underwriting Agreement**") among the Fund, the Trustees and the Underwriters, the Fund has agreed to sell and the Underwriters have agreed to purchase on October 26, 2006, or on such other date (on or before October 31, 2006) as may be agreed upon, subject to the terms and conditions contained therein, 1,289,000 Units at a price of \$19.40 per Unit payable in cash to the Fund against delivery. The Underwriting Agreement provides that, in connection with this Offering, the Fund has agreed to pay the Underwriters a fee of \$0.97 per Unit issued by the Fund. The obligations of the Underwriters under the Underwriting Agreement are several and may be terminated at their discretion on the basis of their assessment of the state of the financial markets and may also be terminated upon the occurrence of certain stated events. Except in certain limited circumstances, if an Underwriter fails to purchase the Units which it has agreed to purchase, the other Underwriters may, but are not obliged to, purchase such Units. The Underwriters are, however, obligated to take up and pay for all of the Units if any of the Units are purchased under the Underwriting Agreement. The Fund has agreed to indemnify the Underwriters in certain circumstances. The offering price for the Units was solely determined by negotiation between AHL, on behalf of the Fund, and the Underwriters.

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

The Units have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**1933 Act**") or any state securities laws, and accordingly may not be offered or sold in the United States except in transactions exempt from the registration requirements of the 1933 Act and applicable state securities laws. Each Underwriter has agreed that, except as permitted by the Underwriting Agreement and except as expressly permitted by applicable laws of the United States, it will not offer or sell the Units as part of the distribution thereof at any time within the United States. The Underwriting Agreement enables the Underwriters to offer and resell the Units that they have acquired pursuant to the Underwriting Agreement to certain qualified institutional buyers in the United States, provided such offers and sales are made in accordance with Rule 144A under the 1933 Act. Moreover, the Underwriting Agreement provides that the Underwriters will offer and sell the Units outside the United States only in accordance with Regulation S under the 1933 Act. Terms used above in this paragraph have the meanings given to them by Regulation S under the 1933 Act. In addition, until 40 days after the commencement of the Offering, an offer or sale of the Units within the United States by any dealer, whether or not participating in the Offering, may violate the registration requirements of the 1933 Act if such offer or sale is made other than in accordance with an exemption from such requirements.

The Fund has agreed that, subject to certain stated exceptions, it will not directly or indirectly, sell, agree or offer to sell, grant any option for the sale of, or otherwise dispose of any Units or securities convertible into

Units without the prior written consent of Scotia Capital Inc. and BMO Nesbitt Burns Inc., at any time prior to the expiry of 90 days following the closing of this Offering.

The TSX has conditionally approved the listing of the Units offered hereunder. Listing is subject to the Fund fulfilling all of the listing requirements of the TSX on or before January 10, 2007.

RELATIONSHIP BETWEEN THE FUND AND CERTAIN UNDERWRITERS

Scotia Capital Inc. and BMO Nesbitt Burns Inc. are direct or indirect subsidiaries of Canadian chartered banks that are lenders under the Credit Facilities. Accordingly, pursuant to applicable securities legislation, the Fund may be considered a “connected issuer” to Scotia Capital Inc. and BMO Nesbitt Burns Inc. As at October 11, 2006, on a consolidated basis, the Fund was indebted to the banks in the amount of approximately \$46.0 million under the Credit Facilities.

The terms of the Credit Facilities are described under “Credit Facilities”. The Fund and its subsidiaries are presently in compliance with the terms of the Credit Facilities. The offering price was determined solely by negotiation between AHL on behalf of the Fund and the Underwriters. As a consequence of the sale of the Units under this prospectus, each of the Underwriters will receive a fee on the principal amount of any Units sold through such Underwriter and the Fund plans to pay a portion of the proceeds of the Offering to the Banks as a repayment of Armtec’s outstanding indebtedness under the Credit Facilities. See “Use of Proceeds”.

PRICE RANGE AND TRADING VOLUME OF UNITS

The Units are traded on the TSX under the symbol “ARF.UN”. The following table sets forth the market price ranges and the aggregate volume of trading of the Units on the TSX for the periods indicated:

	<u>High (\$)</u>	<u>Low (\$)</u>	<u>Volume (Units)</u>
2004			
July 27-31	\$10.45	\$ 9.98	2,151,330
August	\$11.25	\$10.34	1,586,902
September	\$11.99	\$10.92	922,229
October	\$12.10	\$11.28	911,489
November	\$13.60	\$11.55	1,060,157
December	\$14.15	\$12.75	622,607
2005			
January	\$14.30	\$12.85	1,235,420
February	\$15.10	\$14.05	670,336
March	\$15.35	\$12.50	562,221
April	\$14.17	\$13.00	336,998
May	\$14.84	\$12.85	468,499
June	\$14.99	\$14.00	192,939
July	\$16.00	\$13.85	207,625
August	\$16.10	\$14.82	332,387
September	\$16.75	\$14.25	518,332
October	\$15.25	\$12.26	536,447
November	\$15.74	\$13.00	275,226
December	\$17.75	\$15.05	261,909
2006			
January	\$17.89	\$16.20	325,381
February	\$19.45	\$17.30	466,371
March	\$19.95	\$17.50	623,349
April	\$19.39	\$17.80	347,105
May	\$19.90	\$17.76	289,737
June	\$19.25	\$17.55	207,326
July	\$19.80	\$18.00	212,082
August	\$20.75	\$18.85	286,301
September	\$20.85	\$19.26	339,773
October 1 to 18	\$20.10	\$19.30	298,041

On October 6, 2006, the last trading day prior to the announcement of the Offering, the closing price of the Units on the TSX was \$19.60 per Unit. The closing price of the Units on October 18, 2006 was \$19.50.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Fraser Milner Casgrain LLP, counsel to the Fund, and Blake, Cassels & Graydon LLP, counsel to the Underwriters, (together, “**Tax Counsel**”), the following summary describes, as of the date of this prospectus, the principal Canadian federal income tax considerations pursuant to the Tax Act generally applicable to a prospective purchaser of Units pursuant to this prospectus who, for the purposes of the Tax Act, is resident in Canada, holds the Units as capital property and deals at arm’s length and is not affiliated with the Fund for purposes of the Tax Act. Generally, Units will be considered to be capital property to a Unitholder provided the Unitholder does not hold the Units in the course of carrying on a business and has not acquired them in one or more transactions considered to be an adventure in the nature of trade. Certain Unitholders who might not otherwise be considered to hold their Units as capital property may, in certain circumstances, be

entitled to have them treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act.

This summary is not applicable to a Unitholder that is a “financial institution” for purposes of the mark-to-market rules, to a Unitholder an interest in which a “tax shelter investment” or to a Unitholder that is a “specified financial institution”, all within the meaning of the Tax Act.

This summary is based upon the facts set out in the prospectus, the current provisions of the Tax Act, Tax Counsel’s understanding of the administrative and assessing practices of the Canada Revenue Agency (the “CRA”) publicly available prior to the date hereof and the specific proposals to amend the Tax Act announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the “**Proposed Amendments**”). This summary is not exhaustive of all possible Canadian federal income tax consequences and, except for the Proposed Amendments, does not take into account or anticipate any changes in the law or in the administrative or assessing policies of the CRA, whether by legislative, governmental or judicial action, nor does it take into account provincial, territorial or foreign tax considerations, which may differ significantly from those discussed herein. No assurance can be given that the Proposed Amendments will be enacted as currently proposed or at all.

This summary is not intended to be, nor should it be construed to be, legal or tax advice to any prospective purchaser of the Units. Consequently, prospective purchasers of Units should consult their own tax advisors for advice with respect to the tax consequences to them of an investment in Units based on their particular circumstances.

Qualification as a Mutual Fund Trust

The Fund qualifies as a “unit trust” as defined in the Tax Act. This summary assumes that the Fund qualifies as a “mutual fund trust” as defined in the Tax Act and will thereafter continuously qualify as a mutual fund trust. In order for the Fund to qualify as a mutual fund trust at a particular time, in addition to being a unit trust resident in Canada, it must meet certain prescribed conditions relating to the number of Unitholders, the dispersal of ownership of Units and public distribution of Units at such time; its only undertaking must be the investing of its fund in property (other than real property); and it must not be established or maintained primarily for the benefit of non-residents.

Under the current provisions of the Tax Act, the Fund will not be considered to be a mutual fund trust if it is established or maintained primarily for the benefit of non-residents. On September 16, 2004, the Minister of Finance (Canada) released draft amendments to the Tax Act relating to the circumstances under which the ownership of units of a trust by non-resident persons and partnerships other than Canadian partnerships would cause the trust to lose its status as a mutual fund trust (the “draft non-resident amendments”). Under the draft non-resident amendments, a trust would lose its status as a mutual fund trust if the aggregate fair market value of all units issued by the trust held by one or more non-resident persons or partnerships that are not Canadian partnerships is more than 50% of the aggregate fair market value of all the units issued by the trust. A partnership will only qualify as a Canadian partnership at a particular time if all of its members at that time are resident in Canada. The draft non-resident amendments did not provide any means of rectifying a loss of mutual fund trust status such that if, at any time, the Fund were to lose its mutual fund trust status as a result of the application of the draft non-resident amendments, the Fund would permanently cease to be a mutual fund trust. On December 6, 2004, the Minister of Finance (Canada) tabled a Notice of Ways and Means Motion which did not include the draft non-resident amendments, and it is Tax Counsel’s understanding that further discussions will take place with the private sector before a decision is made concerning whether the draft non-resident amendments will be enacted. Depending on the final form of the draft non-resident amendments, if enacted, it may be necessary to amend the Declaration of Trust to take into account these new restrictions. This amendment may be made without prior Unitholder approval.

If the Fund were not to qualify as a mutual fund trust, the income tax considerations described below would, in some respects, be materially different.

Taxation of the Fund

In general, the Fund is treated as an individual for tax purposes and is taxable on its income determined under the Tax Act from sources inside or outside Canada. The Fund is subject to tax in each taxation year (which is the calendar year) on its taxable income for the year which will include all interest on the debt owed by AOT that accrues to the Fund to the end of the year or that becomes receivable or is received by it before the end of the year (except to the extent such interest was included in computing income for a preceding year), such amount of AOT's income as became payable in the year to the Fund as a distribution on the units of AOT (the "AOT Units") and net realized taxable capital gains. The Fund will not be subject to tax on any payments of principal on the debt owed by AOT to the Fund nor on any amount received as a return of capital (and not income) on the AOT Units to the extent such amount does not exceed the adjusted cost base of the AOT Units immediately prior to the payment. The Fund may deduct in computing income for a taxation year amounts paid or payable or deemed to be paid or payable in such year to the Unitholders, including income paid in the form of additional Units, as discussed below.

In computing its income, the Fund will generally be entitled to deduct reasonable expenses incurred for the purpose of earning such income. The Fund may deduct in computing its income for a year a portion of the reasonable expenses incurred by it in connection with the issuance of the Units. The portion of such issue expenses deductible by the Fund in a taxation year is 20% of such issue expenses, pro-rated where the Fund's taxation year is less than 365 days. Such proration applied to the first taxation year of the Fund.

Under the Declaration of Trust, an amount equal to all of the income of the Fund for each year, together with the non-taxable portion of any net capital gains realized by the Fund in the year, but excluding capital gains which may be realized by the Fund upon a distribution in specie of assets of the Fund in connection with a redemption of a Unit (or the disposition of any assets of the Fund that are exchanged for assets so distributed) which are payable and designated to the redeeming Unitholders and excluding capital gains in respect of which the Fund is entitled to a Capital Gains Refund (as defined below), will be payable in the year to the Unitholders by way of cash distributions, subject to the exceptions described below. Under the Declaration of Trust, income of the Fund may be used to finance cash redemptions of Units and such income will not be payable to Unitholders by way of cash distributions but rather, to the extent not treated as paid to a redeeming Unitholder, will be payable in the form of additional Units.

A distribution by the Fund to a Unitholder of assets of the Fund upon a redemption of Units (or the exchange of assets of the Fund for assets so distributed) will be treated as a disposition of such assets by the Fund for proceeds equal to their fair market value. The Fund's proceeds from the disposition of debt owed by AOT to the Fund will be reduced by any accrued but unpaid interest in respect thereof, which interest will generally be included in the Fund's income in the year of disposition to the extent it was not included in the Fund's income in a previous year. The Fund will realize a capital gain (or loss) to the extent that such proceeds exceed (or are exceeded by) the cost amount to the Fund of such assets and reasonable costs of disposition.

The Fund will be entitled for each taxation year to reduce (or receive a refund in respect of) its liability, if any, for tax on its net realized taxable capital gains by an amount determined under the Tax Act based on the redemption of Units during the year (the "**Capital Gains Refund**"). In certain circumstances, the Capital Gains Refund, in a particular taxation year, may not completely offset the Fund's tax liability for such taxation year arising as a result of the distribution of assets of the Fund on the redemption of Units. The Declaration of Trust provides that any capital gain of the Fund attributable to an in specie distribution of assets of the Fund may be treated as being paid to redeeming Unitholders and the taxable portion thereof designated as a taxable capital gain of the redeeming Unitholder and any amount so designated will be deductible by the Fund.

Tax Counsel has been advised that the Fund intends to make sufficient distributions in each year of its net income for tax purposes and net realized capital gains so that the Fund would generally not be liable in such year for income tax under Part I of the Tax Act.

Taxation of AOT, ALP, Armtec and ALPC

AOT is taxable on its income determined under the Tax Act for each taxation year (which is the calendar year), which will include its allocated share of the income of ALP as well as interest on debt owed by Armtec.

Similar to the Fund, income that is paid or payable or deemed to be paid or payable in a year to its unitholders may be deducted by AOT in computing its income for tax purposes for such year. Under the AOT Declaration of Trust, an amount equal to all of the income of AOT for each year, together with the non-taxable portion of any net capital gains realized by AOT in the year, will generally be payable in the year to holders of AOT Units. Tax Counsel has been advised that AOT intends to make sufficient distributions in each year of its net income for tax purposes and net realized capital gains so that AOT would generally not be liable in such year for any material amount of tax under Part I of the Tax Act.

ALP is not subject to income tax under the Tax Act. Each partner of ALP, including AOT, ALPC and AHL is required to include in computing the partner's income, the partner's share of the income or, subject to the at risk rules in the case of a "limited partner" for the purposes of the Tax Act, loss of ALP for its fiscal year ending in the partner's taxation year end, whether or not any such income is distributed to the partner in the taxation year. For this purpose, the income or loss of ALP will be computed for each fiscal year as if it were a separate person resident in Canada. In computing the income or loss of ALP, deductions will be claimed in respect of its administrative and other expenses and available capital cost allowance. The income or loss of ALP for a fiscal year will be allocated to its partners on the basis of the partner's share of such income or loss as determined under the ALP partnership agreement subject to the detailed rules in the Tax Act in that regard.

Each of AHL and ALPC is subject to tax on its taxable income determined under the Tax Act for each taxation year, including its share of the income or loss of ALP, whether or not any such income is distributed to AHL or ALPC.

Taxable Unitholders

A Unitholder is generally required to include in computing income for a taxation year, the portion of the income of the Fund for the year, including net realized taxable capital gains, determined for purposes of the Tax Act, that is paid or payable to the Unitholder in the year, whether such amount is be paid in cash or additional Units. Provided that appropriate designations are made by the Fund, such portions of its net taxable capital gains, taxable dividends from taxable Canadian corporations and foreign source income, if any, as are paid or payable to a Unitholder will effectively retain their character and be treated as such in the hands of the Unitholder for the purposes of the Tax Act. Accordingly, such amounts, if any, will be taken into account in determining a Unitholder's capital gains, a Unitholder's entitlement to the dividend tax credit and/or a Unitholder's foreign tax credits. Such amounts will also be taken into account in determining the Unitholder's liability, if any, for alternative minimum tax under the Tax Act. On October 16, 2006, the Minister of Finance (Canada) released Proposed Amendments which are intended to enhance the dividend gross-up and tax credit mechanism applicable to certain "eligible dividends" as defined in the Proposed Amendments, payable after 2005 by corporations resident in Canada. Under these Proposed Amendments, a dividend will be eligible for the enhanced gross-up and dividend tax credit if the dividend recipient receives written notice from the paying corporation designating the dividend as an eligible dividend. There can be no assurance that these Proposed Amendments will be enacted into law in the form proposed or that AHL will make any such designation.

Any amount in excess of the income of the Fund that is paid or payable by the Fund to a Unitholder in a year should not generally be included in the Unitholder's income for the year. However, where such an amount is paid or becomes payable to a Unitholder, other than as proceeds of disposition of Units or any part thereof, the amount will generally reduce the adjusted cost base of the Units held by such Unitholder, except to the extent that the amount represents the Unitholder's share of the non-taxable portion of the net capital gains of the Fund for the year, the taxable portion of which was designated by the Fund in respect of the Unitholder.

The adjusted cost base of a Unit to a Unitholder will include all amounts paid or payable by the Unitholder for the Unit, with certain adjustments. Units issued to a Unitholder in lieu of a cash distribution will have a cost equal to the amount distributed by the issue of such Units. For the purpose of determining the adjusted cost base to a Unitholder of Units, when a Unit is acquired, the cost of a newly acquired Unit will be averaged with the adjusted cost base of all other Units owned by the Unitholder as capital property immediately before such acquisition.

Upon the disposition or deemed disposition by a Unitholder of a Unit, whether on redemption or otherwise, the Unitholder will generally realize a capital gain (or a capital loss) equal to the amount by which the

proceeds of disposition (excluding any amount payable by the Fund which represents an amount that must otherwise be included in the Unitholder's income or that is the non-taxable portion of net realized capital gains of the Fund paid or payable to the Unitholder) exceed (or are less than) the aggregate of the Unitholder's adjusted cost base of the Unit and any reasonable costs of disposition.

Where Units are redeemed and any assets of the Fund are distributed in specie to the Unitholder, the proceeds of disposition to the Unitholder of the Units will be equal to the fair market value of the assets so distributed (less the amount of any capital gain or income realized by the Fund as a result of the redemption of those Units which has been designated and made payable by the Fund to the Unitholder). Where income or a capital gain realized by the Fund as a result of the in specie distribution of assets owned by the Fund including debt on the redemption of Units (or the exchange of any assets of the Fund for the assets so distributed) has been made payable and, in the case of capital gains, designated by the Fund to a redeeming Unitholder, the Unitholder will be required to include in income the income or taxable portion of the capital gain so payable.

The cost amount to a Unitholder, immediately after a redemption of Units of the Unitholder, of assets distributed to the Unitholder by the Fund upon such redemption including debt securities will be equal to the fair market value of such assets at the time of the distribution. The redeeming Unitholder will be required to include in income interest on any debt acquired, in accordance with the provisions of the Tax Act.

Generally, one-half of any capital gain realized by a Unitholder on the disposition of a Unit and the amount of any net taxable capital gains designated by the Fund in respect of a Unitholder will be included in the Unitholder's income under the Tax Act in the taxation year in which the disposition occurs or in respect of which a net taxable capital gains designation is made by the Fund. To the extent that the adjusted cost base of a Unit would otherwise be less than zero in any taxation year of a Unitholder, the negative amount will be deemed to be a capital gain realized by the Unitholder in such taxation year from the disposition of the Unit and the amount of such capital gain will be added to the adjusted cost base of the Unit. Subject to certain specific rules in the Tax Act, one-half of any capital loss realized on the disposition of a Unit may be deducted against one-half of any capital gains realized by the Unitholder in the year of disposition, in the three preceding taxation years or in any subsequent taxation year.

Taxable capital gains realized by a Unitholder who is an individual may give rise to alternative minimum tax depending on the Unitholder's circumstances. Unitholders are advised to consult their own tax advisors prior to exercising their redemption rights. A Unitholder that is a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay an additional refundable tax of 6 $\frac{2}{3}$ % on its "aggregate investment income" for the year which will include an amount in respect of taxable capital gains.

Tax Exempt Unitholders

Provided that the Fund qualifies as a "mutual fund trust" or is a "registered investment" for purposes of the Tax Act at a particular time, the Units will be qualified investments for Exempt Plans at such time. Exempt Plans will generally not be liable for tax in respect of any distributions received from the Fund or any capital gain arising on the disposition of Units. Debt or other securities received as a result of a redemption in specie of Units may not be qualified investments for Exempt Plans and this could give rise to adverse consequences to such plans or the annuitant or beneficiary under that plan.

Exempt Plans, registered pension plans, registered pension plan corporations and other tax exempt entities should consult their tax advisors with respect to an investment in Units and with respect to a redemption of Units.

INTEREST OF EXPERTS

Certain legal matters relating to the Offering will be passed upon by Fraser Milner Casgrain LLP on behalf of the Fund and by Blake, Cassels & Graydon LLP on behalf of the Underwriters. As at the date hereof, partners and associates of Fraser Milner Casgrain LLP and Blake, Cassels & Graydon LLP as a group beneficially own, directly or indirectly, less than 1% of the outstanding Units.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of the Fund are PricewaterhouseCoopers LLP, Chartered Accountants, Mississauga, Ontario. The transfer agent and registrar for the Units is Computershare Investor Services Inc. at its principal office in Toronto, Ontario.

PURCHASER'S STATUTORY RIGHTS

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

AUDITORS' CONSENT

We have read the short form prospectus of Armtec Infrastructure Income Fund (the “**Fund**”) dated October 19, 2006 related to the distribution of units of the Fund (the “**Prospectus**”). We have complied with Canadian generally accepted standards for an auditor’s involvement with offering documents.

We consent to the incorporation by reference in the Prospectus of our report to the unitholders of the Fund on the consolidated balance sheets of the Fund as at December 31, 2005 and 2004 and the consolidated statements of earnings, unitholders’ equity and cash flows for the year ended December 31, 2005 and the fiscal period from commencement of operations on July 27, 2004 to December 31, 2004. Our report is dated February 17, 2006.

Mississauga, Ontario
October 19, 2006

(Signed) PRICEWATERHOUSECOOPERS LLP
Chartered Accountants

CERTIFICATE OF THE FUND

Date: October 19, 2006

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

ARMTEC INFRASTRUCTURE INCOME FUND
by its administrator, Armtec Limited Partnership
by its general partner, Armtec Holdings Limited

By: (Signed) CHARLES M. PHILLIPS
President and Chief Executive Officer

By: (Signed) R. JOHN SLATTERY
Senior Vice President, Finance and
Chief Financial Officer

On Behalf of the Board of Directors

(Signed) ROBERT J. WRIGHT
Director

(Signed) BRIAN W. JAMIESON
Director

CERTIFICATE OF THE UNDERWRITERS

Date: October 19, 2006

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

SCOTIA CAPITAL INC.

BMO NESBITT BURNS INC.

By: (Signed) J. PAUL ROLLINSON

By: (Signed) STEPHEN SHAPIRO

TD SECURITIES INC.

By: (Signed) JOE TASSONE

CIBC WORLD MARKETS INC.

By: (Signed) CHRISTOPHER T. FOLAN

M PARTNERS INC.

By: (Signed) THOMAS S. KOFMAN

