

**NOTICE OF SPECIAL MEETINGS**

**- AND -**

**NOTICE OF APPLICATION TO THE COURT OF QUEEN'S BENCH OF ALBERTA**

**- AND -**

**JOINT MANAGEMENT INFORMATION CIRCULAR CONCERNING THE BUSINESS COMBINATION  
INVOLVING**

**KIWETINOHK RESOURCES CORP.**

**- AND -**

**DISTINCTION ENERGY CORP.**

**July 27, 2021**

*These materials are important and require your immediate attention. They require securityholders of Kiwetinohk Resources Corp. ("KRC") and Distinction Energy Corp. ("Distinction") to make important decisions. If you are in doubt as to how to make these decisions or require assistance with voting your securities of KRC or Distinction, please contact your financial, legal, tax or other professional advisors. No securities regulatory authority has expressed an opinion about, or passed upon the fairness or merits of the transaction described in this document, the securities being offered pursuant to such transaction or the adequacy of the information contained in this document and it is an offense to claim otherwise.*



## TABLE OF CONTENTS

<b>LETTER TO DISTINCTION SHAREHOLDERS.....i</b>	
The Business Combination Agreement.....i	
Benefits of the Business Combination.....ii	
Board of Directors and Management.....iii	
Shareholder Votes.....iii	
Support Agreements.....iii	
Fairness Opinion.....iv	
Recommendation.....iv	
Distinction Meeting.....iv	
<b>LETTER TO KRC SHAREHOLDERS.....vi</b>	
Benefits of the Business Combination.....vii	
Board of Directors and Management.....vii	
Shareholder Votes.....vii	
Support Agreements.....viii	
Fairness Opinion.....viii	
Recommendation.....viii	
KRC Meeting.....viii	
<b>NOTICE OF SPECIAL MEETING OF DISTINCTION SHAREHOLDERS.....x</b>	
<b>NOTICE OF SPECIAL MEETING OF KRC SHAREHOLDERS.....xiii</b>	
<b>NOTICE OF APPLICATION.....xv</b>	
<b>GLOSSARY OF TERMS.....1</b>	
<b>CONVENTIONS.....11</b>	
<b>EXCHANGE RATIO.....11</b>	
<b>ABBREVIATIONS.....11</b>	
<b>JOINT MANAGEMENT INFORMATION CIRCULAR.....12</b>	
Introduction.....12	
Supplemental Disclosure – Non-GAAP Measures.....13	
Information for United States Securityholders.....13	
Exchange Rate Information.....14	
<b>FORWARD-LOOKING STATEMENTS.....14</b>	
<b>ADVISORY REGARDING OIL AND GAS INFORMATION.....21</b>	
General.....21	
Reserves.....21	
Selected Oil and Gas Terms.....22	
<b>INFORMATION FOR BENEFICIAL HOLDERS.....25</b>	
<b>SUMMARY.....27</b>	
The Business Combination.....27	
Distinction Energy Corp.....27	
Kiwetinohek Resources Corp.....27	
The Distinction Meeting.....28	
The KRC Meeting.....28	
Business Combination Agreement.....28	
Background to the Business Combination.....29	
Reasons for the Business Combination.....29	
Securities Law Matters.....33	
ATB Fairness Opinion.....33	
Peters & Co. Fairness Opinion.....34	
Support Agreements.....34	
Investment Rights Agreements.....34	
Treatment of Distinction Incentives.....35	
Procedure for the Business Combination to become Effective.....35	
Distinction Dissent Rights.....36	
KRC Dissent Rights.....37	
Summary of Canadian Federal Income Tax Considerations.....37	
Tax Considerations In Other Jurisdictions.....37	
Timing.....37	
Selected Unaudited <i>Pro Forma</i> Financial and Operational Information for the Combined Company.....38	
Risk Factors.....39	
<b>THE BUSINESS COMBINATION.....41</b>	
General.....41	
Background to the Business Combination.....41	
Role of the Independent Committee.....44	
Reasons for the Business Combination.....45	
ATB Fairness Opinion.....49	
Peters & Co. Fairness Opinion.....50	
Recommendation of the Independent Committee.....50	
Recommendation of the KRC Board.....51	
<b>EFFECT OF THE BUSINESS COMBINATION.....52</b>	
General.....52	
Distinction Incentives.....52	
KRC Incentives.....53	
Board and Management.....53	
Details of the Business Combination.....53	
The Business Combination Agreement.....54	
Support Agreements.....62	
Investment Rights Agreements.....62	
<b>PROCEDURE FOR THE BUSINESS COMBINATION TO BECOME EFFECTIVE.....66</b>	
Procedural Steps.....66	
Securityholder Approvals.....66	
Court Approval.....67	
Securities Law Matters.....68	
Procedure for Exchange of Distinction Share Certificates or DRS Advices.....70	
Procedure for Exchange of KRC Share Certificates or DRS Advices.....72	
<b>INTERESTS OF CERTAIN PERSONS OR COMPANIES IN THE BUSINESS COMBINATION.....73</b>	
Distinction.....73	
KRC.....76	
<b>LEGAL DEVELOPMENTS.....76</b>	
<b>DISTINCTION SHAREHOLDER DISSENT RIGHTS.....76</b>	
<b>KRC SHAREHOLDER DISSENT RIGHTS.....78</b>	
<b>CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS.....80</b>	
Holders Resident in Canada.....81	
Holders Not Resident in Canada.....83	

<b>TAX CONSIDERATIONS IN OTHER JURISDICTIONS .....</b>	<b>85</b>
<b><i>PRO FORMA</i> INFORMATION CONCERNING THE COMBINED COMPANY .....</b>	<b>85</b>
General .....	85
Notice to Reader .....	86
<b>TIMING.....</b>	<b>86</b>
<b>RISK FACTORS .....</b>	<b>86</b>
<b>COMPARISON OF SHAREHOLDER RIGHTS .....</b>	<b>90</b>
<b>INFORMATION CONCERNING DISTINCTION ENERGY CORP.....</b>	<b>91</b>
<b>INFORMATION CONCERNING KIWETINOHK RESOURCES CORP.....</b>	<b>91</b>
<b>MATTERS TO BE CONSIDERED AT THE DISTINCTION MEETING .....</b>	<b>91</b>
<b>MATTERS TO BE CONSIDERED AT THE KRC MEETING .....</b>	<b>91</b>
<b>GENERAL PROXY MATTERS – DISTINCTION ....</b>	<b>92</b>
Solicitation of Proxies.....	92
Appointment and Revocation of Proxies .....	92

Proxy Voting.....	93
General.....	93
Voting Securities of Distinction and Principal Holders thereof.....	93
Procedure and Votes Required.....	93
<b>GENERAL PROXY MATTERS – KRC.....</b>	<b>94</b>
Solicitation of Proxies.....	94
Appointment and Revocation of Proxies.....	94
Proxy Voting.....	95
Voting Securities of KRC and Principal Holders thereof.....	95
<b>QUESTIONS AND OTHER ASSISTANCE.....</b>	<b>96</b>

## ADDENDA

APPENDIX A	DISTINCTION TRANSACTION RESOLUTION
APPENDIX B	KRC TRANSACTION RESOLUTION
APPENDIX C	BUSINESS COMBINATION AGREEMENT
APPENDIX D	INTERIM ORDER
APPENDIX E	ATB FAIRNESS OPINION
APPENDIX F	PETERS & CO. FAIRNESS OPINION
APPENDIX G	INFORMATION CONCERNING DISTINCTION ENERGY CORP.
APPENDIX H	INFORMATION CONCERNING KIWETINOHK RESOURCES CORP. AND THE COMBINED COMPANY
APPENDIX I	SECTION 190 OF THE <i>CANADA BUSINESS CORPORATIONS ACT</i>
APPENDIX J	SECTION 191 OF THE <i>BUSINESS CORPORATIONS ACT</i> (ALBERTA)
APPENDIX K	COMPARISON OF SHAREHOLDER RIGHTS





## LETTER TO DISTINCTION SHAREHOLDERS

July 27, 2021

Dear Distinction Shareholders:

You are invited to attend a special meeting (the "**Distinction Meeting**") of the holders (the "**Distinction Shareholders**") of class A common shares ("**Distinction Shares**") of Distinction Energy Corp. ("**Distinction**", "**we**", "**us**", or "**our**"), to be held in the Devonian Room at the Calgary Petroleum Club, 319 - 5<sup>th</sup> Avenue SW, Calgary, Alberta on August 30, 2021 at 8:30 a.m. (Calgary time).

At the Distinction Meeting, the Distinction Shareholders will be asked to consider and vote on special resolutions approving the plan of arrangement (the "**Business Combination**") under section 192 of the *Canada Business Corporations Act*, involving the acquisition by Kiwetinohk Resources Corp. ("**KRC**") of all of the issued and outstanding Distinction Shares that KRC does not already own, as more particularly described in the joint management information circular of KRC and Distinction dated July 27, 2021 (the "**Information Circular**").

**Please complete the enclosed form of proxy and submit it to Distinction's transfer agent and registrar, Computershare Trust Company of Canada ("Computershare"), as soon as possible but not later than 8:30 a.m. (Calgary time) on August 26, 2021, or 48 hours (excluding Saturdays, Sundays and statutory holidays in the Province of Alberta) prior to the time of any adjournment or postponement of the Distinction Meeting.**

**Beneficial Distinction Shareholders (being Distinction Shareholders who hold their Distinction Shares through a broker, investment dealer, bank, trust company, custodian, nominee or other intermediary) can appoint themselves or a proxyholder to participate in the Distinction Meeting.**

**If you do not follow both of these steps, you or your proxyholder will only be able to enter the Distinction Meeting as a guest.**

**Registered Distinction Shareholders should also complete and return the enclosed Distinction letter of transmittal which, when properly completed and returned together with the certificate(s) representing Distinction Shares and all other required documents, will enable each Distinction Shareholder to obtain the consideration that the Distinction Shareholder is entitled to receive under the Business Combination. If the Distinction Shares are not represented by a certificate, but are represented by a direct registration statement ("DRS") advice, then the Distinction Shareholder is not required to deliver their DRS advice to Computershare, however they must still complete and deliver the Distinction letter of transmittal.**

### **The Business Combination Agreement**

Distinction and KRC agreed to combine their respective businesses and entered into a business combination agreement dated June 28, 2021 (the "**Business Combination Agreement**"), which was unanimously approved by the respective boards of directors of Distinction and KRC, other than by those Distinction and KRC directors who abstained from voting in accordance with applicable laws. Pursuant to the Business Combination Agreement and the accompanying plan of arrangement, KRC will acquire all of the issued and outstanding Distinction Shares that KRC does not already own if approved by: (i) not less than 66⅔% of the votes cast on a special resolution (the "**Distinction Transaction Resolution**"), the full text of which is set forth in Appendix A to the accompanying Information Circular, by Distinction Shareholders present in person or represented by proxy at the Distinction Meeting, in the manner set forth in the interim order of the Court of Queen's Bench of Alberta in respect of the Business Combination; and (ii) a simple majority of the votes cast on the Distinction Transaction Resolution by the Distinction Shareholders present in person or represented by proxy at the Distinction Meeting after excluding the votes cast by those persons whose votes are required to be excluded in accordance with Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*.

Distinction Shareholders will exchange their Distinction Shares for common shares of KRC ("**KRC Shares**") at the exchange ratio of 20 KRC Shares for each Distinction Share (the "**Exchange Ratio**"). For additional information with respect to the Exchange Ratio, see "*Exchange Ratio*" in the Information Circular.

Former Distinction Shareholders are expected to own approximately 24% of the combined company (the "**Combined Company**") immediately after completion of the Business Combination. Current KRC shareholders are expected to own approximately 76% of the Combined Company immediately after completion of the Business Combination. For additional information with respect to the Exchange Ratio, see "*Exchange Ratio*" in the Information Circular.

The Business Combination is currently anticipated to be completed on or about September 2, 2021, subject to satisfaction or waiver of all conditions precedent in the Business Combination Agreement, including receipt of all court and regulatory approvals. Upon completion of the Business Combination, the Combined Company will operate as "Kiwetinohek Resources Corp." and remain headquartered in Calgary, Alberta.

### **Benefits of the Business Combination**

The Business Combination affords non-KRC Distinction Shareholders with the opportunity to become shareholders of the Combined Company and participate in KRC's growth strategy through a larger entity with a diversified set of assets positioned for the energy transition. The following are some, but not all, of the expected benefits of the Business Combination to Distinction and Distinction Shareholders:

#### Scale

- increased scale better positions the Combined Company to compete in an increasingly consolidated energy industry;
- larger entity, with expected enhanced market importance and enhanced business relationships, expected to result in positive effects on the Combined Company's access to capital, procurement and sales;

#### Strategy

- exposure to the dedicated and unique integrated energy transition model of KRC, including the potential for advancement of strategic power projects expected to provide attractive shareholder returns;
- consolidation of existing assets positions the Combined Company to take further advantage of current upstream consolidation market trends;
- business plan focused on investor returns better positioned by reduced debt to cash flow of the Combined Company;

#### Management Track Record

- management team with a strong record of upstream development and innovation in the energy industry;
- proven under-developed assets poised to perform with management's track record of unconventional development;

#### Upstream Asset Quality

- exposure to additional top-tier Canadian upstream production and reserves, with an established position in the Montney, Duvernay and Clearwater plays and a sustainable and long-life asset base;

#### Cost Structure

- consolidated operations, increased corporate synergies and simplified reporting requirements of the Combined Company expected to optimize cost structure;

- reduced general and administrative costs of the Combined Company, allowing for engagement of specialized expertise;

#### Simplicity

- improved management effectiveness and efficiency;
- clarification, simplification and removal of conflicts of interest;
- simplified corporate structure, anticipated to be more appealing to the investment community; and
- perceived distance from negative reputational impacts associated the CCAA proceedings of Distinction (formerly Delphi Energy Corp.).

For additional information with respect to these and other anticipated benefits of the Business Combination, see the sections in the Information Circular entitled "*The Business Combination – Reasons for the Business Combination – Independent Committee and Distinction Board*".

### **Board of Directors and Management**

Pursuant to the terms of the Business Combination Agreement, Distinction and KRC agreed that the board of directors of the Combined Company will consist of nine members, led by Kevin Brown as Chair, and shall include Patrick Carlson, William (Bill) Slavin, Nancy Lever, Leland Corbett, Kaush Rahkit, Steve Sinclair, Timothy Schneider and Beth Reimer-Heck.

Following completion of the Business Combination, it is anticipated that the existing officers of KRC will continue with the Combined Company in their current roles.

### **Shareholder Votes**

The Business Combination must be approved by: (i) not less than 66⅔% of the votes cast on the Distinction Transaction Resolution by Distinction Shareholders present in person or represented by proxy at the Distinction Meeting; and (ii) a simple majority of the votes cast on the Distinction Transaction Resolution by the Distinction Shareholders present in person or represented by proxy at the Distinction Meeting after excluding the votes cast by those persons whose votes are required to be excluded in accordance with Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*.

In addition to the approval of the Distinction Shareholders, completion of the Business Combination is subject to the approval by KRC shareholders of a special resolution approving, among other things, an amendment to the number of directors as set out in the articles of KRC (the "**Articles**"), amendments to the Articles to remove private company restrictions, the continuance of KRC under the *Canada Business Corporations Act*, the issuance of such number of KRC Shares as are required to be issued pursuant to and in connection with the Business Combination and an amendment to the Articles to consolidate the KRC Shares outstanding immediately after the amalgamation of KRC and Distinction pursuant to the terms of the plan of arrangement on a 10 to 1 basis (collectively, the "**KRC Transaction Resolution**").

Completion of the Business Combination is also subject to, among other things, the approval of the Court of Queen's Bench of Alberta. If the Distinction Transaction Resolution is not approved at the Distinction Meeting, the Business Combination will not be completed. Similarly, if the KRC Transaction Resolution is not approved by the KRC shareholders, the Business Combination will not be completed.

### **Support Agreements**

The Business Combination has the support of Luminus Energy IE Designated Activity Company, Concise Short Term High Yield Master Fund, SPC, Mercer QIF Fund PLC - Mercer Investment Fund 1, Concise Short Term High Yield Fund, The Beebe Foundation, The Saratoga Advantage Trust – James Alpha Hedged High Income Portfolio, Stornoway Recovery Fund LP and Ravensource Fund and all of the directors and certain of the executive officers of Distinction that hold Distinction Shares, which collectively hold approximately 41% of the issued and outstanding Distinction Shares (collectively, the "**Supporting Distinction Securityholders**") as at the date hereof. Each Supporting Distinction Securityholder has irrevocably agreed to vote in favour of the Business Combination at the Distinction Meeting, except in limited circumstances.

## Fairness Opinion

The Distinction Board formed a committee of independent directors (the "**Independent Committee**") to consider the Business Combination and subsequently supervise and/or negotiate the Business Combination Agreement. ATB Capital Markets ("**ATB**") acted as financial advisor to the Independent Committee and provided the Independent Committee with its opinion (the "**ATB Fairness Opinion**") to the effect that, as of June 16, 2021, based upon and subject to the assumptions, limitations and qualifications set forth therein, the Exchange Ratio is fair, from a financial point of view, to the Distinction Shareholders (other than KRC). The full text of the written opinion of ATB setting out the assumptions made, matters considered and limitations and qualifications on the review undertaken in connection with the ATB Fairness Opinion is contained in Appendix E to the Information Circular. ATB provided its opinion solely for the information and assistance of the Independent Committee in connection with its consideration of the Business Combination. The ATB Fairness Opinion is not a recommendation as to how any Distinction Shareholder should vote with respect to the Business Combination, or any other matter. The ATB Fairness Opinion was one of a number of factors taken into consideration by the Independent Committee in making its unanimous determination that the Business Combination is fair to Distinction Shareholders and is in the best interests of Distinction and to recommend that the Distinction Shareholders vote in favour of the Distinction Transaction Resolution.

## Recommendation

Following receipt of the opinion of ATB that, as of the date thereof and subject to the assumptions, limitations and qualifications contained therein, the Exchange Ratio is fair from a financial point of view to Distinction Shareholders (other than KRC), and after the consideration of a number of other factors, the Independent Committee unanimously recommended to the Distinction Board that the Business Combination be approved.

Following receipt of the unanimous recommendation of the Independent Committee, and after consulting with its legal counsel, and after careful consideration, **the Distinction Board (excluding directors who abstained in accordance with section 120 of the *Canada Business Corporations Act*): (i) determined that the Business Combination is in the best interests of Distinction and the Distinction Shareholders and that the Exchange Ratio under the Business Combination is fair to Distinction Shareholders (other than KRC); (ii) approved the Business Combination Agreement and the transactions contemplated thereby; and (iii) resolved to recommend that Distinction Shareholders vote in favour of the Distinction Transaction Resolution. Accordingly, the Distinction Board (excluding directors who abstained in accordance with section 120 of the *Canada Business Corporations Act*) recommends that Distinction Shareholders vote FOR the Distinction Transaction Resolution.**

The Information Circular also contains a detailed description of the Business Combination, as well as detailed information regarding Distinction and KRC and certain *pro forma* and other information of the Combined Company after giving effect to the Business Combination. It includes certain risk factors relating to Distinction, KRC, the Business Combination and the Combined Company. Please give this material your careful consideration and, if you require assistance, consult your financial, legal, tax or other professional advisors.

**Your vote is important to Distinction and we strongly encourage you to participate in the Distinction Meeting or submit the applicable enclosed form of proxy or voting information form. If you have any questions about any of the information or require assistance in completing your form of proxy or voting instruction form for your Distinction Shares, as applicable, please contact your financial, legal, tax or other professional advisors.**

## Distinction Meeting

Distinction is continually monitoring developments and will communicate further, as necessary. In light of the rapidly evolving news and guidelines related to COVID-19, Distinction asks that, in considering whether to attend the Distinction Meeting in person, Distinction Shareholders follow, among other things, the instructions of the Public Health Agency of Canada (<https://www.canada.ca/en/public-health/services/diseases/coronavirus-disease-covid-19.html>) and any applicable additional provincial and local instructions. Distinction reserves the right to take any additional precautionary measures it deems appropriate in relation to the Distinction Meeting in response to further developments in respect of the COVID-19 outbreak including, if required by public health measures related to the COVID-19 pandemic in force or expected to be in force at the time of the Distinction Meeting, hosting the Distinction Meeting solely by means of remote communication, placing restrictions on in-person attendance, or postponing or adjourning the Distinction Meeting. Distinction Shareholders will be notified of changes to the Distinction Meeting date and/or means of holding the Distinction Meeting in accordance with the interim order of the Court of Queen's Bench of Alberta. Please monitor Distinction's press releases for updated information. Distinction does not intend to prepare or mail an amended Information Circular in the event of changes to the Distinction Meeting format.

On behalf of the board of directors of Distinction, I would like to express our gratitude for the support our shareholders have demonstrated with respect to our decision to take the proposed Business Combination forward. We believe that this is a transformational opportunity for both Distinction and KRC shareholders and will create a leader in responsible energy development.

We look forward to your participation at the Distinction Meeting.

Yours sincerely,

(signed) "*Timothy Schneider*"

Timothy Schneider  
Chairman of the Board  
Member of the Independent Committee  
Distinction Energy Corp.



## LETTER TO KRC SHAREHOLDERS

July 27, 2021

Dear KRC Shareholders:

You are invited to attend a special meeting (the "**KRC Meeting**") of the holders (the "**KRC Shareholders**") of common shares ("**KRC Shares**") in the capital of Kiwetinoḥk Resources Corp. ("**KRC**", "**we**", "**us**", or "**our**") to be held in the Devonian Room at the Calgary Petroleum Club, 319 - 5<sup>th</sup> Avenue SW, Calgary, Alberta on August 30, 2021 at 10:30 a.m. (Calgary time).

KRC and Distinction Energy Corp. ("**Distinction**") agreed to combine their respective businesses and entered into a business combination agreement dated June 28, 2021 (the "**Business Combination Agreement**") which was unanimously approved by the respective boards of directors of KRC and Distinction, other than the KRC and Distinction directors who abstained from voting in accordance with applicable laws. Pursuant to the Business Combination Agreement and the accompanying plan of arrangement, KRC will acquire all of the issued and outstanding class A common shares in the capital of Distinction ("**Distinction Shares**") that KRC does not already own (the "**Business Combination**"). Holders of Distinction Shares ("**Distinction Shareholders**") will exchange their Distinction Shares for common shares of KRC ("**KRC Shares**") at the exchange ratio of 20 KRC Shares for each Distinction Share (the "**Exchange Ratio**"). For additional information with respect to the Exchange Ratio, see "**Exchange Ratio**" in the Information Circular (as defined below).

At the KRC Meeting, you will be asked to consider and vote on a special resolution (the "**KRC Transaction Resolution**"), the full text of which is set forth in Appendix B to the accompanying joint management information circular of KRC and Distinction dated July 27, 2021 (the "**Information Circular**"). The KRC Transaction Resolution contemplates approving, among other things, an amendment to the number of directors as set out in the articles of KRC (the "**Articles**"), amendments to the Articles to remove private company restrictions, the continuance of KRC under the *Canada Business Corporations Act*, the issuance of such number of KRC Shares as are required to be issued pursuant to and in connection with the Business Combination and an amendment to the Articles to consolidate the KRC Shares outstanding immediately after the amalgamation of KRC and Distinction pursuant to the terms of the plan of arrangement on a 10 to 1 basis.

Please complete the enclosed form of proxy and submit it to KRC's transfer agent and registrar, Computershare Trust Company of Canada ("**Computershare**"), as soon as possible but not later than 10:30 a.m. (Calgary time) on August 26, 2021, or 48 hours (excluding Saturdays, Sundays and statutory holidays in the Province of Alberta) prior to the time of any adjournment or postponement of the KRC Meeting.

Beneficial KRC Shareholders (being KRC Shareholders who hold their KRC Shares through a broker, investment dealer, bank, trust company, custodian, nominee or other intermediary) can appoint themselves or a proxyholder to participate in the KRC Meeting.

If you do not follow both of these steps, you or your proxyholder will only be able to enter the KRC Meeting as a guest.

Registered KRC Shareholders should also complete and return the enclosed KRC letter of transmittal which, when properly completed and returned together with the certificate(s) representing KRC Shares and all other required documents, will enable each KRC Shareholder to obtain the consolidated number of KRC Shares that the KRC Shareholder is entitled to receive under the Business Combination. If the KRC Shares are held in book entry form, represented by a direct registration statement ("**DRS**") advice, it is not necessary to return the DRS advice. KRC Shareholders holding DRS advices must complete and return the KRC letter of transmittal to Computershare.

Current KRC Shareholders are expected to own approximately 76% of the combined company (the "**Combined Company**") immediately after completion of the Business Combination. Former Distinction Shareholders are expected to own approximately 24% of the Combined Company immediately after completion of the Business Combination. For additional information with respect to the Exchange Ratio, see "**Exchange Ratio**" in the Information Circular.

The Business Combination is currently anticipated to be completed on or about September 2, 2021, subject to satisfaction or waiver of all conditions precedent in the Business Combination Agreement, including receipt of all court and regulatory approvals. Upon completion of the Business Combination, the Combined Company will continue to operate as "Kiwetinohk Resources Corp." and remain headquartered in Calgary, Alberta.

### **Benefits of the Business Combination**

The Business Combination is anticipated to afford KRC the opportunity to benefit from the highly complementary nature of Distinction's assets and the resulting efficiencies achieved by combining the companies. The following are some, but not all, of the expected benefits of the Business Combination to KRC and KRC Shareholders:

#### Scale

- increased scale better positions the Combined Company to compete in an increasingly consolidated energy industry;
- larger entity, with expected enhanced market importance and enhanced business relationships, expected to result in positive effects on the Combined Company's access to capital, procurement and sales;
- improved cash flow position of the Combined Company and a business plan focused on investor returns;

#### Cost Structure

- consolidated operations, increased corporate synergies and simplified reporting requirements of the Combined Company expected to optimize cost structure;
- reduced general and administrative costs of the Combined Company, allowing for engagement of specialized expertise;

#### Simplicity

- consolidation of ownership and operations in top-tier Canadian properties in the Montney and Duvernay plays;
- improved management effectiveness and efficiency; and
- simplified corporate structure, anticipated to be more appealing to the investment community.

For additional information with respect to these and other anticipated benefits of the Business Combination, see the section in the Information Circular entitled "*The Business Combination – Reasons for the Business Combination – KRC Board*".

### **Board of Directors and Management**

Pursuant to the terms of the Business Combination Agreement, Distinction and KRC agreed that the board of directors of the Combined Company will consist of nine members, led by Kevin Brown as Chair, and shall include Patrick Carlson, William (Bill) Slavin, Nancy Lever, Leland Corbett, Kaush Rahkit, Steve Sinclair, Timothy Schneider and Beth Reimer-Heck.

Following completion of the Business Combination, it is anticipated that the existing officers of KRC will continue with the Combined Company in their current roles.

### **Shareholder Votes**

The KRC Transaction Resolution must be approved by 66⅔% of the votes cast by the KRC Shareholders present in person or represented by proxy at the KRC Meeting. The KRC Transaction Resolution contemplates approving, among other things, an amendment to the number of directors as set out in the Articles, amendments to the Articles to remove private company restrictions, the continuance of KRC under the *Canada Business Corporations Act*, the issuance of such number of KRC Shares as are required to be issued pursuant to and in connection with the Business Combination and an amendment to the Articles to consolidate the KRC Shares outstanding immediately after the amalgamation of KRC and Distinction pursuant to the terms of the plan of arrangement on a 10 to 1 basis.



In addition to the approval of the KRC Shareholders, completion of the Business Combination is subject to, among other things: (i) the approval of the Business Combination by not less than 66⅔% of the votes cast by Distinction Shareholders present in person or represented by proxy at a special meeting (the "**Distinction Meeting**") of Distinction Shareholders (the "**Distinction Transaction Resolution**"); (ii) the approval of a simple majority of the votes cast on the Distinction Transaction Resolution by the Distinction Shareholders present in person or represented by proxy at the Distinction Meeting after excluding the votes cast by those persons whose votes are required to be excluded in accordance with Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*; and (iii) the approval of the Court of Queen's Bench of Alberta.

If the Distinction Transaction Resolution is not approved at the Distinction Meeting, the Business Combination will not be completed. Similarly, if the KRC Transaction Resolution is not approved at the KRC Meeting, the Business Combination will not be completed.

### Support Agreements

The Business Combination has the support of ARC Equity Management (Fund 8) Ltd. (as the general partner of ARC Energy Fund 8 Canadian Limited Partnership, ARC Energy Fund 8 United States Limited Partnership, ARC Energy Fund 8 International Limited Partnership and ARC Capital 8 Limited Partnership) and ARC Equity Management (Fund 9) Ltd. (as the general partner of ARC Energy Fund 9 Canadian Limited Partnership, ARC Energy Fund 9 United States Limited Partnership, ARC Energy Fund 9 International Limited Partnership and ARC Capital 9 Limited Partnership) and each of the directors and executive officers of KRC that hold KRC Shares (the "**Supporting KRC Shareholders**"), which collectively hold approximately 86% of the issued and outstanding KRC Shares. Each Supporting KRC Shareholder has irrevocably agreed to vote in favour of the KRC Transaction Resolution at the KRC Meeting, except in limited circumstances.

### Fairness Opinion

Peters & Co. Limited ("**Peters & Co.**") acted as financial advisor to KRC and has provided the KRC board of directors (the "**KRC Board**") with its opinion (the "**Peters & Co. Fairness Opinion**") to the effect that, as of June 17, 2021, and based upon and subject to the assumptions, limitations and qualifications set forth therein, the Exchange Ratio is fair, from a financial point of view, to KRC. The full text of the written opinion of Peters & Co. is contained in Appendix F to the Information Circular. Peters & Co. provided its opinion solely for the information and assistance of the KRC Board in connection with its consideration of the Business Combination. The Peters & Co. Fairness Opinion is not a recommendation as to how any KRC Shareholder should vote with respect to the KRC Transaction Resolution, or any other matter. The Peters & Co. Fairness Opinion was one of a number of factors taken into consideration by the KRC Board in making its determination that the Business Combination is fair to KRC.

### Recommendation

After consulting with KRC's senior management and with its financial, legal, tax, and other advisors, and after considering, among other things, the Peters & Co. Fairness Opinion, **the KRC Board has unanimously (excluding directors who abstained in accordance with section 120 of the *Business Corporations Act* (Alberta)): (i) determined that the Business Combination and entry into the Business Combination Agreement are in the best interests of KRC; (ii) approved the Business Combination Agreement and the transactions contemplated thereby; and (iii) recommended that KRC Shareholders vote in favour of the KRC Transaction Resolution.**

The Information Circular contains a detailed description of the Business Combination, as well as detailed information regarding KRC and Distinction and certain *pro forma* and other information of the Combined Company after giving effect to the Business Combination. It also includes certain risk factors relating to KRC, Distinction, the Business Combination and the Combined Company. Please give this material your careful consideration and, if you require assistance, consult your financial, legal, tax or other professional advisors.

**Your vote is important to KRC and we strongly encourage you to participate in the KRC Meeting or submit the enclosed form of proxy or voting information form. If you have any questions about any of the information or require assistance in completing your form of proxy or voting instruction form for your KRC Shares, as applicable, please contact your financial, legal, tax or other professional advisors.**

### KRC Meeting

In light of the rapidly evolving news and guidelines related to COVID-19, KRC asks that, in considering whether to attend the KRC Meeting in person, KRC Shareholders follow, among other things, the instructions of the Public Health Agency of Canada (<https://www.canada.ca/en/public-health/services/diseases/coronavirus-disease-covid-19.html>) and any



**applicable additional provincial and local instructions. KRC reserves the right to take any additional precautionary measures it deems appropriate in relation to the KRC Meeting in response to further developments in respect of the COVID-19 outbreak including, if required by public health measures related to the COVID-19 pandemic in force or expected to be in force at the time of the KRC Meeting, hosting the KRC Meeting solely by means of remote communication, placing restrictions on in-person attendance, or postponing or adjourning the KRC Meeting. KRC Shareholders will be notified of changes to the KRC Meeting date and/or means of holding the KRC Meeting in accordance with the interim order of the Court of Queen's Bench of Alberta. Please monitor KRC's press releases for updated information. KRC does not intend to prepare or mail an amended Information Circular in the event of changes to the KRC Meeting format.**

On behalf of the KRC Board, I would like to express our gratitude for the ongoing support our shareholders have demonstrated over KRC's history, including with respect to our decision to combine with Distinction. We believe that this is a transformational opportunity for both KRC and Distinction shareholders and will create a leader in responsible energy development.

Yours sincerely,

(signed) "*Patrick Carlson*"

Patrick Carlson  
Chief Executive Officer  
Kiwetinohek Resources Corp.



## NOTICE OF SPECIAL MEETING OF DISTINCTION SHAREHOLDERS

**NOTICE IS HEREBY GIVEN** that a special meeting (the "**Distinction Meeting**") of the holders ("**Distinction Shareholders**") of class A common shares ("**Distinction Shares**") of Distinction Energy Corp. ("**Distinction**") is to be held in the Devonian Room at the Calgary Petroleum Club, 319 - 5<sup>th</sup> Avenue SW, Calgary, Alberta at 8:30 a.m. (Calgary time) on August 30, 2021 for the following purposes:

1. to consider, pursuant to an interim order (the "**Interim Order**") of the Court of Queen's Bench of Alberta dated July 23, 2021, and, if deemed advisable, to approve, with or without variation, a special resolution of the Distinction Shareholders (the "**Distinction Transaction Resolution**"), the full text of which is set forth in Appendix A to the accompanying joint management information circular dated July 27, 2021 (the "**Information Circular**"), to approve a plan of arrangement (the "**Business Combination**") under section 192 of the *Canada Business Corporations Act* (the "**CBCA**") involving Distinction, Distinction Shareholders and Kiwetinohk Resources Corp. ("**KRC**"), whereby, among other things, KRC will acquire all of the issued and outstanding Distinction Shares that KRC does not already own, as more particularly described in the Information Circular; and
2. to transact such further and other business as may properly be brought before the Distinction Meeting or any adjournment(s) or postponement(s) thereof.

Specific details of the matters to be put before the Distinction Meeting are set forth in the Information Circular.

**The board of directors of Distinction unanimously (excluding directors who abstained in accordance with Section 120 of the *Canada Business Corporations Act*) recommends that Distinction Shareholders vote FOR the Distinction Transaction Resolution.**

**It is a condition to the completion of the Business Combination that the Distinction Transaction Resolution be approved by Distinction Shareholders at the Distinction Meeting. If the Distinction Transaction Resolution is not approved by the Distinction Shareholders, the Business Combination cannot be completed.**

The full text of the plan of arrangement (the "**Plan of Arrangement**") implementing the Business Combination is attached as Schedule A to Appendix C to the Information Circular. The Interim Order is attached as Appendix D to the Information Circular.

Each Distinction Share entitled to be voted in respect of the Distinction Transaction Resolution will entitle the holder to one vote at the Distinction Meeting with respect to such resolution. The Distinction Transaction Resolution must be approved by: (i) not less than 66⅔% of the votes cast by Distinction Shareholders present in person or represented by proxy at the Distinction Meeting, in the manner set forth in the Interim Order; and (ii) a simple majority of the votes cast on the Distinction Transaction Resolution by the Distinction Shareholders present in person or represented by proxy at the Distinction Meeting after excluding the votes cast by those persons whose votes are required to be excluded in accordance with Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*.

The record date (the "**Distinction Record Date**") for determination of Distinction Shareholders entitled to receive notice of and to vote at the Distinction Meeting is the close of business on July 23, 2021. Distinction Shareholders, whose names have been entered in the register of holders of Distinction Shares on the close of business on the Distinction Record Date will be entitled to receive notice of and to vote at the Distinction Meeting.

Registered Distinction Shareholders may attend the Distinction Meeting in person or may be represented by proxy. Distinction Shareholders who are unable to attend the Distinction Meeting or any adjournments or postponements thereof in person are requested to date, sign and return the accompanying form of proxy for use at the Distinction Meeting or any adjournment or postponement thereof. To be effective, the applicable enclosed form of proxy must be dated, signed and deposited with Distinction's registrar and transfer agent, Computershare Trust Company of Canada: (i) by internet, at the website indicated on the proxy form, for which the Control Number which is noted on the proxy form will be required; (ii) by telephone, at 1-866-732-8683 (toll-free in North America), for which the Control Number as noted on the proxy form will be required (if a Distinction Shareholder chooses to vote by telephone, such Distinction Shareholder cannot appoint anyone other than the appointees named

on the form of proxy as proxyholder); (iii) by mailing a complete, signed and dated form of proxy using the enclosed return envelope or an envelope addressed to the registrar and transfer agent of Distinction, Computershare Trust Company of Canada, 8<sup>th</sup> Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1; (iv) by hand delivery to Computershare Trust Company of Canada, 8<sup>th</sup> Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1; or (v) by facsimile, by sending a complete, signed and dated form of proxy to 1-866-249-7775 (toll-free in North America) or 1-416-263-9524 (outside North America), no later than 8:30 a.m. (Calgary time) on August 26, 2021 or, if the Distinction Meeting is adjourned or postponed, no later than 48 hours (excluding Saturdays, Sundays and statutory holidays in Alberta) before the beginning of any adjourned or postponed Distinction Meeting. The time limit for the deposit of proxies may be waived or extended by the Chair of the Distinction Meeting at his or her discretion without notice.

**If a Distinction Shareholder receives more than one form of proxy because such holder owns Distinction Shares registered in different names or addresses, each form of proxy should be completed and returned.**

A proxyholder has discretion under the accompanying form of proxy in respect of amendments or variations to matters identified in this Notice and with respect to other matters which may properly come before the Distinction Meeting, or any adjournment or postponement thereof. As of the date hereof, management of Distinction knows of no amendments, variations or other matters to come before the Distinction Meeting other than the matters set forth in this Notice. Distinction Shareholders who are planning to return the form of proxy are encouraged to review the Information Circular carefully before submitting the proxy form.

**It is the intention of the persons named in the applicable enclosed form of proxy, if not expressly directed to the contrary in such form of proxy, to vote in favour of the Distinction Transaction Resolution.**

Pursuant to the Interim Order, registered holders of Distinction Shares have been granted the right to dissent with respect to the Distinction Transaction Resolution and, if the Business Combination becomes effective, to be paid the fair value of their Distinction Shares in accordance with the provisions of section 192 of the CBCA, as modified by the Interim Order and the Plan of Arrangement. The right of a Distinction Shareholder to dissent is more particularly described in the Information Circular and in the Interim Order and the text of section 190 of the CBCA, which are set forth in Appendices D and I, respectively, to the accompanying Information Circular. To exercise such right to dissent, a dissenting Distinction Shareholder must send to Distinction, c/o Cassels Brock & Blackwell LLP, Suite 3810, Bankers Hall West, 888 3<sup>rd</sup> Street S.W., Calgary, Alberta, T2P 5C5, Attention: Jeffrey Oliver or by e-mail at: [joliver@cassels.com](mailto:joliver@cassels.com), a written objection to the Distinction Transaction Resolution, as the case may be, which written objection must be received by 5:00 p.m. (Calgary time) on August 26, 2021 or the second business day immediately preceding the date of any adjournment or postponement of the Distinction Meeting, as applicable.

**Failure to strictly comply with the requirements set forth in section 190 of the CBCA, as modified by the Interim Order and the Plan of Arrangement, may result in the loss of any right of dissent. Persons who are beneficial owners of Distinction Shares registered in the name of a broker, dealer, bank, trust company or other nominee who wish to dissent should be aware that only the registered holders of such Distinction Shares are entitled to dissent. Accordingly, a beneficial owner of Distinction Shares desiring to exercise the right of dissent must make arrangement for the Distinction Shares beneficially owned by such holder to be registered in the holder's name prior to the time the written objection to the Distinction Transaction Resolution is required to be received by Distinction or, alternatively, make arrangements for the registered holder of such Distinction Shares to dissent on behalf of the beneficial holder. It is strongly recommended that any Distinction Shareholders wishing to dissent seek independent legal advice.**

In light of the rapidly evolving news and guidelines related to COVID-19, Distinction asks that, in considering whether to attend the Distinction Meeting in person, Distinction Shareholders follow, among other things, the instructions of the Public Health Agency of Canada (<https://www.canada.ca/en/public-health/services/diseases/coronavirus-disease-covid-19.html>) and any applicable additional provincial and local instructions. Distinction reserves the right to take any additional precautionary measures it deems appropriate in relation to the Distinction Meeting in response to further developments in respect of the COVID-19 outbreak including, if considered necessary or advisable, hosting the Distinction Meeting solely by means of remote communication, placing restrictions on in-person attendance, or postponing or adjourning the Distinction Meeting. Distinction Shareholders will be notified of changes to the Distinction Meeting date and/or means of holding the Distinction Meeting in accordance with the Interim Order. Please monitor Distinction's press releases for updated information. Distinction does not intend to prepare or mail an amended Information Circular in the event of changes to the Distinction Meeting format.

Dated at Calgary, Alberta, this 27<sup>th</sup> day of July, 2021.

**BY ORDER OF THE BOARD OF DIRECTORS OF  
DISTINCTION ENERGY CORP.**

(signed) "*Timothy Schneider*"

Timothy Schneider  
Chairman of the Board  
Member of the Independent Committee  
Distinction Energy Corp.



## NOTICE OF SPECIAL MEETING OF KRC SHAREHOLDERS

**NOTICE IS HEREBY GIVEN** that a special meeting (the "**KRC Meeting**") of the holders ("**KRC Shareholders**") of common shares ("**KRC Shares**") of Kiwetinohek Resources Corp. ("**KRC**") is to be held in the Devonian Room at the Calgary Petroleum Club, 319 - 5<sup>th</sup> Avenue SW, Calgary, Alberta at 10:30 a.m. (Calgary time) on August 30, 2021 for the following purposes:

1. to consider and, if deemed advisable, to approve, with or without variation, a special resolution (the "**KRC Transaction Resolution**"), the full text of which is set forth in Appendix B to the accompanying joint management information circular dated July 27, 2021 (the "**Information Circular**"), including approval and authorization of:
  - (a) amendments to the articles of KRC (the "**Articles**") to remove any references to private company restrictions, to increase the minimum numbers of directors to three and to increase the maximum number of directors to eleven;
  - (b) the continuance of KRC under the *Canada Business Corporations Act* (the "**CBCA**");
  - (c) the issuance of such number of KRC Shares to allow KRC to meet its obligations under the business combination agreement dated June 28, 2021 between KRC and Distinction Energy Corp. ("**Distinction**") pursuant to a plan of arrangement (the "**Plan**") under section 192 of the CBCA involving Distinction, the holders of the class A common shares of Distinction and KRC (the "**Business Combination**"), all as more particularly described in the Information Circular; and
  - (d) an amendment to the Articles to consolidate the KRC Shares outstanding immediately after the amalgamation of KRC and Distinction pursuant to the terms of the Plan on a 10 for 1 basis; and
2. to transact such further and other business as may properly be brought before the KRC Meeting or any adjournment(s) or postponement(s) thereof.

Specific details of the matters to be put before the KRC Meeting are set forth in the Information Circular.

**The KRC board of directors unanimously (excluding directors who abstained in accordance with section 120 of the *Business Corporations Act* (Alberta)) recommends that KRC Shareholders vote FOR the KRC Transaction Resolution. It is a condition to the completion of the Business Combination that the KRC Transaction Resolution be approved at the KRC Meeting. If the KRC Transaction Resolution is not approved by the KRC Shareholders, the Business Combination cannot be completed.**

Each KRC Share entitled to be voted in respect of the KRC Transaction Resolution will entitle the holder to one vote at the KRC Meeting. The KRC Transaction Resolution must be approved by 66⅔% of the votes cast by KRC Shareholders present in person or represented by proxy at the KRC Meeting.

The record date for determination of KRC Shareholders entitled to receive notice of and to vote at the KRC Meeting is the close of business on July 23, 2021 (the "**KRC Record Date**"). KRC Shareholders whose names have been entered in the register of holders of KRC Shares at the close of business on the KRC Record Date will be entitled to receive notice of and to vote at the KRC Meeting.

Registered KRC Shareholders may attend the KRC Meeting in person or may be represented by proxy. KRC Shareholders who are unable to attend the KRC Meeting or any adjournments or postponements thereof in person are requested to date, sign and return the accompanying form of proxy for use at the KRC Meeting or any adjournment or postponement thereof. To be effective, the enclosed form of proxy must be dated, signed and deposited with KRC's registrar and transfer agent, Computershare Trust Company of Canada: (i) by internet, at the website indicated on the proxy form, for which the Control Number which is noted on the proxy form will be required; (ii) by telephone, at 1-866-732-8683 (toll-free in North America), for which the Control Number as noted on the proxy form will be required (if a KRC Shareholder chooses to vote by telephone, such KRC Shareholder cannot appoint anyone other than the appointees named on the form of proxy as proxyholder); (iii) by mailing

a complete, signed and dated form of proxy using the enclosed return envelope or an envelope addressed to the registrar and transfer agent of KRC, Computershare Trust Company of Canada, 8<sup>th</sup> Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1; (iv) by hand delivery to Computershare Trust Company of Canada, 8<sup>th</sup> Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1; or (v) by facsimile, by sending a complete, signed and dated form of proxy to 1-866-249-7775 (toll-free in North America) or 1-416-263-9524 (outside North America), no later than 10:30 a.m. (Calgary time) on August 26, 2021 or, if the KRC Meeting is adjourned or postponed, no later than 48 hours (excluding Saturdays, Sundays and statutory holidays in Alberta) before the beginning of any adjourned or postponed KRC Meeting. The time limit for the deposit of proxies may be waived or extended by the Chair of the KRC Meeting at his or her discretion without notice.

**If a KRC Shareholder receives more than one form of proxy because such holder owns KRC Shares registered in different names or addresses, each form of proxy should be completed and returned.**

A proxyholder has discretion under the accompanying form of proxy in respect of amendments or variations to matters identified in this Notice and with respect to other matters which may properly come before the KRC Meeting, or any adjournment or postponement thereof. As of the date hereof, management of KRC knows of no amendments, variations or other matters to come before the KRC Meeting other than the matters set forth in this Notice. KRC Shareholders who are planning to return the form of proxy are encouraged to review the Information Circular carefully before submitting the proxy form.

**It is the intention of the persons named in the enclosed form of proxy, if not expressly directed to the contrary in such form of proxy, to vote in favour of the KRC Transaction Resolution.**

KRC Shareholders are entitled to dissent and to be paid by KRC the fair value of the KRC Shares held by such dissenting KRC Shareholder, determined as of the close of business on the last business day before the day on which the KRC Transaction Resolution was adopted and provided the Business Combination is completed. A dissenting KRC Shareholder must provide a written objection to the KRC Transaction Resolution by the second Business Day preceding the KRC Meeting.

**Failure to strictly comply with the requirements set forth in section 191 of the ABCA may result in the loss of any right of dissent. Persons who are beneficial owners of KRC Shares registered in the name of a broker, dealer, bank, trust company or other nominee who wish to dissent should be aware that only the registered holders of such KRC Shares are entitled to dissent. Accordingly, a beneficial owner of KRC Shares desiring to exercise the right of dissent must make arrangement for the KRC Shares beneficially owned by such holder to be registered in the holder's name prior to the time the written objection to the KRC Transaction Resolution is required to be received by KRC or, alternatively, make arrangements for the registered holder of such KRC Shares to dissent on behalf of the beneficial holder. It is strongly recommended that any KRC Shareholders wishing to dissent seek independent legal advice.**

KRC is continually monitoring developments and will communicate further, as necessary. In light of the rapidly evolving news and guidelines related to COVID-19, KRC asks that, in considering whether to attend the KRC Meeting in person, KRC Shareholders follow, among other things, the instructions of the Public Health Agency of Canada (<https://www.canada.ca/en/public-health/services/diseases/coronavirus-disease-covid-19.html>) and any applicable additional provincial and local instructions. KRC reserves the right to take any additional precautionary measures it deems appropriate in relation to the KRC Meeting in response to further developments in respect of the COVID-19 outbreak including, if considered necessary or advisable, hosting the KRC Meeting solely by means of remote communication, placing restrictions on in-person attendance, or postponing or adjourning the KRC Meeting. KRC Shareholders will be notified of changes to the KRC Meeting date and/or means of holding the KRC Meeting in accordance with the interim order of the Court of Queen's Bench of Alberta. Please monitor KRC's press releases for updated information. KRC does not intend to prepare or mail an amended Information Circular in the event of changes to the KRC Meeting format.

Dated at Calgary, Alberta, this 27<sup>th</sup> day of July, 2021.

**BY ORDER OF THE BOARD OF DIRECTORS OF  
KIWETINOHK RESOURCES CORP.**

(signed) "Patrick Carlson"

Patrick Carlson  
Chief Executive Officer  
Kiwetinohek Resources Corp.

IN THE COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE OF CALGARY

IN THE MATTER OF SECTION 192 OF THE CANADA BUSINESS CORPORATIONS ACT,

R.S.C. 1985, c. C-44, AS AMENDED

AND IN THE MATTER OF A PROPOSED ARRANGEMENT INVOLVING DISTINCTION ENERGY CORP.,  
KIWETINOHK RESOURCES CORP. AND SHAREHOLDERS OF DISTINCTION ENERGY CORP.

NOTICE OF APPLICATION

**NOTICE IS HEREBY GIVEN** that an originating application (the "**Application**") has been filed with the Court of Queen's Bench of Alberta, Judicial Centre of Edmonton (the "**Court**") on behalf of Distinction Energy Corp. ("**Distinction**") with respect to a proposed business combination (the "**Business Combination**") under section 192 of the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44, as amended (the "**CBCA**"), involving Distinction, the holders of class A common shares of Distinction (the "**Distinction Shareholders**") and Kiwetinohk Resources Corp. ("**KRC**"), which Business Combination is described in greater detail in the joint management information circular of Distinction and KRC dated July 27, 2021 accompanying this Notice of Application. At the hearing of the Application, Distinction intends to seek:

1. a declaration that the terms and conditions of the Business Combination, and the procedures relating thereto, are fair to the Distinction Shareholders and other affected persons, both from a substantive and procedural perspective;
2. an order approving the Business Combination pursuant to the provisions of section 192 of the CBCA and pursuant to the terms and conditions of the Business Combination Agreement;
3. an order declaring that registered Distinction Shareholders shall have the right to dissent in respect of the Business Combination pursuant to the provisions of section 190 of the CBCA, as modified by the interim order of the Court dated July 23, 2021;
4. a declaration that the Business Combination will, upon the filing of Articles of Arrangement under the CBCA, be effective under the CBCA in accordance with its terms and will be binding on and after the Effective Date, as defined in the Business Combination; and
5. such other and further orders, declarations or directions as the Court may deem just,

(collectively, the "**Final Order**").

**AND NOTICE IS FURTHER GIVEN** that the said Application is directed to be heard before a Justice of the Court located at Edmonton Law Courts, 1A Sir Winston Churchill Square, Edmonton, Alberta, Canada, via WebEx on August 31, 2021 at 10:30 a.m. (Calgary time) or as soon thereafter as counsel may be heard. **Any Distinction Shareholder or other interested party desiring to support or oppose the Application may appear at the time of the hearing in person or by counsel for that purpose provided such Distinction Shareholder or other interested party files with the Court and serves upon Distinction on or before 10:30 a.m. (Calgary time) on August 24, 2021, a notice of intention to appear (the "Notice of Intention to Appear") setting out such Distinction Shareholder's or interested party's address for service and indicating whether such Distinction Shareholder or interested party intends to support or oppose the Application or make submissions, together with a summary of the position such person intends to advocate before the Court, and any evidence or materials which are to be presented to the Court.** Service on Distinction is to be effected by delivery to its solicitors at the address set forth below.

**AND NOTICE IS FURTHER GIVEN** that, at the hearing and subject to the foregoing, Distinction Shareholders and any other interested persons will be entitled to make representations as to, and the Court will be requested to consider, the fairness of the Business Combination. If you do not attend, either in person or by counsel, at that time, the Court may approve or refuse to approve the Business Combination as presented, or may approve it subject to such terms and conditions as the Court may deem fit, without any further notice.



**AND NOTICE IS FURTHER GIVEN** that the Court, by the interim order (the "**Interim Order**") of the Court dated July 23, 2021, has given directions as to the calling and holding of a special meeting of the Distinction Shareholders for the purposes of such Distinction Shareholders voting upon applicable special resolutions to approve the Business Combination and, in particular, has directed that registered Distinction Shareholders have the right to dissent under the provisions of section 190 of the CBCA, as modified by the terms of the Interim Order and the plan of arrangement under section 192 of the CBCA (the "**Plan of Arrangement**"), in respect of the Business Combination.

**AND NOTICE IS FURTHER GIVEN** that the Final Order approving the Plan of Arrangement will, if granted, constitute as the basis for an exemption from the registration requirements of the *United States Securities Act* of 1933, as amended, pursuant to section 3(a)(10) thereof with respect to the issuance of common shares of KRC to Distinction Shareholders pursuant to the Plan of Arrangement.

**AND NOTICE IS FURTHER GIVEN** that further notice in respect of these proceedings will only be given to those persons who have filed a Notice of Intention to Appear.

**AND NOTICE IS FURTHER GIVEN** that a copy of the said Application and other documents in the proceedings will be furnished to any Distinction Shareholder or other interested party requesting the same by the under- mentioned solicitors for Distinction upon written request delivered to such solicitors as follows:

Solicitors for Distinction:

Cassels Brock & Blackwell LLP  
Suite 3810, Bankers Hall West, 888 3<sup>rd</sup> Street S.W.  
Calgary, Alberta, T2P 5C5

Attention: Jeffrey Oliver  
Email: joliver@cassels.com

**DATED** at the City of Calgary, in the Province of Alberta, this 23<sup>rd</sup> day of July, 2021.

**BY ORDER OF THE BOARD OF DIRECTORS OF  
DISTINCTION ENERGY CORP.**

(signed) "*Timothy Schneider*"

Timothy Schneider  
Chairman of the Board  
Member of the Independent Committee  
Distinction Energy Corp.



## GLOSSARY OF TERMS

The following is a glossary of certain terms used in this Information Circular including the Summary and Appendices G and H. Terms and abbreviations used in the Appendices to this Information Circular other than Appendices G and H are defined separately and the terms and abbreviations defined below are not used therein, except where otherwise indicated.

"**ABCA**" means the *Business Corporations Act*, RSA 2000, c B-9, as amended;

"**Acquisition Proposal**" means, other than the transactions contemplated by the Business Combination Agreement and other than any transaction involving only Distinction and one or more of its wholly-owned subsidiaries, any proposal, expression of interest, inquiry or offer from, or public announcement of an intention by, any Person, or group of Persons "acting jointly or in concert" within the meaning of NI 62-104, whether or not in writing and whether or not delivered to a Party's securityholders and whether or not subject to due diligence or other conditions, or whether in one transaction or a series of transactions, that relates to, or may reasonably be expected to relate to:

- (a) any direct or indirect sale, issuance or acquisition of shares or other securities (or securities convertible or exercisable for shares or other securities) of Distinction that, when taken together with the shares and other securities of Distinction held by the proposed acquiror and any Person acting jointly or in concert with such acquiror, represent 20% or more of any class of equity or voting securities of Distinction or rights or interests therein and thereto;
- (b) any direct or indirect acquisition or purchase of 20% or more of the assets (or any joint venture, lease, long-term supply agreement or other arrangement having the same economic effect as an acquisition or purchase) of Distinction and its subsidiaries taken as a whole (and, for greater certainty, assets shall include shares of subsidiaries owned by Distinction);
- (c) an amalgamation, arrangement, share exchange, merger, business combination, joint venture, consolidation, recapitalization, liquidation, dissolution, winding-up, reorganization or other similar transaction involving Distinction or its subsidiaries that collectively own assets to which 20% or more of Distinction's revenues or earnings on a consolidated basis are attributable;
- (d) any take-over bid, issuer bid, exchange offer or similar transaction involving Distinction or its subsidiaries that, if consummated, would result in a Person or group of Persons acting jointly or in concert with such Person acquiring beneficial ownership of 20% or more of any class of equity or voting securities of Distinction (including securities convertible into or exercisable or exchangeable for equity or voting securities); or
- (e) any other transaction that would reasonably be expected to materially reduce the benefits to KRC of the Business Combination or impede, interfere with, prevent or delay the transactions contemplated by the Business Combination Agreement or the Business Combination;

"**affiliate**" means any Person that is affiliated with another Person in accordance with the meaning of the Securities Act; provided that, for purposes of the Business Combination Agreement, the determination of whether a Person is an affiliate of another Person shall be made on the basis that no member of the KRC Group is an affiliate of any member of the Distinction Group and vice versa;

"**Agreement Date**" means June 28, 2021;

"**allowable capital loss**" has the meaning given to it under the heading "*Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Taxation of Capital Gains and Losses*";

"**AmalCo**" means the corporation resulting from the Amalgamation;

"**Amalgamation**" means the amalgamation of Distinction and KRC to be effected pursuant to Section 3.1(d) of the Plan;

"**Applicable Canadian Securities Laws**" means, collectively, the Securities Act or similar statutes of each of the provinces and territories of Canada and the respective rules and regulations under such Laws, together with applicable published national, multilateral and local policy statements, instruments, notices and blanket orders of the provinces and territories of Canada and all applicable rules, by-laws and regulations governing any stock exchange;

**"Applicable Laws"** means, in any context that refers to one or more Persons or its or their respective businesses, activities, properties, assets, undertakings or securities, the Laws that apply to such Person or Persons or its or their respective businesses, activities, properties, assets, undertakings or securities and emanate from a Governmental Authority having jurisdiction over the Person or Persons or its or their respective businesses, activities, properties, assets, undertakings or securities and, for greater certainty, includes Applicable Canadian Securities Laws and Applicable U.S. Securities Laws;

**"Applicable U.S. Securities Laws"** means federal and state securities legislation of the United States and all rules, regulations and orders promulgated thereunder;

**"ARC"** means ARC Equity Management (Fund 8) Ltd. (as the general partner of ARC Energy Fund 8 Canadian Limited Partnership, ARC Energy Fund 8 United States Limited Partnership, ARC Energy Fund 8 International Limited Partnership and ARC Capital 8 Limited Partnership) and ARC Equity Management (Fund 9) Ltd. (as the general partner of ARC Energy Fund 9 Canadian Limited Partnership, ARC Energy Fund 9 United States Limited Partnership, ARC Energy Fund 9 International Limited Partnership and ARC Capital 9 Limited Partnership);

**"ARC Demand Registration"** has the meaning given to it under the heading *"Effect of the Business Combination – Investment Rights Agreements – KRC Investment Rights Agreement (ARC)"*;

**"ARC Piggyback Registration"** has the meaning given to it under the heading *"Effect of the Business Combination – Investment Rights Agreements – KRC Investment Rights Agreement (ARC)"*;

**"Articles of Arrangement"** means the articles of arrangement in respect of the Plan of Arrangement required under section 192(6) of the CBCA to be filed with the Director after the Final Order has been granted and all other conditions precedent to the Business Combination have been satisfied or waived, to give effect to the Business Combination, which shall include the Plan of Arrangement and otherwise be in a form satisfactory to Distinction and KRC, each acting reasonably;

**"associate"** has the meaning ascribed thereto in the Securities Act;

**"ATB"** means ATB Capital Markets, financial advisor to the Independent Committee;

**"ATB Fairness Opinion"** means the written opinion of ATB to the Independent Committee dated June 16, 2021, a copy of which is attached as Appendix E to this Information Circular;

**"Aux Sable"** means one or more of Aux Sable Canada L.P. and its affiliates, including Aux Sable Liquid Products LP and Aux Sable Extraction LP;

**"Beneficial Holders"** means Shareholders who do not hold their Shares in their own name;

**"Business Combination"** means the business combination, pursuant to section 192 of the CBCA, on the terms set out in the Plan of Arrangement, as supplemented, modified or amended in accordance with the Business Combination Agreement, the Plan of Arrangement or made at the direction of the Court in the Final Order with the prior written consent of Distinction and KRC, each acting reasonably;

**"Business Combination Agreement"** means the Business Combination Agreement dated June 28, 2021 between KRC and Distinction, as supplemented, modified or amended;

**"Business Day"** means, with respect to any action to be taken, any day other than a Saturday, Sunday or a statutory holiday in the Province of Alberta;

**"Cassels"** means Cassels Brock & Blackwell LLP, legal counsel to Distinction;

**"CBCA"** means the *Canada Business Corporations Act*, RSC 1985, c C-44, as amended;

**"CCAA"** means the *Companies' Creditors Arrangement Act* (Canada), RSC 1985, c C-36, as amended;

**"CCAA Plan"** means the plan of compromise and arrangement of Distinction;

**"CDS"** means CDS Clearing and Depository Services Inc.;

**"Certificate"** means the certificate or other proof of filing to be issued by the Director pursuant to section 192(7) of the CBCA in respect of the Articles of Arrangement giving effect to the Business Combination;

**"Combined Company"** means the corporation resulting from the Business Combination, as set out in the Business Combination Agreement;

**"Combined Company Board"** has the meaning given to it under the heading *"Joint Management Information Circular – The Business Combination – General"*;

**"Computershare"** means Computershare Trust Company of Canada, in its capacity as registrar and transfer agent of each of Distinction and KRC;

**"Confidentiality Agreement"** means collectively, the confidentiality agreement between KRC and Distinction dated March 16, 2021, as amended from time to time and the common interest privilege agreement between KRC and Distinction dated effective March 16, 2021;

**"Consideration"** means the number of KRC Shares to be issued to each Distinction Shareholder (other than KRC and any Dissenting Shareholders) pursuant to the Plan of Arrangement, such that each Distinction Shareholder (other than KRC and any Dissenting Shareholders) will receive the number of KRC Shares obtained by multiplying the number of Distinction Shares held by such Distinction Shareholder immediately prior to the Effective Time by the Exchange Ratio;

**"Contract"** means, with respect to a Party, a contract, lease, instrument, note, bond, debenture, mortgage, agreement, arrangement or understanding, written or oral, to which such Party, or any of its subsidiaries, is a Party or under which such Party or any of its subsidiaries is bound, has unfulfilled obligations or contingent liabilities or is owed unfulfilled obligations, whether known or unknown, and whether asserted or not;

**"Control Shares"** has the meaning given to it under the heading *"Joint Management Information Circular – Information for United States Securityholders"*;

**"Court"** means the Court of Queen's Bench of Alberta;

**"CRA"** means the Canada Revenue Agency, or any successor agency thereto;

**"Depository"** means Computershare Investor Services Inc., or such other Person that may be appointed by the Parties in connection with the Business Combination for the purpose of receiving deposits of certificates formerly representing Distinction Shares and KRC Shares;

**"Director"** means the Director appointed under section 260 of the CBCA;

**"Dissent Rights"** means, the rights of registered Distinction Shareholders or KRC Shareholders, as applicable, to dissent in respect of the Distinction Transaction Resolution or the KRC Transaction Resolution, as applicable, and to be paid the fair value of the Distinction Shares or KRC Shares, as applicable, in respect of which the holder dissents, all in accordance with the provisions of section 190 of the CBCA as modified by the Interim Order and the Plan of Arrangement, or section 191 of the ABCA, as applicable;

**"Dissenting Distinction Shareholders"** means any registered Distinction Shareholder who has duly and validly exercised its Dissent Rights with respect to the Distinction Transaction Resolution pursuant to the Plan of Arrangement and the Interim Order, and has not withdrawn or been deemed to have been withdrawn such exercise of Dissent Rights;

**"Dissenting KRC Shareholders"** means any registered KRC Shareholder who has duly and validly exercised its Dissent Rights with respect to the KRC Transaction Resolution pursuant to the ABCA, and has not withdrawn or been deemed to have been withdrawn such exercise of Dissent Rights;

**"Dissenting Shareholders"** means Dissenting Distinction Shareholders or Dissenting KRC Shareholders, as applicable;

**"Distinction"** means Distinction Energy Corp., a corporation existing under the CBCA;

**"Distinction AIF"** means the annual information form of Distinction dated April 27, 2021 for the year ended December 31, 2020;

**"Distinction AGM Circular"** means the management information circular of Distinction dated May 6, 2021 in connection with the annual meeting of Distinction Shareholders held on June 10, 2021;

**"Distinction Annual MD&A"** means management's discussion and analysis of the financial and operating results of Distinction for the year ended December 31, 2020;

**"Distinction Board"** means the board of directors of Distinction;

**"Distinction Board Recommendation"** has the meaning given to it under the heading *"The Business Combination – Recommendation of the Distinction Board"*;

**"Distinction Credit Agreement"** means the Senior Secured Extendible Revolving Facility Amended and Restated Credit Agreement dated as of April 28, 2021 among Distinction, as borrower, ATB Financial, as agent and lender, Bank of Montreal, as lender and National Bank of Canada, as lender;

**"Distinction Disclosure Letter"** means the disclosure letter dated the Agreement Date from Distinction to KRC;

**"Distinction Financial Statements"** means, collectively, (a) the audited consolidated financial statements of Distinction as at and for the years ended December 31, 2020 and 2019, together with the notes thereto and the auditor's report thereon; and (b) the interim unaudited condensed consolidated financial statements of Distinction as at and for the three month period ended March 31, 2021, together with the notes thereto;

**"Distinction Group"** means Distinction and any subsidiary of Distinction;

**"Distinction Incentives"** means, collectively, the Distinction Stock Options and the Distinction RSUs;

**"Distinction Interested Parties"** has the meaning given to it under the heading *"The Business Combination – Reasons for the Business Combination – Independent Committee and Distinction Board – Protection of Minority Shareholders"*;

**"Distinction Interim MD&A"** means management's discussion and analysis of the financial and operating results of Distinction for the quarter ended March 31, 2021;

**"Distinction Investor Agreement"** means the amended and restated investor agreement dated July 5, 2020 and amended and restated on January 15, 2021 and April 28, 2021 among Luminus, KRC and Distinction;

**"Distinction Management Services Agreement"** means the management services agreement dated July 5, 2020, as amended and restated on January 15, 2021 and April 28, 2021 among KRC, Distinction and Distinction Energy Partnership;

**"Distinction Meeting"** means the special meeting of Distinction Shareholders to be called and held in accordance with the Business Combination Agreement and the Interim Order to permit the Distinction Shareholders to consider the Distinction Transaction Resolution and related matters, and any adjournment(s) or postponement(s) thereof;

**"Distinction Proxy Deadline"** means 8:30 a.m. (Calgary time) on August 26, 2021, or 48 hours (excluding Saturdays, Sundays and statutory holidays in the Province of Alberta) prior to the time of any adjournment or postponement of the Distinction Meeting;

**"Distinction Record Date"** means July 23, 2021;

**"Distinction Required Approval"** means the requisite approval for the Distinction Transaction Resolution that shall be placed before the Distinction Shareholders at the Distinction Meeting including: (a) 66⅔% of the votes cast on the Distinction Transaction Resolution by the Distinction Shareholders present in person or represented by proxy at the Distinction Meeting (and that each Distinction Shareholder is entitled to one vote for each Distinction Share held); and (b) a simple majority of the votes cast on the Distinction Transaction Resolution by the Distinction Shareholders present in person or represented by proxy at the Distinction Meeting after excluding the votes cast by those Persons whose votes are required to be excluded in accordance with MI 61-101;

**"Distinction RSUs"** means the restricted share units of Distinction, whether vested or unvested, granted by Contract to certain employees and directors of Distinction;

**"Distinction Shareholder Letter of Transmittal"** means the shareholder letter of transmittal forwarded to Distinction Shareholders pursuant to which Distinction Shareholders are required to deliver certificates representing Distinction Shares to the Depositary;

**"Distinction Shareholders"** means the holders of Distinction Shares;

**"Distinction Shares"** means the class A common shares in the capital of Distinction as constituted on the Agreement Date;

**"Distinction Stock Options"** means the stock options of Distinction, whether vested or unvested, granted by Contract to certain employees and directors of Distinction;

**"Distinction Support Agreements"** means the support agreements entered into between the Supporting Distinction Securityholders and KRC, dated as of the Agreement Date;

**"Distinction Transaction Resolution"** means the special resolution in respect of the Business Combination to be considered by the Distinction Shareholders at the Distinction Meeting, the full text of which is set forth in Appendix A to this Information Circular;

**"Distinction Warrants"** has the meaning given to it under the heading has the meaning given to it in *"The Business Combination – Background to the Business Combination"*;

**"DRS Advice"** means a Direct Registration System (DRS) advice;

**"Effective Date"** means the date shown on the Certificate giving effect to the Business Combination;

**"Effective Time"** means the time on the Effective Date when the Business Combination becomes effective in accordance with the CBCA;

**"Encumbrance"** means, any mortgage, pledge, assignment, charge, lien, security interest, adverse interest in property, other third party interest or encumbrance of any kind whether contingent or absolute, and any agreement, option, right or privilege (whether by Law, Contract or otherwise) capable of becoming any of the foregoing;

**"ESG"** means environmental, social and governance;

**"Exchange Ratio"** means the exchange ratio of 20 KRC Shares for each Distinction Share;

**"Final Order"** means the order of the Court approving the Business Combination pursuant to section 192(4) of the CBCA, as such order may be affirmed, amended or modified by any court of competent jurisdiction;

**"forward-looking statements"** has the meaning given to it under the heading *"Forward-Looking Statements"*;

**"GLJ"** means GLJ Ltd.;

**"Governmental Authority"** means any: (a) domestic or foreign federal, territorial, provincial, state, regional, municipal or local governmental, regulatory or administrative authority, department, court, agency, commission, board or tribunal, arbitral body, bureau, ministry, agency or instrumentality or official, including any political subdivision thereof; (b) quasi-governmental or private body exercising regulatory, expropriation or taxing authority under or for the account of any of the foregoing; or (c) any stock exchange;

**"Hold Period"** has the meaning given to it under the heading *"Effect of the Business Combination – Investment Rights Agreements – KRC Investment Rights Agreement (Luminus)"*;

**"Holder"** has the meaning given to it under the heading *"Certain Canadian Federal Income Tax Considerations"*;

**"IFRS"** means accounting principles generally accepted in Canada applicable to public companies at the relevant time and which incorporates International Financial Reporting Standards as adopted by the Canadian Accounting Standards Boards;

**"Independent Committee"** means the committee of independent directors from the Distinction Board formed to consider the Business Combination and subsequently supervise and/or negotiate the Business Combination Agreement;

**"Information Circular"** means this joint management information circular dated July 27, 2021, together with all Appendices hereto, distributed to the Distinction Shareholders and the KRC Shareholders in connection with the Distinction Meeting and the KRC Meeting, as the case may be;

**"Initial Distinction Investment"** has the meaning given to it under the heading has the meaning given to it in *"The Business Combination – Background to the Business Combination"*;

**"Interim Order"** means the interim order of the Court concerning the Business Combination under section 192(4) of the CBCA, containing declarations and directions with respect to the Business Combination and the holding of the Distinction Meeting, as such order may be affirmed, amended or modified by any court of competent jurisdiction, a copy of which order is attached as Appendix D to this Information Circular;

**"Internal Revenue Code"** means the Internal Revenue Code of 1986, as amended, including any successor provisions and transition rules, whether or not codified;

**"KRC"** means Kiwetinohk Resources Corp., a corporation which, as of the Effective Time, shall be existing under the CBCA;

**"KRC Board"** means the board of directors of KRC;

**"KRC Capital Warrants"** means the capital warrants of KRC, whether vested or unvested, granted or available to be granted to certain employees, director and consultants of KRC;

**"KRC Credit Agreement"** means the Senior Secured Extendible Revolving Facility Credit Agreement dated as of April 28, 2021 among KRC, as borrower, Bank of Montreal, as lender and agent, ATB Financial, as lender and National Bank of Canada, as lender;

**"KRC Disclosure Letter"** means the disclosure letter dated the Agreement Date from KRC to Distinction;

**"KRC Financial Statements"** means, collectively (a) the audited consolidated financial statements of KRC as at and for the years ended December 31, 2020 and 2019, together with the notes thereto and the auditor's report thereon; and (b) the interim unaudited financial statements of KRC as at and for the three month period ended March 31, 2021, together with the notes thereto;

**"KRC Group"** means KRC and any affiliate of KRC;

**"KRC Incentives"** means, collectively, the KRC Capital Warrants, the KRC Performance Warrants and the KRC Stock Options;

**"KRC Investment Rights Agreement (ARC)"** means the investment rights agreement dated August 20, 2018 and to be amended and restated on the Effective Date between KRC and ARC;

**"KRC Investment Rights Agreement (Luminus)"** means the investment rights agreement to be entered into on the Effective Date between KRC and Luminus;

**"KRC Meeting"** means the special meeting of KRC Shareholders to be called to permit the KRC Shareholders to consider the KRC Transaction Resolution and related matters, and any adjournment(s) or postponement(s) thereof;

**"KRC Performance Warrants"** means the performance warrants of KRC, whether vested or unvested, granted or available to be granted to certain employees, directors and consultants of KRC;

**"KRC Proxy Deadline"** means 10:30 a.m. (Calgary time) on August 26, 2021, or 48 hours (excluding Saturdays, Sundays and statutory holidays in the Province of Alberta) prior to the time of any adjournment or postponement of the KRC Meeting;

**"KRC Record Date"** means July 23, 2021;

**"KRC Shareholders"** means the holders of KRC Shares;

**"KRC Shareholder Letter of Transmittal"** means the shareholder letter of transmittal forwarded to KRC Shareholders pursuant to which KRC Shareholders are required to deliver certificates representing KRC Shares to the Depositary;



**"KRC Shares"** means the common shares in the capital of KRC as constituted on the Agreement Date, provided that any reference to the KRC Shares at a time after the Plan of Arrangement has been completed shall mean the common shares of the entity formed by the amalgamation of Distinction and KRC pursuant to the Plan of Arrangement;

**"KRC Stock Options"** means the stock options of KRC, whether vested or unvested, granted or available to be granted to certain employees, directors and consultants of KRC;

**"KRC Support Agreements"** means the support agreements entered into between the Supporting KRC Shareholders and Distinction, dated as of the Agreement Date;

**"KRC Transaction Resolution"** means the resolutions to be considered by the KRC Shareholders at the KRC Meeting, the full text of which is set forth in Appendix B to this Information Circular;

**"KRC USA"** means the unanimous shareholder agreement governing KRC;

**"Laws"** means all laws (including, for greater certainty, common law), statutes, regulations, bylaws, statutory rules, orders, ordinances, protocols, codes, guidelines, notices and directions enacted by a Governmental Authority (including all Applicable Canadian Securities Laws and all Applicable U.S. Securities Laws) and the terms and conditions of any grant of approval, permission, judgment, decision, ruling, award, authority or license of any Governmental Authority or self-regulatory authority;

**"Luminus"** means Luminus Energy IE Designated Activity Company;

**"Luminus Demand Registration"** has the meaning given to it under the heading *"Effect of the Business Combination – Investment Rights Agreements – KRC Investment Rights Agreement (Luminus)"*;

**"Luminus Piggyback Registration"** has the meaning given to it under the heading *"Effect of the Business Combination – Investment Rights Agreements – KRC Investment Rights Agreement (Luminus)"*;

**"Matching Period"** has the meaning given to it under the heading *"Effect of the Business Combination – The Business Combination Agreement – Covenants of the Parties Regarding Non-Solicitation; Right to Accept a Superior Proposal"*;

**"Material Adverse Change" or "Material Adverse Effect"** means, with respect to either Party, any fact or state of facts, circumstance, change, effect, occurrence or event that individually is or in the aggregate are, or would individually or in the aggregate reasonably be expected to be, material and adverse to the business, operations, results of operations, assets, properties, capitalization, liabilities, obligations (whether absolute, accrued, conditional or otherwise) or condition (financial or otherwise) of the Party and its subsidiaries, taken as a whole, except to the extent of any fact or state of facts, circumstance, change, effect, occurrence or event resulting from or arising in connection with:

- (a) any change, development or condition generally affecting the industries, businesses or segments thereof in which such Party and its respective subsidiaries operate;
- (b) any change, development or condition in or relating to global, national or regional political conditions (including strikes, lockouts, riots, blockades or facility takeover for emergency purposes) or in general economic, business, banking, regulatory, currency exchange, interest rate, rates of inflation or market conditions or in national or global financial or capital markets;
- (c) any change, development or condition resulting from any act of terrorism or any outbreak of hostilities or declared or undeclared war, or any escalation or worsening of such acts of terrorism, hostilities or war;
- (d) any adoption, proposal, implementation or change in Law or in any interpretation, application or non-application of any Laws by any Governmental Authority (including, for greater certainty, any change to the Tax Act or other applicable taxing legislation or to tax rates);
- (e) any change in applicable generally accepted accounting principles, including IFRS, or changes in regulatory accounting requirements applicable to: (i) the oil and gas exploration, development and production businesses; or (ii) the renewable power (distribution and transmission) business;
- (f) any climatic, earthquake or other natural event or condition (including weather conditions and any natural disaster);

- (g) any epidemic, pandemic, disease outbreak (including COVID-19), other health crisis or public health event;
- (h) any decline in the market price for crude oil, natural gas or related hydrocarbons or power on a current or forward basis;
- (i) any actions taken (or omitted to be taken) at the written request of the Other Party;
- (j) any action taken by the Party or any of its subsidiaries that is required pursuant to the Business Combination Agreement (excluding, where applicable, any obligation to act in the ordinary course of business, but, for greater certainty, including any steps taken pursuant to Section 3.1 of the Business Combination Agreement);
- (k) any matter or prospective matter which has, at or prior to the Agreement Date, been expressly disclosed by Distinction in the Distinction Disclosure Letter or by KRC in the KRC Disclosure Letter, in each case, other than any disclosures that are cautionary in nature, such as risk factors (it being understood that any change relating to any matter so disclosed may be taken into account in determining whether a Material Adverse Effect has occurred);
- (l) the execution, announcement, pendency or performance of the Business Combination Agreement or the consummation of the Business Combination;
- (m) the failure of the Party to meet any internal, published, public or analyst projections, forecasts, guidance or estimates, including without limitation of revenues, earnings or cash flows (it being understood that the causes underlying such failure may be taken into account in determining whether a Material Adverse Effect has occurred); or
- (n) any change in the market price, credit rating or trading volume of any securities of the Party (it being understood that the causes underlying such change in market price or trading volume may be taken into account in determining whether a Material Adverse Effect has occurred);

provided, however, that: (i) with respect to clauses (a) through and including (h), such matter does not have a materially disproportionate effect on the business, operations, results of operations, assets, properties, capitalization, liabilities, obligations (whether absolute, accrued, conditional or otherwise) or condition (financial or otherwise) of such Party and its subsidiaries, taken as a whole, relative to other comparable companies and entities operating in the oil and gas industry in respect of Distinction and in the oil and gas or renewable power industry in respect of KRC (in which case the incremental disproportionate effect may be taken into account in determining whether there has been, or is reasonably expected to be, a Material Adverse Effect); and (ii) unless expressly provided in any particular section of the Business Combination Agreement, references in certain sections of the Business Combination Agreement to dollar amounts are not intended to be, and shall not be deemed to be, illustrative or interpretive for purposes of determining whether a "Material Adverse Effect" has occurred;

"**material change**" has the meaning ascribed thereto in the Securities Act;

"**Maximum Offering Size**" has the meaning given to it under the heading "*Effect of the Business Combination – Investment Rights Agreements – KRC Investment Rights Agreement (ARC)*";

"**McDaniel**" means McDaniel & Associates Consultants Ltd.;

"**Meetings**" means, collectively, the Distinction Meeting and the KRC Meeting, and "**Meeting**" means either of them;

"**MI 61-101**" means Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*;

"**Minority Distinction Shareholders**" has the meaning given to it under the heading "*The Business Combination – Reasons for the Business Combination – Independent Committee and Distinction Board – Protection of Minority Shareholders*";

"**misrepresentation**" has the meaning ascribed thereto in the Securities Act;

"**natural gas liquids**" or "**NGL**" means those hydrocarbon components that can be recovered from natural gas as a liquid including, but not limited to, ethane, propane, butanes, pentanes plus, and condensates;

"**NI 51-101**" means National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities*;



"**NI 62-104**" means National Instrument 62-104 – *Take-Over Bids and Issuer Bids*;

"**Non-Resident Dissenter**" has the meaning given to it under the heading "*Certain Canadian Federal Income Tax Considerations – Holders Not Resident in Canada – Dissenting Non-Resident Holders*";

"**Non-Resident Holder**" has the meaning given to it under the heading "*Certain Canadian Federal Income Tax Considerations – Holders Not Resident in Canada*";

"**Order**" means all judicial, arbitral, administrative, ministerial, departmental or regulatory judgments, injunctions, orders, decisions, rulings, determinations, awards, or decrees of any Governmental Authority (in each case, whether temporary, preliminary or permanent);

"**Other Party**" means: (a) with respect to KRC, Distinction; and (b) with respect to Distinction, KRC;

"**Outside Date**" means November 8, 2021 or such later date as may be agreed to in writing by the Parties;

"**Parties**" means KRC and Distinction, and "**Party**" means either of them;

"**Pembina**" means Pembina Pipeline Corporation, Pembina Gas Services Limited Partnership and/or their respective affiliates, as is appropriate in the context;

"**Person**" includes any individual, firm, partnership, joint venture, venture capital fund, association, trust, trustee, executor, administrator, legal personal representative, estate group, body corporate, corporation, unincorporated association or organization, Governmental Authority, syndicate or other entity, whether or not having legal status;

"**Peters & Co.**" means Peters & Co. Limited, financial advisor to KRC;

"**Peters & Co. Fairness Opinion**" means the opinion of Peters & Co. to the KRC Board dated June 17, 2021, a copy of which is attached as Appendix F to this Information Circular;

"**Plan**" or "**Plan of Arrangement**" means the plan of arrangement in the form attached as Schedule A to Appendix C to this Information Circular, as the same may be amended or supplemented from time to time in accordance with the terms of the Business Combination Agreement, the Plan of Arrangement or at the direction of the Court in the Final Order;

"**Pro Forma Financial Statements**" means the Unaudited Consolidated *Pro Forma* Financial Statements of the Combined Company attached as Schedule C to Appendix H – "*Information Concerning Kiwetinohk Resources Corp. and the Combined Company*";

"**Proposed Amendments**" has the meaning given to it under the heading "*Certain Canadian Federal Income Tax Considerations*";

"**RDSP**" has the meaning given to it under the heading "*Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Eligibility for Investment*";

"**Registered Plans**" has the meaning given to it under the heading "*Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Eligibility for Investment*";

"**Representatives**" means, with respect to each Party, its respective subsidiaries and its and their officers, directors, employees, financial advisors, related parties, legal counsel, accountants, advisors and all other representatives and agents;

"**Resident Dissenter**" has the meaning given to it under the heading "*Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Dissenting Resident Holders of Distinction Shares*";

"**Resident Holder**" has the meaning given to it under the heading "*Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada*";

"**Resident Holder's Dissent Shares**" has the meaning given to it under the heading "*Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Dissenting Resident Holders of Distinction Shares*";

"**RESP**" has the meaning given to it under the heading "*Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Eligibility for Investment*";

"**RRIF**" has the meaning given to it under the heading "*Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Eligibility for Investment*";

"**RRSP**" has the meaning given to it under the heading "*Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Eligibility for Investment*";

"**SEC**" means the United States Securities and Exchange Commission;

"**Section 3(a)(10) Exemption**" means the exemption from the registration requirements of the U.S. Securities Act provided by Section 3(a)(10) thereof;

"**Securities Act**" means the *Securities Act*, RSA 2000, c S-4, as amended;

"**SEDAR**" means the System for Electronic Document Analysis and Retrieval;

"**Shareholders**" means Distinction Shareholders and/or KRC Shareholders, as the context requires;

"**Shares**" means the Distinction Shares and/or the KRC Shares, as the context requires;

"**Simonette Acquisition**" has the meaning given to it in "*The Business Combination – Background to the Business Combination*";

"**Stikeman Elliott**" means Stikeman Elliott LLP, legal counsel to KRC;

"**subsidiary**" has the meaning ascribed thereto in the Securities Act; provided that, for purposes of the Business Combination Agreement, the determination of whether a Person is a subsidiary of another Person shall be made on the basis that no member of the Distinction Group is a subsidiary of any member of the KRC Group;

"**Superior Proposal**" means an unsolicited *bona fide* written Acquisition Proposal:

- (a) that complies with all Applicable Canadian Securities Laws and Applicable U.S. Securities Laws and did not result from or involve a breach of Section 7.1 of the Business Combination Agreement;
- (b) that is not subject to a financing condition;
- (c) that is not subject to any due diligence condition;
- (d) to acquire not less than all of the Distinction Shares or not less than substantially all of the assets, properties, permits, rights or other privileges (whether contractual or otherwise) of Distinction and its subsidiaries and partnership interests;
- (e) that the Distinction Board and any relevant committee thereof has determined in good faith (after receipt of advice from its professional financial advisors and external legal counsel) is reasonably capable of being consummated without undue delay, taking into account all legal, financial, regulatory and other aspects of such Acquisition Proposal and the Person making such Acquisition Proposal; and
- (f) that the Distinction Board and/or any relevant committee thereof determines in good faith, after consultation with its professional financial advisors, would be, if consummated in accordance with its terms, more favourable, from a financial point of view, for the Distinction Shareholders (other than KRC) than the Business Combination;

"**Support Agreements**" means collectively, the Distinction Support Agreements and the KRC Support Agreements;

"**Supporting Distinction Securityholders**" means Luminus, Concise Short Term High Yield Master Fund, SPC, Mercer QIF Fund PLC - Mercer Investment Fund 1, Concise Short Term High Yield Fund, The Beebee Foundation, The Saratoga Advantage Trust – James Alpha Hedged High Income Portfolio, Stornoway Recovery Fund LP and Ravensource Fund and all of the directors and certain of the executive officers of Distinction that hold Distinction Shares;

"**Supporting KRC Shareholders**" means ARC and each of the directors and executive officers of KRC that hold KRC Shares;

"**Tax Act**" means the *Income Tax Act*, RSC 1985, c 1 (5<sup>th</sup> Supp), and the regulations prescribed thereunder, as amended from time to time;

"**taxable capital gain**" has the meaning given to it under the heading "*Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Taxation of Capital Gains and Losses*";

"**TFSA**" has the meaning given to it under the heading "*Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Eligibility for Investment*";

"**TSX**" means the Toronto Stock Exchange;

"**United States**" or "**U.S.**" means the United States of America, its territories and possessions, any State of the United States, and the District of Columbia;

"**U.S. Exchange Act**" means the *United States Securities Exchange Act of 1934*, as amended;

"**U.S. Securities Act**" means the *United States Securities Act of 1933*, as amended;

"**Voting Instruction Form**" means the voting instruction form provided to Beneficial Holders.

Words importing the singular include the plural and vice versa and words importing any gender include all genders.

## CONVENTIONS

Certain terms used herein are defined in the "Glossary of Terms". Unless otherwise indicated, references herein to "\$" or "dollars" are to Canadian dollars and references herein to "US\$" or "U.S. dollars" are to United States dollars. All financial information in Appendices G and H to this Information Circular has been presented in Canadian dollars in accordance with IFRS.

## EXCHANGE RATIO

Unless otherwise indicated, all references herein to the number of KRC Shares issuable in respect of Distinction Shares pursuant to the Plan of Arrangement whether on the Effective Date or on a later date and to the post-closing shareholdings of Distinction Shareholders and KRC Shareholders in KRC upon completion of the Business Combination, assumes an "Exchange Ratio" of 20 KRC Shares for each Distinction Share.

## ABBREVIATIONS

The following are abbreviations and definitions used in this Information Circular (including Appendices G and H, respectively):

Oil and Natural Gas Liquids	
bbl	barrel
bbl/d	barrels per day
bbl/mmc	barrels per million cubic feet
boe	barrels of oil equivalent
boe/d	barrels of oil equivalent per day
mbbl	thousand barrels
mmmbbl	million barrels
mmmbbl/d	million barrels per day
mboe	thousand barrels of oil equivalent
MPa	megapascal pressure unit
NGL	natural gas liquids
NPV10	net present value of future net revenues, discounted at 10% per annum
WTI	West Texas Intermediate
Natural Gas	
mcf	thousand cubic feet
mcf/d	thousand cubic feet per day
mmBtu	million British thermal units
mmcf	million cubic feet

mmcf/d	million cubic feet per day
bcf	billion cubic feet
Other	
API	American Petroleum Institute
AUM	assets under management
H1	half year ending June 30
m	meters
mm\$ or \$mm	million dollars
PRI	Principles for Responsible Investing
US\$	United States dollars
\$/bbl	dollars per barrel
\$/boe	dollars per barrel equivalent
\$/mcf	dollars per thousand cubic feet
\$/mmBtu	Dollars per million British thermal units

## JOINT MANAGEMENT INFORMATION CIRCULAR

### Introduction

This Information Circular is furnished in connection with the solicitation of proxies by the management of Distinction and KRC for use at the Distinction Meeting and the KRC Meeting, respectively, and at any adjournment(s) or postponement(s) thereof. No Person has been authorized to give any information or make any representation in connection with the Business Combination and the issuance of KRC Shares in connection with the Business Combination, or any other matters to be considered at the Distinction Meeting and KRC Meeting other than those contained in this Information Circular, and if given or made, any such information or representation must not be relied upon as having been authorized.

The information concerning Distinction contained and incorporated by reference in this Information Circular, including but not limited to the information in Appendix G to this Information Circular, has been provided by Distinction. Although KRC has no knowledge that would indicate that any of such information is untrue or incomplete, KRC does not assume any responsibility for the accuracy or completeness of such information or the failure by Distinction to disclose events which may have occurred or may affect the completeness or accuracy of such information but which are unknown to KRC.

The information concerning KRC contained in this Information Circular, including but not limited to the information in Appendix H to this Information Circular, has been provided by KRC. Although Distinction has no knowledge that would indicate that any of such information is untrue or incomplete, Distinction does not assume any responsibility for the accuracy or completeness of such information or the failure by KRC to disclose events which may have occurred or may affect the completeness or accuracy of such information but which are unknown to Distinction.

This Information Circular does not constitute an offer to sell or a solicitation of an offer to purchase any securities or the solicitation of a proxy by any Person in any jurisdiction in which such an offer or solicitation is not authorized or in which the Person making such offer or solicitation is not qualified to do so or to any Person to whom it is unlawful to make such an offer or solicitation of an offer or a proxy solicitation. Neither the delivery of this Information Circular nor any distribution of the securities referred to in this Information Circular will, under any circumstances, create an implication that there has been no change in the information set forth herein since the date as of which such information is given in this Information Circular.

Information contained in or otherwise accessed through Distinction's website or KRC's website, or any website, other than those documents incorporated by reference herein and filed on SEDAR, does not constitute part of this Information Circular.

All summaries of, and references to, the Business Combination Agreement, the Business Combination and the Plan of Arrangement in this Information Circular are qualified in their entirety by reference to the complete text of the Business Combination Agreement and the Plan of Arrangement, copies of which are attached as Appendix C and Schedule A to Appendix C, respectively, to this Information Circular. **You are urged to carefully read the full text of the Business Combination Agreement and the Plan of Arrangement.**

All capitalized terms used in this Information Circular (including Appendices G and H hereto) but not otherwise defined herein have the meanings set forth herein under "*Glossary of Terms*". The terms and abbreviations used in the Appendices to this Information Circular, other than in Appendices G and H, are defined separately therein. Information contained in this Information Circular is given as of July 14, 2021, unless otherwise specifically stated. Details of the Business Combination are set forth under the headings "*The Business Combination*" and "*Effect of the Business Combination*". For details of the matters to be considered

by the Distinction Shareholders at the Distinction Meeting and the KRC Shareholders at the KRC Meeting, see "*Matters to be Considered at the Distinction Meeting*" and "*Matters to be Considered at the KRC Meeting*", respectively.

### **Supplemental Disclosure – Non-GAAP Measures**

This Information Circular and certain documents incorporated by reference herein make reference to certain non-GAAP financial measures to assist in assessing the Combined Company's financial performance. These financial measures do not have a standardized meaning as prescribed by IFRS and are therefore considered non-GAAP measures. These measures may not be comparable to similar measures presented by other issuers. These measures have been described and presented in order to provide shareholders, potential investors and analysts with additional measures for analyzing the transaction and the Combined Company's ability to generate funds to finance its operations and information regarding its liquidity. Such information should not be considered in isolation or as a substitute for measures prepared in accordance with IFRS. See the Distinction Annual MD&A and the Distinction Interim MD&A incorporated by reference in this Information Circular for additional information with respect to non-GAAP financial measures.

### **Information for United States Securityholders**

**THE KRC SHARES ISSUABLE TO DISTINCTION SHAREHOLDERS PURSUANT TO THE PLAN OF ARRANGEMENT HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SEC OR THE SECURITIES REGULATORY AUTHORITY OF ANY STATE WITHIN THE UNITED STATES, NOR HAS THE SEC OR THE SECURITIES REGULATORY AUTHORITY OF ANY STATE WITHIN THE UNITED STATES PASSED ON THE ADEQUACY OR ACCURACY OF THIS INFORMATION CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE.**

The KRC Shares issuable to Distinction Shareholders in exchange for their Distinction Shares pursuant to the Business Combination have not been and will not be registered under the U.S. Securities Act or the securities laws of any state within the United States, and will be issued in reliance upon the exemption from the registration requirements of the U.S. Securities Act provided by section 3(a)(10) thereof and exemptions under Applicable U.S. Securities Laws. The Section 3(a)(10) Exemption exempts the issuance of any security issued in exchange for one or more *bona fide* outstanding securities from the registration requirements of the U.S. Securities Act where the terms and conditions of such issuance and exchange have been approved by a court of competent jurisdiction, after a hearing upon the fairness of the terms and conditions of such issuance and exchange at which all Persons to whom the securities will be issued have the right to appear and receive timely notice thereof. The Court is authorized to conduct a hearing at which the fairness of the terms and conditions of the Business Combination will be considered. The Court granted the Interim Order on July 23, 2021 and, subject to the approval of the Distinction Transaction Resolution by Distinction Shareholders and the KRC Transaction Resolution by KRC Shareholders and satisfaction of certain other conditions, a final hearing on the Business Combination is expected to be held on August 31, 2021 by the Court. All Distinction Shareholders are entitled to appear and be heard at this hearing, provided they satisfy the applicable conditions set forth in the Interim Order. See "*Procedure for the Business Combination to Become Effective – Court Approval*". The Final Order of the Court will, if granted, constitute the basis for the exemption from the registration requirements of the U.S. Securities Act provided by the Section 3(a)(10) Exemption with respect to the KRC Shares issuable in connection with the Business Combination.

The solicitation of proxies for the Distinction Meeting and the KRC Meeting and the transactions contemplated by means of this Information Circular involve securities of issuers located in Canada and are being effected in accordance with Canadian corporate and securities laws and, accordingly, are not subject to the requirements of section 14(a) of the U.S. Exchange Act based on exemptions from the proxy solicitation rules for "foreign private issuers" (as such term is defined in Rule 405 of Regulation C under the U.S. Securities Act). Accordingly, the solicitations and transactions contemplated in this Information Circular are being made in the United States for securities of a Canadian issuer in accordance with Canadian corporate and securities laws, and this Information Circular has been prepared solely in accordance with disclosure requirements applicable in Canada. Securityholders in the United States should be aware that such requirements are different from those of the United States applicable to registration statements under the U.S. Securities Act and proxy statements under the U.S. Exchange Act.

The KRC Shares issuable to Distinction Shareholders pursuant to the Business Combination will be, following completion of the Business Combination, freely tradable under the U.S. Securities Act, except for: (i) any KRC Shares received in the Business Combination by Persons who will be "affiliates" (within the meaning of Rule 144 under the U.S. Securities Act) of KRC on the date of sale or were affiliates of KRC within 90 days before the date of sale; and (ii) any KRC Shares that after the date of sale are held by Persons who are then (or were within the preceding 90 days) affiliates of KRC (collectively, "**Control Shares**"). Persons who may be deemed to be "affiliates" of an issuer include individuals or entities that control, are controlled by, or are under common control with, the issuer, whether through the ownership of voting securities, by contract, or otherwise, and generally include executive officers and directors of the issuer as well as principal shareholders of the issuer. Any resale of Control Shares by such an affiliate (or former affiliate) will be subject to the registration requirements of the U.S. Securities Act,

absent an exemption or exclusion therefrom. Subject to certain limitations, Persons holding Control Shares may generally resell those shares outside the United States without registration under the U.S. Securities Act pursuant to Regulation S under the U.S. Securities Act. If available, such Persons may also resell such shares pursuant to Rule 144 under the U.S. Securities Act or pursuant to another exemption or exclusion therefrom.

Information concerning the assets and operations of Distinction and KRC contained or incorporated by reference herein has been prepared in accordance with Canadian standards and is not comparable in all respects to similar information for United States companies. In particular, data on oil and gas reserves included or incorporated by reference in this Information Circular has been prepared in accordance with Canadian disclosure standards, which are not comparable in all respects to United States disclosure standards. The financial statements of Distinction incorporated by reference in this Information Circular have been prepared in accordance with IFRS, which differs from United States generally accepted accounting principles in certain material respects and thus are not directly comparable to financial statements of United States companies.

Distinction Shareholders subject to United States federal income taxation are advised to consult their tax advisors to determine the particular tax consequences to them of participating in the Business Combination and the ownership and disposition of KRC Shares acquired pursuant to the Business Combination.

The enforcement by Distinction Shareholders and KRC Shareholders of civil liabilities under United States federal securities laws may be affected adversely by the fact that Distinction and KRC are organized under the laws of Canada and Alberta, Canada, respectively, that some or all of their officers and directors are residents of countries other than the United States, that some of the experts named in this Information Circular are residents of countries other than the United States, and that a substantial portion of the assets of KRC, Distinction and such Persons are located outside the United States. As a result, it may be difficult or impossible for Distinction Shareholders and KRC Shareholders in the United States to effect service of process within the United States upon KRC and Distinction, as applicable, and their respective directors or officers, or to realize against them upon judgments of courts of the United States predicated upon civil liabilities under the federal securities laws of the United States or the securities laws of any state within the United States. In addition, Distinction Shareholders and KRC Shareholders in the United States should not assume that the courts of Canada: (i) would enforce judgments of United States courts obtained in actions against such Persons predicated upon civil liabilities under the federal securities laws of the United States or the securities laws of any state within the United States; or (ii) would enforce, in original actions, liabilities against such Persons predicated upon civil liabilities under the federal securities laws of the United States or the securities laws of any state within the United States.

No broker, dealer, salesperson or other Person has been authorized to give any information or make any representation other than those contained in this Information Circular and, if given or made, such information or representation must not be relied upon as having been authorized by KRC or Distinction.

### Exchange Rate Information

The following table sets forth: (i) the rates of exchange for Canadian dollars, expressed in United States dollars, in effect at the end of each of the periods indicated; and (ii) the high, low and average exchange rates during each such period, based on the daily average exchange rate, published on the Bank of Canada's website as being in effect on each trading day.

	Three months ended March 31, 2021	Year Ended December 31		
		2020	2019	2018
Rate at end of Period	US\$0.7952	US\$0.7697	US\$0.7699	US\$0.7330
Average rate during Period	US\$0.7899	US\$0.7461	US\$0.7537	US\$0.7721
High	US\$0.8029	US\$0.7863	US\$0.7699	US\$0.8138
Low	US\$0.7795	US\$0.6898	US\$0.7353	US\$0.7330

On July 14, 2021, the Bank of Canada exchange rate for \$1.00 Canadian dollar was \$0.8002 United States dollars.

### FORWARD-LOOKING STATEMENTS

Certain statements contained in this Information Circular (including in Appendices G and H, respectively, to this Information Circular) and in the documents incorporated by reference herein constitute forward-looking information and forward-looking statements (collectively referred to as "**forward-looking statements**") within the meaning of Applicable Canadian Securities Laws about KRC's and Distinction's current expectations, estimates and projections about the future, based on certain assumptions made in light of experiences and perceptions of historical trends. Although KRC and Distinction believe that expectations represented by such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. These statements relate to future events or future performance. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of



words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions or the negative thereof.

This Information Circular (including Appendices G and H, respectively, to this Information Circular) contains forward-looking statements pertaining, but not limited to, the following:

- the expectations regarding whether the Business Combination will be completed, the principal steps of the Business Combination, including whether the conditions to completion of the Business Combination will be satisfied, the anticipated timing for the Effective Date and the effect(s) of the Business Combination;
- the expectation that KRC will continue into Canada and amalgamate with Distinction subsequent to the Business Combination;
- the perceived benefits of the Business Combination and expected attributes of the Combined Company resulting from the Business Combination, including anticipated corporate, operational and other synergies and the timing thereof, anticipated savings and the sustainability and timing thereof, and the plans and strategies to achieve such benefits and synergies;
- the ability of the Combined Company to transition the business of KRC and Distinction into the energy transition space, through: (i) the alignment of hydrocarbons and green energy solutions; (ii) the consolidation of oil and gas assets to provide low-risk, low-development cost, high operating netback production; (iii) the development of the assets of KRC and Distinction to match production with market capacity; (iv) gathering, processing, marketing and shipping products from the Combined Company's oil and gas resource assets to markets; and (v) identifying and development opportunities with respect to renewable energy and natural gas-fired electricity generation projects;
- the focus and business strategies of each of KRC, Distinction and the Combined Company;
- the ability of the Combined Company to identify and capture suitable assets and implement carbon dioxide sequestration projects including both long term underground storage and carbon dioxide enhanced oil recovery projects;
- the ability to successfully integrate the businesses of KRC and Distinction;
- the structure and effect of the Business Combination on Distinction and KRC and their respective Shareholders;
- the expected issuance, and terms of, KRC Shares to Distinction Shareholders;
- the expected headquarters of the Combined Company;
- the anticipated production (including the location thereof), land, and inventory of development opportunities of the Combined Company;
- the ability of the Combined Company to identify and locate profitable natural gas sources;
- potential opportunities to lease surface land in connection with the business of the Combined Company, and the receipt of all required approvals and financing for natural gas-fired and renewable projects;
- anticipated cost savings as a result of transaction synergies, including the anticipated timing of achieving such cost savings;
- the Combined Company's financial position, including its costs, debt profile, annual sustaining capital requirements and expected liquidity;
- the expected management team of the Combined Company, their positions and qualifications;
- the composition of the Combined Company Board following the Effective Time;

- the anticipated effect of the transaction on the competitiveness of the Combined Company and its profitability, liquidity and cost structure;
- the expected size and scale of the Combined Company, as well as the expected position of the Combined Company in the market relative to comparable peer companies;
- the anticipated improved access to markets;
- the anticipated development of the Combined Company's risk management program;
- the anticipated safety and reliability of the operations of the Combined Company;
- the anticipated relevancy of the Combined Company in the Canadian and global energy markets and expected long-term opportunities;
- the expected performance of the Combined Company in respect of its commitment to ESG excellence, good governance, diversity and inclusion;
- the timing, administration and conduct of the Meetings and the timing of the Final Order;
- KRC's and Distinction's anticipated abilities to obtain the required approvals, including securityholder and Court approvals, for the Business Combination and the timing of such approvals;
- the ability to enforce civil liabilities under U.S. securities laws against KRC, Distinction or its officers or directors and the ability to effect service of process or realize judgments against KRC or Distinction;
- the anticipated application for and filing of the Final Order and Articles of Arrangement with the Director under the CBCA, the content and timing of such application, the considerations of the Court in granting the Final Order and the effect of the Final Order;
- the expectation that there will be no significant events occurring outside of the normal course of business of KRC, Distinction and the Combined Company, as applicable;
- the expected expenses associated with the Business Combination;
- the effect of the Business Combination on KRC's share capital, including the total issued and outstanding KRC Shares and anticipated percentages of KRC Shares that former Distinction Shareholders and current KRC Shareholders will hold in the Combined Company;
- the composition and compensation of the Combined Company Board and management of the Combined Company upon the Business Combination becoming effective, the reconstitution of board committees and expected meetings, policies and mandates thereof;
- the anticipated treatment and entitlements of KRC Shareholders and Distinction Shareholders under securities and tax Laws;
- the effect of the Business Combination on the vesting, settlement and payout of Distinction Incentives, as applicable;
- the treatment of the Business Combination and the future operations of the Combined Company under government regulatory regimes;
- industry conditions pertaining to the oil and gas industry, and the renewable energy industry, including public perception with respect to hydrocarbons and certain green energy solutions; and
- *pro forma* information, including *pro forma* financial and operational information pertaining to KRC after giving effect to the Business Combination.



Additionally, statements relating to "reserves" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described exist in the quantities predicted or estimated and can be profitably produced in the future.

The reports of KPMG LLP and Deloitte LLP included or incorporated by reference in this Information Circular refer exclusively to the historical financial statements described therein and do not extend to the prospective financial information included in this Information Circular and should not be read to do so.

Developing forward-looking statements involves reliance on a number of assumptions and consideration of certain risks and uncertainties, some of which are specific to KRC, Distinction and the Combined Company and others that apply to the industry generally. These forward-looking statements are based on certain expectations and assumptions, including, but not limited to, expectations and assumptions respecting:

- the perceived benefits of the Business Combination and expected attributes of the Combined Company resulting from the Business Combination are based upon a number of factors, including the terms and conditions of the Business Combination Agreement and current industry, economic and market conditions (see "*The Business Combination – Reasons for the Business Combination*", "*The Business Combination – Recommendation of the Distinction Board*" and "*The Business Combination – Recommendation of the KRC Board*");
- the completion of certain steps in, and timing of, the Business Combination and the Effective Date of the Business Combination are based upon the terms of the Business Combination Agreement and advice received from counsel to Distinction and KRC relating to timing expectations (see "*Effect of the Business Combination*");
- the absence of any event, change or other circumstance that could give rise to the termination of the Business Combination Agreement;
- the treatment of Distinction Shareholders under tax Laws is subject to the statements under "*Certain Canadian Federal Income Tax Considerations*";
- the effects of the Business Combination on Distinction and KRC are based on Distinction management's current expectations regarding the intentions of KRC and KRC management's current expectations regarding the intentions of Distinction;
- the satisfaction of the conditions to closing of the Business Combination in a timely manner and completion of the Business Combination on the expected terms;
- the expected adherence to the terms of the Business Combination Agreement and agreements related to the Business Combination Agreement, including the Support Agreements and the expected timing and termination of such agreements;
- the ability of management of the Combined Company to successfully integrate the businesses of Distinction and KRC;
- the accuracy of each of KRC's and Distinction's reserves reports and the *pro forma* reserves reports, and any assumptions listed therein;
- access to sufficient capital to pursue any development plans associated with full ownership of Distinction;
- the Combined Company's ability to issue securities;
- future commodity prices;
- planned drilling, exploration and development, including the Combined Company's ability to accelerate drilling activity;
- the projected capital investment levels, the flexibility of capital spending plans and associated sources of funding;

- the achievement of further cost reductions and sustainability thereof;
- cash flows, cash balances on hand and access to credit and demand facilities being sufficient to fund capital investments;
- estimates of quantities of oil, natural gas, condensate and NGLs from properties and other sources not currently classified as proved;
- accounting estimates and judgments;
- forecast inflation and other assumptions inherent in the current guidance of KRC and Distinction;
- the impact of the COVID-19 pandemic on the business and operations of KRC, Distinction and the Combined Company; and
- other risks, uncertainties and assumptions described from time to time in the filings made by KRC and Distinction with securities regulatory authorities, including those incorporated by reference in this Information Circular.

The forward-looking statements in this Information Circular also include certain forward-looking metrics relating to KRC, Distinction, the Combined Company and the Business Combination, including the production estimates provided in Appendix H for each of KRC and the Combined Company.

Any financial outlook and forward-looking information contained in this Information Circular regarding prospective financial performance or financial position is based on reasonable assumptions about future events, including economic conditions and proposed courses of action based on the assessment by management of each of KRC and Distinction of the relevant information that is currently available. Projected operational information contains forward-looking information and is based on a number of material assumptions and factors, as are set out above. These projections may also be considered to contain future-oriented financial information or a financial outlook. The actual results will likely vary from the amounts set forth herein and such variations may be material. Readers are cautioned that any such financial outlook and forward-looking information contained herein should not be used for purposes other than those for which it is disclosed herein. Such information was made as of the date of this Information Circular.

The risks and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements include, but are not limited to, the following, as well as the risk factors set out under the heading "*Risk Factors*" in Appendix H to this Information Circular:

- KRC and Distinction may fail to realize, or may fail to realize in the expected timeframes, the anticipated benefits and synergies resulting from the Business Combination;
- the failure to integrate KRC's and Distinction's respective businesses or the failure to access or implement some or all of the technology necessary to efficiently and effectively operate the assets and achieve expected future results;
- the conditions to completion of the Business Combination, including receiving Court approval and securityholder approvals may not be satisfied or waived and may result in the Business Combination not being completed in a timely manner or at all;
- the timing of the Meetings, the Final Order and the anticipated Effective Date may be changed or delayed or may not occur at all;
- interloper risk, including actions taken by government entities or others seeking to prevent or alter the terms of the Business Combination or competing offers for KRC or Distinction, which arise as a result of or in connection with the proposed Business Combination;
- inaccuracy of the *pro forma* financial and operational information of the Combined Company after the Business Combination;

- the potential exposure to political, economic, or social instability in certain jurisdictions in which the Combined Company will operate, and public perception of the industries and local markets in which the Combined Company operates;
- KRC and Distinction will incur significant costs relating to the Business Combination, regardless of whether the Business Combination is completed or not completed;
- the Business Combination Agreement could be terminated by either Party under certain circumstances, including as a result of the occurrence of a change, event, circumstance, or development that would reasonably be likely to have (individually or in the aggregate) a Material Adverse Effect on the Other Party;
- if the Business Combination is not completed, Distinction Shareholders will not realize the anticipated benefits of the Business Combination and Distinction's future business and operations could be adversely affected;
- if the Business Combination is not completed, KRC Shareholders will not realize the anticipated benefits of the Business Combination and KRC's future business and operations could be adversely affected;
- litigation relating to the Business Combination may be commenced which may prevent, delay or give rise to significant costs or liabilities on the part of KRC or Distinction;
- changes in income or other tax Laws or actions taken by taxing authorities could have adverse implications on KRC, Distinction or their respective securityholders;
- the Parties may discover previously undisclosed liabilities following the Effective Date;
- the focus of management's time and attention on the Business Combination may detract from other aspects of the respective businesses of KRC and Distinction;
- the loss of key employees and the risk that the Combined Company may not be able to retain key employees of KRC or Distinction following completion of the Business Combination in a timely manner or at all;
- the Combined Company may be unable to access necessary sources of debt and equity capital on acceptable terms or at all;
- the Combined Company may be unable to finance growth, sustain capital expenditures, or successfully find, acquire, develop and commercially produce oil and natural gas reserves or future projects in line with the goals of the Combined Company;
- the Combined Company may be unable to utilize and apply, or carry forward, tax losses and other tax attributes in the future;
- the Combined Company's operations near communities may cause such communities to regard its operations as being detrimental to them;
- a lack of adequate and cost-effective product transportation including sufficient pipeline, crude-by-rail, marine or alternate transportation, including to address any gaps caused by constraints in the pipeline system or storage capacity;
- a lack of adequate fresh water and surface and groundwater licenses;
- market constraints, including low product pricing, lack of transportation, and the shortage of markets for new sources of upstream products from the Western Canadian sedimentary basin;
- adaption and extension of existing technology, and the ability of the Combined Company, the Combined Company Board, and the management of the Combined Company to adapt and manage technological risks;

- changes in the regulatory framework in any of the locations in which KRC or Distinction operate, including changes to the regulatory approval process and land-use designations, royalty, tax, environmental, greenhouse gas, carbon, climate change and other laws or regulations, or changes to the interpretation of such Laws and regulations, as adopted or proposed, the negative impact thereof and the costs associated with compliance, including but not limited to costs relating to historical liabilities of KRC or Distinction (such as Distinction's CCAA proceedings), and potential liabilities relating to environmental non-compliance;
- discrepancies between actual and estimated production for the Combined Company;
- increased costs, delays, suspensions, and technical challenges associated with the construction of capital projects;
- risk of loss and increased cost due to acts of war, terrorism, sabotage, civil disturbances, fires, explosions, blow-outs, equipment failures, transportation incidents, extreme weather events, technological changes and resource shortages, related to climate change or similar events;
- the global economic and financial climate;
- competition, and the effects of competition and pricing pressures;
- industry overcapacity;
- the speculative nature of the oil and gas industry, including risks and uncertainties involving the geology and geophysics of oil and gas exploration and production such as minor earthquakes which have been attributed to hydraulic fracturing operations;
- operational risks in exploring for, developing and producing crude oil, natural gas and NGLs;
- the success of the Combined Company's assets, and potential geological hazards that may impact the performance of these assets;
- a resurgence in cases of COVID-19 or differing variants of the COVID-19 virus, which has occurred in certain locations and the possibility of which in other locations remains high and creates ongoing uncertainty that could result in restrictions to contain the virus being re-imposed or imposed on a more strict basis, including restrictions on movement and businesses;
- the extent to which COVID-19 impacts the global economy and harms commodity prices;
- the extent to which COVID-19 and fluctuations in commodity prices associated with COVID-19 impacts Distinction, KRC or the Combined Company, their results of operations and financial condition, all of which will depend on future developments that are highly uncertain and difficult to predict, including, but not limited to the duration and spread of the pandemic, its severity, the actions taken to contain COVID-19 or treat its impact and how quickly economic activity normalizes; and
- risks related to the success of Distinction's, KRC's or the Combined Company's COVID-19 workplace policies.

With regard to the forward-looking statements in respect of Distinction incorporated by reference herein, please refer to the forward-looking statements advisories in such documents in respect of the forward-looking statements contained therein, the assumptions upon which they are based and the risk factors in respect of such forward-looking statements.

Readers are cautioned that the foregoing lists of factors are not exhaustive. Events or circumstances could cause the actual results to differ materially from those estimated or projected and expressed in, or implied by, the forward-looking statements. The forward-looking statements contained in this Information Circular and in the documents incorporated by reference herein are expressly qualified by this cautionary statement. Except as required by Law, neither Distinction nor KRC undertakes any obligation to publicly update or revise any forward-looking statements.

Readers should also carefully consider the matters discussed under the headings "*Risk Factors*", "*Certain Canadian Federal Income Tax Considerations*" and other risks described elsewhere in this Information Circular and in the documents incorporated

by reference herein as they may cause the actual results to differ materially from the forward-looking statements, including Appendices G and H, the Distinction AIF and the Distinction Annual MD&A, each of which is incorporated by reference herein. Additional information on these and other factors that could affect the operations or financial results of Distinction are included in documents on file with Applicable Canadian Securities Administrators and may be accessed on Distinction's issuer profile through the SEDAR website ([www.sedar.com](http://www.sedar.com)). Such documents, unless expressly incorporated by reference herein, do not form part of this Information Circular.

## **ADVISORY REGARDING OIL AND GAS INFORMATION**

### **General**

The reserves information contained in this Information Circular has been prepared in accordance with NI 51-101. Listed below are cautionary statement(s) that are specifically required by NI 51-101 that qualify the oil and gas disclosure contained in this Information Circular and Appendices hereto.

The terms "boe" and "mcf" may be misleading, particularly if used in isolation. A boe conversion rate of six thousand cubic feet of natural gas per barrel of oil (6 mcf:1 bbl) and an mcf conversion rate of one barrel of oil per six thousand cubic feet of natural gas (1 bbl:6 mcf) are each based on an energy equivalency conversion method primarily applicable at the burner tip and do not represent a value equivalency at the wellhead. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from an energy equivalency of 6:1, utilizing a conversion ratio of 6:1 may be misleading as an indication of value.

NI 51-101 defines "shale gas" as natural gas (i) contained in dense organic-rich rocks, including low-permeability shales, siltstones and carbonates, in which the natural gas is primarily absorbed on the kerogen or clay minerals, and (ii) that usually requires the use of hydraulic fracturing to achieve economic production rates. KRC and Distinction have also categorized what is typically referred to as "tight gas" under "shale gas" since "tight gas" is not defined in NI 51-101. This includes natural gas that is contained in low-permeability shales, siltstones and carbonates, in which the natural gas is primarily contained in microscopic pore spaces that are poorly connected to one another, which typically requires the use of hydraulic fracturing to achieve economic production rates.

Certain disclosure in this Information Circular, and in particular the description of the Combined Company's anticipated oil and gas exploration and development activities, may be considered to be "analogous information" for the purposes of NI 51-101. The analogous information is provided as at June 30, 2021 by KRC personnel with the requisite qualifications. Although KRC is not required to provide this disclosure, it is electively doing so due to the important reservoir similarities in the Combined Company's prospective acreage compared to nearby acreage exploiting the same reservoir.

### **Reserves**

The discounted and undiscounted net present value of future net revenues attributable to the reserves of KRC and Distinction, respectively, do not represent the fair market value of such reserves. There is no assurance that the forecast prices and cost assumptions applied by the independent reserves evaluators in evaluating the reserves of KRC or Distinction, respectively, will be attained and variances could be material. The estimates of light and medium crude oil, NGL, conventional natural gas and shale gas reserves provided in this Information Circular are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual light and medium crude oil, NGLs, conventional natural gas and shale gas reserves may be greater than or less than the estimates provided in this Information Circular or otherwise referred to in this Information Circular, and the difference may be material.

The determination of reserves involves the preparation of estimates that have an inherent degree of associated risk and uncertainty. The estimation and classification of reserves is a complex process involving the application of professional judgment combined with geological and engineering knowledge to assess whether specific classification criteria have been satisfied. Knowledge of concepts including uncertainty and risk, probability and statistics, and deterministic and probabilistic estimation methods is required to properly use and apply reserves definitions. In addition, rules set forth in the COGEH and NI 51-101 override professional judgments as to volumes of recovery, well productivity and other factors.

The estimates of reserves of Distinction, KRC and the Combined Company provided in this Information Circular are estimates only and there is no guarantee that the estimated reserves or resources will be recovered. Actual oil, NGLs and natural gas reserves and resources may be greater than or less than the estimates provided in this prospectus, and the difference may be material.

The estimates of reserves and future net revenue for individual properties in this Information Circular may not reflect the same confidence level as estimates of reserves and future net revenue for all properties, due to the effects of aggregation.

The information set forth in this Information Circular relating to the reserves of Distinction, KRC and the Combined Company and related future net revenues constitutes forward-looking statements which are subject to certain risks and uncertainties. See *"Forward-Looking Statements"* in this Information Circular and see *"Risk Factors"* in Appendix H.

Reserves are classified as proved reserves, probable reserves and possible reserves according to the certainty associated with the estimates. Each of the reserves categories (proved, probable and possible) may be divided into developed and undeveloped categories. See below under *"Selected Oil and Gas Terms"* for definitions of the foregoing terms and other oil and natural gas terms used in this Information Circular. Additional clarification of the classification of reserves, the certainty levels associated with reserves estimates and the effect of aggregation are provided in COGEH.

The qualitative certainty levels referred to in the definitions set forth in *"Selected Oil and Gas Terms"* in this Information Circular below are applicable to individual reserves entries (which refers to the lowest level at which reserves calculations are performed) and to reported reserves (which refers to the highest level sum of individual entity estimates for which reserves are presented). Reported reserves should target the following levels of certainty under a specific set of economic conditions:

- at least a 90% probability that the quantities actually recovered will equal or exceed the estimated proved reserves;
- at least a 50% probability that the quantities actually recovered will equal or exceed the sum of the estimated proved plus probable reserves; and
- at least a 10% probability that the quantities actually recovered will equal or exceed the sum of the estimated proved plus probable plus possible reserves.

A qualitative measure of the certainty levels pertaining to estimates prepared for the various reserves categories is desirable to provide a clearer understanding of the associated risks and uncertainties. However, the majority of reserves estimates will be prepared using deterministic methods that do not provide a mathematically derived quantitative measure of probability. In principle, there should be no difference between estimates prepared using probabilistic or deterministic methods.

### **Selected Oil and Gas Terms**

In this Information Circular (including Appendix H – *"Information Concerning Kiwetinohk Resources Corp. and the Combined Company"*), unless otherwise indicated or the context otherwise requires, the following terms have the meaning set forth below. These definitions are generally as set forth in the COGEH and NI 51-101 and are reproduced below for the convenience of the reader.

**"COGEH"** means the Canadian Oil and Gas Evaluation Handbook prepared jointly by The Society of Petroleum Evaluation Engineers (Calgary Chapter), as amended from time to time.

**"condensate"** means a mixture of hydrocarbons consisting primarily of pentanes and heavier liquids extracted from natural gas.

**"conventional natural gas"** means natural gas that has been generated elsewhere and has migrated as a result of hydrodynamic forces and is trapped in discrete accumulations by seals that may be formed by localized structural, depositional or erosional geological features.

**"developed non-producing reserves"** are those reserves that either have not been on production, or have previously been on production, but are shut in, and the date of resumption of production is unknown.

**"developed producing reserves"** are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if they shut in, they must have previously been on production, and on the date of resumption and production must be known with reasonable certainty.

**"developed reserves"** are those reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (for example, when compared to the cost of drilling a well) to put the reserves on production. The developed category may be subdivided into producing and non-producing.

**"development costs"** means costs incurred to obtain access to reserves and to provide facilities for extracting, treating, gathering and storing the oil, NGL and natural gas from reserves. More specifically, development costs, including applicable operating costs of support equipment and facilities and other costs of development activities, are costs incurred to:

- (a) gain access to and prepare well locations for drilling, including surveying well locations for the purpose of determining specific development drilling sites, clearing ground, draining, road building and relocating public roads, natural gas lines and power lines, to the extent necessary in developing the reserves;
- (b) drill and equip development wells, development type stratigraphic test wells and service wells, including the costs of platforms and of well equipment such as casing, tubing, pumping equipment and wellhead assembly;
- (c) acquire, construct and install production facilities such as flow lines, separators, treaters, heaters, manifolds, measuring devices and production storage tanks, natural gas cycling and processing plants, and central utility and waste disposal systems; and
- (d) provide improved recovery systems.

**"development well"** means a well drilled inside the established limits of an oil or natural gas reservoir, or in close proximity to the edge of the reservoir, to the depth of a stratigraphic horizon known to be productive.

**"exploration costs"** means costs incurred in identifying areas that may warrant examination and in examining specific areas that are considered to have prospects that may contain oil and natural gas reserves, including costs of drilling exploratory wells and exploratory type stratigraphic test wells. Exploration costs may be incurred both before acquiring the related property and after acquiring the property. Exploration costs, which include applicable operating costs of support equipment and facilities and other costs of exploration activities, are:

- (a) costs of topographical, geochemical, geological and geophysical studies, rights of access to properties to conduct those studies, and salaries and other expenses of geologists, geophysical crews and others conducting those studies;
- (b) costs of carrying and retaining unproved properties, such as delay rentals, taxes (other than income and capital taxes) on properties, legal costs for title defence and the maintenance of land and lease records;
- (c) dry hole contributions and bottom hole contributions;
- (d) costs of drilling and equipping exploratory wells; and
- (e) costs of drilling exploratory type stratigraphic test wells.

**"field"** means a defined geographical area consisting of a single reservoir or multiple reservoirs all grouped on, or related to, the same individual geological structural feature or stratigraphic condition. The field name refers to the surface area, although it may refer to both the surface and the underground productive formations.

**"forecast prices and costs"** means future prices and costs that are:

- (a) generally acceptable as being a reasonable outlook of the future; and
- (b) if and only to the extent that, there are fixed or presently determinable future prices or costs to which a company is legally bound by a contractual or other obligation to supply a physical product, including those for an extension period of a contract that is likely to be extended, those prices or costs rather than the prices and costs referred to in the paragraph above.

**"formation"** means a layer of rock which has distinct characteristics that differ from nearby rock.

**"gross"** means:

- (a) in relation to a company's interest in production or reserves, its "company gross reserves", which are the company's working interest (operating or non-operating) share before deduction of royalties and without including any royalty interests of the company;



- (b) in relation to wells, the total number of wells in which a company has an interest; and
- (c) in relation to properties, the total area of properties in which a company has an interest.

**"heavy crude oil or heavy oil"** means crude oil with a relative density greater than 10 degrees API gravity and less than or equal to 22.3 degrees API gravity.

**"light crude oil or light oil"** means crude oil with a relative density greater than 31.1 degrees API gravity. Light and medium crude oil means light crude oil and medium crude oil combined.

**"liquids"** means oil, condensate and other NGL.

**"medium crude oil" or "medium oil"** means crude oil with a relative density greater than 22.3 degrees API gravity and less than or equal to 31.1 degrees API gravity.

**"natural gas liquids" or "NGL"** means those hydrocarbon components that can be recovered from natural gas as a liquid including, but not limited to, ethane, propane, butanes, pentanes plus, and condensates.

**"net"** means:

- (a) in relation to a company's interest in production or reserves, the company's working interest (operating or nonoperating) share after deduction of royalty obligations, plus the company's royalty interest in production or reserves;
- (b) in relation to a company's interest in wells, the number of wells obtained by aggregating the company's working interest in each of its gross wells; and
- (c) in relation to a company's interest in a property, the total area in which the company has an interest multiplied by the working interest owned by the company.

**"net acres"** means the percentage of total acres an owner has out of a particular number of acres, or a specified tract. An owner who has 50% interest in 100 acres owns 50 net acres.

**"possible reserves"** are those additional reserves that are less certain to be recovered than probable reserves. It is unlikely that the actual remaining quantities recovered will exceed the sum of the estimated proved plus probable plus possible reserves.

**"probable reserves"** are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.

**"producing days"** includes only days on which a well produces some quantities of natural gas or condensate.

**"proved reserves"** are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.

**"reserves"** are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, as of a given date, based on: (i) analysis of drilling, geological, geophysical and engineering data; (ii) the use of established technology; and (iii) specified economic conditions, which are generally accepted as being reasonable, and shall be disclosed. Reserves are classified according to the degree of certainty associated with the estimates.

**"reservoir"** means a porous and permeable underground rock formation containing a natural accumulation of petroleum that is confined by impermeable rock or water barriers, is separate from other reservoirs and is characterized by a single pressure system.

**"resources"** means petroleum quantities that originally existed on or within the earth's crust in naturally occurring accumulations, including discovered and undiscovered (recoverable and unrecoverable) plus quantities already produced.

**"rich gas"** means liquids-rich natural gas.

"**shale gas**" is defined by NI 51-101 as natural gas (i) contained in dense organic-rich rocks, including low-permeability shales, siltstones and carbonates, in which the natural gas is primarily adsorbed on the kerogen or clay minerals, and (b) that usually requires the use of hydraulic fracturing to achieve economic production rates. KRC and Distinction, respectively, have also categorized what is typically referred to as "tight gas" under "shale gas" since "tight gas" is not defined in NI 51-101. This includes natural gas that is contained in low-permeability shales, siltstones and carbonates, in which the natural gas is primarily contained in microscopic pore spaces that are poorly connected to one another, which typically requires the use of hydraulic fracturing to achieve economic production rates.

"**sour gas**" means natural gas containing hydrogen sulfide (H<sub>2</sub>S) in quantities greater than 100 parts per million.

"**tight oil**" means crude oil (i) contained in dense organic rich rocks, including low-permeability shales, siltstones and carbonates, in which the crude oil is primarily contained in microscopic pore spaces that are poorly connected to one another; and (ii) that typically requires the use of hydraulic fracturing to achieve economic production rates.

"**undeveloped reserves**" are those reserves expected to be recovered from known accumulations where a significant expenditure (for example, when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves classification (proved, probable) to which they are assigned.

"**working interest**" means the right granted to the lessee of a property to explore for and to produce and own oil, natural gas, or other minerals. The working interest owners bear the exploration, development, and operating costs on either a cash, penalty, or carried basis.

The information set forth in this Information Circular, inclusive of the Appendices hereto, relating to KRC's and Distinction's reserves and future net revenues, respectively, constitutes forward-looking statements which are subject to certain risks and uncertainties. See "*Forward-Looking Statements*" in this Information Circular and see "*Risk Factors*" in Appendix H.

## INFORMATION FOR BENEFICIAL HOLDERS

The information set forth in this section is of significant importance to many shareholders, as a substantial number of such Shareholders do not hold Distinction Shares or KRC Shares in their own name. Beneficial Holders should note that only proxies deposited by Shareholders whose names appear on the records of the registrar and transfer agent for Distinction or KRC, as applicable, as the registered holders of Shares can be recognized and acted upon at the Meetings, as applicable. If Shares are listed in an account statement provided to a Shareholder by a broker, then, in almost all cases, those Shares will not be registered in a holder's name on the records of Distinction or KRC. Such Shares will most likely be registered in the name of the holder's broker or an agent of the broker. In Canada, the vast majority of such Shares are registered under the name of CDS & Co. (the registration name for CDS, which acts as nominee for many Canadian brokerage firms). Shares held by brokers or their nominees can only be voted (for or against resolutions) upon instructions of the Beneficial Holder. Without specific instructions, brokers/nominees are prohibited from voting Shares for their clients. **Beneficial Holders should therefore ensure that instructions regarding the voting of their Shares are properly communicated to the appropriate Person or that the Shares are duly registered in their name well in advance of the applicable Meeting.**

Applicable regulatory policies require intermediaries/brokers to seek voting instructions from Beneficial Holders in advance of shareholder meetings. Every intermediary/broker has its own mailing procedures and provides its own return instructions which should be carefully followed by Beneficial Holders in order to ensure that their Shares are voted at the applicable Meeting. Often, the form of proxy supplied to a Beneficial Holder by its broker is identical to that provided to a registered Shareholder. However, its purpose is limited to instructing the registered Shareholder on how to vote on behalf of the Beneficial Holder. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge. Broadridge typically mails a scannable Voting Instruction Form in lieu of the applicable form of proxy. The Beneficial Holder is requested to complete and return the Voting Instruction Form by mail or facsimile. Alternatively, the Beneficial Holder can call a toll-free telephone number or access the internet to vote the Shares held by the Beneficial Holder. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Shares to be represented at the applicable Meeting. A Beneficial Holder receiving a form of proxy or Voting Instruction Form from its broker or other intermediary (or an agent or nominee of such broker or other intermediary) cannot use that form to vote Shares directly at the applicable Meeting. Voting instructions must be communicated to the broker, intermediary, agent or nominee (in accordance with the instructions provided by it or on its behalf) well in advance of the applicable Meeting in order to have the Shares to which such instructions relate voted at the applicable Meeting.

**If you are a Beneficial Holder and wish to vote at the applicable Meeting, you must insert your own name in the space provided on the Voting Instruction Form sent to you by your intermediary, follow all of the applicable instructions provided by your intermediary.** By doing so, you are instructing your intermediary to appoint you as proxyholder. It is important that you comply with the signature and return instructions provided by your intermediary.

**Submit the Voting Instruction Form:** To appoint someone other than the individuals named in the Voting Instruction Form as proxyholder, insert that person's name in the blank space provided in the Voting Instruction Form (if permitted) and follow the instructions for submitting such Voting Instruction Form. This must be completed before registering such proxyholder, which is an additional step to be completed once you have submitted the Voting Instruction Form.

**If you are a Beneficial Holder located in the United States and wish to vote at the applicable Meeting or, if permitted, appoint a third party as your proxyholder,** you must additionally obtain a valid legal proxy from your intermediary. Follow the instructions from your intermediary included with the legal proxy form sent to you or contact your intermediary to request a legal proxy form if you have not received one. After obtaining a valid legal proxy from your intermediary, you must then submit such legal proxy to Computershare. Requests for registration from non-registered Distinction Shareholders or non-registered KRC Shareholders located in the United States that wish to vote at the applicable Meeting or, if permitted, appoint third parties as their proxyholders must be sent by e-mail or by courier to:

- in the case of a beneficial Distinction Shareholder: [uslegalproxy@computershare.com](mailto:uslegalproxy@computershare.com) (if by e-mail); or Computershare Trust Company of Canada, Attention: Proxy Department, 8<sup>th</sup> Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1, Canada (if by courier), and in both cases, must be labeled "Legal Proxy" and received no later than the Distinction Proxy Deadline; or
- in the case of a beneficial KRC Shareholder: [uslegalproxy@computershare.com](mailto:uslegalproxy@computershare.com) (if by e-mail); or Computershare Trust Company of Canada, Attention: Proxy Department, 8<sup>th</sup> Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1, Canada (if by courier), and in both cases, must be labeled "Legal Proxy" and received no later than the KRC Proxy Deadline.

**Shareholders whose Shares are registered in the name of a broker, dealer, bank, trust company or other nominee must contact their nominee to deposit their Shares.**

## SUMMARY

This summary is qualified in its entirety by the more detailed information appearing elsewhere in this Information Circular, including the Appendices hereto. Terms with initial capital letters in this summary are defined in the "Glossary of Terms" set out elsewhere in this Information Circular.

### **The Business Combination**

On June 28, 2021, Distinction and KRC agreed to the definitive terms of a transaction to combine the two companies pursuant to the terms and conditions of the Business Combination Agreement. Pursuant to the Business Combination Agreement, KRC has agreed to acquire all of the issued and outstanding Distinction Shares that KRC does not already own under a court-approved Plan of Arrangement in accordance with the provisions of the CBCA. If completed, the Business Combination will result in KRC acquiring all of the Distinction Shares. Pursuant to the Business Combination, each Distinction Shareholder (other than KRC and Dissenting Shareholders) will be issued the number of KRC Shares equal to the Exchange Ratio in respect of each Distinction Share held. Under the Business Combination, KRC will succeed to the reporting issuer status of Distinction.

Current Distinction Shareholders (other than KRC) are expected to own approximately 24% of the Combined Company immediately after completion of the Business Combination. Current KRC Shareholders are expected to own approximately 76% of the Combined Company immediately after completion of the Business Combination.

Pursuant to the terms of the Business Combination Agreement, Distinction and KRC agreed that the board of directors of the Combined Company will consist of nine members, led by Kevin Brown as Chair, and shall include Patrick Carlson, William (Bill) Slavin, Nancy Lever, Leland Corbett, Kaush Rahkit, Steve Sinclair, Timothy Schneider and Beth Reimer-Heck.

Following completion of the Business Combination, it is anticipated that the existing officers of KRC will continue with the Combined Company in their current roles.

### **Distinction Energy Corp.**

Distinction is an oil and natural gas company based in Calgary, Alberta. Distinction is focused on commercializing, developing and producing crude oil, natural gas and natural gas liquids from properties in the Fox Creek region of Alberta. Distinction's core properties are within the liquids rich gas regions of the Duvernay and Montney.

Distinction is a "reporting issuer" in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland but the Distinction Shares are not currently traded or listed on a Canadian or foreign marketplace. Pursuant to the Business Combination, all of the Distinction Shares not already owned by KRC will be acquired by KRC and KRC will succeed to Distinction's reporting issuer status.

Distinction's head office is located at Suite 2300, 333 - 7<sup>th</sup> Avenue S.W., Calgary, Alberta, T2P 2Z1 and the registered and records office of Distinction is located at Suite 3810, 888 - 3<sup>rd</sup> Street SW, Calgary, Alberta, T2P 5C5.

See Appendix G – "*Information Concerning Distinction Energy Corp.*".

### **Kiwetinohek Resources Corp.**

KRC views itself as an energy transition company. KRC's targeted scope of business includes commercializing, developing and producing oil and gas, capturing renewable energy as well as producing electricity and hydrogen from these primary energy sources. Its core oil and gas properties include liquids rich gas in the Fox Creek Region and heavy oil in the Thorhild Region of Alberta. KRC is in the early stages of electricity generating projects in the Fox Creek Region, in West Central Alberta and in Southern Alberta. KRC plans to capture and sequester carbon dioxide from its gas-fired power projects.

KRC's principal office is located at Suite 1900, 250 - 2 Street SW, Calgary, Alberta, T2P 0C1 and its registered office is located at 3700 Devon Tower, 400 - 3<sup>rd</sup> Avenue S.W., Calgary, Alberta, T2P 4H2.

See Appendix H – "*Information Concerning Kiwetinohek Resources Corp. and the Combined Company*".

### **The Distinction Meeting**

The Distinction Meeting will be held in the Devonian Room at the Calgary Petroleum Club, 319 - 5<sup>th</sup> Avenue SW, Calgary, Alberta at 8:30 a.m. (Calgary time) on August 30, 2021, for the purposes set forth in the accompanying notice of special meeting. The business of the Distinction Meeting will be for Distinction Shareholders to consider and vote on the Distinction Transaction Resolution. See "*The Business Combination*", "*Effect of the Business Combination*" and "*Matters to be Considered at the Distinction Meeting*".

The Distinction Record Date for determining Distinction Shareholders entitled to receive notice of, and to vote at, the Distinction Meeting is the close of business on July 23, 2021. Only Distinction Shareholders of record as of the Distinction Record Date are entitled to receive notice of the Distinction Meeting. Distinction Shareholders of record will be entitled to vote those Distinction Shares included in the list of Distinction Shareholders prepared as at the Distinction Record Date. See "*General Proxy Matters – Distinction*".

Distinction reserves the right to take any additional precautionary measures it deems appropriate in relation to the Distinction Meeting in response to further developments in respect of the COVID-19 outbreak including, if required by public health measures related to the COVID-19 pandemic in force or expected to be in force at the time of the Distinction Meeting, hosting the Distinction Meeting solely by means of remote communication, placing restrictions on in-person attendance, or postponing or adjourning the Distinction Meeting. Distinction Shareholders will be notified of changes to the Distinction Meeting date and/or means of holding the Distinction Meeting in accordance with the Interim Order. Please monitor Distinction's press releases for updated information. Distinction does not intend to prepare or mail an amended Information Circular in the event of changes to the Distinction Meeting format.

### **The KRC Meeting**

The KRC Meeting will be held in the Devonian Room at the Calgary Petroleum Club, 319 - 5<sup>th</sup> Avenue SW, Calgary, Alberta at 10:30 a.m. (Calgary time) on August 30, 2021, for the purposes set forth in the accompanying notice of special meeting. The business of the KRC Meeting will be for KRC Shareholders to consider and vote on the KRC Transaction Resolution. See "*Matters to be Considered at the KRC Meeting*".

The KRC Record Date for determining KRC Shareholders entitled to receive notice of, and to vote at, the KRC Meeting is the close of business on July 23, 2021. Only KRC Shareholders of record as of the KRC Record Date are entitled to receive notice of the KRC Meeting. KRC Shareholders of record will be entitled to vote those KRC Shares included in the list of KRC Shareholders prepared as at the KRC Record Date. If a KRC Shareholder transfers KRC Shares after the KRC Record Date and the transferee of those KRC Shares, having produced properly endorsed certificates evidencing such KRC Shares or having otherwise established that the transferee owns such KRC Shares, demands, at least ten days before the KRC Meeting, that the transferee's name be included in the list of KRC Shareholders entitled to vote at the KRC Meeting, such transferee shall be entitled to vote such KRC Shares on the KRC Transaction Resolution at the KRC Meeting. See "*General Proxy Matters – KRC*".

KRC reserves the right to take any additional precautionary measures it deems appropriate in relation to the KRC Meeting in response to further developments in respect of the COVID-19 outbreak including, if required by public health measures related to the COVID-19 pandemic in force or expected to be in force at the time of the KRC Meeting, hosting the KRC Meeting solely by means of remote communication, placing restrictions on in-person attendance, or postponing or adjourning the KRC Meeting. KRC Shareholders will be notified of changes to the KRC Meeting date and/or means of holding the KRC Meeting in accordance with the Interim Order. Please monitor KRC's press releases for updated information. KRC does not intend to prepare or mail an amended Information Circular in the event of changes to the KRC Meeting format.

See "*The Business Combination – Details of the Business Combination*".

### **Business Combination Agreement**

The obligations of Distinction and KRC to complete the Business Combination are subject to the satisfaction or waiver of certain conditions set out in the Business Combination Agreement. These conditions include, among others, the prior continuance of KRC to the CBCA; the prior amendment of KRC's articles to remove any references to private company restrictions in the KRC articles of incorporation and to increase the minimum number of directors to three and the maximum number of directors to 11; approval of the Distinction Transaction Resolution by the Distinction Shareholders; approval of the KRC Transaction Resolution by the KRC Shareholders; the aggregate number of Distinction Shares held by Distinction Shareholders who have properly exercised and not withdrawn Dissent Rights in connection with the Business Combination shall not exceed 5%; KRC, ARC and Distinction shall have amended and entered into certain agreements on terms satisfactory to each of them, acting reasonably; all Distinction Stock Options shall have been assumed by KRC as contemplated in the Business Combination Agreement; and receipt of requisite Court approvals, including the Interim Order and Final Order. Upon all the conditions being satisfied or

waived, Distinction is required to file the Articles of Arrangement with the Director in order to give effect to the Business Combination.

In addition to certain covenants, representations and warranties made by each of Distinction and KRC in the Business Combination Agreement, Distinction has provided certain non-solicitation covenants, subject to the right of the Distinction Board to, prior to obtaining the approval of the Distinction Shareholders of the Distinction Transaction Resolution, respond to an Acquisition Proposal that constitutes or would reasonably be expected to constitute or lead to a Superior Proposal, and the right KRC to match any such Superior Proposal within five Business Days.

The Business Combination Agreement may be terminated by mutual written consent of Distinction and KRC and by either Party in certain circumstances as more particularly set forth in the Business Combination Agreement. Subject to certain limitations, either Party may also terminate the Business Combination Agreement if the Business Combination is not consummated by November 8, 2021.

The above is a summary of certain terms of the Business Combination Agreement and is qualified in its entirety by the full text of the Business Combination Agreement, which is attached as Appendix C to this Information Circular, and to the more detailed summary contained elsewhere in this Information Circular.

See "*Effect of the Business Combination – The Business Combination Agreement*" and Appendix C for a copy of the Business Combination Agreement.

### **Background to the Business Combination**

The terms of the Business Combination are the result of arm's length negotiations among the Independent Committee, on behalf of Distinction, KRC, and their respective financial and legal advisors. This Information Circular contains a summary of the events leading up to the negotiation of the Business Combination Agreement and the meetings, negotiations, discussions and actions by the Parties, their respective boards of directors and senior management teams that preceded the execution and public announcement of the Business Combination Agreement. See "*The Business Combination – Background to the Business Combination*".

### **Reasons for the Business Combination**

#### ***Distinction Board***

In reaching the conclusion that the consideration to be received by Distinction Shareholders pursuant to the Business Combination is fair to Distinction Shareholders (other than KRC), and in recommending to Distinction Shareholders that they approve the Business Combination, the Independent Committee and the Distinction Board considered and relied upon a number of factors, including, among others, the following:

#### **Recommendation of the Independent Committee**

The Distinction Board formed the Independent Committee to consider the Business Combination and subsequently supervise and/or negotiate the Business Combination Agreement. ATB acted as financial advisor to the Independent Committee and provided the Independent Committee with its opinion to the effect that, as of June 16, 2021, based upon and subject to the assumptions, limitations and qualifications set forth therein, the Exchange Ratio is fair, from a financial point of view, to the Distinction Shareholders (other than KRC). The full text of the written opinion of ATB setting out the assumptions made, matters considered and limitations and qualifications on the review undertaken in connection with the ATB Fairness Opinion is contained in Appendix E to the Information Circular. ATB provided its opinion solely for the information and assistance of the Independent Committee in connection with its consideration of the Business Combination. The ATB Fairness Opinion is not a recommendation as to how any Distinction Shareholder should vote with respect to the Distinction Transaction Resolution, or any other matter.

After considering the ATB Fairness Opinion, and after consulting with its legal counsel, and after careful consideration of, among other things, the Business Combination and the terms of the Business Combination Agreement and the short- and long-term outlook for Distinction, the Independent Committee unanimously determined to recommend that the Distinction Board: (i) determine that the Business Combination is fair to the Distinction Shareholders, see "*The Business Combination – ATB Fairness Opinion*" and "*ATB Fairness Opinion*" at Appendix E to this Information Circular; (ii) authorize and approve the Business Combination and the participation of Distinction therein, see "*The Business Combination – Recommendation of the Independent Committee*"; and (iii) recommend that the Distinction Shareholders vote in favour of the Business Combination at the Distinction Meeting, see "*The Business Combination – Recommendation of the Independent Committee*".



### Recommendation of the Distinction Board

Following receipt of the unanimous recommendation of the Independent Committee, and after consulting with its legal counsel, and after careful consideration, the Distinction Board (excluding directors who abstained in accordance with section 120 of the CBCA): (i) determined that the Business Combination is in the best interests of Distinction and the Distinction Shareholders and that the Exchange Ratio is fair to Distinction Shareholders (other than KRC); (ii) approved the Business Combination Agreement and the transactions contemplated thereby; and (iii) resolved to recommend that Distinction Shareholders vote in favour of the Distinction Transaction Resolution. **Accordingly, the Distinction Board (excluding directors who abstained in accordance with section 120 of the CBCA) recommends that Distinction Shareholders vote FOR the Distinction Transaction Resolution.**

### Considerations of the Independent Committee in Making its Recommendation

In determining that the Business Combination is fair to the Distinction Shareholders and in the best interests of Distinction, the Independent Committee and the Distinction Board (excluding directors who abstained in accordance with section 120 of the CBCA) relied upon a number of factors. The following are some of the key factors that were considered and relied upon by the Independent Committee and the Distinction Board in making their recommendations:

- (a) the challenging operating environment for junior oil and gas companies;
- (b) the Business Combination offers Distinction Shareholders a compelling opportunity in KRC Shares, including the following attributes of the Combined Company:

#### Scale

- (i) increased scale better positions the Combined Company to compete in an increasingly consolidated energy industry;
- (ii) larger entity, with expected enhanced market importance and enhanced business relationships, expected to result in positive effects on the Combined Company's access to capital, procurement and sales;

#### Strategy

- (iii) exposure to the dedicated and unique integrated energy transition model of KRC, including the potential for advancement of strategic power projects expected to provide attractive shareholder returns;
- (iv) consolidation of existing assets positions the Combined Company to take further advantage of current upstream consolidation market trends;
- (v) business plan focused on investor returns better positioned by reduced debt to cash flow of the Combined Company;

#### Management Track Record

- (vi) management team with a strong record of upstream development and innovation in the energy industry;
- (vii) proven under-developed assets poised to perform with management's track record of unconventional development;

#### Upstream Asset Quality

- (viii) exposure to additional top-tier Canadian upstream production and reserves, with an established position in the Montney, Duvernay and Clearwater plays and a sustainable and long-life asset base;



#### Cost Structure

- (ix) consolidated operations, increased corporate synergies and simplified reporting requirements of the Combined Company expected to optimize cost structure;
- (x) reduced general and administrative costs of the Combined Company, allowing for engagement of specialized expertise;

#### Simplicity

- (xi) improved management effectiveness and efficiency;
  - (xii) clarification, simplification and removal of conflicts of interest;
  - (xiii) simplified corporate structure, anticipated to be more appealing to the investment community; and
  - (xiv) perceived distance from negative reputational impacts associated with the CCAA proceedings of Distinction (formerly Delphi Energy Corp.);
- (c) Distinction's limited ability to access necessary capital as a stand-alone entity;
  - (d) the support of KRC, Distinction's largest shareholder, and of the Supporting Distinction Securityholders;
  - (e) favourable tax treatment of the Business Combination;
  - (f) the reasonableness of the terms and conditions of the Business Combination Agreement; and
  - (g) the Business Combination is structured in a manner to protect the rights of Minority Distinction Shareholders.

The information and factors described above and considered by the Independent Committee and the Distinction Board in reaching their determinations and making their approvals are not intended to be exhaustive but include material factors considered by the Independent Committee and the Distinction Board. In view of the wide variety of factors considered in connection with their evaluation of the Business Combination and the complexity of these matters, the Independent Committee and the Distinction Board did not find it useful, and did not attempt, to quantify, rank or otherwise assign relative weights to these factors. In addition, individual members of the Distinction Board may have given different weight to different factors.

See "*The Business Combination – Reasons for the Business Combination*".

#### **KRC Board**

In reaching the conclusion that the Business Combination is fair to KRC, in determining that the Business Combination and the entry into the Business Combination Agreement were in the best interests of KRC, in approving the Business Combination Agreement and the transactions contemplated thereby, and in recommending to KRC Shareholders that they approve the KRC Transaction Resolution, the KRC Board considered and relied upon a number of factors, including, among others, , the following:

#### Peters & Co. Fairness Opinion

The KRC Board considered the Peters & Co. Fairness Opinion to the effect that as of June 17, 2021, and based upon and subject to the assumptions, limitations and qualifications set forth therein, the Exchange Ratio is fair, from a financial point of view, to KRC.

#### KRC Shareholder Support

The Supporting KRC Shareholders collectively hold approximately 86% of the issued and outstanding KRC Shares and each Supporting KRC Shareholder has irrevocably agreed to vote in favour of the Business Combination at the KRC Meeting and otherwise support the Business Combination, except in limited circumstances. See "*Effect of the Business Combination – Support Agreements*".

### Considerations of the KRC Board in Making its Recommendation

In determining that the Business Combination is fair to KRC, the KRC Board (excluding directors who abstained in accordance with section 120 of the ABCA) relied upon a number of factors. The following are some of the key factors that were considered and relied upon by the KRC Board in making their recommendations:

- (a) the challenging operating environment for junior oil and gas companies;
- (b) the Business Combination offers KRC several benefits, including the following attributes of the Combined Company:

#### Scale

- (i) increased scale better positions the Combined Company to compete in an increasingly consolidated energy industry;
- (ii) larger entity, with expected enhanced market importance and enhanced business relationships, expected to result in positive effects on the Combined Company's access to capital, procurement and sales;
- (iii) improved cash flow position of the Combined Company and a business plan focused on investor returns;

#### Cost Structure

- (iv) consolidated operations, increased corporate synergies and simplified reporting requirements of the Combined Company expected to optimize cost structure;
- (v) reduced general and administrative costs of the Combined Company, allowing for engagement of specialized expertise;

#### Simplicity

- (vi) consolidation of ownership and operations in top-tier Canadian properties in the Montney and Duvernay plays;
  - (vii) improved management effectiveness and efficiency; and
  - (viii) simplified corporate structure, anticipated to be more appealing to the investment community;
- (c) the support of ARC, KRC's largest shareholder, and of the Supporting KRC Shareholders; and
  - (d) the reasonableness of the terms and conditions of the Business Combination Agreement.

The information and factors described above and considered by the KRC Board in reaching its determinations and making its approvals are not intended to be exhaustive but include material factors considered by the KRC Board. In view of the wide variety of factors considered in connection with its evaluation of the Business Combination and the complexity of these matters, the KRC Board did not find it useful, and did not attempt, to quantify, rank or otherwise assign relative weights to these factors. In addition, individual members of the KRC Board may have given different weight to different factors.

*See "The Business Combination – Reasons for the Business Combination".*

### Recommendation of the KRC Board

After considering, among other things, the Peters & Co. Fairness Opinion, the KRC Board unanimously (excluding directors who abstained in accordance with section 120 of the ABCA): (i) determined that the Business Combination and the entry into the Business Combination Agreement are in the best interests of KRC; (ii) determined that the Business Combination is fair to KRC; (iii) approved the Business Combination Agreement and the transactions contemplated thereby; and (iv) resolved to recommend that the KRC Shareholders vote in favour of the KRC Transaction Resolution. **Accordingly, the KRC Board (excluding**

directors who abstained in accordance with section 120 of the ABCA) recommends that KRC Shareholders vote FOR the KRC Transaction Resolution.

See "*The Business Combination – Recommendation of the KRC Board*".

## Securities Law Matters

### *MI 61-101*

Each of Distinction and KRC is subject to the provisions of MI 61-101. MI 61-101 regulates certain transactions to ensure equality of treatment among securityholders and may require enhanced disclosure, approval by a majority of securityholders (excluding interested or related parties), independent valuations and, in certain instances, approval and oversight of the transaction by a special committee of independent directors. As described in this Information Circular, all Distinction Shares that KRC does not already own will be exchanged for KRC Shares under the terms of the Plan of Arrangement. The Business Combination is a "business combination" and a "related party transaction" within the meaning of MI 61-101, since, among other things, the interest of holders of Distinction Shares may be terminated without such holders' consent and KRC, a "related party" of Distinction as it holds more than 10% of the issued and outstanding Distinction Shares, will acquire all of the issued and outstanding Distinction Shares that KRC does not already own. As the Business Combination is a "business combination" within the meaning of MI 61-101, MI 61-101 requires that, in addition to any other required securityholder approval, a "business combination" be subject to "minority approval" (as defined in MI 61-101) of every class of "affected securities" (as defined in MI 61-101) of the issuer, in each case voting separately as a class.

See "*Securities Law Matters – MI 61-101*".

## ATB Fairness Opinion

ATB was retained by the Independent Committee to provide financial advisory services to the Independent Committee in connection with a potential transaction involving KRC. The ATB Fairness Opinion provides an opinion by ATB to the Independent Committee to the effect that, as of June 16, 2021 and subject to the assumptions, limitations, and qualifications set forth therein, the Exchange Ratio is fair, from a financial point of view, to the Distinction Shareholders (other than KRC).

**The full text of the ATB Fairness Opinion, setting out the assumptions made, matters considered and limitations and qualifications on the review undertaken in connection with the ATB Fairness Opinion, is attached as Appendix E to this Information Circular.**

Distinction Shareholders are urged to read the ATB Fairness Opinion carefully and in its entirety. This summary of the ATB Fairness Opinion is qualified in its entirety by the full text of such opinion. The ATB Fairness Opinion was provided solely for the use of the Independent Committee (solely in its capacity as such) in connection with the Independent Committee's evaluation of the Business Combination and may not be relied upon by any Distinction Shareholders or any other person. The ATB Fairness Opinion is not intended to and does not constitute a recommendation as to how the Distinction Shareholders should vote in respect of the Distinction Transaction Resolution. The ATB Fairness Opinion was one of a number of factors taken into consideration by the Independent Committee in making their unanimous determinations that the Business Combination is fair to the Distinction Shareholders and is in the best interests of Distinction and to recommend that Distinction Shareholders accept the Business Combination. ATB expresses no view as to, and the ATB Fairness Opinion does not address, any other aspect or implication of the Business Combination or the underlying business decision of the Independent Committee to effect the Business Combination, the relative merits of the Business Combination as compared to any alternative business strategies that might be available for Distinction or the effect of any other transaction in which Distinction might engage.

Pursuant to the terms of its engagement letter with the Independent Committee, ATB is to be paid a fee for its services as financial advisor, including a fee for the ATB Fairness Opinion and fees that are contingent on the completion of the Business Combination or certain other events. Distinction has also agreed to indemnify ATB against certain liabilities. In addition, in the ordinary course of business and unrelated to the Business Combination, ATB Financial, the parent company of ATB, is a member of the lending syndicate providing credit facilities to Distinction and KRC; and (ii) ATB has, in the past 24 months, provided certain ordinary course advisory and/or investment banking services to Distinction, including acting as sole agent in connection with its brokered private placement of special warrants completed in February 2021, acted as financial advisor to Distinction with respect to its acquisition of assets in the Simonette area of Alberta in February 2021 and acted as agent and financial advisor to Distinction in connection with its recapitalization transaction completed in November 2019, all as further described in Appendix G. Neither ATB nor any of its affiliates or associates is an insider, associate or affiliate (as such terms are defined in Applicable Canadian Securities Laws) of KRC or Distinction or any of their respective associates or affiliates.

See "*The Business Combination – ATB Fairness Opinion*". For the full text of the ATB Fairness Opinion, see Appendix E – "*ATB Fairness Opinion*".

### **Peters & Co. Fairness Opinion**

Peters & Co. was retained by KRC to provide financial advisory services to KRC in connection with the Business Combination. As part of this mandate, Peters & Co. was requested to provide the KRC Board with its opinion as to the fairness to KRC, from a financial point of view, of the Exchange Ratio. In connection with this mandate, Peters & Co. has prepared and delivered the Peters & Co. Fairness Opinion. The KRC Board considered the Peters & Co. Fairness Opinion to the effect that as of June 17, 2021, and based upon and subject to the assumptions, limitations and qualifications set forth therein, the Exchange Ratio is fair, from a financial point of view, to KRC.

**The full text of the written opinion of Peters & Co. dated June 17, 2021, which sets forth, among other things, the assumptions made, procedures followed, matters considered and limitations and qualifications on the review undertaken in connection with the rendering of such opinion, is attached as Appendix F to this Information Circular and should be read carefully and in its entirety. Peters & Co. provided its opinion solely for the use of the KRC Board in connection with its consideration of the Business Combination and the opinion is subject to the assumptions, limitations and qualifications contained therein. The opinion of Peters & Co. does not constitute a recommendation to any KRC Shareholder as to how such shareholder should vote with respect to the KRC Transaction Resolution or any other matter.**

**KRC Shareholders are urged to read the Peters & Co. Fairness Opinion carefully and in its entirety. This summary of the Peters & Co. Fairness Opinion is qualified in its entirety by the full text of such opinion.**

See "*The Business Combination – Peters & Co. Fairness Opinion*". For the full text of the Peters & Co. Fairness Opinion, see Appendix F – "*Peters & Co. Fairness Opinion*".

### **Support Agreements**

#### ***Distinction Support Agreements***

On or about the Agreement Date, each of the Supporting Distinction Securityholders, who collectively hold approximately 41% of the issued and outstanding Distinction Shares (approximately 84% of non-KRC owned Distinction Shares), entered into a support agreement with KRC pursuant to which such Supporting Distinction Securityholder has agreed, among other things, to vote, or cause to be voted, all of the Distinction Shares beneficially owned, controlled or directed or subsequently acquired by such Supporting Distinction Securityholder for and in favour of the Distinction Transaction Resolution and against any resolution, transaction or other action that is inconsistent with, or could reasonably be likely to impede, interfere with, delay, postpone, or adversely affect in any material respect the Business Combination or any of the other matters and transactions contemplated by the Business Combination Agreement. The Distinction Support Agreements are only terminable in limited circumstances.

#### ***KRC Support Agreements***

On or about the Agreement Date, each of the Supporting KRC Shareholders, who collectively hold approximately 86% of the issued and outstanding KRC Shares on a pre-consolidation basis, entered into a support agreement with Distinction pursuant to which such Supporting KRC Shareholder has agreed, among other things, to vote, or cause to be voted, all of the KRC Shares beneficially owned, controlled or directed or subsequently acquired by such Supporting KRC Shareholder for and in favour of the KRC Transaction Resolution and against any resolution, transaction or other action that is inconsistent with, or could reasonably be likely to impede, interfere with, delay, postpone, or adversely affect in any material respect the Business Combination or any of the other matters and transactions contemplated by the Business Combination Agreement. The KRC Support Agreements are only terminable in limited circumstances.

See "*Effect of the Business Combination – Support Agreements*".

### **Investment Rights Agreements**

As a mutual condition precedent to closing, the following agreements will be entered into on the Effective Date:

- (a) the KRC Investment Rights Agreement (ARC); and
- (b) the KRC Investment Rights Agreement (Luminus).

See "*Effect of the Business Combination – Investment Rights Agreements*".

### **Treatment of Distinction Incentives**

The Business Combination will result in a "change of control" in respect of the Distinction Incentives and the vesting of the Distinction Incentives will be accelerated as a result of the Business Combination.

Distinction will use its reasonable commercial efforts to obtain the surrender of the Distinction RSUs prior to the Effective Date in exchange for the payment to the holders thereof of one Distinction Share per Distinction RSU surrendered.

Pursuant to the Business Combination Agreement, KRC has agreed that, subject to obtaining the prior written agreement of each holder of Distinction Stock Options: (i) following the Effective Date, such Distinction Stock Options may only be exercised during the 100 consecutive day period commencing on the date on which the KRC Shares are first listed and posted for trading on the TSX; and (ii) such Distinction Stock Options shall immediately terminate at the conclusion of such 100 day period, in each case notwithstanding any other terms of the contract governing such Distinction Stock Options, KRC will succeed to, and be substituted for, and may exercise every right and power of Distinction, and KRC will assume all of the covenants and obligations of Distinction, under the Contracts governing the Distinction Stock Options. Following the Effective Time, former holders of Distinction Stock Options shall be entitled to receive KRC Shares on the exercise of such Distinction Stock Options, subject to such adjustments as are then necessary to reflect: (i) the ratio at which Distinction Shares are exchanged for KRC Shares pursuant to the Business Combination; and (ii) the subsequent consolidation of KRC Shares pursuant to the Plan of Arrangement on a 10:1 basis.

### **Procedure for the Business Combination to become Effective**

#### ***Procedural Steps***

The Business Combination is proposed to be carried out pursuant to section 192 of the CBCA. The following procedural steps must be taken in order for the Business Combination to become effective:

- (a) the Distinction Required Approval must be obtained at the Distinction Meeting;
- (b) the KRC Transaction Resolution must be approved by 66⅔% of the votes cast by the KRC Shareholders present in person or represented by proxy at the KRC Meeting;
- (c) the Court must grant the Final Order approving the Business Combination;
- (d) all conditions precedent to the Business Combination, as set forth in the Business Combination Agreement must be satisfied or waived by the appropriate Party; and
- (e) the Articles of Arrangement must be sent to the Director and the Director must have issued the Certificate.

**There is no assurance that the conditions set out in the Business Combination Agreement will be satisfied or waived on a timely basis or at all.**

Upon the conditions precedent set forth in the Business Combination Agreement being satisfied or waived, Distinction intends to file a copy of the Final Order and the Articles of Arrangement with the Director under the CBCA, together with such other materials as may be required by the Director, in order to give effect to the Business Combination.

See "*Procedure for the Business Combination to become Effective – Procedural Steps*".

### ***Securityholder Approvals***

#### **Distinction Transaction Resolution**

Pursuant to the Interim Order, the Distinction Transaction Resolution must, subject to further order of the Court, be approved by: (i) not less than 66⅔% of the votes cast by Distinction Shareholders present in person or represented by proxy at the Distinction Meeting, in the manner set forth in the Interim Order; and (ii) a simple majority of the votes cast on the Distinction Transaction Resolution by the Distinction Shareholders present in person or represented by proxy at the Distinction Meeting after excluding the votes cast by those Persons whose votes are required to be excluded in accordance with MI 61-101.

If the Distinction Transaction Resolution is not approved by the Distinction Shareholders, the Business Combination cannot be completed.

**It is the intention of the Persons named in the enclosed form of proxy, if not expressly directed to the contrary in such form of proxy, to vote such proxy in favour of the Distinction Transaction Resolution set forth in Appendix A to this Information Circular.**

Notwithstanding the foregoing, the Distinction Transaction Resolution proposed for consideration by the Distinction Shareholders authorizes the Distinction Board, without further notice to or approval of Distinction Shareholders, to the extent permitted by the Business Combination Agreement and the Interim Order, to amend the Business Combination Agreement or the Plan of Arrangement and to not proceed with the Business Combination. See Appendix A to this Information Circular for the full text of the Distinction Transaction Resolution.

#### KRC Transaction Resolution

The KRC Transaction Resolution must be approved by not less than 66⅔% of the votes cast by the KRC Shareholders present in person or represented by proxy at the KRC Meeting. If the KRC Transaction Resolution is not approved by KRC Shareholders, the Business Combination cannot be completed.

**It is the intention of the Persons named in the enclosed form of proxy, if not expressly directed to the contrary in such form of proxy, to vote such proxy in favour of the KRC Transaction Resolution set forth in Appendix B to this Information Circular.**

Notwithstanding the foregoing, the KRC Transaction Resolution proposed for consideration by the KRC Shareholders authorizes the KRC Board, without further notice to or approval of KRC Shareholders, to abandon any part of the KRC Transaction Resolution.

See "*Procedure for the Business Combination to become Effective – Securityholder Approvals*".

#### ***Court Approval***

On July 23, 2021, Distinction obtained the Interim Order providing for the calling and holding of the Distinction Meeting and other procedural matters. The Interim Order is attached as Appendix D to this Information Circular.

The CBCA provides that the Business Combination requires final Court approval. Subject to the terms of the Business Combination Agreement, if the Distinction Transaction Resolution is approved at the Distinction Meeting and the KRC Transaction Resolution is approved at the KRC Meeting, Distinction will make an application to the Court for the Final Order via WebEx on August 31, 2021 at 10:30 a.m. (Calgary time) or as soon thereafter as counsel may be heard. The Notice of Application for the Final Order accompanies this Information Circular. At the application the Court will be requested to consider the fairness of the Business Combination.

Any Distinction Shareholder, or other interested party desiring to support or oppose the application with respect to the Business Combination, may appear at the hearing in person or by counsel for that purpose, subject to filing with the Court and serving on Distinction on or before 10:30 a.m. (Calgary time) on August 24, 2021, a notice of intention to appear setting out their address for service and indicating whether they intend to support or oppose the application or make submissions, together with any evidence or materials which are to be presented to the Court. Service of such notice on Distinction is required to be effected by service upon the solicitors for Distinction: Cassels Brock & Blackwell LLP, Suite 3810, Bankers Hall West, 888 3<sup>rd</sup> Street S.W., Calgary, Alberta, T2P 5C5, Attention: Jeffrey Oliver.

See "*Procedure for the Business Combination to become Effective – Court Approval*".

#### **Distinction Dissent Rights**

Pursuant to the Interim Order, Dissenting Distinction Shareholders are entitled, in addition to any other right such Dissenting Distinction Shareholder may have, to dissent and to be paid by KRC the fair value of the Distinction Shares held by such Dissenting Distinction Shareholder in respect of which such Dissenting Distinction Shareholder dissents, determined as of the close of business on the last Business Day before the day on which the Distinction Transaction Resolution was adopted and provided the Business Combination is completed. A Dissenting Distinction Shareholder must provide a written objection to the Distinction Transaction Resolution by the second Business Day preceding the Distinction Meeting.



A Dissenting Distinction Shareholder may dissent only with respect to all of the Distinction Shares held by such Dissenting Distinction Shareholder, or on behalf of any one beneficial owner and registered in the Dissenting Distinction Shareholder's name. Only registered Distinction Shareholders may dissent. Persons who are beneficial owners of Distinction Shares registered in the name of a broker, dealer, bank, trust company or other nominee (including CDS) who wish to dissent, should be aware that they may only do so through the registered owner of such Distinction Shares. A registered Distinction Shareholder, such as a broker or CDS, who holds Distinction Shares as nominee for Beneficial Holders, some of whom wish to dissent, must exercise the Dissent Right on behalf of such beneficial owners with respect to all of the Distinction Shares held for such beneficial owners. In such case, the written objection to the Distinction Transaction Resolution should set forth the number of Distinction Shares covered by it.

Unless otherwise waived, it is a mutual condition to the completion of the Business Combination that holders of not more than 5% of the issued and outstanding Distinction Shares shall have properly exercised Dissent Rights in respect of the Business Combination that have not been withdrawn as of the Effective Date.

See "*Distinction Shareholder Dissent Rights*".

### **KRC Dissent Rights**

Dissenting KRC Shareholders are entitled, in addition to any other right such Dissenting KRC Shareholder may have, to dissent and to be paid by KRC the fair value of the KRC Shares held by such Dissenting KRC Shareholder in respect of which such Dissenting KRC Shareholder dissents, determined as of the close of business on the last Business Day before the day on which the KRC Transaction Resolution was adopted and provided the Business Combination is completed. A Dissenting KRC Shareholder must provide a written objection to the KRC Transaction Resolution by the second Business Day preceding the KRC Meeting.

A Dissenting KRC Shareholder may dissent only with respect to all of the KRC Shares held by such Dissenting KRC Shareholder, or on behalf of any one beneficial owner and registered in the Dissenting KRC Shareholder's name. Only registered KRC Shareholders may dissent. Persons who are beneficial owners of KRC Shares registered in the name of a broker, dealer, bank, trust company or other nominee (including CDS) who wish to dissent, should be aware that they may only do so through the registered owner of such KRC Shares. A registered KRC Shareholder, such as a broker or CDS, who holds KRC Shares as nominee for Beneficial Holders, some of whom wish to dissent, must exercise the Dissent Right on behalf of such beneficial owners with respect to all of the KRC Shares held for such beneficial owners. In such case, the written objection to the KRC Transaction Resolution should set forth the number of KRC Shares covered by it.

See "*KRC Shareholder Dissent Rights*".

### **Summary of Canadian Federal Income Tax Considerations**

This Information Circular contains a summary of certain Canadian federal income tax considerations generally applicable to certain Distinction Shareholders who, under the Business Combination, dispose of Distinction Shares. See the discussion under the section entitled "*Certain Canadian Federal Income Tax Considerations*".

Distinction Shareholders should consult their own tax advisors for advice with respect to the Canadian income tax consequences to them in respect of the Business Combination.

### **Tax Considerations In Other Jurisdictions**

This Information Circular discusses certain Canadian federal income tax considerations applicable to certain Distinction Shareholders. Tax consequences to Distinction Shareholders who are resident in jurisdictions other than Canada are not discussed and such Distinction Shareholders should consult their tax advisors with respect to the tax implications of the Business Combination, including any associated filing requirements, in such jurisdictions and with respect to the tax implications in such jurisdictions of owning KRC Shares after the Business Combination. All Distinction Shareholders should consult their tax advisors regarding the provincial, state, local and territorial tax consequences of the Business Combination and of holding KRC Shares.

### **Timing**

If the Meetings are held as scheduled and are not adjourned or postponed and the necessary conditions for completion of the Business Combination are satisfied or waived, Distinction will apply for the Final Order approving the Business Combination. If the Final Order is obtained on August 31, 2021 in form and substance satisfactory to Distinction and KRC, the Effective Date



will occur once all other conditions set forth in the Business Combination Agreement are satisfied or waived. Distinction and KRC expect the Effective Date will occur on or about September 2, 2021. It is not possible, however, to state with certainty when, or if, the Effective Date will occur.

The Business Combination will become effective upon the Articles of Arrangement being sent to the Director and the Director issuing the Certificate.

The Effective Date could be delayed or may not occur for a number of reasons, including an objection before the Court at the hearing of the application for the Final Order.

See "Timing".

### **Selected Unaudited *Pro Forma* Financial and Operational Information for the Combined Company**

The following is a summary of selected unaudited *pro forma* consolidated financial information of the Combined Company after giving effect to the completion of the Business Combination as of the dates and for the periods indicated. The *pro forma* adjustments are based upon available information and certain assumptions that KRC and Distinction believe are reasonable under the circumstances. The unaudited *pro forma* consolidated financial information set forth below and the unaudited *pro forma* consolidated financial statements of KRC attached to this Information Circular as Schedule C to Appendix H – "Information Concerning Kiwetinohk Resources Corp. and the Combined Company" are presented for illustrative purposes only and are not necessarily indicative of either the financial position or the results of operations that would have occurred as at or for such dates or periods had the Business Combination been effective as of March 31, 2021 of the financial position or results of operations for the Combined Company in future years if the Business Combination is completed. The actual adjustments will differ from those reflected in such unaudited *pro forma* consolidated financial statements and such differences may be material. The following is a summary only and must be read in conjunction with the unaudited *pro forma* consolidated financial statements of KRC set forth in Schedule C to Appendix H – "Information Concerning Kiwetinohk Resources Corp. and the Combined Company". Reference should also be made to the Distinction Financial Statements, which are incorporated by reference herein, and the KRC Financial Statements attached as Schedule B to Appendix H – "Information Concerning Kiwetinohk Resources Corp. and the Combined Company".

Three Months Ended March 31, 2021						
	KRC	Distinction	Simonette Assets	Presentation Adjustments	Pro Forma Adjustments	KRC Consolidated Pro Forma
<b>Revenue</b>						
Petroleum and natural gas	3,242	21,665	50,099	-	-	75,006
Marketing revenue	-	2,112	-	-	-	2,112
Royalties	(213)	(1,531)	(2,622)	-	-	(4,366)
Revenue, net of royalties	3,029	22,246	47,477	-	-	72,752
<b>Other income</b>						
Share in earnings and excess fair value of associate	9,029	-	-	-	(9,029)	-
Loss on risk management contracts	(1,748)	(1,795)	-	-	-	(3,543)
Interest income	56	38	-	-	-	94
Management fees	642	-	-	(642)	-	-
Total revenue and other income	11,008	20,489	47,477	(642)	(9,029)	69,303
<b>Expenses</b>						
Operating	634	5,147	5,305	(58)	-	11,028
Transportation	-	2,081	7,230	58	-	9,369
Marketing	-	1,899	-	-	-	1,899
Exploration and evaluation and impairment	50,576	5,816	-	-	-	56,392
General and administrative	2,006	2,316	-	(642)	-	3,680
Finance costs	19	364	-	-	198	1,441
					752	-
					108	-
Depreciation	110	5,598	-	-	7,655	13,363
Share-based compensation	3,930	1,575	-	-	-	5,505
Restructuring costs	-	868	-	-	-	868
Total expenses	57,275	25,664	12,535	(642)	8,713	103,545
Net income (loss) before income taxes	(46,267)	(5,175)	34,942	-	(17,742)	(34,242)

Three Months Ended March 31, 2021						
	KRC	Distinction	Simonette Assets	Presentation Adjustments	Pro Forma Adjustments	KRC Consolidated Pro Forma
<b>Income taxes</b>						
Current	-	-	-	-	-	-
Deferred	-	-	-	-	-	-
Total income taxes	-	-	-	-	-	-
<b>Net income (loss) and comprehensive loss</b>	<u>(46,267)</u>	<u>(5,175)</u>	<u>34,942</u>	<u>-</u>	<u>(17,742)</u>	<u>(34,242)</u>
<b>Net loss per share</b>						
Basic and diluted	(0.24)					(0.81)

### Simonette Acquisition Operating Statements

The below table sets out the operating statement containing gross sales, royalties, production costs and operating income, reflecting the net working interest of operating results relating to certain oil and natural gas properties in the Duvernay and Montney play located in West Central Alberta acquired in the Simonette Acquisition for the years ended December 31, 2020, 2019 and 2018 and the Three Months Ended March 31, 2021. See Schedule D – "Operating Statements" to Appendix H for more information.

	Years Ended			Three Months Ended	
	December 31, 2020 (Audited)	December 31, 2019 (Audited)	December 31, 2018 (Audited)	March 31, 2021 (Unaudited)	March 31, 2020 (Unaudited)
(C\$ thousands)					
Gross Sales	86,937	135,136	176,080	50,099	21,038
Royalties	3,047	5,010	5,797	2,622	834
	<u>83,890</u>	<u>130,126</u>	<u>170,283</u>	<u>47,477</u>	<u>20,204</u>
Production Costs	32,483	33,422	35,403	12,535	8,057
Operating Income	<u>51,407</u>	<u>96,704</u>	<u>134,880</u>	<u>34,942</u>	<u>12,147</u>

### Risk Factors

Distinction Shareholders voting in favour of the Distinction Transaction Resolution and KRC Shareholders voting in favour of the KRC Transaction Resolution, as the case may be, will be choosing to combine the businesses of Distinction and KRC and, in the case of Distinction Shareholders, to invest in KRC Shares, as applicable. The completion of the Business Combination and investment in KRC Shares involves risks.

An investment in KRC Shares is subject to certain risks, which are generally associated with an investment in shares of an integrated energy company. **The following is a list of certain additional risk factors associated with the Business Combination and the investment in KRC Shares which Distinction Shareholders and KRC Shareholders should carefully consider before approving the Distinction Transaction Resolution and the KRC Transaction Resolution, as applicable:**

- the conditions precedent to completion of the Business Combination, including receipt of Court approval may not be satisfied or waived by the Outside Date, which may result in the Business Combination not being completed;
- the Combined Company may fail to realize the anticipated benefits of the Business Combination;
- risks related to the integration of Distinction's and KRC's existing businesses, including that Shareholders may be exposed to additional business risks not previously applicable to their investment, as the business mix of the Combined Company will be different than that of Distinction and KRC;
- the Business Combination Agreement could be terminated by either Party under certain circumstances;

- Distinction and KRC will incur significant costs relating to the Business Combination, regardless of whether the Business Combination is completed or not completed;
- if the Business Combination is not completed, Distinction Shareholders and KRC Shareholders will not realize the benefits of the Business Combination and Distinction's and KRC's future business and operations could be adversely affected;
- Distinction and KRC are restricted from taking certain actions while the Business Combination is pending;
- a substantial delay in obtaining satisfactory approvals or the imposition of unfavourable terms or conditions in regulatory approvals could adversely affect the business, financial condition or results of operations of KRC, Distinction or the Combined Company upon completion of the Business Combination;
- Distinction Shareholders have the right to exercise Dissent Rights and, if there are a significant number of Dissenting Distinction Shareholders, a substantial cash payment may be required to be made to such Distinction Shareholders that could have an adverse effect on KRC's financial condition and cash resources if the Business Combination is completed;
- KRC Shareholders have the right to exercise Dissent Rights and, if there are a significant number of Dissenting KRC Shareholders, a substantial cash payment may be required to be made to such KRC Shareholders that could have an adverse effect on KRC's financial condition and cash resources if the Business Combination is completed;
- there may be undisclosed liabilities that KRC or Distinction failed to discover or was unable to quantify in its respective due diligence of the Other Party;
- the *pro forma* financial information provided may not be an accurate depiction of the financial condition or results of operations of the Combined Company, as it relies on a number of adjustments and assumptions that may not be accurate;
- there may be adverse conditions in the credit markets, which may impede the Combined Company's access to the debt markets or raise its borrowing rates;
- changes in income or other tax laws or actions taken by taxing authorities could have adverse implications on KRC, Distinction or their respective securityholders;
- risks relating to the income tax consequences of the Business Combination and the taxation of the Combined Company;
- future dividends on the KRC Shares may not be approved by the Combined Company Board;
- KRC and Distinction directors and officers, who were involved with negotiating the terms of the Business Combination Agreement, may have interests in the Business Combination that differ from those of KRC Shareholders and Distinction Shareholders;
- as a result of the Business Combination, KRC and Distinction may become the targets of litigation or other legal claims including securities class actions or derivative lawsuits; and
- the timing of the Meetings, the Final Order and the anticipated Effective Date may be changed or delayed.

The risk factors listed above are an abbreviated list of risk facts summarized elsewhere in this Information Circular (including Appendix H – "*Information Concerning Kiwetinohk Resources Corp. and the Combined Company*"), **the Distinction AIF and the Distinction Annual MD&A, each of which are incorporated by reference herein. See "Risk Factors". Distinction Shareholders and KRC Shareholders should carefully consider all such risk factors.**

## THE BUSINESS COMBINATION

### General

KRC and Distinction entered into the Business Combination Agreement on June 28, 2021. A copy of the Business Combination Agreement is attached as Appendix C to this Information Circular. The Business Combination Agreement provides for the implementation of the Plan of Arrangement (a copy of which is attached as Schedule A to Appendix C to this Information Circular) pursuant to which, among other things, all of the issued and outstanding Distinction Shares not already owned by KRC will be exchanged for KRC Shares. Under the Business Combination, KRC will succeed to the reporting issuer status of Distinction.

Assuming satisfaction or waiver of all conditions to completion of the Business Combination, pursuant to the Business Combination Agreement, Distinction Shareholders will exchange their Distinction Shares for KRC Shares on the basis of 20 KRC Shares for each Distinction Share held.

Current Distinction Shareholders (other than KRC) are expected to own approximately 24% of the Combined Company immediately after completion of the Business Combination. Current KRC Shareholders are expected to own approximately 76% of the Combined Company immediately after completion of the Business Combination.

Pursuant to the terms of the Business Combination Agreement, Distinction and KRC agreed that the board of directors of the Combined Company will consist of nine members, led by Kevin Brown as Chair, and shall include Patrick Carlson, William (Bill) Slavin, Nancy Lever, Leland Corbett, Kaush Rahkit, Steve Sinclair, Timothy Schneider and Beth Reimer-Heck (the "**Combined Company Board**").

Following completion of the Business Combination, it is anticipated that the existing officers of KRC will continue with the Combined Company in their current roles.

It is anticipated that, on completion of the Business Combination, the head and registered office of the Combined Company will continue to be KRC's head and registered office, which are located at Suite 1900, 250 - 2 Street SW, Calgary, Alberta, T2P 0C1 and 3700 Devon Tower, 400 - 3<sup>rd</sup> Avenue S.W., Calgary, Alberta, T2P 4H2, respectively.

### Background to the Business Combination

The terms of the Business Combination are the result of arm's length negotiations among Representatives of KRC and the Independent Committee on behalf of Distinction and their respective financial and legal advisors. The following is a summary of the events leading up to the negotiation of the Business Combination Agreement and the key meetings, negotiations, discussions and actions by and between the Parties that preceded and then followed the execution and public announcement of the Business Combination Agreement.

On October 16, 2020, KRC made its initial \$22.9 million investment in Distinction (then known as Delphi Energy Corp.) in accordance with a Capital Investment Agreement for a 25% ownership interest (the "**Initial Distinction Investment**"). The Initial Distinction Investment included share purchase warrants that entitled KRC to acquire additional shares in Distinction (the "**Distinction Warrants**").

On January 15, 2021, KRC exercised the Distinction Warrants for an aggregate exercise price of \$40 million (including working capital adjustments). Upon completing this additional investment, KRC's equity ownership in Distinction increased to 50% plus one additional Distinction Share.

On February 17, 2021, Distinction and KRC entered into an acquisition opportunity agreement in respect of Distinction's commitment to participate with KRC as to 50% of a \$335 million acquisition, including \$15 million in potential contingent payments based on future commodity prices, entered into by KRC for certain oil and gas interests in the Simonette and other areas of Northwest Alberta (the "**Simonette Acquisition**"), whereby the parties agreed, among other things, that the Simonette Acquisition and the purchase price (subject to adjustments) would be shared equally between them.

Following the announcement by Distinction and KRC on February 17, 2021 of their entering into of an agreement in respect of the Simonette Acquisition, the management teams of KRC and Distinction began discussions regarding the potential combination of KRC and Distinction. Both management teams believed there would be strategic benefits of a combined entity, including size and scale, enhanced corporate strategy, including the consolidation of key assets, improved credit profile, access to capital, simplified corporate and management structure, tax, general and administrative expenses and other financial and operating efficiencies, and upside potential in respect of KRC's integrated energy transition strategy. With: (i) Distinction and KRC having

now entered into an agreement to become 50/50 owners of the Simonette Acquisition assets; (ii) KRC owning 50% plus one Distinction Share (undiluted); and (iii) KRC already providing management services to Distinction pursuant to the Distinction Management Services Agreement and entitled to certain board and management positions of Distinction pursuant to the Distinction Investor Agreement (including as to be amended upon closing of the Simonette Acquisition), such discussions were seen as a natural extension of the close corporate relationship of the two companies at such time.

Irrespective of such discussions, Distinction had in October 2020 completed its restructuring transaction through its CCAA proceedings and was actively preparing to pursue a re-listing of the Distinction Shares on the TSX. In connection with such efforts, on February 24, 2021, Distinction closed its private placement of 265,331 special warrants for gross proceeds of approximately \$4 million for the principal purpose of meeting the TSX listing requirement relating to the minimum number of shareholders to comprise the "public float". The agency agreement in respect of such private placement contained obligations to qualify the Distinction Shares underlying the special warrants to become free-trading by way of long-form prospectus and to ultimately re-list the Distinction Shares. Accordingly, Distinction continued to have discussions with the TSX through to the end of May 2021, while concurrently discussing the potential of combining with KRC.

From February 17, 2021 to March 12, 2021, Representatives of KRC continued to review the merits of a potential business combination with Distinction.

On March 4, 2021, KRC engaged Peters & Co. to act as its financial advisor with respect to a potential transaction involving Distinction. In the context of reviewing the range of alternatives available to KRC, including continuing to operate as a stand-alone entity, management of KRC came to the preliminary conclusion that a business combination with Distinction represented a compelling opportunity for KRC and its stakeholders.

On March 10, 2021, the KRC Board met to review and consider the merits of a potential business combination with Distinction, as well as the possible terms of such a combination. At such meeting, Peters & Co. provided preliminary views to the KRC Board regarding a combination of the two companies.

On March 12, 2021, KRC sent to Distinction an unsolicited letter of intent regarding a proposed business combination of KRC and Distinction. The Distinction Board was promptly notified of the proposal and on March 12, 2021 members of the Distinction Board met and received legal advice from its legal counsel, Cassels, as to various matters pertaining to KRC's initial proposal, including but not limited to the Distinction Board's legal obligations and responsibilities to Distinction, the Distinction Shareholders and its various other stakeholders and the process associated with such assessment. Upon receiving advice from Cassels, the Distinction Board determined that KRC's initial proposal and any other possible strategic alternative had to be considered by a committee of independent members of the Distinction Board. Thereafter, Distinction retained ATB to act as financial advisor to the Independent Committee, once formed.

On March 16, 2021, the Confidentiality Agreement was entered into and on March 19, 2021 a data room was opened by Peters & Co. to facilitate reciprocal due diligence by the Independent Committee on behalf of Distinction and by KRC.

On March 24, 2021, Representatives of KRC met with certain non-KRC members of Distinction management and ATB to provide an overview of KRC's portfolio of upstream assets and its integrated energy transition strategy.

On March 30, 2021, ATB met with the non-KRC members of Distinction management to review the terms of KRC's initial proposal and to finalize a counter proposal letter to KRC.

Also on March 30, 2021, pursuant to the rights of KRC under the Distinction Investor Agreement and the Settlement Agreement (as defined in the Distinction AIF), KRC exercised its right to replace certain executives of Distinction with KRC appointees. In particular, Mr. Patrick Carlson was appointed President and Chief Executive Officer, Mr. Jakub Brogowski was appointed Chief Financial Officer, Mr. Glen Nevokshonoff was appointed Chief Operating Officer and Mr. Marcus Archer was appointed Corporate Secretary.

In light of such change in management of Distinction and the related party nature of any proposed transaction with KRC, on March 31, 2021, the Distinction Board formed the Independent Committee, initially comprised of Timothy Schneider and P. Eric Gallie, being persons who were independent of KRC, to consider the Business Combination and subsequently supervise and/or negotiate the Business Combination Agreement.

At a meeting held on the same date, the Independent Committee reviewed, discussed and accepted its mandate, which is described below under the heading "*The Business Combination – Role of the Independent Committee*".

The Distinction Board determined that each of Timothy Schneider and P. Eric Gallie was: (i) free from conflicts of interest with respect to the potential transaction with KRC; (ii) independent to the extent required by Applicable Laws, including MI 61-101; and (iii) independent of KRC and its affiliates and related parties and any interested party in the potential transaction with KRC. The Distinction Board also determined that each of Timothy Schneider and P. Eric Gallie, based on their experience and qualifications, were well qualified to oversee and execute the mandate of the Independent Committee in connection with the potential transaction with KRC.

In the following week, the Independent Committee reviewed the terms of the potential transaction with KRC in conjunction with ATB and Cassels.

On April 6, 2021, under the oversight of the Independent Committee, Distinction submitted a counter proposal to KRC. Throughout this time and the period leading to the execution of the Business Combination Agreement, Representatives of the KRC Board and management met frequently with Peters & Co. and Stikeman Elliott to consider the ongoing review of Distinction's business and operations, the potential terms of a combination of the two companies and the financial and legal considerations associated with the combination. On April 8, 2021, Representatives from KRC and the Independent Committee met to discuss the potential transaction, resulting in KRC sending to Distinction on such date a further revised business combination proposal.

The Independent Committee reviewed and discussed the further revised business combination proposal from KRC until April 13, 2021, when the Independent Committee responded to KRC with written correspondence to further explore elements of the potential transaction.

On April 15, 2021, through its listing committee, Distinction formally submitted to the TSX its initial listing application and, in the weeks following, Distinction submitted additional materials to the TSX in connection with its application.

On April 19, 2021, a combination discussion was held between KRC and the Independent Committee during which KRC and Peters & Co. presented financial analysis as well as held a discussion of liquidity alternatives available to the Combined Company.

On April 28, 2021, Distinction and KRC closed the Simonette Acquisition. With the closing of the acquisition, and as provided for in the Settlement Agreement and related amendments to the Distinction Investor Agreement, P. Eric Gallie and Shawn Singh resigned from the Distinction Board and two independent directors were appointed to the Distinction Board, being Glenn Koach and Steven Sinclair. Both persons were added to the Independent Committee following confirmation by the Distinction Board of their independence, qualifications and expertise. Thereafter, Mr. Koach and Mr. Sinclair met with Timothy Schneider, member of the Independent Committee, and ATB to be briefed on the nature and status of the potential transaction with KRC.

In the weeks following the completion of the Simonette Acquisition, the pace of review and negotiation of the potential business combination slowed as the two companies integrated the assets acquired under that transaction and continued to consider the merits of a combination of the two companies.

On May 19, 2021, business combination negotiations were re-engaged with a meeting between Representatives of KRC and Distinction. These discussions continued between the group on an ad hoc informal basis until finalization of the Business Combination Agreement and related agreements.

On May 21, 2021, a meeting was held between KRC and Distinction including both board Representatives, ATB and Peters & Co. The Chief Financial Officer of Distinction and of KRC presented the board-approved capital budgets of each of KRC and Distinction.

On May 26, 2021, ATB presented its independent financial analysis of the Business Combination to the Independent Committee.

On May 28, 2021, Peters & Co. presented its independent financial analysis of the Business Combination to the KRC Board.

On May 28, 2021, at a meeting of the Independent Committee, ATB provided an update to the Independent Committee in respect of the proposed deal metrics.

Between May 28, 2021 and June 3, 2021, Representatives of KRC and the Independent Committee, in conjunction with their respective financial advisors, continued to negotiate the terms of a potential business combination involving KRC and Distinction.



On June 3, 2021, KRC provided the Distinction Board and Representatives of Distinction with informal materials outlining the general principles of the current negotiated business combination terms. These principles were agreed to in concept and it was agreed that KRC, through its legal counsel, would commence the preparation of definitive documents to give effect to the transaction terms.

On June 7, 2021, KRC provided the Distinction Board with initial drafts of the Business Combination Agreement, Plan of Arrangement, form of Distinction Support Agreement and KRC Support Agreement, and other related transaction materials. Subsequently, numerous formal and informal meetings were held between Representatives of Distinction and KRC with their respective legal counsel to negotiate the terms of the Business Combination Agreement and related transaction materials.

On June 9, 2021, the KRC Board met to consider the terms of the proposed Business Combination. The KRC Board considered a number of topics, including the benefits to KRC of the Business Combination and implications of the Business Combination for the go-forward structure and financial attributes of the Combined Company. The meeting of the KRC Board concluded with management of KRC being instructed to continue negotiating the terms of the Business Combination.

On June 11, 2021, Distinction held its annual general meeting of shareholders pursuant to which, among other things, Beth Reimer-Heck, Leland Corbett and P. Eric Gallie were added to the Distinction Board.

On June 16, 2021, the Independent Committee and Distinction Board met to consider the Business Combination. At these meetings, ATB presented to the Independent Committee and the Distinction Board its analysis of the Business Combination, including its oral fairness opinion that as of such date and based upon and subject to the assumptions, limitations and qualifications set forth therein, the Exchange Ratio is fair, from a financial point of view, to the Distinction Shareholders (other than KRC). The Independent Committee considered ATB's fairness opinion and related financial analysis and certain other factors, including those under "*Reasons for the Business Combination – Independent Committee and Distinction Board*", and approved the proposed business combination for recommendation to the Distinction Board. Following receipt of the unanimous recommendation of the Independent Committee, and after consulting with its legal counsel, and after careful consideration, subject to a confirmatory review of the final terms of the Business Combination Agreement and related materials, the Distinction Board unanimously (excluding directors who abstained in accordance with section 120 of the CBCA): (i) determined that the Business Combination is in the best interests of Distinction and the Distinction Shareholders and that the Exchange Ratio to be received by Distinction Shareholders under the Business Combination (other than KRC) is fair to such Distinction Shareholders; (ii) approved the Business Combination Agreement and the transactions contemplated thereby; and (iii) resolved to recommend that Distinction Shareholders vote in favour of the Distinction Transaction Resolution.

On June 17, 2021, the KRC Board met to consider the Business Combination. At this meeting, Peters & Co. delivered its verbal fairness opinion that, subject to confirmatory due diligence matters and receipt of final documentation, as of such date and based upon and subject to the assumptions, limitations and qualifications set forth therein, the Exchange Ratio is fair, from a financial point of view, to KRC. The KRC Board considered Peters & Co.'s fairness opinion and related financial analysis and certain other factors, including those under "*Reasons for the Business Combination – KRC Board*". Following discussion of the Business Combination, and after consulting with its legal counsel, and after careful consideration, subject to a confirmatory review of the final terms of the Business Combination Agreement and related materials, the KRC Board unanimously (excluding directors that have abstained from voting in accordance with section 120 of the ABCA): (i) determined that the Business Combination and the entry into the Business Combination Agreement are in the best interests of KRC; (ii) approved the Business Combination Agreement and the transactions contemplated thereby; and (iii) recommended that the KRC Shareholders vote in favour of the resolution to approve the Business Combination.

On June 28, 2021, the Business Combination Agreement, the Distinction Support Agreements and KRC Support Agreements were executed and delivered and the transaction was announced.

### **Role of the Independent Committee**

On March 31, 2021, the Distinction Board formed the Independent Committee, being a special committee comprised of members independent of KRC, to consider the Business Combination and subsequently supervise and/or negotiate the Business Combination Agreement. The Independent Committee's responsibilities included, but were not limited to, the following:

- to establish, review and supervise the process to be carried out by Distinction and its professional advisors in dealing with any acquisition proposals;
- to supervise the process during the period Distinction is "in play", including exploring and considering all such alternative transactions (such as a recapitalization of Distinction, a strategic alliance with a third party or



an acquisition by a third party) as the Independent Committee deems advisable all with a view to the best interests of Distinction;

- to ensure that the preferred alternative is in the best interests of Distinction, including considering the status quo as a possible alternative;
- to make recommendations to the Distinction Board in respect of the matters that the Independent Committee considers to be relevant in response to any formal acquisition proposal, in either recommending the acceptance or rejection of any acquisition proposal;
- to consider and make recommendations to the Distinction Board on any alternative offered to Distinction that may be superior to the acquisition proposal;
- to maintain an independent view from KRC with respect to acquisition proposals involving KRC and oversee and make recommendations to the Distinction Board to address any situations of conflict or potential or perceived conflicts that any officers, directors or advisers may have in connection with the transaction;
- to ensure that the transaction process is fair and equitable;
- to cause a fairness opinion and, if necessary, an independent valuation to be prepared and delivered to the Distinction Board as may be required or deemed appropriate at the discretion of the Independent Committee; and
- to take such actions, do all things and exercise all powers of the Distinction Board necessary, appropriate or incidental to the foregoing.

Pursuant to the Independent Committee's mandate, in carrying out its responsibilities thereunder, the Independent Committee was authorized and empowered to, among other things: (i) retain legal counsel, consultants or experts, and one or more financial advisors of its choosing, including with respect to the preparation of a valuation or fairness opinion; (ii) consider and make recommendations to the Distinction Board with respect to arrangements relating to officers and senior employees in connection with change of control arrangements, transaction incentive arrangements, and all related matters; (iii) consider such alternative transactions as the Independent Committee deemed advisable; and (iv) make a recommendation to the Distinction Board with respect to the due acceptance or rejection of any acquisition proposal.

## **Reasons for the Business Combination**

### ***Independent Committee and Distinction Board***

In reaching the conclusion that the Exchange Ratio pursuant to the Business Combination is fair to Distinction Shareholders (other than KRC), and in recommending to Distinction Shareholders that they approve the Business Combination, the Independent Committee and the Distinction Board considered and relied upon a number of factors, including, among others, those listed below. The Independent Committee and the Distinction Board did not attempt to assign relative weights to the various factors. In addition, the individual members of the Independent Committee and the Distinction Board may have given different weight to different factors. The following discussion of the information and factors considered and evaluated by the Independent Committee and the Distinction Board is not intended to be exhaustive of all factors considered and evaluated by the Independent Committee and the Distinction Board.

### **Challenging Operating Environment for Junior Oil and Gas**

The Independent Committee and the Distinction Board considered extensive information concerning the business, operations, assets, financial condition and operating results of Distinction. The Independent Committee and the Distinction Board determined that Distinction's options as a stand-alone entity are limited and that the Consideration implied by the Business Combination is higher than the value expected to be realized in the foreseeable future through the pursuit of Distinction's business plan or any alternatives considered to be reasonably available to Distinction.

### **Compelling Opportunity**

The Business Combination affords Distinction Shareholders (other than KRC) with the opportunity to become shareholders of the Combined Company and to participate in the more diversified and higher growth profile of KRC's assets. The KRC Shares

provide increased opportunity for capital appreciation as KRC advances its strategic priorities and immediately improved financial position, including a reduced debt to cash flow position and a business plan focused on investor returns. It is expected that the Combined Company will be able to leverage its increased scale and anticipated reduced greenhouse gas emissions intensity relative to oil and gas industry norms of recent years to better compete in an increasingly consolidated and emissions focused energy industry.

In particular, the Business Combination will result in the aggregation of the companies' respective production and reserves, allowing Distinction to capture the benefits of a larger combined entity, including enhanced market importance and business relationships and resulting influence on procurement and sales. The Combined Company will have proven under-developed assets poised to perform with management's track record of unconventional development, with exposure to additional top-tier Canadian upstream production and reserves, with an established position in the Montney, Duvernay and Clearwater plays and a sustainable and long-life asset base. The Combined Company is expected to benefit from increased corporate synergies and simplified reporting requirements arising from consolidated operations of the two companies and is expected to be more attractive to the investment community, allowing the Combined Company to distance itself from negative reputational impacts associated with the CCAA proceedings of Distinction (formerly Delphi Energy Corp.). Furthermore, the consolidation of existing assets positions the Combined Company to take further advantage of current upstream consolidation market trends. As a result of improved operational structure of the Combined Company, management effectiveness, efficiency and reductions in general and administrative costs are expected, which will allow for engagement of more specialized expertise. The Business Combination is expected to clarify and simplify the management of currently co-owned assets and remove conflicts of interest associated with the current executive teams of KRC and Distinction and the Distinction Management Services Agreement currently in place between the companies. The Business Combination will also add core property in the Clearwater play of Northern Alberta, a play characterized by individual well costs in the \$1.25-1.75 million range. Distinction will be exposed to the benefits of KRC's dedicated and unique integrated energy transition model, including the potential for advancement of strategic power projects expected to provide attractive shareholder returns.

The Combined Company will bring together the strengths and talents of both organizations to drive superior performance and deliver strong returns to all shareholders. Financial strength, disciplined capital allocation, operational excellence, safety, and leading ESG performance, will continue to be key tenets for the Combined Company. The anticipated resulting management team will be comprised of persons with experience and expertise in Distinction's business and a strong record of upstream development and innovation in the energy industry. Following completion of the Business Combination, it is anticipated that the existing officers of KRC will continue with the Combined Company in their current roles.

#### Anticipated Enhanced Access to Capital

The Business Combination will result in the creation of the Combined Company that will be better positioned to attract capital.

#### Limited Alternatives for Sale to Third Parties

When KRC made its initial proposal to Distinction for the Business Combination, KRC informed the Independent Committee that it was not interested at the time in any alternative transaction which would result in the sale of its interest in Distinction or the acquisition by a third party of Distinction or any of its material assets. Given that KRC controls approximately 50% of the voting shares of Distinction, and that subsequently other Distinction Shareholders holding approximately 84% of the non-KRC owned shares of Distinction agreed to irrevocably support the Business Combination, the Independent Committee concluded it was unlikely that any other party or combination of parties would make a proposal to acquire Distinction or any material portion of Distinction for a higher price per Distinction Share than that implied by the Business Combination.

Subsequent to KRC's initial proposal as well as the formation of the Independent Committee, the Independent Committee did not receive any written expressions of interest or proposals from third parties with respect to an alternative transaction. Even if such a proposal were to be made, it could not be effected without the support of KRC and the Supporting Distinction Securityholders.

#### Shareholder Support

The Business Combination has the support of each of the Supporting Distinction Securityholders, who collectively hold approximately 41% of the issued and outstanding Distinction Shares and 84% of the non-KRC owned Distinction Shares. Each of the Supporting Distinction Securityholders has irrevocably agreed to vote in favour of the Business Combination at the Distinction Meeting, except in limited circumstances. See "*Effect of the Business Combination – Support Agreements*".

### Tax Considerations

The Business Combination is structured in a way so that Distinction Shareholders will generally be entitled to an automatic tax deferral for Canadian federal income tax purposes for their Distinction Shares which are exchanged for KRC Shares pursuant to the Business Combination.

### Definitive Agreement Terms and Conditions

The Distinction Board considered the fact that the Business Combination Agreement was the result of a comprehensive negotiation process with KRC and includes terms and conditions that are reasonable in the judgment of the Distinction Board. The Distinction Board also believes that the "deal protection" provisions in the Business Combination Agreement are reasonable in the circumstances and were negotiated at length with KRC in conjunction with the consideration of the other terms and conditions of the Business Combination, including the Exchange Ratio. The terms of the Business Combination Agreement permit the Distinction Board to engage in discussions or negotiations with respect to an unsolicited *bona fide* written Acquisition Proposal if the Distinction Board determines in good faith after consultation with its external legal and independent financial advisors that such Acquisition Proposal constitutes, or would reasonably be expected to constitute or lead to, a Superior Proposal. The ability of the Distinction Board to respond to any such Superior Proposal is subject to the terms and conditions contained in the Business Combination Agreement. See "*The Business Combination Agreement*".

### Protection of Minority Shareholders

The Business Combination Agreement is the result of a robust negotiation process that was undertaken at arm's length between the Independent Committee and KRC. The Independent Committee was comprised solely of directors of Distinction who are unrelated to KRC and management.

Each of Distinction and KRC is subject to the provisions of MI 61-101. Given that the Business Combination is a "business combination" within the meaning of MI 61-101, MI 61-101 requires that, in addition to any other required securityholder approval, a "business combination" be subject to "minority approval" (as defined in MI 61-101) of every class of "affected securities" (as defined in MI 61-101) of the issuer, in each case voting separately as a class. In relation to the Business Combination, the approval of the Distinction Transaction Resolution will require the affirmative vote of a simple majority of the votes cast by all Distinction Shareholders other than: (a) "interested parties" (as defined in MI 61-101); (b) any "related party" (as defined in MI 61-101) of an "interested party", unless the "related party" meets that description solely in its capacity as a director or senior officer of one or more Persons that are neither "interested party" nor "issuer insiders" of Distinction; and (c) any Person that is a "joint actor" (as defined in MI 61-101) with any of the foregoing, voting separately as a class (the "**Minority Distinction Shareholders**"). See "*Procedure for the Business Combination to Become Effective – Securities Law Matters – Canada – MI 61-101*".

All Distinction Shares that KRC does not already own will be exchanged for KRC Shares under the terms of the Plan of Arrangement. The Business Combination is a "business combination" and a "related party transaction" within the meaning of MI 61-101, since, among other things, the interest of holders of Distinction Shares may be terminated without such holder's consent and KRC, a "related party" of Distinction as it holds more than 10% of the issued and outstanding Distinction Shares, will acquire all of the issued and outstanding Distinction Shares that KRC does not already own.

To the knowledge of the directors and executive officers of Distinction, after reasonable inquiry, the potentially interested parties include: (a) KRC, which holds approximately 52% of the issued and outstanding Distinction Shares; (b) Luminus, which holds approximately 26% of the issued and outstanding Distinction Shares; (c) the directors, officers and any "related party" of KRC, to the extent such parties hold any outstanding Distinction Shares; and (d) the directors and officers of Distinction to the extent they hold any outstanding Distinction Shares (collectively, "**Distinction Interested Parties**"), and in each case the Distinction Shares held by such parties will be excluded from the vote of the Minority Distinction Shareholders unless an exemption is available under MI 61-101.

See below and "*Interests of Certain Persons or Companies in the Business Combination – Distinction*" elsewhere in this Information Circular.

Details of the holdings of Distinction Shares by Distinction Interested Parties as at July 14, 2021 are as follows:

Name	Number of Distinction Shares Beneficially Owned, Controlled or Directed	% of Distinction Shares
KRC	5,136,311	52%
Luminus	2,601,167	26%
KRC Directors/Officers	5,600	0.056%
Non-KRC Distinction Directors/Officers	5,200	0.052%

In addition, the Business Combination will become effective only if approved by the Court after considering the procedural and substantive fairness of the Business Combination.

Distinction Shareholders who vote against the Business Combination are entitled to exercise Dissent Rights with respect to the Business Combination and to receive the fair value of their Distinction Shares as determined by the Court.

#### Recommendation of the Independent Committee

The Distinction Board formed the Independent Committee to consider the Business Combination and subsequently supervise and/or negotiate the Business Combination Agreement. ATB acted as financial advisor to the Independent Committee and provided the Independent Committee with its opinion to the effect that, as of June 16, 2021, based upon and subject to the assumptions, limitations and qualifications set forth therein, the Exchange Ratio is fair, from a financial point of view, to the Distinction Shareholders (other than KRC). The full text of the written opinion of ATB setting out the assumptions made, matters considered and limitations and qualifications on the review undertaken in connection with the ATB Fairness Opinion is contained in Appendix E to the Information Circular. ATB provided its opinion solely for the information and assistance of the Independent Committee in connection with its consideration of the Business Combination. The ATB Fairness Opinion is not a recommendation as to how any Distinction Shareholder should vote with respect to the Distinction Transaction Resolution, or any other matter.

After considering the ATB Fairness Opinion, and after consulting with its legal counsel, and after careful consideration of, among other things, the Business Combination and the terms of the Business Combination Agreement and the short- and long-term outlook for Distinction, the Independent Committee unanimously determined to recommend that the Distinction Board: (i) determine that the Business Combination is fair to the Distinction Shareholders, see "*The Business Combination – ATB Fairness Opinion*" and "*ATB Fairness Opinion*" at Appendix E to this Information Circular; (ii) authorize and approve the Business Combination and the participation of Distinction therein, see "*The Business Combination – Recommendation of the Independent Committee*"; and (iii) recommend that the Distinction Shareholders vote in favour of the Business Combination at the Distinction Meeting, see "*The Business Combination – Recommendation of the Independent Committee*".

#### Recommendation of the Distinction Board

Following receipt of the unanimous recommendation of the Independent Committee, and after consulting with its legal counsel, and after careful consideration, the Distinction Board (excluding directors who abstained in accordance with section 120 of the CBCA): (i) determined that the Business Combination is in the best interests of Distinction and the Distinction Shareholders and that the Exchange Ratio under the Business Combination is fair to Distinction Shareholders; (ii) approved the Business Combination Agreement and the transactions contemplated thereby; and (iii) resolved to recommend that Distinction Shareholders vote in favour of the Distinction Transaction Resolution. **Accordingly, the Distinction Board (excluding directors who abstained in accordance with section 120 of the CBCA) recommends that Distinction Shareholders vote FOR the Distinction Transaction Resolution.**

#### **KRC Board**

In reaching the conclusion that the Business Combination is fair to KRC, in determining that the Business Combination and the entry into the Business Combination Agreement were in the best interests of KRC, in approving the Business Combination Agreement and the transactions contemplated thereby, and in recommending to KRC Shareholders that they approve the KRC Transaction Resolution, the KRC Board considered and relied upon a number of factors, including, among others, the following:

#### Challenging Operating Environment for Junior Oil and Gas

The KRC Board considered extensive information concerning the business, operations, assets, financial condition and operating results of KRC. The KRC Board determined that as a Combined Company with Distinction, KRC will be able to leverage its

increased scale to better compete in an increasingly consolidated energy industry. The Business Combination will create a Combined Company with increased size and scale to enhance commodity and geographic diversification.

#### Compelling Opportunity

The Business Combination will afford KRC the opportunity to benefit from the highly complementary nature of Distinction's assets and the resulting efficiencies achieved by combining the two companies. While consolidating the management team and minimizing inefficiencies, the Combined Company will bring together the strengths and talents of both organizations to drive superior performance and deliver strong returns to all shareholders, including an anticipated improved cash flow position and a business plan focused on investor returns. Financial strength, disciplined capital allocation, operational excellence, safety, and leading ESG performance, will continue to be key tenets for the Combined Company.

In particular, the Business Combination will result in the aggregation of the companies' respective production and reserves, allowing KRC to capture the benefits of a larger combined entity, including enhanced market importance and business relationships and resulting influence on procurement and sales. The Business Combination will result in consolidation of ownership and operations in top-tier Canadian properties in the Montney and Duvernay plays. The Combined Company is expected to benefit from increased corporate synergies and simplified reporting requirements arising from consolidated operations of the two companies and is expected to be more attractive to the investment community. As a result of improved operational structure of the Combined Company, management effectiveness, efficiency and reductions in general and administrative costs are expected, which will allow for engagement of more specialized expertise. The resulting management team will be comprised of persons with experience and expertise in KRC's business and a strong record of upstream development and innovation in the energy industry. The Business Combination is expected to clarify and simplify management of currently co-owned assets and to remove conflicts of interest associated with the current executive teams of KRC and Distinction and the Distinction Management Services Agreement currently in place between the companies.

#### Peters & Co. Fairness Opinion

The KRC Board considered the Peters & Co. Fairness Opinion to the effect that as of June 17, 2021, and based upon and subject to the assumptions, limitations and qualifications set forth therein, the Exchange Ratio is fair, from a financial point of view, to KRC.

#### KRC Shareholder Support

The Supporting KRC Shareholders collectively hold approximately 86% of the issued and outstanding KRC Shares and each Supporting KRC Shareholder has irrevocably agreed to vote in favour of the KRC Transaction Resolution at the KRC Meeting and otherwise support the Business Combination, except in limited circumstances. See "*Effect of the Business Combination – Support Agreements*".

#### **ATB Fairness Opinion**

The Independent Committee retained ATB pursuant to an engagement letter dated April 1, 2021 to provide financial advisory services in connection with a potential transaction involving KRC. Distinction maintains regular contact with ATB regarding a variety of strategic opportunities and financial assessments.

The ATB Fairness Opinion provides an opinion by ATB to the Independent Committee to the effect that, as of June 16, 2021 and subject to the assumptions, limitations, and qualifications set forth therein, the Exchange Ratio is fair, from a financial point of view, to the Distinction Shareholders (other than KRC).

**The full text of the ATB Fairness Opinion, setting out the assumptions made, matters considered and limitations and qualifications on the review undertaken in connection with the ATB Fairness Opinion, is attached as Appendix E to this Information Circular.**

The ATB Fairness Opinion is not a recommendation as to whether the Distinction Shareholders should vote with respect to the Business Combination or any other matter. The ATB Fairness Opinion was one of a number of factors taken into consideration by the Independent Committee in making its unanimous determinations that the Business Combination is in the best interests of Distinction and is fair to the Distinction Shareholders and to recommend that Distinction Shareholders vote in favour of the Distinction Transaction Resolution.

Pursuant to the terms of its engagement letter with the Independent Committee, ATB is to be paid a fee for its services as financial advisor, including a fee for the ATB Fairness Opinion and fees that are contingent on the completion of the Business Combination or certain other events. Distinction has also agreed to indemnify ATB against certain liabilities.

As part of the Business Combination: ATB may also be requested by Distinction to act as an underwriter or agent to obtain financing for the *pro forma* entity in the debt capital markets. In addition, in the ordinary course of business and unrelated to the Business Combination, ATB Financial, the parent company of ATB, is a member of the lending syndicate providing credit facilities to Distinction and KRC; and (ii) ATB has, in the past 24 months, provided certain ordinary course advisory and/or investment banking services to Distinction, including acting as sole agent in connection with its brokered private placement of special warrants completed in February 2021, acted as financial advisor to Distinction with respect to its acquisition of assets in the Simonette area of Alberta in February 2021 and acted as agent and financial advisor to Distinction in connection with its recapitalization transaction completed in November 2019, all as further described in Appendix G. Neither ATB nor any of its affiliates or associates is an insider, associate or affiliate (as such terms are defined in Applicable Canadian Securities Laws) of KRC or Distinction or any of their respective associates or affiliates.

**The Independent Committee urges the Distinction Shareholders to read the ATB Fairness Opinion in its entirety. Any summary of the ATB Fairness Opinion herein is qualified in its entirety by reference to the full text of the ATB Fairness Opinion as set out in Appendix E to this Information Circular. The ATB Fairness Opinion was provided solely for the use of the Independent Committee (solely in its capacity as such) in connection with the Independent Committee's evaluation of the Business Combination and may not be relied upon by any Distinction Shareholders or any other person. The ATB Fairness Opinion is not intended to and does not constitute a recommendation as to how the Distinction Shareholders should vote in respect of the Distinction Transaction Resolution. ATB expresses no view as to, and the ATB Fairness Opinion does not address, any other aspect or implication of the Business Combination or the underlying business decision of the Independent Committee to effect the Business Combination, the relative merits of the Business Combination as compared to any alternative business strategies that might be available for Distinction or the effect of any other transaction in which Distinction might engage.**

#### **Peters & Co. Fairness Opinion**

KRC retained Peters & Co. as financial advisor to KRC in connection with the Business Combination. As part of this mandate, Peters & Co. was requested to provide the KRC Board with its opinion as to the fairness to KRC, from a financial point of view, of the Exchange Ratio. In connection with this mandate, Peters & Co. has prepared and delivered the Peters & Co. Fairness Opinion. The Peters & Co. Fairness Opinion states that, as of June 17, 2021, and based upon and subject to the assumptions, limitations and qualifications set forth therein, the Exchange Ratio is fair, from a financial point of view, to KRC.

**The full text of the written opinion of Peters & Co. dated June 17, 2021, which sets forth, among other things, the assumptions made, procedures followed, matters considered and limitations and qualifications on the review undertaken in connection with the rendering of such opinion, is attached as Appendix F to this Information Circular and should be read carefully and in its entirety. Peters & Co. provided its opinion solely for the use of the KRC Board in connection with its consideration of the Business Combination and the opinion is subject to the assumptions, limitations and qualifications contained therein. The opinion of Peters & Co. does not constitute a recommendation to any KRC Shareholder as to how such shareholder should vote with respect to the KRC Transaction Resolution or any other matter.**

Neither Peters & Co. nor any of its affiliates or associates is an insider, associate or affiliate (as such terms are defined in Applicable Canadian Securities Laws) of KRC or Distinction or any of their respective associates or affiliates.

**KRC Shareholders are urged to read the Peters & Co. Fairness Opinion carefully and in its entirety. This summary of the Peters & Co. Fairness Opinion is qualified in its entirety by the full text of such opinion.**

#### **Recommendation of the Independent Committee**

**The Independent Committee unanimously recommends that the Distinction Shareholders vote FOR the Distinction Transaction Resolution.**

In determining that the Business Combination is fair to the Distinction Shareholders and in the best interests of Distinction, the Independent Committee and the Distinction Board (excluding directors who abstained in accordance with section 120 of the CBCA) relied upon a number of factors. The following are some of the key factors that were considered and relied upon by the Independent Committee and the Distinction Board in making their recommendations:

- (a) the challenging operating environment for junior oil and gas companies;



- (b) the compelling value proposition afforded to Distinction Shareholders pursuant to the Business Combination;
- (c) the support of KRC, Distinction's largest shareholder, and of the Supporting Distinction Securityholders;
- (d) favourable tax treatment of the Business Combination;
- (e) the reasonableness of the terms and conditions of the Business Combination Agreement; and
- (f) the Business Combination is structured in a manner to protect the rights of Minority Distinction Shareholders.

In addition, under the Business Combination Agreement, until the time that the Distinction Transaction Resolution is approved by Distinction Shareholders, the Distinction Board has retained the ability to consider and respond to Acquisition Proposals on the specific terms and conditions set forth in the Business Combination Agreement, and to recommend a Superior Proposal in certain circumstances.

The information and factors described above and considered by the Independent Committee and the Distinction Board in reaching their determinations and making their approvals are not intended to be exhaustive but include material factors considered by the Independent Committee and the Distinction Board. In view of the wide variety of factors considered in connection with their evaluation of the Business Combination and the complexity of these matters, the Independent Committee and the Distinction Board did not find it useful, and did not attempt, to quantify, rank or otherwise assign relative weights to these factors. In addition, individual members of the Distinction Board may have given different weight to different factors.

The Distinction Board realized that there are risks associated with the Business Combination, including that some of the potential benefits set forth above may not be realized or that there may be significant costs associated with realizing such benefits. The Distinction Board believes that the factors in favour of the Business Combination outweigh the risks and potential disadvantages, although there can be no assurance in this regard. See "*Risk Factors*".

Notwithstanding the recommendation of the Distinction Board that Distinction Shareholders vote in favour of the Distinction Transaction Resolution, Distinction Shareholders should make their own decisions whether to vote their Distinction Shares in favour of the Distinction Transaction Resolution and, if appropriate, should consult their own legal, tax, financial or other professional advisors in making that decision.

#### **Recommendation of the KRC Board**

At a meeting of the KRC Board held on June 17, 2021 prior to KRC entering into the Business Combination Agreement, the KRC Board considered the Business Combination on the terms and conditions as provided in the Business Combination Agreement, and on June 17, 2021, received the verbal opinion of Peters & Co. to the effect that as of that date, and based upon and subject to the assumptions, limitations and qualifications set forth therein, the Exchange Ratio is fair, from a financial point of view, to KRC.

**After considering the terms of the proposed Business Combination, the Peters & Co. Fairness Opinion, the advice from its financial advisors and legal counsel and such other factors as were deemed appropriate, the members of the KRC Board unanimously (excluding directors who abstained in accordance with section 120 of the ABCA): (i) determined that the Business Combination and entry into the Business Combination Agreement are in the best interests of KRC; (ii) determined that the Business Combination is fair to KRC; (iii) approved the Business Combination Agreement and the transactions contemplated thereby; and (iv) recommended that KRC Shareholders vote in favour of the KRC Transaction Resolution.**

**The KRC Board unanimously (excluding directors who abstained in accordance with section 120 of the ABCA) recommends that the KRC Shareholders vote FOR the KRC Transaction Resolution.**

In coming to its conclusion and recommendations, the KRC Board consulted with and received advice from legal counsel and considered, among others, the following factors:

- (a) the purpose and anticipated benefits of, and the inherent risks of proceeding, or not proceeding, with the Business Combination as outlined elsewhere in this Information Circular including under "*Reasons for the Business Combination – KRC Board*" above;



- (b) information concerning the financial condition, results of operations, business plans and prospects of KRC, and the resulting potential for the enhancement of the business efficiency, management effectiveness and financial results of the Combined Company;
- (c) the alternatives reasonably available to KRC, including continuing to operate as a standalone entity; and
- (d) the advice and assistance of Peters & Co. in evaluating the Business Combination. See "*Peters & Co. Fairness Opinion*" at Appendix F to this Information Circular.

The foregoing discussion of the information and factors considered and given weight by the KRC Board is not intended to be exhaustive. In addition, in reaching the determination to approve and recommend the Business Combination, the KRC Board did not assign any relative or specific weights to the foregoing factors which were considered, and individual directors may have given differing weights to different factors.

The KRC Board realized that there are risks associated with the Business Combination, including that some of the potential benefits set forth above may not be realized or that there may be significant costs associated with realizing such benefits. The KRC Board believes that the factors in favour of the Business Combination outweigh the risks and potential disadvantages, although there can be no assurance in this regard. See "*Risk Factors*".

Notwithstanding the recommendation of the KRC Board that KRC Shareholders vote in favour of the KRC Transaction Resolution, KRC Shareholders should make their own decision whether to vote their KRC Shares in favour of the KRC Transaction Resolution and, if appropriate, should consult their own legal, tax, financial or other professional advisors in making that decision.

## EFFECT OF THE BUSINESS COMBINATION

### General

The Business Combination will result in the issuance to each Distinction Shareholder (other than KRC and Dissenting Shareholders) of KRC Shares for all of the Distinction Shares held by such Distinction Shareholder, such that each Distinction Share will be exchanged for the number of KRC Shares equal to the Exchange Ratio.

As at July 14, 2021 there were 9,968,185 Distinction Shares and 334,369,401 KRC Shares outstanding (in each case, on a non-diluted basis) on a pre-consolidation basis. Following the Amalgamation and immediately prior to the completion of the Business Combination, KRC will consolidate the outstanding KRC Shares on a 10 to 1 basis. Upon completion of the Business Combination, assuming there are no Dissenting Shareholders and that no Distinction Shares or KRC Shares are issued pursuant to any outstanding Distinction Incentives or KRC Incentives, as applicable, or entitlements or other rights to acquire Distinction Shares or KRC Shares between the Agreement Date and the Effective Date, there will be approximately 43,728,974 post-consolidated KRC Shares issued and outstanding, of which existing holders of Distinction Shares (other than KRC) and KRC Shares will collectively own approximately 24% and 76% of the Combined Company on a non-diluted basis, respectively.

**No fractional KRC Shares will be issued under the Business Combination. In the event that a Distinction Shareholder would otherwise be entitled to a fractional KRC Share, the number of KRC Shares issued to such Distinction Shareholder will be rounded up to the next whole number of KRC Shares if the fractional entitlement is equal to or greater than 0.5 and shall, without any additional compensation, be rounded down to the next whole number of KRC Shares if the fractional entitlement is less than 0.5. In calculating fractional interests, all Distinction Shares registered in the name of or beneficially held by such Distinction Shareholder, or its nominee(s), will be aggregated.**

The Plan of Arrangement provides that, subject to Applicable Laws, any certificate formerly representing Distinction Shares not deposited together with all other documents as required by the Plan of Arrangement and the applicable Distinction Shareholder Letter of Transmittal (Distinction Shareholders holding DRS Advices for Distinction Shares must complete and return the Distinction Shareholder Letter of Transmittal) on or before the last Business Day prior to the third anniversary of the Effective Date, and any right or claim by or interest of any kind or nature, including the rights to receive certificates representing KRC Shares (in the case of former Distinction Shareholders) to which such holder is entitled pursuant to the Business Combination, shall terminate and be deemed to be surrendered and forfeited to KRC for no consideration, together with all entitlements to dividends, distributions and interest thereon.

### Distinction Incentives

As at July 14, 2021, there were an aggregate of 304,436 Distinction Stock Options and 316,055 Distinction RSUs outstanding.

The Business Combination will result in a "change of control" in respect of the Distinction Incentives and the vesting of the Distinction Incentives will be accelerated as a result of the Business Combination.

Distinction will use its reasonable commercial efforts to obtain the surrender of the Distinction RSUs prior to the Effective Date in exchange for the payment to the holders thereof of one Distinction Share per Distinction RSU surrendered.

Pursuant to the Business Combination Agreement, KRC has agreed that, subject to obtaining the prior written agreement of each holder of Distinction Stock Options, that: (i) following the Effective Date, such Distinction Stock Options may only be exercised during the 100 consecutive day period commencing on the date on which the KRC Shares are first listed and posted for trading on the TSX; and (ii) such Distinction Stock Options shall immediately terminate at the conclusion of such 100 day period, in each case notwithstanding any other terms of the contract governing such Distinction Stock Options, KRC will succeed to, and be substituted for, and may exercise every right and power of Distinction, and KRC will assume all of the covenants and obligations of Distinction, under the Contracts governing the Distinction Stock Options. Following the Effective Time, former holders of Distinction Stock Options shall be entitled to receive KRC Shares on the exercise of such Distinction Stock Options, subject to such adjustments as are then necessary to reflect: (i) the ratio at which Distinction Shares are exchanged for KRC Shares pursuant to the Business Combination; and (ii) the subsequent consolidation of KRC Shares pursuant to the Plan of Arrangement on a 10:1 basis.

### **KRC Incentives**

The Business Combination will not constitute a "change of control" with respect to the KRC Incentives. KRC Incentives held by KRC Shareholders will continue to exist pursuant to the terms of the KRC Incentives.

### **Board and Management**

Pursuant to the terms of the Business Combination Agreement, Distinction and KRC agreed that the board of directors of the Combined Company will consist of nine members, led by Kevin Brown as Chair, and shall include Patrick Carlson, William (Bill) Slavin, Nancy Lever, Leland Corbett, Kaush Rahkit, Steve Sinclair, Timothy Schneider and Beth Reimer-Heck.

Following completion of the Business Combination, it is anticipated that the existing officers of KRC will continue with the Combined Company in their current roles.

### **Details of the Business Combination**

*The following is a summary only of the Plan of Arrangement and reference should be made to the full text of the Business Combination Agreement and the Plan of Arrangement set forth in Appendix C and Schedule A to Appendix C to this Information Circular, respectively.*

Pursuant to the Plan of Arrangement, commencing at the Effective Time, each of the following are deemed to occur consecutively in two-minute intervals in the following order without any further act or formality:

- Dissenting Shareholders: Distinction Shares held by Dissenting Shareholders shall be deemed to have been transferred to, and acquired by, KRC (free and clear of any Encumbrances), and: (i) such Dissenting Shareholders shall cease to be the holders of the Distinction Shares so transferred and to have any rights as Distinction Shareholders other than the right to be paid fair value for such Distinction Shares in accordance with the Plan of Arrangement; (ii) such Dissenting Shareholders' names shall be removed from the register of Distinction Shareholders; and (iii) KRC shall become the transferee (free and clear of all Encumbrances) of the Distinction Shares so transferred and shall be added to the applicable register or registers of Distinction Shares maintained by or on behalf of Distinction;
- Acquisition of Distinction Shares by KRC: Each Distinction Shareholder (other than a Dissenting Shareholder and KRC) will be deemed to have transferred to KRC (free and clear of any Encumbrances) that number of Distinction Shares equal to the number of Distinction Shares held by such Distinction Shareholder immediately prior to the Effective Time, in sole consideration for that number of KRC Shares obtained by multiplying the number of Distinction Shares held by such Distinction Shareholder immediately prior to the Effective Time, by the Exchange Ratio.
- Amalgamation: Immediately prior to the Amalgamation, the aggregate stated capital of the Distinction Shares shall be, and shall be deemed to be, reduced to \$1.00. Distinction and KRC shall then be amalgamated and continued as one corporation under the CBCA in accordance with the Plan, including the following. The

name of AmalCo shall be Kiwetinohk Resources Corp. The share provisions and authorized share capital of AmalCo shall be the same as the share provisions and authorized share capital of KRC. The directors of AmalCo shall consist of nine members, led by Kevin Brown as Chair, and shall include Patrick Carlson, William (Bill) Slavin, Nancy Lever, Leland Corbett, Kaush Rahkit, Steve Sinclair, Timothy Schneider and Beth Reimer-Heck. The officers of AmalCo shall be the same as the officers of KRC. There shall be no restrictions on the business that AmalCo may carry on or on the powers it may exercise. The other provisions forming part of the articles of AmalCo shall be the same as the respective provisions of the articles of KRC as such existed immediately prior to the Amalgamation. The by-laws of AmalCo shall be the by-laws of KRC. The registered office of AmalCo shall be the registered office of KRC. The following shall be the effect of the Amalgamation: (i) all of the property of each of Distinction and KRC shall continue to be the property of AmalCo; (ii) AmalCo shall continue to be liable for the obligations of each of Distinction and KRC; (iii) any existing cause of action, claim or liability to prosecution of Distinction or KRC shall be unaffected; (iv) any civil, criminal or administrative action or proceeding pending by or against either of Distinction or KRC may be continued to be prosecuted by or against AmalCo; and (v) a conviction against, or ruling, order or judgment in favour of or against, either of Distinction or KRC may be enforced by or against AmalCo. The articles of Amalgamation of AmalCo filed shall be deemed to be the articles of incorporation of AmalCo, and the certificate of Amalgamation of AmalCo shall be deemed to be the certificate of incorporation of AmalCo. On the Amalgamation, each issued and outstanding share in the capital of Distinction shall be cancelled without repayment of capital in respect thereof, and each issued and outstanding share of KRC, of any class or series, including the KRC Shares issued pursuant to Section 3.1(b) of the Plan of Arrangement, shall remain unaffected and issued and outstanding. The aggregate stated capital of AmalCo will be an amount equal to the aggregate of the paid-up capital for the purposes of the Tax Act of the KRC Shares outstanding immediately before the Amalgamation.

- Share Consolidation: Pursuant to the Plan of Arrangement, the KRC Shares shall be, and shall be deemed to be, consolidated on the basis of one KRC Share for every 10 KRC Shares outstanding immediately after the Amalgamation. Any fractional interests in the consolidated KRC Shares will, without any further act or formality, be cancelled without payment of any consideration therefor. Notwithstanding any provision of the CBCA, immediately following the completion of such consolidation, the stated capital of the KRC Shares shall be equal to the stated capital of the KRC Shares immediately prior to such consolidation.

## **The Business Combination Agreement**

### ***General***

The Business Combination will be effected pursuant to the Business Combination Agreement which provides for the implementation of the Plan of Arrangement. The Business Combination Agreement contains covenants, representations and warranties of and from each of Distinction and KRC and various conditions precedent, both mutual and with respect to Distinction and KRC individually.

Unless all conditions are satisfied or waived by the Party for whose benefit such conditions exist, to the extent they may be capable of waiver, the Business Combination will not proceed. There is no assurance that the conditions will be satisfied or waived on a timely basis, or at all.

The following is a summary of certain provisions of the Business Combination Agreement and is qualified in its entirety by the full text of the Business Combination Agreement, set forth in Appendix C to this Information Circular. Distinction Shareholders and KRC Shareholders are urged to read the Business Combination Agreement in its entirety.

### ***Representations and Warranties and Covenants Relating to the Conduct of Business of the Parties***

The Business Combination Agreement contains certain customary representations and warranties of each of Distinction and KRC relating to, among other things, their respective organization, capitalization, operations, compliance with Laws and regulations and other matters, including their authority to enter into the Business Combination Agreement and to consummate the Business Combination. For the complete text of the applicable provisions, see Article 4, Article 5, Schedule D and Schedule E of the Business Combination Agreement, which is attached as Appendix C hereto.

In addition, pursuant to the Business Combination Agreement, each of the Parties has covenanted, among other things, until the earlier of the Effective Time or the termination of the Business Combination Agreement, to use all reasonable commercial efforts to maintain and preserve their respective businesses and refrain from taking certain actions outside the ordinary course. For the complete text of the applicable provisions, see Sections 3.1 and 3.2 of the Business Combination Agreement.

### ***Mutual Conditions***

The respective obligations of KRC and Distinction to complete the Business Combination are subject to the satisfaction of the following conditions, any of which may be waived by the mutual consent of KRC and Distinction, without prejudice to their right to rely on any other of such conditions:

- (a) the Interim Order shall have been granted in form and substance satisfactory to each of KRC and Distinction, acting reasonably, and such order shall not have been set aside or modified in a manner unacceptable to KRC or Distinction, each acting reasonably, on appeal or otherwise;
- (b) the Distinction Transaction Resolution shall have been approved by the Distinction Shareholders by the Distinction Required Approval at the Distinction Meeting, in accordance with the Interim Order;
- (c) the KRC Transaction Resolution shall have been approved by the KRC Shareholders at the KRC Meeting;
- (d) the Final Order shall have been granted on terms consistent with the Business Combination Agreement, and such order shall not have been set aside or modified in a manner unacceptable to KRC or Distinction, acting reasonably, on appeal or otherwise;
- (e) no Governmental Authority shall have enacted, issued, promulgated, enforced or entered any Order or Law which is then in effect and has the effect of making the Business Combination illegal or otherwise preventing or prohibiting consummation of the Business Combination;
- (f) the aggregate number of Distinction Shares held, directly or indirectly, by the Distinction Shareholders who have properly exercised and not withdrawn Dissent Rights in connection with the Business Combination shall not exceed 5% of the outstanding Distinction Shares at the Effective Time;
- (g) KRC shall have continued the jurisdiction of its incorporation to the CBCA pursuant to articles of continuance in form and substance satisfactory to each of KRC and Distinction, acting reasonably;
- (h) KRC shall have filed articles of amendment, in form and substance satisfactory to each of KRC and Distinction, acting reasonably, to remove any references to private company restrictions in the KRC articles of incorporation, to increase the minimum numbers of directors to three and to increase the maximum number of directors to 11;
- (i) the KRC Investment Rights Agreement (ARC) shall have been amended on terms satisfactory to KRC, ARC and Distinction, each acting reasonably;
- (j) KRC and Luminus shall have entered into the KRC Investment Rights Agreement (Luminus) on terms satisfactory to KRC, ARC and Distinction, each acting reasonably;
- (k) all Distinction Stock Options shall have been assumed by KRC in accordance with Section 2.10(d) of the Business Combination Agreement;
- (l) all Distinction RSUs shall have been converted to Distinction Shares in accordance with Section 2.10 of the Business Combination Agreement;
- (m) KRC shall have received duly executed lock-up agreements from each of Luminus and the entities comprising ARC on terms satisfactory to KRC and Distinction, each acting reasonably, to the extent such obligations are not contained in the KRC Investment Rights Agreement (Luminus) and the KRC Investment Rights Agreement (ARC), respectively; and
- (n) all waivers, consents and approvals required by KRC under the KRC Credit Agreement and Distinction under the Distinction Credit Agreement in connection with consummation of the Business Combination shall have been provided or obtained on terms and conditions acceptable to each of KRC and Distinction, acting reasonably, at or before the Effective Time.

The foregoing conditions are for the mutual benefit of the Parties and may be asserted by either Party regardless of the circumstances and may be waived by the mutual written consent of the Parties, in whole or in part, at any time and from time to

time without prejudice to any other rights that the Parties may have, including the right of the Parties to rely on any other of such conditions.

***Conditions to the Obligations of KRC***

The obligation of KRC to complete the Business Combination and take the other actions required to be taken by KRC on or before the Effective Date is subject to the satisfaction or waiver of the following conditions:

- (a) Distinction shall have fulfilled and complied with, in all material respects, each of its covenants in the Business Combination Agreement to be performed, fulfilled or complied with on or before the Effective Time, and Distinction shall have provided to KRC a certificate from two directors of Distinction certifying compliance with such covenants dated the Effective Date;
  - (b)
    - (i) the representations and warranties in Section (s) (Capitalization) of Schedule E and in Section 7.5 of the Business Combination Agreement shall be true and correct in all respects as of the Agreement Date and as of the Effective Date as if made on and as of such date (except to the extent such representations and warranties speak of an earlier date, the accuracy of which shall be determined as of such earlier date), except for such failures to be true and correct that are *de minimis*;
    - (ii) the representations and warranties in Sections (a) (Organization and Qualification), (b) (Authority Relative to the Business Combination Agreement), (c) (Material Subsidiaries; Joint Ventures), (d) (Ownership of Subsidiaries), (e) (No Violation; Absence of Defaults and Conflicts), (r) (Reporting Issuer Status), (t) (No Orders) and (bb) (No Material Adverse Change) of Schedule E of the Business Combination Agreement shall be true and correct in all material respects as of the Agreement Date and as of the Effective Date as if made on and as of such date; and
    - (iii) all other representations and warranties of Distinction set forth in the Business Combination Agreement shall be true and correct as of the Effective Date as if made on and as of such date (except to the extent such representations and warranties speak as of an earlier date, the accuracy of which shall be determined as of that specified date), except where any failure or failures of any such representations and warranties to be so true and correct would not result in, or would not reasonably be expected to result in, a Material Adverse Change in respect of Distinction, on a consolidated basis or prevent the completion of the transactions contemplated in the Business Combination Agreement (and, for this purpose, any reference to "material", "Material Adverse Effect" or any other concept of materiality within such representations and warranties shall be ignored),
- and Distinction shall have provided to KRC a certificate from two directors of Distinction certifying such accuracy on the Effective Date;
- (c) all third party consents, waivers, governmental authorizations, orders and approvals required, whether under Applicable Law, from Governmental Authorities or parties to Contracts of each member of the Distinction Group, or otherwise, in connection with the consummation of the Business Combination shall have been provided or obtained on terms and conditions acceptable to KRC, acting reasonably, at or before the Effective Time, except where the failure to provide or obtain such would not, individually or in the aggregate, have a Material Adverse Effect on Distinction, on a consolidated basis, or prevent the completion of the transactions contemplated the Business Combination Agreement;
  - (d) the Distinction Investor Agreement shall have been terminated; and
  - (e) between the Agreement Date and the Effective Time, there shall not have occurred any changes, events, circumstances or developments that would reasonably be likely to have (individually or in the aggregate) a Material Adverse Effect on Distinction.

The foregoing conditions are for the exclusive benefit of KRC and may be asserted by KRC regardless of the circumstances or may be waived by KRC in its sole discretion, in whole or in part, at any time and from time to time without prejudice to any other rights which KRC may have, including the right of KRC to rely on any other of such conditions.

### ***Conditions to the Obligations of Distinction***

The obligation of Distinction to complete the Business Combination and to take the other actions required to be taken by Distinction on or before the Effective Date is subject to the satisfaction or waiver of the following conditions:

- (a) KRC shall have fulfilled and complied with, in all material respects, each of its covenants in the Business Combination Agreement to be performed, fulfilled, or complied with on or before the Effective Time, and KRC shall have provided to Distinction a certificate of two executive officers certifying compliance with such covenants dated the Effective Date;
- (b)
  - (i) the representations and warranties in Section (k) (Capitalization) of Schedule D and in Section 7.5 of the Business Combination Agreement shall be true and correct in all respects as of the Agreement Date and as of the Effective Date as if made on and as of such date (except to the extent such representations and warranties speak of an earlier date, the accuracy of which shall be determined as of such earlier date or are affected by transactions contemplated or permitted by the Business Combination Agreement), except for such failures to be true and correct that are *de minimis*;
  - (ii) the representations and warranties in Sections (a) (Organization and Qualification), (b) (Authority Relative to the Business Combination Agreement), (c) (Material Subsidiaries; Joint Ventures), (d) (Ownership of Subsidiaries) (e) (No Violation; Absence of Defaults and Conflicts), (m) (No Orders) and (s) (No Material Adverse Change) of Schedule D of the Business Combination Agreement shall be true and correct in all material respects as of the Agreement Date and as of the Effective Date as if made on and as of such date; and
  - (iii) all other representations and warranties of KRC set forth in the Business Combination Agreement shall be true and correct as of the Effective Date as if made on and as of such date (except to the extent such representations and warranties speak as of an earlier date, the accuracy of which shall be determined as of that specified date or are affected by transactions contemplated or permitted by the Business Combination Agreement), except where any failure or failures of any such representations and warranties to be so true and correct would not result in, or would not reasonably be expected to result in, a Material Adverse Change in respect of KRC, on a consolidated basis or prevent the completion of the transactions contemplated in the Business Combination Agreement (and, for this purpose, any reference to "material", "Material Adverse Effect" or any other concept of materiality within such representations and warranties shall be ignored),and KRC shall have provided to Distinction a certificate of its Chief Executive Officer and Chief Financial Officer certifying such accuracy on the Effective Date;
- (c) the KRC USA shall have been terminated;
- (d) all third party consents, waivers, governmental authorizations, orders and approvals required, whether under Applicable Law, from Governmental Authorities or parties to Contracts of each member of the KRC Group, or otherwise, in connection with the consummation of the Business Combination shall have been provided or obtained on terms and conditions acceptable to Distinction, acting reasonably, at or before the Effective Time, except where the failure to provide or obtain such would not, individually or in the aggregate, have a Material Adverse Effect on Distinction, on a consolidated basis, or prevent the completion of the transactions contemplated in the Business Combination Agreement; and
- (e) between the Agreement Date and the Effective Time, there shall not have occurred any changes, events, circumstances or developments that would reasonably be likely to have (individually or in the aggregate) a Material Adverse Effect on KRC.

The foregoing conditions are for the exclusive benefit of Distinction and may be asserted by Distinction regardless of the circumstances or may be waived by Distinction in its sole discretion, in whole or in part, at any time and from time to time without prejudice to any other rights which Distinction may have, including the right of Distinction to rely on any other of such conditions.



### ***Covenants of the Parties Regarding Non-Solicitation; Right to Accept a Superior Proposal***

Under the Business Combination Agreement, Distinction has agreed to certain non-solicitation covenants as follows:

- (a) Distinction shall, and shall cause its Representatives, to: (i) immediately cease and cause to be terminated all existing solicitations, encouragements, discussions or negotiations (including through any of its Representatives), if any, with any third parties (other than KRC), initiated before the Agreement Date with respect to any Person that has made, indicated any interest in making or may reasonably be expected to make, an Acquisition Proposal; (ii) as and from the Agreement Date until termination of the Business Combination Agreement, immediately discontinue providing access to and disclosure of any of its confidential information and not allow or establish further access to any of its confidential information, or any data room, virtual or otherwise, to any Person (other than KRC or its Representatives); (iii) pursuant to and in accordance with each applicable confidentiality agreement relating to an Acquisition Proposal, promptly request the return or destruction of all information provided to any third parties that have entered into a confidentiality agreement with Distinction or any of its subsidiaries and the destruction of all material including or incorporating or otherwise reflecting such confidential information regarding Distinction or any of its subsidiaries, and shall use reasonable commercial efforts to cause such requests to be honoured; and (iv) not release, waive, terminate or otherwise forbear in the enforcement of, amend or modify, or enter into or participate in any discussions, negotiations or agreements to release, waive or otherwise forbear or amend or modify, any rights or other benefits under any confidentiality agreements to which Distinction or any of its subsidiaries is a party, including any "standstill provisions" thereunder; except, in respect of (ii) and (iii) above. Distinction undertakes to enforce all standstill, non-disclosure, non-disturbance, non-solicitation and similar covenants or agreements that it has entered into with third parties prior to the Agreement Date.
- (b) Distinction shall not, directly or indirectly, do, nor authorize or permit any of its Representatives to do, any of the following:
  - (i) solicit, assist, initiate or knowingly facilitate or encourage or take any action to solicit, assist, initiate or knowingly facilitate or encourage any Acquisition Proposal, or engage in any communication regarding the making of any proposal or offer that constitutes or may constitute or may reasonably be expected to lead to an Acquisition Proposal, including by way of furnishing information or access to properties, facilities or books and records;
  - (ii) withdraw, amend, modify or qualify, or propose to withdraw, amend, modify or qualify, in any manner adverse to KRC, the Distinction Board Recommendation (or any related recommendation by any committee of the Distinction Board);
  - (iii) make any public announcement or take any other action inconsistent with the Distinction Board Recommendation;
  - (iv) enter into or otherwise engage or participate in any negotiations or any discussions regarding any inquiry, proposal or offer that constitutes or may constitute or may reasonably be expected to lead to an Acquisition Proposal, or furnish or provide access to any information with respect to securities, business, properties, operations or conditions (financial or otherwise) of any member of the Distinction Group in connection with or in furtherance of an Acquisition Proposal, or otherwise cooperate in any way with, or assist or knowingly participate in, facilitate or encourage, any effort or attempt of any other Person to do or seek to do any of the foregoing;
  - (v) accept, recommend, approve, agree to, endorse or propose publicly to accept, recommend, approve, agree to or endorse, or, for a period in excess of two Business Days, take no position or a neutral position with respect to a publicly announced or publicly proposed, Acquisition Proposal; or
  - (vi) accept, approve, endorse or enter into (other than a confidentiality agreement permitted by and in accordance with Section 7.1(b)(vii) of the Business Combination Agreement) or publicly propose to accept, approve, endorse or enter into any agreement, understanding or arrangement (including any letter of intent or agreement in principle) in respect of or in any way related to any Acquisition Proposal or providing for the payment of any break, termination or other fees or expenses to any Person if KRC or Distinction, as applicable, completes the transactions contemplated in the Business Combination Agreement;



except that notwithstanding any other provisions of clause (ii) of Section 7.1(a) or Section 7.1(b) of the Business Combination Agreement, Distinction and its Representatives may:

- (vii) at any time prior to obtaining the approval of the Distinction Shareholders of the Distinction Transaction Resolution, enter into, or participate in, any discussions or negotiations with an arm's length third party who (without any solicitation, initiation or encouragement, directly or indirectly, after the Agreement Date, by Distinction or any of its Representatives) seeks to initiate such discussions or negotiations and, subject to execution of a confidentiality agreement with terms at least as restrictive to such counterparty as the Confidentiality Agreement (on the condition that such confidentiality agreement shall provide for the disclosure thereof, along with the information provided thereunder, to KRC), may furnish to such third party information concerning Distinction and its business, affairs, properties and assets (on the condition that such third party is not furnished with greater access or information than KRC), in each case if and only to the extent that:
    - (A) the third party has first made a written *bona fide* Acquisition Proposal, which did not result from a breach of Section 7.1 of the Business Combination Agreement (Covenants Regarding Non-Solicitation), and in respect of which the Distinction Board, determines in good faith, after consultation with its external legal and independent financial advisors, constitutes, or would reasonably be expected to constitute or lead to, a Superior Proposal;
    - (B) prior to furnishing such information to or entering into or participating in any such negotiations or initiating any discussions with such third party, Distinction promptly provides written notice to KRC to the effect that it is furnishing information to or entering into or participating in discussions or negotiations with such Person or entity and provides to KRC the confidentiality agreement entered into with such Person or entity in accordance with Section 7.1(b)(vii) of the Business Combination Agreement, and the information required to be provided under Sections 7.1(c) and 7.1(d) of the Business Combination Agreement; and
    - (C) Distinction has been, and would be after entering into or participating in any such discussions or negotiations, in compliance with all of its obligations under Section 7.1 of the Business Combination Agreement (Covenants Regarding Non-Solicitation);
  - (viii) comply with Division 3 of NI 62-104 and similar provisions under Applicable Canadian Securities Laws relating to the provision of directors' circulars and make appropriate disclosure with respect thereto to its shareholders; and
  - (ix) at any time prior to obtaining the approval of the Distinction Shareholders of the Distinction Transaction Resolution, withdraw the Distinction Board Recommendation (or any recommendation by any committee of the Distinction Board) and recommend, endorse or propose publicly to recommend or endorse such Superior Proposal, but only if prior to such withdrawal and the taking of such other action: (A) Distinction shall have concluded in good faith, after considering all proposals to adjust the terms and conditions of the Business Combination Agreement as contemplated by Section 7.1(d) of the Business Combination Agreement and after receiving the advice of its financial advisors and external legal counsel, as reflected in minutes of the Distinction Board, that such Superior Proposal is in the best interests of Distinction and the taking of such action is necessary for the Distinction Board to act in a manner consistent with its fiduciary duties under Applicable Law; and (B) Distinction complies with its obligations set out in Section 7.1(d) of the Business Combination Agreement.
- (c) If, after the Agreement Date, Distinction or any of its subsidiaries is in receipt of an Acquisition Proposal or any request (which request may be reasonably considered to be in furtherance of, or in relation to, an Acquisition Proposal) for non-public information relating to Distinction or its properties, facilities, books or records, Distinction shall promptly (and in any event within 24 hours of receipt by Distinction) notify KRC (at first orally and then in writing) of any Acquisition Proposal (or any amendment thereto) or any amendments to the foregoing received, directly or indirectly, by Distinction. Such notice shall include a copy of any written Acquisition Proposal (and any amendment thereto) or any such request (which request may be reasonably considered to be in furtherance of, or in relation to, an Acquisition Proposal) for non-public information relating to Distinction or its properties, facilities, books or records received by Distinction or, if no written Acquisition Proposal has been received, a description of the material terms and conditions of, and the identity of the Person making any inquiry, proposal or offer or request (to the extent then known by

Distinction). Distinction shall also provide such further and other details of the Acquisition Proposal, request or any amendment thereto as KRC may reasonably request (to the extent then known by Distinction). Distinction shall keep KRC fully informed of the status, including any change to material terms, of any Acquisition Proposal, request or any amendment thereto, shall respond promptly to all reasonable inquiries by KRC with respect thereto, and shall provide to KRC copies of all correspondence and other written material sent to or provided to Distinction by any Person in connection with such inquiry, proposal, offer or request sent or provided by Distinction to any Person in connection with such inquiry, proposal, offer or request.

- (d) Following receipt of a Superior Proposal, Distinction shall give KRC, orally and in writing, at least five Business Days advance notice of any decision by the Distinction Board to recommend a Superior Proposal, which notice shall:
- (i) confirm that the Distinction Board has determined that such Acquisition Proposal constitutes a Superior Proposal;
  - (ii) identify the third party making the Superior Proposal;
  - (iii) if Distinction is proposing to enter into an agreement to implement such Superior Proposal, confirm that the entering into of a definitive agreement to implement such Superior Proposal is not subject to any financing or due diligence condition; and
  - (iv) if Distinction is proposing to enter into an agreement to implement such Superior Proposal, confirm that a definitive agreement to implement such Superior Proposal has been settled between Distinction and such third party in all material respects (including in respect of the value and financial terms and the value ascribed to any non-cash consideration offered under such Acquisition Proposal), and Distinction will concurrently provide a true and complete copy thereof, together with all supporting materials, including any financing documents supplied to Distinction in connection therewith, and will thereafter promptly provide any amendments thereto, to KRC.

During the five Business Day period commencing on the delivery of such notice (such period, the "**Matching Period**"), Distinction agrees not to recommend such Superior Proposal and not to release the party making the Superior Proposal from any standstill provisions and shall not change, withdraw, withhold, amend, modify or qualify, or propose publicly to change, withdraw, withhold, amend, modify or qualify, the Distinction Board Recommendation. During the Matching Period, KRC shall have the opportunity (but not the obligation) to offer to amend the Business Combination Agreement and the Business Combination in order for such Acquisition Proposal to cease to be a Superior Proposal. In addition, during the Matching Period, or such longer period as Distinction may approve in writing for such purpose: (i) the Distinction Board shall review any offer made by KRC to amend the Business Combination Agreement and the Business Combination in good faith in order to determine whether such proposal would, upon acceptance, result in the Acquisition Proposal previously constituting a Superior Proposal ceasing to be a Superior Proposal; and (ii) Distinction shall negotiate in good faith with KRC to make such amendments to the terms of the Business Combination Agreement and the Business Combination as would enable KRC to proceed with the transactions contemplated by the Business Combination Agreement on such amended terms. If the Distinction Board determines that such Acquisition Proposal would cease to be a Superior Proposal: (i) Distinction shall promptly so advise KRC, and Distinction and KRC shall amend the Business Combination Agreement to reflect such offer made by KRC, and shall take and cause to be taken all such actions as are necessary to give effect to the foregoing; and (ii) the Distinction Board shall not recommend such Acquisition Proposal and shall not release the party making the Acquisition Proposal from any standstill provisions and shall not change, withdraw, withhold, amend, modify or qualify, or propose publicly to change, withdraw, withhold, amend, modify or qualify, the Distinction Board Recommendation. Distinction acknowledges that each successive material modification of any Superior Proposal that results in an increase in the consideration (or the value thereof) to be received by Distinction Shareholders or other material terms or conditions shall constitute a new Superior Proposal for purposes of the requirement under Section 7.1(d) of the Business Combination Agreement to initiate a new Matching Period.

- (e) The Distinction Board shall promptly and in any event within 24 hours after the determination in clause (i) or (ii) below, reaffirm the Distinction Board Recommendation, by news release after any Acquisition Proposal is publicly announced or made if: (i) the Distinction Board determines that such Acquisition Proposal does not constitute a Superior Proposal in accordance with Section 7.1 of the Business Combination Agreement (Covenants Regarding Non-Solicitation); or (ii) the Distinction Board determines that an amendment to the

terms of the Business Combination Agreement has been agreed that results in the Acquisition Proposal not being a Superior Proposal. Distinction shall provide KRC and its external legal counsel with a reasonable opportunity to review the form and content of any such news release and shall make all reasonable amendments to such news release as requested by KRC and its legal counsel.

- (f) KRC agrees that all information that may be provided to it by Distinction with respect to any Superior Proposal pursuant to Section 7.1 of the Business Combination Agreement (Covenants Regarding Non-Solicitation) shall be treated as if it were "Confidential Information" as that term is defined in the Confidentiality Agreement, and such information shall not be disclosed or used except in accordance with the Confidentiality Agreement or in order to enforce its rights under the Business Combination Agreement in legal proceedings.
- (g) Distinction shall ensure that its Representatives are aware of the provisions of Section 7.1 of the Business Combination Agreement (Covenants Regarding Non-Solicitation). Distinction shall be responsible for any breach of Section 7.1 (Covenants Regarding Non-Solicitation) of the Business Combination Agreement by its Representatives.

### ***Termination***

KRC and Distinction have agreed that the Business Combination Agreement may be terminated at any time prior to the Effective Date:

- (a) by mutual written agreement of the Parties;
- (b) by either Party if:
  - (i) the Distinction Shareholders fail to approve the Distinction Transaction Resolution by the Distinction Required Approval at the Distinction Meeting in accordance with the Interim Order;
  - (ii) the KRC Shareholders fail to approve the KRC Transaction Resolution by the requisite vote at the KRC Meeting;
  - (iii) a change in Law is enacted, made, enforced or amended that makes the consummation of the Business Combination illegal or otherwise prohibits or enjoins the Parties from completing the Business Combination, and such Law has, if applicable, become final and non-appealable, on the condition that: (A) the Party seeking to terminate the Business Combination Agreement has used its reasonable commercial efforts to, as applicable, appeal or overturn such Law or otherwise have it lifted or rendered non-applicable in respect of the Business Combination; and (B) the enactment, making, enforcement or amendment of such Law was not primarily due to the failure of such Party to perform any of its covenants or agreements under the Business Combination Agreement; or
  - (iv) the Effective Time shall not have occurred on or prior to the Outside Date, except that the right to terminate the Business Combination Agreement under this clause (iv) shall not be available to a Party whose failure to fulfill any of its obligations has been the cause of, or resulted in, the failure of the Effective Time to occur by such date; and
- (c) by either Party if any of the mutual conditions or the conditions for its benefit has not been satisfied or waived by the Outside Date or such condition is incapable of being satisfied by the Outside Date; provided that the Party seeking termination is in compliance with its obligations as provided in Section 6.4 of the Business Combination Agreement (Notice and Cure Provisions), if applicable, and on the condition that the failure to satisfy the particular condition precedent being relied upon as a basis for termination of the Business Combination Agreement did not occur as a result of a breach by the Party seeking to rely on the condition precedent of any of its covenants or obligations under the Business Combination Agreement.

Under the provisions of the Business Combination Agreement, in the event of the termination of the Business Combination Agreement in the circumstances set out above, the Business Combination Agreement will forthwith become void and neither Party will have any liability or further obligation to the Other Party thereunder, except with respect to: (i) the general provisions of the Business Combination Agreement; and (ii) certain indemnification obligations set forth in the Business Combination Agreement. No termination shall relieve either Party from liability for any fraud, or wilful or intentional breach of any provision

of the Business Combination Agreement prior to its termination and no termination of the Business Combination Agreement shall affect the obligations of the Parties pursuant to the Confidentiality Agreement, except to the extent specified therein.

### **Support Agreements**

*The following is a summary of certain provisions of the Support Agreements and is qualified in its entirety by the full text of the forms of such agreements, set forth in Schedule F to Appendix C to this Information Circular. Distinction Shareholders and KRC Shareholders are urged to read the forms of the Support Agreements in their entirety.*

#### ***Distinction Support Agreements***

The Supporting Distinction Securityholders collectively hold approximately 41% of the issued and outstanding Distinction Shares on a pre-consolidation basis and each Supporting Distinction Securityholder has irrevocably agreed to vote in favour of the Business Combination at the Distinction Meeting and otherwise support the Business Combination, except in limited circumstances. On or about the Agreement Date, each of the Supporting Distinction Securityholders, who collectively hold approximately 41% of the issued and outstanding Distinction Shares (approximately 84% of non-KRC owned Distinction Shares), entered into a support agreement with KRC. Specifically, the Business Combination has the support of Luminus, Concise Short Term High Yield Master Fund, SPC, Mercer QIF Fund PLC - Mercer Investment Fund 1, Concise Short Term High Yield Fund, The Beebee Foundation, The Saratoga Advantage Trust – James Alpha Hedged High Income Portfolio, Stornoway Recovery Fund LP and Ravensource Fund and all of the directors and certain of the executive officers of Distinction that hold Distinction Shares. Pursuant to the Support Agreements, each Supporting Distinction Securityholder has agreed, among other things, to vote, or cause to be voted, all of the Distinction Shares beneficially owned, controlled or directed or subsequently acquired by such Supporting Distinction Securityholder: (i) for and in favour of the Distinction Transaction Resolution and to provide evidence thereof to KRC within five days prior to the Distinction Meeting; and (ii) against any resolution or transaction which would in any manner frustrate, prevent, delay or nullify the Business Combination or any of the other transactions contemplated by the Business Combination Agreement. Additionally, each Supporting Distinction Securityholder has agreed to a number of negative covenants in furtherance of the consummation of the Business Combination, including covenants not to exercise any Dissent Rights in respect of the Business Combination or to solicit any Acquisition Proposal to enter into discussions or negotiations regarding any Acquisition Proposal, and to otherwise support the Business Combination.

Each of the Distinction Support Agreements shall terminate on the earliest of: (i) the Effective Time; (ii) the date on which the Support Agreement is terminated by the mutual written agreement of the parties thereto; (iii) the close of business on the date of the Distinction Meeting at which a vote of the Distinction Shareholders in respect of the Distinction Transaction Resolution is taken and is not approved; (iv) the date of the KRC Meeting at which a vote of the KRC Shareholders in respect of the KRC Transaction Resolution is taken and not approved; or (v) the date on which the Business Combination Agreement is terminated in accordance with its terms.

#### ***KRC Support Agreements***

On or about the Agreement Date, each of the Supporting KRC Shareholders, who collectively hold approximately 86% of the issued and outstanding KRC Shares, entered into a support agreement with Distinction pursuant to which such Supporting KRC Shareholder has agreed, among other things, to vote, or cause to be voted, all of the KRC Shares beneficially owned, controlled or directed or subsequently acquired by such Supporting KRC Shareholder: (i) for and in favour of the KRC Transaction Resolution and to provide evidence thereof to Distinction within five days prior to the KRC Meeting; and (ii) against any resolution or transaction which would in any manner frustrate, prevent, delay or nullify the Business Combination or any of the other transactions contemplated by the Business Combination Agreement. Additionally, each Supporting KRC Shareholder has agreed to a number of negative covenants in furtherance of the consummation of the Business Combination, including covenants not to exercise any Dissent Rights in respect of the Business Combination or to solicit any Acquisition Proposal or enter into discussions or negotiations regarding an Acquisition Proposal, and otherwise support the Business Combination.

Each of the KRC Support Agreements shall terminate on the earliest of: (i) the Effective Time; (ii) the date on which the Support Agreement is terminated by the mutual written agreement of the parties thereto; (iii) the close of business on the date of the Distinction Meeting at which a vote of the Distinction Shareholders in respect of the Distinction Transaction Resolution is taken and is not approved; (iv) the date of the KRC Meeting at which a vote of the KRC Shareholders in respect of the KRC Transaction Resolution is taken and not approved; or (v) the date on which the Business Combination Agreement is terminated in accordance with its terms.

### **Investment Rights Agreements**

As a mutual condition precedent to closing, the following agreements will be entered into on the Effective Date:

- (a) the KRC Investment Rights Agreement (ARC); and
- (b) the KRC Investment Rights Agreement (Luminus).

#### ***KRC Investment Rights Agreement (ARC)***

As a condition precedent to the Business Combination, KRC will enter into an amended and restated investment rights agreement with ARC, pursuant to which, among other things, ARC will be entitled to certain director nomination and other shareholder rights. In particular, assuming that there are a total of nine directors elected to the KRC Board, ARC will have the right to designate: (i) one director nominee for election to the KRC Board for so long as ARC exercises control or direction over 10% or more of the KRC Shares; (ii) two director nominees for election to the KRC Board for so long as ARC exercises control or direction over 25% or more of the KRC Shares; and (iii) three director nominees for election to the KRC Board for so long as ARC exercises control or direction over 40% or more of the KRC Shares, and if so, one of such nominees shall be the Chair of the KRC Board unless ARC otherwise agrees. If the size of the KRC Board is changed, the foregoing rights shall be adjusted accordingly. ARC's initial proposed nominees to the KRC Board upon completion of the Business Combination are Kevin Brown, William (Bill) Slavin and Nancy Lever.

For so long as ARC owns or exercises control or direction over 10% or more of the outstanding KRC Shares, the KRC Investment Rights Agreement (ARC) will also include customary subscription rights in favour of ARC pursuant to which in the event of a proposed distribution or issuance of KRC Shares or other securities convertible or exchangeable into KRC Shares (other than options or other rights granted under security based compensation arrangements), KRC will grant ARC the right to subscribe for that number of KRC Shares, or, as the case may be, for securities convertible or exchangeable into KRC Shares, on the same terms and conditions, including the same subscription or exercise price, as applicable, in order that ARC may continue to maintain its pro rata equity ownership interest in KRC.

For so long as ARC owns or exercises control or direction over 10% or more of the outstanding KRC Shares or is otherwise considered a "control person" under Applicable Canadian Securities Laws, ARC has the right to require KRC to qualify KRC Shares held by ARC and its affiliates for distribution by way of a secondary offering prospectus (which may include the use of a short form or shelf prospectus, if KRC then qualifies to use such procedures) prepared in accordance with Applicable Canadian Securities Laws (an "**ARC Demand Registration**"). ARC is entitled to a maximum of six ARC Demand Registrations in total, and a maximum of two ARC Demand Registration in any calendar year; provided, however, that the aggregate market value of KRC Shares specified in each request for an ARC Demand Registration is not less than \$10,000,000 (or, if less than \$10,000,000, then such securities must represent at least one-half of the total KRC Shares then held by ARC). KRC will be responsible for paying all fees and expenses incurred in connection with such ARC Demand Registration to the extent permitted by Applicable Law, provided that ARC shall pay the fees and expenses of its own counsel and the underwriting discounts, commissions and similar fees and transfer taxes applicable to KRC Shares held by ARC included in connection with each ARC Demand Registration. ARC will have the right to select the investment banker(s) and manager(s) to administer the offering of the KRC Shares which are the subject of an ARC Demand Registration.

For so long as ARC owns or exercises control or direction over 10% or more of the outstanding KRC Shares or is otherwise considered a "control person", ARC may request that KRC include KRC Shares held by ARC in any qualification or registration of KRC Shares by KRC or another securityholder of KRC under Applicable Canadian Securities Laws (an "**ARC Piggyback Registration**"). KRC must cause to be included in the ARC Piggyback Registration all KRC Shares that ARC requests to be included; provided, however, that if an ARC Piggyback Registration is a distribution of securities by KRC and the lead underwriter(s) or agent(s) advise that the total number of securities requested to be included in the distribution exceeds the number which can be sold in an orderly manner in such offering within a price range acceptable to KRC and ARC, each acting reasonably (the "**Maximum Offering Size**"), KRC will include in such distribution: (i) first, as many of the KRC Shares (or other securities) that KRC proposes to sell from treasury as will not cause the distribution to exceed the Maximum Offering Size, and (ii) second, (A) if Luminus is not entitled at the relevant time to exercise "piggyback" rights under the KRC Investment Rights Agreement (Luminus), then as many of ARC's KRC Shares requested to be included in such distribution as will not cause the distribution to exceed the Maximum Offering Size, or (B) if Luminus is entitled at the relevant time to exercise "piggyback" rights under the KRC Investment Rights Agreement (Luminus), then pro rata as many of ARC's KRC Shares requested to be included in such distribution and as many of Luminus' KRC Shares requested to be included in such distribution as will not cause the offering to exceed the Maximum Offering Size. If an ARC Piggyback Registration is to occur in conjunction with a secondary distribution on behalf of another shareholder or shareholders of KRC and the lead underwriter(s) or agent(s) advise that the total number of securities requested to be included in the distribution exceeds the number which can be sold in an orderly manner in such offering within a price range acceptable to that other shareholder or shareholders and KRC, then the number of KRC Shares requested to be included by ARC will be included in such distribution pro rata (based upon each securityholder's (including ARC's) relative security holdings to each other) with the KRC Shares or other securities requested to be included in such distribution. KRC shall have the right to select the investment banker(s) and manager(s) to administer the offering from treasury and the KRC Shares which are subject to the ARC Piggyback Registration. The expenses pursuant to the ARC



Piggyback Registration will be paid by KRC to the extent permitted by Applicable Law, provided that ARC shall pay the fees and expenses of its own counsel and the underwriting discounts, commissions and similar fees and transfer taxes applicable to KRC Shares held by ARC included in connection with each ARC Piggyback Registration.

Upon receipt of a request from ARC for an ARC Demand Registration or an ARC Piggyback Registration, KRC will use its reasonable commercial efforts to effect the distribution of the KRC Shares which are the subject of an ARC Demand Registration or an ARC Piggyback Registration. KRC is obligated to indemnify ARC and its affiliates participating in such registration (and their respective managers/general partners and their respective directors, officers, employees, shareholders, partners and agents) against all losses, claims, damages, liabilities and expenses caused by any untrue or alleged untrue statement of a material fact contained in any preliminary prospectus, final prospectus, shelf prospectus, or any amendment thereof or supplement thereto, or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make any statement therein not misleading, except insofar as the same are contained in any information relating solely to an entity comprising ARC or its affiliates furnished in writing to KRC by such entity participating in the ARC Demand Registration or ARC Piggyback Registration expressly for use therein or caused by such entity's failure to deliver a copy of the prospectus or any amendments or supplements thereto after KRC has furnished the applicable entity with a sufficient number of copies of same.

The KRC Investment Rights Agreement (ARC) will include a lock-up provision, whereby during the period commencing on the date thereof until: (i) May 31, 2022; or (ii) if prior to May 31, 2022 the listing and posting for trading of KRC Shares on the TSX has occurred, such date that is 180 days following the listing and posting for trading on the TSX, ARC will not, directly or indirectly, without the prior written consent of KRC, sell, offer, lend, or grant any option to purchase or agree to sell, offer or lend, any equity or convertible securities of KRC held by ARC to any Person other than an affiliate.

The KRC Investment Rights Agreement (ARC) provides that KRC will: (i) as deemed appropriate by the KRC Board, provide the KRC Board with a monthly financial report after the end of each month; and (ii) distribute and report to the KRC directors information reasonably requested by the KRC Board or a director or that is reasonably required by Laws or by the recommended good corporate governance practices of Canadian regulatory authorities.

The KRC Investment Rights Agreement (ARC) will terminate at the time that ARC has owned, or exercised control or direction over, an aggregate of less than 10% of the KRC Shares over a period of three consecutive months.

The KRC Shares held by affiliates of ARC may be aggregated for purposes of determining whether the minimum ownership thresholds required to exercise the director nomination, subscription, registration and other shareholder rights set out in the KRC Investment Rights Agreement (ARC) are met.

#### ***KRC Investment Rights Agreement (Luminus)***

As a condition precedent to the Business Combination, KRC will enter into the KRC Investment Rights Agreement (Luminus) with Luminus, pursuant to which, among other things, Luminus will be entitled to certain director nomination and other shareholder rights. In particular, Luminus will have the right to designate one director nominee for election to the KRC Board for so long as Luminus exercises control or direction over 10% or more of the KRC Shares; provided that until the listing and posting of KRC Shares for trading on the TSX, Luminus shall be entitled to such right without regard to the requirement for Luminus to own or exercise control over 10% of more of the KRC Shares. For so long as Luminus is entitled to have a nominee on the KRC Board, KRC shall take such action as may be necessary to ensure that the nominee of Luminus is either appointed to or granted observer rights on each committee of directors formed by the KRC Board. Luminus' initial proposed nominee to the KRC Board upon completion of the Business Combination is Timothy Schneider.

For so long as Luminus owns or exercises control or direction over 10% or more of the outstanding KRC Shares, the KRC Investment Rights Agreement (Luminus) will also include customary subscription rights in favour of Luminus pursuant to which in the event of a proposed distribution or issuance of KRC Shares or other securities convertible or exchangeable into KRC Shares (other than options or other rights granted under security based compensation arrangements), KRC will grant Luminus the right to subscribe for that number of KRC Shares, or, as the case may be, for securities convertible or exchangeable into KRC Shares, on the same terms and conditions, including the same subscription or exercise price, as applicable, in order that Luminus may continue to maintain its pro rata equity ownership interest in KRC.

After the expiration of the Hold Period (as defined below), for so long as Luminus owns or exercises control or direction over 10% or more of the outstanding KRC Shares or is otherwise considered a "control person" under Applicable Canadian Securities Laws, Luminus has the right to require KRC to qualify KRC Shares held by Luminus and its affiliates for distribution by way of a secondary offering prospectus prepared in accordance with Applicable Canadian Securities Laws (a "**Luminus Demand Registration**"). Luminus is entitled to a maximum of two Luminus Demand Registrations in total, and a maximum of one Luminus Demand Registration in any calendar year; provided, however, that the aggregate market value of KRC Shares specified in each request for a Luminus Demand Registration is not less than \$10,000,000 (or, if less than \$10,000,000, then such securities

must represent at least one-half of the total KRC Shares then held by Luminus). KRC will be responsible for paying all fees and expenses incurred in connection with such Luminus Demand Registration to the extent permitted by Applicable Law, provided that Luminus shall pay the fees and expenses of its own counsel and the underwriting discounts, commissions and similar fees and transfer taxes applicable to KRC Shares held by Luminus included in connection with each Luminus Demand Registration. Luminus will have the right to select the investment banker(s) and manager(s) to administer the offering of the KRC Shares which are the subject of a Luminus Demand Registration.

For so long as Luminus owns or exercises control or direction over 10% or more of the outstanding KRC Shares or is otherwise considered a "control person", Luminus may request that KRC include KRC Shares held by Luminus in any qualification or registration of KRC Shares by KRC or another securityholder of KRC under Applicable Canadian Securities Laws (a "**Luminus Piggyback Registration**"). KRC must cause to be included in the Luminus Piggyback Registration all KRC Shares that Luminus requests to be included; provided, however, that if a Luminus Piggyback Registration is a distribution of securities by KRC and the lead underwriter(s) or agent(s) advise that the total number of securities requested to be included in the distribution exceeds the Maximum Offering Size, KRC will include in such distribution: (i) first, as many of the KRC Shares (or other securities) that KRC proposes to sell from treasury as will not cause the distribution to exceed the Maximum Offering Size; and (ii) second, pro rata as many of Luminus' KRC Shares requested to be included in such distribution and as many KRC Shares held by other securityholders of KRC who at such time have registration, distribution or similar qualification rights and who have requested to include their KRC Shares in such distribution, as will not cause the offering to exceed the Maximum Offering Size. If a Luminus Piggyback Registration is to occur in conjunction with a secondary distribution on behalf of another shareholder or shareholders of KRC and the lead underwriter(s) or agent(s) advise that the total number of securities requested to be included in the distribution exceeds the number which can be sold in an orderly manner in such offering within a price range acceptable to that other shareholder or shareholders and KRC, then the number of KRC Shares requested to be included by Luminus will be included in such distribution pro rata (based upon each securityholder's (including Luminus') relative security holdings to each other) with the KRC Shares or other securities requested to be included in such distribution. KRC shall have the right to select the investment banker(s) and manager(s) to administer the offering from treasury and the KRC Shares which are subject to the Luminus Piggyback Registration. The expenses pursuant to the Luminus Piggyback Registration will be paid by KRC to the extent permitted by Applicable Law, provided that Luminus shall pay the fees and expenses of its own counsel and the underwriting discounts, commissions and similar fees and transfer taxes applicable to KRC Shares held by Luminus included in connection with each Luminus Piggyback Registration.

Upon receipt of a request from Luminus for a Luminus Demand Registration or a Luminus Piggyback Registration, KRC will use its reasonable commercial efforts to effect the distribution of the KRC Shares which are the subject of a Luminus Demand Registration or a Luminus Piggyback Registration. KRC is obligated to indemnify Luminus and its affiliates participating in such registration (and their respective managers/general partners and their respective directors, officers, employees, shareholders, partners and agents) against all losses, claims, damages, liabilities and expenses caused by any untrue or alleged untrue statement of a material fact contained in any preliminary prospectus, final prospectus, shelf prospectus, or any amendment thereof or supplement thereto, or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make any statement therein not misleading, except insofar as the same are contained in any information relating solely to an entity comprising Luminus or its affiliates furnished in writing to KRC by such entity participating in the Luminus Demand Registration or Luminus Piggyback Registration expressly for use therein or caused by such entity's failure to deliver a copy of the prospectus or any amendments or supplements thereto after KRC has furnished the applicable entity with a sufficient number of copies of same.

The KRC Investment Rights Agreement (Luminus) will include a lock-up provision, whereby during the period commencing on the date thereof until: (i) May 31, 2022, or (ii) if prior to May 31, 2022 the listing and posting for trading of KRC Shares on the TSX has occurred, such date that is 180 days following the listing and posting for trading on the TSX (the "**Hold Period**"), Luminus will not, directly or indirectly, without the prior written consent of KRC, sell, offer, lend, or grant any option to purchase or agree to sell, offer or lend, any equity or convertible securities of KRC held by Luminus to any Person other than an affiliate. If the listing and posting for trading on the TSX has not occurred by May 31, 2022, Luminus may, by notice in writing to KRC no later than June 30, 2022, notify KRC that it intends to sell all of the KRC Shares (or other securities) that it owns or exercises control or direction over. Upon receipt of such notice, KRC shall provide Luminus with all such assistance as it may reasonably require in connection with conducting a private sales process, including establishing a virtual dataroom, providing Luminus with lists of the other holders of KRC Shares in compliance Applicable Laws and assisting with the preparation of materials.

The KRC Investment Rights Agreement (Luminus) provides that KRC will: (i) as deemed appropriate by the KRC Board, provide the KRC Board with a monthly financial report after the end of each month; and (ii) distribute and report to the KRC directors information reasonably requested by the KRC Board or a director or that is reasonably required by Laws or by the recommended good corporate governance practices of Canadian regulatory authorities.



The KRC Investment Rights Agreement (Luminus) will terminate at the time that Luminus has owned, or exercised control or direction over, an aggregate of less than 10% of the KRC Shares.

The KRC Shares held by affiliates of Luminus may be aggregated for purposes of determining whether the minimum ownership thresholds required to exercise the director nomination, subscription, registration and other shareholder rights set out in the KRC Investment Rights Agreement (Luminus) are met.

## **PROCEDURE FOR THE BUSINESS COMBINATION TO BECOME EFFECTIVE**

### **Procedural Steps**

The Business Combination is proposed to be carried out pursuant to section 192 of the CBCA. The following procedural steps must be taken in order for the Business Combination to become effective:

- (a) the Distinction Required Approval must be obtained at the Distinction Meeting;
- (b) the KRC Transaction Resolution must be approved by 66⅔% of the votes cast by the KRC Shareholders present in person or represented by proxy at the KRC Meeting;
- (c) the Court must grant the Final Order approving the Business Combination;
- (d) all conditions precedent to the Business Combination, as set forth in the Business Combination Agreement, must be satisfied or waived by the appropriate Party; and
- (e) the Articles of Arrangement must be sent to the Director and the Director must have issued the Certificate.

**There is no assurance that the conditions set out in the Business Combination Agreement will be satisfied or waived on a timely basis or at all.**

Upon the conditions precedent set forth in the Business Combination Agreement being satisfied or waived, Distinction intends to file a copy of the Final Order and the Articles of Arrangement with the Director under the CBCA, together with such other materials as may be required by the Director, in order to give effect to the Business Combination.

### **Securityholder Approvals**

#### ***Distinction Transaction Resolution***

Pursuant to the Interim Order, the Distinction Transaction Resolution must, subject to further order of the Court, be approved by: (i) not less than 66⅔% of the votes cast by Distinction Shareholders present in person or represented by proxy at the Distinction Meeting, in the manner set forth in the Interim Order; and (ii) a simple majority of the votes cast on the Distinction Transaction Resolution by the Distinction Shareholders present in person or represented by proxy at the Distinction Meeting after excluding the votes cast by those Persons whose votes are required to be excluded in accordance with MI 61-101.

If the Distinction Transaction Resolution is not approved by the Distinction Shareholders, the Business Combination cannot be completed.

**It is the intention of the persons named in the enclosed form of proxy, if not expressly directed to the contrary in such form of proxy, to vote such proxy in favour of the Distinction Transaction Resolution set forth in Appendix A to this Information Circular.**

Notwithstanding the foregoing, the Distinction Transaction Resolution proposed for consideration by the Distinction Shareholders authorizes the Distinction Board, without further notice to or approval of Distinction Shareholders, to the extent permitted by the Business Combination Agreement and the Plan of Arrangement, to amend the Business Combination Agreement or the Plan of Arrangement and to not proceed with the Business Combination. See Appendix A to this Information Circular for the full text of the Distinction Transaction Resolution.

### ***KRC Transaction Resolution***

The KRC Transaction Resolution must be approved by not less than 66⅔% of the votes cast by the KRC Shareholders present in person or represented by proxy at the KRC Meeting. If the KRC Transaction Resolution is not approved by KRC Shareholders, the Business Combination cannot be completed.

**It is the intention of the persons named in the enclosed form of proxy, if not expressly directed to the contrary in such form of proxy, to vote such proxy in favour of the KRC Transaction Resolution set forth in Appendix B to this Information Circular.**

Notwithstanding the foregoing, the KRC Transaction Resolution proposed for consideration by the KRC Shareholders authorizes the KRC Board, without further notice to or approval of KRC Shareholders, to abandon any part of the KRC Transaction Resolution. See Appendix B to this Information Circular for the full text of the KRC Transaction Resolution.

### **Court Approval**

#### ***Interim Order***

On July 23, 2021, Distinction obtained the Interim Order providing for the calling and holding of the Distinction Meeting and other procedural matters. A copy of the Interim Order is attached as Appendix D to this Information Circular.

#### ***Final Order***

The CBCA provides that the Business Combination requires final Court approval. Subject to the terms of the Business Combination Agreement, if the Distinction Transaction Resolution is approved at the Distinction Meeting and the KRC Transaction Resolution is approved at the KRC Meeting, Distinction will make an application to the Court for the Final Order via WebEx on August 31, 2021 at 10:30 a.m. (Calgary time) or as soon thereafter as counsel may be heard. The Notice of Application for the Final Order accompanies this Information Circular. At the application the Court will be requested to consider the fairness of the Business Combination.

Any Distinction Shareholder, or other interested party desiring to support or oppose the application with respect to the Business Combination, may appear at the hearing in person or by counsel for that purpose, subject to filing with the Court and serving on Distinction on or before 10:30 a.m. (Calgary time) on August 24, 2021, a notice of intention to appear setting out their address for service and indicating whether they intend to support or oppose the application or make submissions, together with any evidence or materials which are to be presented to the Court. Service of such notice on Distinction is required to be effected by service upon the solicitors for Distinction: Cassels Brock & Blackwell LLP, Suite 3810, Bankers Hall West, 888 3<sup>rd</sup> Street S.W., Calgary, Alberta, T2P 5C5, Attention: Jeffrey Oliver.

The KRC Shares issuable to Distinction Shareholders in exchange for their Distinction Shares pursuant to the Business Combination have not been and will not be registered under the U.S. Securities Act or any state securities laws, and will be issued in reliance upon the exemption from the registration requirements of the U.S. Securities Act provided by section 3(a)(10) thereof and exemptions under applicable state securities laws. The Court has been advised that the Final Order, if granted, will constitute the basis for an exemption from the registration requirements of the U.S. Securities Act, pursuant to section 3(a)(10) thereof, with respect to the issuance of the KRC Shares issuable to Distinction Shareholders pursuant to the Business Combination.

Distinction has been advised by its counsel, Cassels, that the Court has broad discretion under the CBCA when making orders with respect to plans of arrangement and that the Court will consider, among other things, the fairness of the Business Combination, both from a substantive and procedural point of view. The Court may approve the Business Combination either as proposed or as amended in any manner the Court may direct, subject to compliance with such terms and conditions, if any, as the Court thinks fit.

Any amendment to the Business Combination required by the Court pursuant to the Final Order must be acceptable to Distinction and KRC, each acting reasonably.

## Securities Law Matters

### *Canada*

#### General

The KRC Shares are not currently traded or listed on a Canadian or foreign marketplace. Pursuant to the Business Combination, all of the Distinction Shares not already owned by KRC will be acquired by KRC and KRC will succeed to Distinction's reporting issuer status.

#### MI 61-101

Each of Distinction and KRC is subject to the provisions of MI 61-101. MI 61-101 regulates certain transactions to ensure equality of treatment among securityholders and may require enhanced disclosure, approval by a majority of securityholders (excluding interested or related parties), independent valuations and, in certain instances, approval and oversight of the transaction by a special committee of independent directors. The protections afforded by MI 61-101 apply to, among other transactions, "business combinations" (as defined in MI 61-101) in which the interests of holders of equity securities may be terminated without their consent.

As described in this Information Circular, all Distinction Shares that KRC does not already own will be exchanged for KRC Shares under the terms of the Plan of Arrangement. The Business Combination is a "business combination" and a "related party transaction" within the meaning of MI 61-101, since, among other things, the interest of holders of Distinction Shares may be terminated without such holders' consent and KRC, a "related party" of Distinction as it holds more than 10% of the issued and outstanding Distinction Shares, will acquire all of the issued and outstanding Distinction Shares that KRC does not already own.

#### *Formal Valuation*

The Business Combination constitutes a "business combination" under MI 61-101 pursuant to which an interested party of Distinction will acquire Distinction. However, the Business Combination is exempt from the formal valuation requirements set out in MI 61-101 as at the time of the transaction, the securities of Distinction were not listed or quoted on one of the exchanges or markets specifically identified in MI 61-101.

#### *Minority Approval*

As described above, the Business Combination is a "business combination" within the meaning of MI 61-101. MI 61-101 requires that, in addition to any other required securityholder approval, a "business combination" be subject to "minority approval" (as defined in MI 61-101) of every class of "affected securities" (as defined in MI 61-101) of the issuer, in each case voting separately as a class. In relation to the Business Combination, the approval of the Distinction Transaction Resolution will require the affirmative vote of a simple majority of the votes cast by all Distinction Shareholders other than: (a) "interested parties" (as defined in MI 61-101); (b) any "related party" (as defined in MI 61-101) of an "interested party", unless the "related party" meets that description solely in its capacity as a director or senior officer of one or more Persons that are neither "interested party" nor "issuer insiders" of Distinction; and (c) any person that is a "joint actor" (as defined in MI 61-101) with any of the foregoing, voting separately as a class.

#### *The Interested Parties*

The Distinction Shares beneficially owned or over which control or discretion is exercised, directly or indirectly, by the interested parties will be excluded in determining whether minority approval of the Business Combination for the purposes of MI 61-101 is obtained unless such persons fall within an exemption from MI 61-101.

To the knowledge of the directors and executive officers of Distinction, after reasonable inquiry, the Distinction Interested Parties include: (a) KRC, which holds approximately 52% of the issued and outstanding Distinction Shares; (b) Luminus, which holds approximately 26% of the issued and outstanding Distinction Shares; (c) the directors, officers and any "related party" of KRC, to the extent such parties hold any outstanding Distinction Shares; and (d) the directors and officers of Distinction to the extent they hold any outstanding Distinction Shares, and in each case the Distinction Shares held by such parties will be excluded from the vote of the Minority Distinction Shareholders unless an exemption is available under MI 61-101.

See below and "*Interests of Certain Persons or Companies in the Business Combination – Distinction*" elsewhere in this Information Circular.

Details of the holdings of Distinction Shares by Distinction Interested Parties as at July 14, 2021 are as follows:

Name	Number of Distinction Shares Beneficially Owned, Controlled or	
	Directed	% of Distinction Shares
KRC	5,136,311	52%
Luminus	2,601,167	26%
KRC Directors/Officers	5,600	0.056%
Non-KRC Distinction Directors/Officers	5,200	0.052%

#### *Prior Valuations*

MI 61-101 also requires Distinction to disclose any "prior valuations" (as defined in MI 61-101) of Distinction or its material assets or securities made within the 24-month period preceding the date of this Information Circular. After reasonable inquiry, neither Distinction nor any director or senior officer of Distinction has any knowledge of any "prior valuation" of Distinction, the Distinction Shares or its material assets in the 24 months preceding the date of this Information Circular.

#### *Prior Offers*

After reasonable inquiry, neither Distinction nor any director or senior officer of Distinction has any knowledge of any *bona fide* prior offer for the Distinction Shares that was received by Distinction during the 24 months preceding the date of the Business Combination Agreement.

#### *Directors and Officers of Distinction*

The directors and officers of Distinction and their affiliated entities and joint actors may be considered to be "interested parties" and thereby excluded, for the purposes of determining minority approval under MI 61-101 if they are entitled to receive, directly or indirectly, as a consequence of the Business Combination a "collateral benefit" (as defined in MI 61-101). For the purposes of MI 61-101, directors and officers of Distinction receive a "collateral benefit" if, among other things, they are entitled to receive, subject to certain exceptions, directly or indirectly, as a consequence of the Business Combination, an increase in salary, a lump sum payment, a payment for surrendering securities or other enhancement in benefits related to past or future services as an employee, director or consultant of Distinction or of another person, regardless of the existence of any offsetting costs to the related party or whether the benefit is provided, or agreed to, by Distinction or another party to the Business Combination.

MI 61-101 expressly excludes benefits from being "collateral benefits" if such benefits are received solely in connection with the related party's services as an employee, director or consultant under certain circumstances, including where the related party and his or her associated entities beneficially owns or exercises control or direction, directly or indirectly, over less than 1% of the outstanding securities of each class of equity securities at the time the transaction was agreed to or publicly announced and: (i) the benefit is not conferred for the purpose, in whole or in part, of increasing the value of the consideration paid to the related party for securities relinquished under the transaction; (ii) the conferring of the benefit is not, by its terms, conditional on the related party supporting the transaction in any manner; and (iii) full particulars of the benefit are disclosed in the disclosure document for the transaction.

As disclosed in this Information Circular, pursuant to the Business Combination Agreement, Patrick Carlson, Kevin Brown, Leland Corbett, Sue Kuethe, Lisa Wong, Michael Galvin, Mike Carlson, Mike Hantzsch, Morteza Nobakht, P. Eric Gallie, Shawn Singh, Steve Sinclair, Beth Reimer-Heck, Dave Reid, Farid Shirkavand, Glenn Koach, Karyssa Quansah, Tim Alberts and Timothy Schneider will receive compensation in the form of accelerated vesting of the Distinction RSUs. Distinction has determined that such payments will not constitute "collateral benefits" for the purposes of MI 61-101, as: (a) the benefit is not conferred for the purpose, in whole or in part, of increasing the value of the consideration paid to such individuals for their Distinction Shares; (b) the benefit is not, by its terms, conditional on such individuals supporting the Business Combination in any manner; (c) full particulars of the benefit have been disclosed in this Information Circular; and (d) to the knowledge of Distinction, each of such individuals exercised control or direction over, or beneficially owned, directly or indirectly, less than 1% of the outstanding Distinction Shares on the date of the Business Combination Agreement.

#### *Luminus*

Although Luminus is not receiving any form of additional financial consideration in respect of the Business Combination, it will enter into the Investment Rights Agreement (Luminus) with KRC on the completion of the Business Combination. The Investment Rights Agreement (Luminus) will provide Luminus with rights not available to other shareholders, although those

rights will be roughly equivalent with the rights KRC has provided to other significant shareholders, namely funds managed by ARC pursuant to the Investment Rights Agreement (ARC). As a result, Distinction has determined to include Luminus as an "interested party" and exclude the votes attached to Luminus' Distinction Shares from the majority of the minority vote.

### *United States*

The KRC Shares issuable to Distinction Shareholders in exchange for their Distinction Shares pursuant to the Business Combination have not been and will not be registered under the U.S. Securities Act or the securities laws of any state within the United States, and will be issued in reliance upon the exemption from the registration requirements of the U.S. Securities Act provided by section 3(a)(10) thereof and exemptions under Applicable U.S. Securities Laws. The Section 3(a)(10) Exemption exempts the issuance of securities issued in exchange for one or more *bona fide* outstanding securities from the general requirement of registration where the terms and conditions of such issuance and exchange have been approved by a court of competent jurisdiction that is expressly authorized by law to grant such approval, after a hearing upon the fairness of the terms and conditions of such issuance and exchange at which all Persons to whom it is proposed to issue the securities have the right to appear and receive timely notice thereof. The Court is authorized to conduct a hearing at which the fairness of the terms and conditions of the Business Combination will be considered. The Court granted the Interim Order on July 23, 2021 and, subject to the approval of the Distinction Transaction Resolution by Distinction Shareholders and the KRC Transaction Resolution by KRC Shareholders and satisfaction of certain other conditions, a final hearing on the Business Combination is expected to be held on August 31, 2021 by the Court. All Distinction Shareholders are entitled to appear and be heard at this hearing, provided they satisfy the applicable conditions set forth in the Interim Order. See "*Procedure for the Business Combination to Become Effective – Court Approval*". The Final Order of the Court will, if granted, constitute the basis for the exemption from the registration requirements of the U.S. Securities Act provided by the Section 3(a)(10) Exemption with respect to the KRC Shares issuable in connection with the Business Combination.

The KRC Shares issuable to Distinction Shareholders pursuant to the Business Combination will be, following completion of the Business Combination, freely tradeable under the U.S. Securities Act, except for Control Shares. Persons who may be deemed to be "affiliates" of an issuer include individuals or entities that control, are controlled by, or are under common control with, the issuer, whether through the ownership of voting securities, by contract, or otherwise, and generally include executive officers and directors of the issuer as well as principal shareholders of the issuer. Any resale of such KRC Shares by such an affiliate (or former affiliate) will be subject to the registration requirements of the U.S. Securities Act, absent an exemption or exclusion therefrom. Subject to certain limitations, Persons holding Control Shares may generally resell those shares outside the United States without registration under the U.S. Securities Act pursuant to Regulation S under the U.S. Securities Act. If available, such Persons may also resell such shares pursuant to Rule 144 under the U.S. Securities Act or pursuant to another exemption or exclusion therefrom.

**The foregoing discussion is only a general overview of certain provisions of United States federal securities laws applicable to the resale of KRC Shares received upon completion of the Business Combination. All holders of such securities are urged to consult with counsel to ensure that the resale of their securities complies with applicable securities legislation.**

### **Procedure for Exchange of Distinction Share Certificates or DRS Advices**

Registered Distinction Shareholders (other than Dissenting Distinction Shareholders) must duly complete and return a Distinction Shareholder Letter of Transmittal, together with the certificate(s), as applicable, representing their Distinction Shares and all other required documents to the Depositary at one of the offices specified in the Distinction Shareholder Letter of Transmittal. In the event that the Business Combination is not completed, such certificates or DRS Advices will be promptly returned to Distinction Shareholders who provided such certificates or DRS Advices to the Depositary.

**Enclosed with this Information Circular is a Distinction Shareholder Letter of Transmittal which, when properly completed and returned together with the certificate(s) representing Distinction Shares and all other required documents, will enable each Distinction Shareholder to obtain the KRC Shares that the Distinction Shareholder is entitled to receive under the Business Combination.**

Distinction Shareholders whose Distinction Shares are held in book entry form, represented by a DRS Advice are not required to return the DRS Advice. Each Distinction Shareholder whose Distinction Shares are represented by a DRS Advice must complete the Distinction Shareholder Letter of Transmittal and return it to the Depositary with all other required documents.

The Distinction Shareholder Letter of Transmittal contains complete instructions on how to exchange your Distinction Shares.

**From and after the Effective Time, certificates or DRS Advices formerly representing Distinction Shares shall represent only the right to receive the KRC Shares to which the former Distinction Shareholders are entitled under the Business**

**Combination**, or as to those held by Dissenting Shareholders, other than those Dissenting Shareholders deemed to have participated in the Business Combination pursuant to the Plan of Arrangement, to receive the fair value of the Distinction Shares represented by such certificates or DRS Advices. As soon as practicable following the later of the Effective Date and the date of deposit by a former holder of Distinction Shares acquired by KRC under the Business Combination of a duly completed Distinction Shareholder Letter of Transmittal, and the certificates representing such Distinction Shares and all other required documents, the Depositary shall either: (i) forward by first class mail to such former holder at the address specified in the Distinction Shareholder Letter of Transmittal; or (ii) if requested by such Distinction Shareholder in the Distinction Shareholder Letter of Transmittal, make available or cause to be made available at the Depositary for pickup by such Distinction Shareholder, DRS Advices representing the number of KRC Shares issued to such Distinction Shareholder under the Business Combination.

**No fractional KRC Shares will be issued under the Business Combination. In the event that a Distinction Shareholder would otherwise be entitled to a fractional KRC Share, the number of KRC Shares issued to such Distinction Shareholder will be rounded up to the next whole number of KRC Shares if the fractional entitlement is equal to or greater than 0.5 and shall, without any additional compensation, be rounded down to the next whole number of KRC Shares if the fractional entitlement is less than 0.5. In calculating fractional interests, all Distinction Shares registered in the name or beneficially held by such Distinction Shareholder, or its nominee(s), will be aggregated.**

**Subject to any Applicable Laws relating to unclaimed personal property, any certificate formerly representing Distinction Shares that is not deposited, together with all other documents (Distinction Shareholders holding DRS Advices for Distinction Shares must complete and return the Distinction Shareholder Letter of Transmittal) required under the Plan of Arrangement, on or before the last Business Day before the third anniversary of the Effective Date, and any right or claim by or interest of any kind or nature, including the right of a former Distinction Shareholder to receive a DRS Advice representing KRC Shares to which such holder is entitled pursuant to the Business Combination, shall terminate and be deemed to be surrendered and forfeited to KRC for no consideration, together with all entitlements to dividends, distributions and interest thereon. In such case, such KRC Shares shall be returned to KRC for cancellation.**

If any certificate which immediately prior to the Effective Time represented an interest in one or more outstanding Distinction Shares has been lost, stolen or destroyed, upon satisfying such reasonable requirements as may be imposed by KRC and the Depositary in relation to the issuance of replacement share certificates, the Depositary will issue and deliver in exchange for such lost, stolen or destroyed certificate the consideration to which the holder is entitled pursuant to the Business Combination (and any dividends or distributions with respect thereto) as determined in accordance with the Business Combination, deliverable in accordance with such holder's Distinction Shareholder Letter of Transmittal. The Person who is entitled to receive such Consideration shall, as a condition precedent to the receipt thereof, give a bond satisfactory to each of KRC, Distinction and their respective transfer agents in such form as is satisfactory to KRC, Distinction and their respective transfer agents, and shall indemnify KRC, Distinction and their respective transfer agents, to the reasonable satisfaction of such parties, against any claim that may be made against any of them with respect to the certificate alleged to have been lost, stolen or destroyed. Alternatively, Distinction Shareholders who have lost, stolen, or destroyed their certificate(s) may participate in Computershare's blanket bond program with Aviva Insurance Company of Canada by completing Box (E) in the Distinction Shareholder Letter of Transmittal, and submitting the applicable certified cheque or money order made payable to Computershare Investor Services Inc.

**Distinction Shareholders whose Distinction Shares are registered in the name of a broker, dealer, bank, trust company or other nominee must contact their nominee to deposit their Distinction Shares.**

**The use of mail to transmit certificates representing Distinction Shares or the Distinction Shareholder Letter of Transmittal is at each registered holder's risk. Distinction recommends that such certificates and documents be delivered by hand to the Depositary and a receipt therefor be obtained or that registered mail be used and appropriate insurance be obtained.**

If a Distinction Shareholder Letter of Transmittal is executed by a Person other than the registered holder of the Distinction Shares being exchanged or if the DRS Advice(s) to be issued in exchange therefor are to be issued to a Person other than the registered owner(s), the signature on the Distinction Shareholder Letter of Transmittal must be medallion guaranteed by an Eligible Institution (as defined in the Distinction Shareholder Letter of Transmittal). If the Distinction Shareholder Letter of Transmittal is executed by a Person other than the registered owner(s) of the Distinction Shares and in certain other circumstances as set forth in the Distinction Shareholder Letter of Transmittal, then the certificate(s) representing the Distinction Shares must be endorsed or be accompanied by an appropriate transfer power of attorney duly and properly completed by the registered owner(s). A Distinction Shareholder holding a DRS Advice is required to provide an appropriate transfer power of attorney duly and properly completed by the registered owner(s) in the above circumstances. The signature(s) on the endorsement panel or the transfer power of attorney must correspond exactly to the name(s) of the registered owner(s) as registered or as appearing on the certificate(s) must be medallion guaranteed by an Eligible Institution.



All questions as to validity, form, eligibility (including timely receipt), and acceptance of any Distinction Shares exchanged pursuant to the Business Combination will be determined by KRC in its sole discretion. Depositing Distinction Shareholders agree that such determination shall be final and binding. KRC reserves the absolute right to reject any and all deposits which it determines not to be in proper form or which may be unlawful for it to accept under the Laws of any jurisdiction. KRC reserves the absolute right to waive any defect or irregularity in the exchange of Distinction Shares. There shall be no duty or obligation on KRC, Distinction, the Depositary or any other Person to give notice of any defect or irregularity in any deposit of Distinction Shares and no liability shall be incurred by any of them for failure to give such notice.

Notwithstanding the provisions of this Information Circular or the Distinction Shareholder Letter of Transmittal, DRS Advices representing KRC Shares representing the Consideration to be received pursuant to the Business Combination will not be mailed if KRC determines that delivery thereof by mail may be delayed. Persons entitled to DRS Advices which are not mailed for such reason may take delivery thereof at the office of the Depositary in which the deposited certificates representing Distinction Shares were originally deposited until such time that it is determined that the delivery by mail will no longer be delayed.

Distinction Shareholders are encouraged to deliver a validly completed and duly executed Distinction Shareholder Letter of Transmittal together with the relevant certificate(s) to the Depositary as soon as possible.

If the Distinction Shareholder's Distinction Shares are not represented by a certificate, but are represented by a DRS Advice, then they are not required to deliver their DRS Advice to the Depositary, however they must still complete and deliver the Distinction Shareholder Letter of Transmittal.

**None of Distinction, KRC or the Depositary are liable for failure to notify Distinction Shareholders, nor do they have any obligation to notify Distinction Shareholders, who make a deficient deposit with the Depositary.**

#### **Procedure for Exchange of KRC Share Certificates or DRS Advices**

Registered KRC Shareholders (other than Dissenting KRC Shareholders) must duly complete and return a KRC Shareholder Letter of Transmittal, together with the certificate(s) representing their KRC Shares and all other required documents to the Depositary at one of the offices specified in the KRC Shareholder Letter of Transmittal. In the event that the Business Combination is not completed, such certificates will be promptly returned to KRC Shareholders who provided such certificates to the Depositary. If the KRC Shareholder's KRC Shares are not represented by a certificate, but are represented by a DRS Advice, then they are not required to deliver their DRS Advice to the Depositary, however they must still complete and deliver the KRC Shareholder Letter of Transmittal.

**Enclosed with this Information Circular is a KRC Shareholder Letter of Transmittal which, when properly completed and returned together with the certificate(s) representing KRC Shares (unless such KRC Shares are represented by DRS Advices) and all other required documents, will enable each KRC Shareholder to obtain the post-consolidation KRC Shares that the KRC Shareholder is entitled to receive under the Business Combination.**

The KRC Shareholder Letter of Transmittal contains complete instructions on how to exchange your KRC Shares.

**From and after the Effective Time, certificates or DRS Advices formerly representing KRC Shares shall represent only the right to receive the consolidated number of KRC Shares to which the KRC Shareholders are entitled under the Business Combination**, or as to those held by Dissenting Shareholders, other than those Dissenting Shareholders deemed to have participated in the Business Combination pursuant to the Plan of Arrangement, to receive the fair value of the KRC Shares represented by such certificates or DRS Advices. As soon as practicable following the later of the Effective Date and the date of deposit by a former holder of KRC Shares acquired by KRC under the Business Combination of a duly completed KRC Shareholder Letter of Transmittal, and the certificates representing such KRC Shares and all other required documents, the Depositary shall either: (i) forward by first class mail to such former holder at the address specified in the KRC Shareholder Letter of Transmittal; or (ii) if requested by such KRC Shareholder in the KRC Shareholder Letter of Transmittal, make available or cause to be made available at the Depositary for pickup by such KRC Shareholder, DRS Advices representing the number of consolidated KRC Shares issued to such KRC Shareholder under the Business Combination.

If any certificate which immediately prior to the Effective Time represented an interest in one or more outstanding KRC Shares has been lost, stolen or destroyed, upon satisfying such reasonable requirements as may be imposed by KRC and the Depositary in relation to the issuance of replacement share certificates, the Depositary will issue and deliver in exchange for such lost, stolen or destroyed certificate the consideration to which the holder is entitled pursuant to the Business Combination (and any dividends or distributions with respect thereto) as determined in accordance with the Business Combination, deliverable in accordance with such holder's KRC Shareholder Letter of Transmittal. The Person who is entitled to receive such KRC Shares shall, as a condition precedent to the receipt thereof, give a bond satisfactory to KRC and its transfer agent in such form as is satisfactory to KRC and its transfer agent, and shall indemnify KRC and its transfer agent, to the reasonable satisfaction of such parties, against



any claim that may be made against any of them with respect to the certificate alleged to have been lost, stolen or destroyed. Alternatively, KRC Shareholders who have lost, stolen, or destroyed their certificate(s) may participate in Computershare's blanket bond program with Aviva Insurance Company of Canada by completing Box (C) in the KRC Shareholder Letter of Transmittal, and submitting the applicable certified cheque or money order made payable to Computershare Investor Services Inc.

**KRC Shareholders whose KRC Shares are registered in the name of a broker, dealer, bank, trust company or other nominee must contact their nominee to deposit their KRC Shares.**

**The use of mail to transmit certificates representing KRC Shares or the KRC Shareholder Letter of Transmittal is at each registered holder's risk. KRC recommends that such certificates and documents be delivered by hand to the Depositary and a receipt therefor be obtained or that registered mail be used and appropriate insurance be obtained.**

If a KRC Shareholder Letter of Transmittal is executed by a Person other than the registered holder of the KRC Shares being exchanged or if the DRS Advice(s) to be issued in exchange therefor are to be issued to a Person other than the registered owner(s), the signature on the KRC Shareholder Letter of Transmittal must be medallion guaranteed by an Eligible Institution (as defined in the KRC Shareholder Letter of Transmittal). If the KRC Shareholder Letter of Transmittal is executed by a Person other than the registered owner(s) of the KRC Shares and in certain other circumstances as set forth in the KRC Shareholder Letter of Transmittal, then the certificate(s) representing the KRC Shares must be endorsed or be accompanied by an appropriate transfer power of attorney duly and properly completed by the registered owner(s). A KRC Shareholder holding a DRS advice is required to provide an appropriate transfer power of attorney duly and properly completed by the registered owner(s) in the above circumstances. The signature(s) on the endorsement panel or the transfer power of attorney must correspond exactly to the name(s) of the registered owner(s) as registered or as appearing on the certificate(s) must be medallion guaranteed by an Eligible Institution.

All questions as to validity, form, eligibility (including timely receipt), and acceptance of any KRC Shares to be consolidated pursuant to the Business Combination will be determined by KRC in its sole discretion. Depositing KRC Shareholders agree that such determination shall be final and binding. KRC reserves the absolute right to reject any and all deposits which it determines not to be in proper form or which may be unlawful for it to accept under the Laws of any jurisdiction. KRC reserves the absolute right to waive any defect or irregularity in the exchange of KRC Shares. There shall be no duty or obligation on KRC, the Depositary or any other Person to give notice of any defect or irregularity in any deposit of KRC Shares and no liability shall be incurred by any of them for failure to give such notice.

Notwithstanding the provisions of this Information Circular or the KRC Shareholder Letter of Transmittal, DRS Advices representing the post-consolidation KRC Shares to be received pursuant to the Business Combination will not be mailed if KRC determines that delivery thereof by mail may be delayed. Persons entitled to DRS Advices which are not mailed for such reason may take delivery thereof at the office of the Depositary in which the deposited certificates or DRS Advices representing KRC Shares were originally deposited until such time that it is determined that the delivery by mail will no longer be delayed.

KRC Shareholders are encouraged to deliver a validly completed and duly executed KRC Shareholder Letter of Transmittal together with the relevant certificate(s) to the Depositary as soon as possible.

**None of Distinction, KRC or the Depositary are liable for failure to notify KRC Shareholders, nor do they have any obligation to notify KRC Shareholders, who make a deficient deposit with the Depositary.**

#### **INTERESTS OF CERTAIN PERSONS OR COMPANIES IN THE BUSINESS COMBINATION**

Except as described below, management of Distinction and KRC are not aware of any material interest direct or indirect, by way of beneficial ownership or otherwise of any director or executive officer of Distinction and KRC, respectively, or anyone who has held office as such since the beginning of Distinction's and KRC's, respectively, last financial year or of any associate or affiliate of any of the foregoing in the Business Combination.

##### **Distinction**

##### ***Distinction Shares***

As at July 14, 2021, the directors and executive officers of Distinction and their associates beneficially owned, controlled or directed, directly or indirectly, an aggregate of 10,800 Distinction Shares, representing less than 1% of the outstanding Distinction Shares. All of the Distinction Shares held by such directors and executive officers of Distinction and their associates will be treated in the same fashion under the Business Combination as Distinction Shares held by any other Distinction

Shareholder. If the Business Combination is completed, the directors and executive officers of Distinction and their associates will receive in exchange for such Distinction Shares an aggregate of approximately 176,000 KRC Shares (on a pre-consolidation basis). See *"Interests of Certain Persons or Companies in the Business Combination – Summary of Interests of Distinction Directors and Distinction Executive Officers in the Business Combination"*.

As at July 14, 2021, KRC owned 5,136,311 Distinction Shares, representing approximately 52% of the issued and outstanding Distinction Shares.

#### ***Distinction Incentives***

The Business Combination will result in a "change of control" in respect of the Distinction Incentives and the vesting of the Distinction Incentives will be accelerated as a result of the Business Combination.

Distinction will use its reasonable commercial efforts to obtain the surrender of the Distinction RSUs prior to the Effective Date in exchange for the payment to the holders thereof of one Distinction Share per Distinction RSU surrendered.

Pursuant to the Business Combination Agreement, KRC has agreed that, subject to obtaining the prior written agreement of each holder of Distinction Stock Options that: (i) following the Effective Date, such Distinction Stock Options may only be exercised during the 100 consecutive day period commencing on the date on which the KRC Shares are first listed and posted for trading on the TSX; and (ii) such Distinction Stock Options shall immediately terminate at the conclusion of such 100 day period, in each case notwithstanding any other terms of the Contract governing such Distinction Stock Options, KRC will succeed to, and be substituted for, and may exercise every right and power of Distinction, and KRC will assume all of the covenants and obligations of Distinction, under the Contracts governing the Distinction Stock Options. Following the Effective Time, former holders of Distinction Stock Options shall be entitled to receive KRC Shares on the exercise of such Distinction Stock Options, subject to such adjustments as are then necessary to reflect: (i) the ratio at which Distinction Shares are exchanged for KRC Shares pursuant to the Business Combination; and (ii) the subsequent consolidation of KRC Shares pursuant to the Plan of Arrangement on a 10:1 basis.

As at July 14, 2021, there were an aggregate of 304,436 Distinction Stock Options and 316,055 Distinction RSUs outstanding.

See *"Effect of the Business Combination – Details of the Business Combination"* and *"Effect of the Business Combination – Distinction Incentives"* and *"Interests of Certain Persons or Companies in the Business Combination – Summary of Interests of Distinction Directors and Distinction Executive Officers in the Business Combination"*.

#### ***Continuing Insurance Coverage for Directors and Officers of Distinction***

Pursuant to the Business Combination Agreement, KRC has agreed that it will maintain or cause to be maintained in effect for three years from the Effective Time, policies of directors' and officers' liability insurance for the benefit of the existing Distinction directors and officers providing coverage comparable to the coverage provided by the directors' and officers' policies obtained by Distinction that are in effect immediately prior to the Effective Time and providing coverage in respect of claims arising from facts or events that occurred on or prior to the Effective Time and which will cover all claims made prior to the Effective Date or within three years of the Effective Date. Prior to the Effective Time, Distinction may, in the alternative, purchase run off directors' and officers' liability insurance for the benefit of its officers and directors having a coverage period of up to six years from the Effective Time.

KRC and Distinction have also agreed, pursuant to the Business Combination Agreement, that all rights to indemnification, expense reimbursement or exculpation now existing in favour of present and former officers and directors of Distinction shall survive completion of the Business Combination and, after the Effective Time, Distinction and any successor to Distinction will not take any action to terminate or adversely affect, and will fulfill its obligations pursuant to, expense advancement and exculpation arrangements and indemnities provided or available to or in favour of past and present officers and directors of Distinction pursuant to the provisions of the articles, by-laws or other constating documents of Distinction, applicable corporate legislation and any written indemnity agreements (and each of them), which have been entered into between Distinction and its past or current officers or directors effective on or prior to the Agreement Date.

**Summary of Interests of Distinction Directors and Distinction Executive Officers in the Business Combination**

<b>Name and Position</b>	<b>Number of Distinction Shares Owned or Controlled</b>	<b>Number of KRC Shares Issuable Pursuant to the Business Combination in Exchange for Distinction Shares Owned or Controlled</b>	<b>Number of Distinction Incentives held at July 14, 2021</b>	<b>Estimated Value of Distinction Incentives (\$)</b>
Timothy Schneider Chair	1,000	20,000	88,277 Distinction RSUs 67,128 Distinction Options	1,765,540
Kevin Brown Director	100 <sup>(1)</sup>	2,000 <sup>(1)</sup>	1,912 Distinction RSUs <sup>(1)</sup> 0 Distinction Options	38,240
P. Eric Gallie Director	1,000	20,000	70,350 Distinction RSUs 53,733 Distinction Options	1,407,000
Steve Sinclair Director	1,000	20,000	849 Distinction RSUs 0 Distinction Options	16,980
Glenn Koach Director	--	--	849 Distinction RSUs 0 Distinction Options	16,980
Leland Corbett Director	100	2,000	614 Distinction RSUs 0 Distinction Options	12,280
Beth Reimer-Heck Director	--	--	614 Distinction RSUs 0 Distinction Options	12,280
Patrick Carlson President, Chief Executive Officer and Director	200 <sup>(2)</sup>	4,000	1,912 Distinction RSUs <sup>(3)</sup> 0 Distinction Options	38,240
Jakub Brogowski Chief Financial Officer	1,000	20,000	--	--
Sue Kuethe Executive Vice President, Land and Community Relations	600	12,000	--	--
Mike Hantzsch Senior Vice President, Midstream and Market Development	1,000	20,000	--	--
Glen Nevokshonoff Chief Operating Officer	2,000 <sup>(4)</sup>	40,000	--	--
Lisa Wong Vice President, Business Systems	600	12,000	--	--
Farid Shirkavand Vice President, Drilling	100	2,000	--	--
Mike Carlson Vice President, Completions	1,000	20,000	--	--
Tim Alberts Vice President, Production	1,000	20,000	--	--
Morteza Nobakht Vice President, Development	100	2,000	10,351 Distinction RSUs 26,182 Distinction Options	207,020

**Notes:**

- (1) Kevin Brown's Distinction Shares and Distinction RSUs received as the result of acting as a director are held by such individual for the benefit ARC (or its fund management or general partner).
- (2) Patrick Carlson's wife, Darlene Constance Carlson, who is a part-time employee of KRC, holds 100 Distinction Shares. Patrick Carlson holds the other 100 Distinction Shares.
- (3) The Distinction RSUs will be assigned to KRC. This and all other compensation received by Patrick Carlson for services provided to Distinction is directed to KRC.
- (4) Glen Nevokshonoff's wife holds 1,000 Distinction Shares. Glen Nevokshonoff holds the other 1,000 Distinction Shares.

**KRC Shares**

As at July 14, 2021, Distinction did not beneficially own, control or direct, directly or indirectly, any KRC Shares. The directors and officers of Distinction, as a group, beneficially owned, controlled or directed, directly or indirectly approximately 2% of the issued and outstanding KRC Shares.

## KRC

### *KRC Shares and KRC Incentives*

As at July 14, 2021, the directors and executive officers of KRC and their associates, as a group, beneficially owned, directly or indirectly, or exercised control or direction over, an aggregate of 13,857,980 KRC Shares, representing approximately 4% of the outstanding KRC Shares.

The Business Combination will not result in a change of control under any of the KRC Incentives.

### *Distinction Shares*

As at July 14, 2021, KRC holds approximately 52% of the issued and outstanding Distinction Shares. The directors and officers of KRC, as a group, beneficially owned, controlled or directed, directly or indirectly less than 1% of the issued and outstanding Distinction Shares.

## LEGAL DEVELOPMENTS

Section 192 of the CBCA provides that, where it is impracticable for a corporation to effect an arrangement under any other provision of the CBCA, a corporation may apply to the Court for an order approving the arrangement proposed by such corporation. Pursuant to this section of the CBCA, such an application will be made by Distinction for approval of the Business Combination. Distinction has been advised by its counsel, Cassels, that the Court has broad discretion under the CBCA when making orders with respect to plans of arrangement and that the Court will consider, among other things, the fairness and reasonableness of the Business Combination, both from a substantive and a procedural point of view. The Court may approve the Business Combination either as proposed or as amended in any manner the Court may direct, subject to compliance with such terms and conditions, if any, as the Court thinks fit. Depending upon the nature of any required amendments, Distinction may determine not to proceed with the Business Combination.

There have been a number of judicial decisions considering section 192 of the CBCA and applications to various arrangements. There have been recent judicial decisions which may apply in this instance, particularly with respect to the role of fairness opinions in a transaction of the nature of a plan of arrangement. **Distinction Shareholders should consult their legal advisors with respect to the legal rights available to them in relation to the Business Combination.**

## DISTINCTION SHAREHOLDER DISSENT RIGHTS

**The following description of the Dissent Rights to which registered Distinction Shareholders are entitled is not a comprehensive statement of the procedures to be followed by a Dissenting Distinction Shareholder who seeks payment of the fair value of such Dissenting Distinction Shareholder's Distinction Shares and is qualified in its entirety by reference to the full text of the Plan of Arrangement, the Interim Order and the text of section 190 of the CBCA, which are attached to this Information Circular as Schedule A to Appendix C, Appendix D and Appendix I, respectively. A Dissenting Distinction Shareholder who intends to exercise Dissent Rights should carefully consider and comply with the provisions of the CBCA, as modified by the Plan of Arrangement and by the Interim Order. Failure to adhere to the procedures established therein may result in the loss of all rights thereunder.**

Accordingly, each Dissenting Distinction Shareholder who might desire to exercise Dissent Rights should consult his or her own legal advisor.

The dissent procedures require that a registered Distinction Shareholder who wishes to dissent ensure that a written notice of objection to the Distinction Transaction Resolution is sent to Distinction c/o Cassels Brock & Blackwell LLP, Suite 3810, Bankers Hall West, 888 3<sup>rd</sup> Street S.W., Calgary, Alberta, T2P 5C5, Attention: Jeffrey Oliver or by e-mail at: joliver@cassels.com to be received no later than 5:00 p.m. (Calgary Time) on August 26, 2021 or 5:00 p.m. (Calgary Time) on the day which is two Business Days immediately preceding the date that any adjourned or postponed Distinction Meeting is reconvened or held, as the case may be, and must otherwise strictly comply with the dissent procedures described.

There can be no assurance that a Distinction Shareholder that dissents will receive consideration for his, her or its Distinction Shares of equal or greater value to the consideration such Distinction Shareholder would have received on completion of the Business Combination if such Distinction Shareholder did not exercise its Dissent Rights. Only Registered Distinction Shareholders are entitled to dissent. Distinction Shareholders should carefully read this section in this Information Circular if they wish to exercise Dissent Rights and seek their own legal advice as failure to strictly comply with the dissent procedures in section 190 of the CBCA, as modified and supplemented by the Interim Order and the Plan of Arrangement, will result in the loss

or unavailability of the right to dissent. See Appendices D and I, respectively to this Information Circular for a copy of the Interim Order and certain information relating to the Dissent Rights.

Dissenting Distinction Shareholders who are ultimately determined to be entitled to be paid the fair value of the Distinction Shares in respect of which they have exercised Dissent Rights will have their KRC Shares transferred to Distinction (which for purposes hereof shall include any successor to KRC) and cancelled in exchange for the right to be paid by KRC the fair value of their Distinction Shares. Each such Dissenting Distinction Shareholder will cease to be a holder of Distinction Shares, and their name will be deemed to be removed from the securities register for the Distinction Shares, as of the Effective Date.

Dissenting Distinction Shareholders who validly withdraw their Dissent Rights or who are ultimately determined not to be entitled, for any reason, to be paid fair value for their Distinction Shares will be deemed to have participated in the Business Combination on the same basis as a non-Dissenting Distinction Shareholder and shall be entitled to receive the Consideration for each Distinction Share formerly held by them in accordance with the Plan of Arrangement.

In addition to any other restrictions under section 190 of the CBCA, holders of Distinction Shares who vote in favour of the Distinction Transaction Resolution, or have instructed a proxyholder to vote such Distinction Shares in favour of the Distinction Transaction Resolution shall not be entitled to exercise Dissent Rights and shall be deemed to have not exercised Dissent Rights in respect of such Distinction Shares.

No rights of dissent shall be available to holders of Distinction Incentives in connection with the Business Combination.

In no circumstances shall KRC, Distinction or any of their respective successors or any other Person be required to recognize a Person exercising Dissent Rights unless such Person is the registered holder of those Distinction Shares in respect of which such rights are sought to be exercised. **Only registered Distinction Shareholders may dissent. Persons who are beneficial owners of Distinction Shares registered in the name of a broker, dealer, bank, trust company or other nominee (including CDS) who wish to dissent, should be aware that they may only do so through the registered owner of such Distinction Shares. A registered Distinction Shareholder, such as a broker or CDS, who holds Distinction Shares as nominee for Beneficial Holders, some of whom wish to dissent, must exercise the Dissent Right on behalf of such beneficial owners with respect to all of the Distinction Shares held for such beneficial owners. In such case, the written objection to the Distinction Transaction Resolution should set forth the number of Distinction Shares covered by it.**

In no case shall KRC, Distinction, the Depositary, the transfer agent in respect of the Distinction Shares or any other Person be required to recognize a Dissenting Distinction Shareholder as a holder of Distinction Shares after the Effective Time and the name of each Dissenting Distinction Shareholder shall be deleted from the register of holders of Distinction Shares as at the time those Distinction Shares are so transferred and such shares will be cancelled.

### ***Section 190 of the CBCA***

A brief summary of the provisions of section 190 of the CBCA as modified by the Interim Order and Plan of Arrangement is set out below. This summary is qualified in its entirety by reference to the full text of the Plan of Arrangement, Interim Order and the text of section 190 of the CBCA, which are attached to this Information Circular as Schedule A to Appendix C, Appendix D and Appendix I, respectively.

Distinction Shareholders may exercise Dissent Rights in respect of the Business Combination and require KRC to purchase the Distinction Shares held by such Distinction Shareholders at the fair value of such Distinction Shares.

The exercise of Dissent Rights does not deprive a registered Distinction Shareholder of the right to vote at the Distinction Meeting. However, a Distinction Shareholder is not entitled to exercise Dissent Rights in respect of the Distinction Transaction Resolution if such holder votes any of the Distinction Shares beneficially held by such holder in favour of the Distinction Transaction Resolution.

A Dissenting Distinction Shareholder is required to send a written objection to the Distinction Transaction Resolution to Distinction prior to the Distinction Meeting. The execution or exercise of a proxy against the Distinction Transaction Resolution, a vote against the Distinction Transaction Resolution or not voting on the Distinction Transaction Resolution does not constitute a written objection for purposes of the right to dissent under section 190 of the CBCA. Within ten days after the Distinction Transaction Resolution is approved by Distinction Shareholders, Distinction must send to each Dissenting Distinction Shareholder a notice that the Distinction Transaction Resolution has been adopted, setting out the rights of the Dissenting Distinction Shareholder and the procedures to be followed on exercise of those rights. The Dissenting Distinction Shareholder is then required, within 20 days after receipt of such notice (or if such Distinction Shareholder does not receive such notice, within 20 days after learning of the adoption of the Distinction Transaction Resolution), to send to Distinction a written notice

containing the Dissenting Distinction Shareholder's name and address, the number of Distinction Shares in respect of which the Dissenting Distinction Shareholder dissents and a demand for payment of the fair value of such Distinction Shares and, within 30 days after sending such written notice, to send to Distinction or its transfer agent the appropriate share certificate or certificates representing the Distinction Shares in respect of which the Dissenting Distinction Shareholder has exercised Dissent Rights. A Dissenting Distinction Shareholder who fails to send to Distinction within the required periods of time the required notices or the certificates representing the Distinction Shares in respect of which the Dissenting Distinction Shareholder has dissented may forfeit its Dissent Rights.

If the matters provided for in the Distinction Transaction Resolution become effective, then KRC will be required to send, not later than the seventh day after the later of: (i) the Effective Date; or (ii) the day the demand for payment is received by Distinction, to each Dissenting Distinction Shareholder whose demand for payment has been received, a written offer to pay for the Distinction Shares of such Dissenting Distinction Shareholder in such amount as the directors of KRC consider to be the fair value thereof accompanied by a statement showing how the fair value was determined unless there are reasonable grounds for believing that KRC is, or after the payment would be, unable to pay its liabilities as they become due or the realizable value of KRC's assets would thereby be less than the aggregate of its liabilities. Under the Plan of Arrangement, KRC will be required to pay the fair value of such Distinction Shares held by a Dissenting Distinction Shareholder and to offer and pay the amount to which such holder is entitled. Such payment is to be made, pursuant to section 190 of the CBCA, within ten days after an offer made as described above has been accepted by a Dissenting Distinction Shareholder, but any such offer lapses if Distinction does not receive an acceptance thereof within 30 days after such offer has been made. Every offer will be made on the same terms to each Dissenting KRC Shareholder.

If such offer is not made or accepted within 50 days after the Effective Date, KRC may apply to a court of competent jurisdiction to fix the fair value of such shares. There is no obligation of KRC to apply to the court. If KRC fails to make such an application, a Dissenting Distinction Shareholder has the right to so apply within a further 20 days.

The above summary does not purport to provide a comprehensive statement of the procedures to be followed by Dissenting Distinction Shareholders who seek payment of the fair value of their Distinction Shares. Section 190 of the CBCA, other than as amended by the Business Combination and the Interim Order, requires adherence to the procedures established therein and failure to do so may result in the loss of all rights thereunder. **Accordingly, Dissenting Distinction Shareholders who might desire to exercise the right to dissent and appraisal should carefully consider and comply with the provisions of section 190 of the CBCA, the full text of which is set out in Appendix I to this Information Circular and consult their own legal advisor.**

**Unless otherwise waived, it is a mutual condition to the completion of the Business Combination that holders of not more than 5% of the issued and outstanding Distinction Shares shall have properly exercised Dissent Rights in respect of the Business Combination that have not been withdrawn as of the Effective Date.**

## **KRC SHAREHOLDER DISSENT RIGHTS**

**The following description of the Dissent Rights to which registered KRC Shareholders are entitled is not a comprehensive statement of the procedures to be followed by a Dissenting KRC Shareholder who seeks payment of the fair value of such Dissenting KRC Shareholder's KRC Shares and is qualified in its entirety by reference to section 191 of the ABCA, which is attached to this Information Circular as Appendix J. A Dissenting KRC Shareholder who intends to exercise Dissent Rights should carefully consider and comply with the provisions of the ABCA. Failure to adhere to the procedures established therein may result in the loss of all rights thereunder.**

Accordingly, each Dissenting KRC Shareholder who might desire to exercise Dissent Rights should consult his or her own legal advisor.

The dissent procedures require that a registered KRC Shareholder who wishes to dissent ensure that a written notice of objection to the KRC Transaction Resolution is sent to KRC c/o Stikeman Elliott LLP, Suite 4300, Bankers Hall West, 888 3<sup>rd</sup> Street S.W., Calgary, Alberta, T2P 5C5, Attention: Ben Hudy or by facsimile ((403) 266 9034) or by e-mail at: bhudy@stikeman.com to be received no later than 5:00 p.m. (Calgary Time) on August 26, 2021 or 5:00 p.m. (Calgary Time) on the day which is two Business Days immediately preceding the date that any adjourned or postponed KRC Meeting is reconvened or held, as the case may be, and must otherwise strictly comply with the dissent procedures described.

There can be no assurance that a KRC Shareholder that dissents will receive consideration for his, her or its KRC Shares of equal or greater value to the post-consolidation KRC Shares such KRC Shareholder would have received on completion of the Business Combination if such KRC Shareholder did not exercise its Dissent Rights. Only Registered KRC Shareholders are entitled to dissent. KRC Shareholders should carefully read this section in this Information Circular if they wish to exercise Dissent Rights and seek their own legal advice as failure to strictly comply with the dissent procedures in section 191 of the ABCA will result in the loss or unavailability of the right to dissent.



Dissenting KRC Shareholders who are ultimately determined to be entitled to be paid the fair value of the KRC Shares in respect of which they have exercised Dissent Rights will have their KRC Shares transferred to KRC (which for purposes hereof shall include any successor to KRC) and cancelled in exchange for the right to be paid by KRC the fair value of their KRC Shares. Each such Dissenting KRC Shareholder will cease to be a holder of KRC Shares, and their name will be deemed to be removed from the securities register for the KRC Shares, as of the Effective Date.

In addition to any other restrictions under section 191 of the ABCA, holders of KRC Shares who vote in favour of the KRC Transaction Resolution, or have instructed a proxyholder to vote such KRC Shares in favour of the KRC Transaction Resolution shall not be entitled to exercise Dissent Rights and shall be deemed to have not exercised Dissent Rights in respect of such KRC Shares.

No rights of dissent shall be available to holders of KRC Incentives in connection with the Business Combination.

In no circumstances shall KRC or any of its successors or any other Person be required to recognize a Person exercising Dissent Rights unless such Person is the registered holder of those KRC Shares in respect of which such rights are sought to be exercised. **Only registered KRC Shareholders may dissent. Persons who are beneficial owners of KRC Shares registered in the name of a broker, dealer, bank, trust company or other nominee (including CDS) who wish to dissent, should be aware that they may only do so through the registered owner of such KRC Shares. A registered KRC Shareholder, such as a broker or CDS, who holds KRC Shares as nominee for Beneficial Holders, some of whom wish to dissent, must exercise the Dissent Right on behalf of such beneficial owners with respect to all of the KRC Shares held for such beneficial owners. In such case, the written objection to the KRC Transaction Resolution should set forth the number of KRC Shares covered by it.**

In no case shall KRC or any other Person be required to recognize a Dissenting KRC Shareholder as a holder of KRC Shares after the Effective Time and the name of each Dissenting KRC Shareholder shall be deleted from the register of holders of KRC Shares as at the time those KRC Shares are so transferred and such shares will be cancelled.

### ***Section 191 of the ABCA***

A brief summary of the provisions of section 191 of the ABCA is set out below. This summary is qualified in its entirety by reference to the text of section 191 of the ABCA, which is attached to this Information Circular as Appendix J.

A Dissenting KRC Shareholder may apply to the Court, after the approval of the KRC Transaction Resolution to fix the fair value of such Dissenting KRC Shareholder's KRC Shares. If such an application is made to the Court by a Dissenting KRC Shareholder, KRC must, unless the Court orders otherwise, send to each Dissenting KRC Shareholder, a written offer to pay such Dissenting KRC Shareholder an amount considered to be the fair value of the KRC Shares held by such Dissenting KRC Shareholder. The offer, unless the Court orders otherwise, must be sent to each Dissenting KRC Shareholder, as the case may be, at least ten days before the date on which the application is returnable, if KRC is the applicant, or within ten days after KRC is served a copy of the application, if a Dissenting KRC Shareholder is the applicant. Every offer will be made on the same terms to each Dissenting KRC Shareholder and contain or be accompanied with a statement showing how the fair value was determined.

A Dissenting KRC Shareholder will not be required to give security for costs in respect of an application and, except in special circumstances, will not be required to pay the costs of the application or appraisal. On the application, the Court will make an order fixing the fair value of the KRC Shares of all Dissenting KRC Shareholders, as the case may be, who are parties to the application, giving judgment in favour of each of those Dissenting KRC Shareholders, and fixing the time within which KRC must pay the amount payable to each Dissenting KRC Shareholder calculated from the date on which such Dissenting KRC Shareholder ceases to have any rights as a KRC Shareholder until the date of payment.

On the Business Combination becoming effective in respect of the KRC Shares held by the Dissenting KRC Shareholder, such Dissenting KRC Shareholder will cease to have any rights as a KRC Shareholder, as the case may be, other than the right to be paid the fair value of such holder's KRC Shares. Until one of these events occurs, the Dissenting KRC Shareholder may withdraw his or her dissent or, if the Business Combination has not yet become effective, KRC may rescind the KRC Transaction Resolution and in either event, the dissent and appraisal proceedings in respect of that Dissenting KRC Shareholder will be discontinued.

KRC shall not make a payment to a Dissenting KRC Shareholder under section 191 of the ABCA if there are reasonable grounds for believing that it is or would after the payment be unable to pay its liabilities as they become due, or that the realizable value of its assets would thereby be less than the aggregate of its liabilities. In such event, KRC shall notify each Dissenting KRC Shareholder that they are unable lawfully to pay such Dissenting KRC Shareholder for his or her KRC Shares, in which case the Dissenting KRC Shareholder may, by written notice to KRC within 30 days after receipt of such notice, withdraw such holder's written objection, in which case the holder shall be deemed to have participated in the Business Combination as a KRC

Shareholder. If the Dissenting KRC Shareholder does not withdraw such holder's written objection, such Dissenting KRC Shareholder retains status as a claimant against KRC to be paid as soon as KRC are lawfully entitled to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of KRC but in priority to their equity securityholders.

The above summary does not purport to provide a comprehensive statement of the procedures to be followed by Dissenting KRC Shareholders who seek payment of the fair value of their KRC Shares. Section 191 of the ABCA requires adherence to the procedures established therein and failure to do so may result in the loss of all rights thereunder. **Accordingly, Dissenting KRC Shareholders who might desire to exercise the right to dissent and appraisal should carefully consider and comply with the provisions of section 191 of the ABCA, the full text of which is set out in Appendix J to this Information Circular and consult their own legal advisor.**

## CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

The following is, as of the date of this Information Circular, a summary of the principal Canadian federal income tax considerations generally applicable under the Tax Act to a beneficial owner of Distinction Shares who disposes of or exchanges, or is deemed to have disposed of or exchanged, a Distinction Share pursuant to the Business Combination and who, for purposes of the Tax Act and at all relevant times: (i) deals at arm's length with and is not affiliated with Distinction or KRC; and (ii) holds all Distinction Shares, and will hold all KRC Shares acquired under the Business Combination, as capital property (each, a "**Holder**"). Generally, the Distinction Shares and the KRC Shares will be considered to be capital property to a holder thereof provided the holder does not use or hold such securities in the course of carrying on a business and has not acquired such securities in one or more transactions considered to be an adventure or concern in the nature of trade.

This summary is based on the current provisions of the Tax Act, and on an understanding of the current administrative policies and assessing practices of the CRA published in writing prior to the date hereof. This summary takes into account all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "**Proposed Amendments**") and assumes that all Proposed Amendments will be enacted in the form proposed. However, no assurances can be given that the Proposed Amendments will be enacted as proposed, or at all. This summary does not otherwise take into account or anticipate any changes in law or administrative policy whether by legislative, regulation, administrative or judicial action nor does it take into account tax legislation or considerations of any province, territory or foreign jurisdiction, which may differ from those discussed herein.

This summary is not applicable to a Holder: (i) that is a "specified financial institution"; (ii) an interest in which is a "tax shelter investment"; (iii) that is, for purposes of certain rules (referred to as the mark-to-market rules) applicable to securities held by financial institutions, a "financial institution"; (iv) that reports its "Canadian tax results" in a currency other than Canadian currency; (v) that has entered into, or will enter into, with respect to its Distinction Shares or KRC Shares, as the case may be, a "derivative forward agreement" or "synthetic disposition agreement"; (vi) that is a partnership or trust, each within the meaning of the Tax Act; (vii) that is exempt from Part I tax under the Tax Act; or (viii) who, immediately following the Business Combination, will, either alone or together with Persons with whom such Holder does not deal at arm's length, beneficially own KRC Shares which have a fair market value in excess of 50% of the fair market value of all outstanding KRC Shares, each as defined in the Tax Act. Such Holders should consult their own tax advisors.

This summary does not address the deductibility of interest by a Holder who has borrowed money or otherwise incurred debt in connection with the acquisition of the Distinction Shares.

This summary does not address all issues relevant to Holders who acquired their Distinction Shares on the exercise of options or pursuant to other employee equity compensation plans. Such Holders should consult their own tax advisors.

The tax treatment of holders of Distinction Incentives is not addressed in this summary. **All holders of Distinction Incentives should consult their own tax advisors with respect to the Business Combination.**

Additional considerations, not discussed herein, may be applicable to a Holder that is a corporation resident in Canada and is, or becomes, controlled by a non-resident Person or a group of non-resident Persons not dealing with each other at arm's length for the purposes of the "foreign affiliate dumping" rules in section 212.3 of the Tax Act. Such Holders should consult their own tax advisors.

**This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to a Holder in respect of the transactions described herein. The income or other tax consequences will vary depending on the particular circumstances of the Holder. Accordingly, this summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice or representations to any particular Holder. This summary does not discuss any non-Canadian income or other tax consequences of the Business Combination. Holders resident or subject to taxation in a jurisdiction other than Canada should be aware that the Business Combination may have tax consequences both in**

**Canada and in such other jurisdiction. Such consequences are not described in this summary. Holders should consult their own legal and tax advisors for advice with respect to the tax consequences of the transactions described in this Information Circular based on their particular circumstances.**

### **Holders Resident in Canada**

This portion of the summary is generally applicable to a Holder who, at all relevant times, for purposes of the Tax Act and any applicable income tax convention, is, or is deemed to be, resident in Canada (a "**Resident Holder**"). Certain Resident Holders may be entitled to make or may have already made the irrevocable election permitted by subsection 39(4) of the Tax Act, the effect of which may be to deem to be capital property any Distinction Shares and KRC Shares (and all other "Canadian securities", as defined in the Tax Act) owned by such Resident Holder in the taxation year in which the election is made and in all subsequent taxation years. Resident Holders whose Distinction Shares or KRC Shares might not otherwise be considered to be capital property should consult their own tax advisors concerning this election.

### ***Exchange of Distinction Shares under the Business Combination***

For Distinction Shares that are exchanged for KRC Shares, the Resident Holder will be deemed to have disposed of such Distinction Shares under a tax-deferred share-for-share exchange pursuant to section 85.1 of the Tax Act, unless the Resident Holder chooses to recognize a capital gain (or capital loss) as described in paragraph (b) below, such that:

- (a) Where a Resident Holder does not choose to recognize a capital gain (or capital loss) on the exchange, the Resident Holder will be deemed to have disposed of its Distinction Shares for proceeds of disposition equal to its aggregate adjusted cost base of those Distinction Shares, determined immediately before the exchange, and the Resident Holder will be deemed to have acquired the KRC Shares at an aggregate cost equal to such adjusted cost base. This cost will be averaged with the adjusted cost base of all other KRC Shares held by the Resident Holder for the purposes of determining the adjusted cost base of each KRC Share held by the Resident Holder.
- (b) A Resident Holder may choose to recognize a capital gain (or capital loss) on the exchange by including the capital gain (or capital loss) in computing the Resident Holder's income for the taxation year. In such circumstances, the Resident Holder will recognize a capital gain (or capital loss) equal to the amount, if any, by which the fair market value of the KRC Shares received, net of any reasonable costs associated with the exchange, exceeds (or is less than) the aggregate of its adjusted cost base of such Distinction Shares, determined immediately before the exchange. For a description of the tax treatment of capital gains and capital losses, see "*Holders Resident in Canada – Taxation of Capital Gains and Losses*" below. The cost of the KRC Shares acquired on the exchange will be equal to the fair market value thereof at the time of the exchange. This cost will be averaged with the adjusted cost of all other KRC Shares held by the Resident Holder for the purpose of determining the adjusted cost base of each KRC Share held by the Resident Holder after the exchange.

### ***Dissenting Resident Holders of Distinction Shares***

A Resident Holder that validly exercises Dissent Rights (a "**Resident Dissenter**") will be deemed under the Business Combination to have transferred such Resident Holder's Distinction Shares (the "**Resident Holder's Dissent Shares**") to KRC, and will be entitled to be paid the fair value for the Resident Holder's Dissent Shares. The Resident Dissenter will realize a capital gain (or a capital loss) equal to the amount by which the payment (other than any interest) exceeds (or is exceeded by) the aggregate of its adjusted cost base of its Dissent Shares determined immediately before the Effective Time and any reasonable costs of disposition. For a description of the tax treatment of capital gains and capital losses, see "*Holders Resident in Canada – Taxation of Capital Gains and Losses*" below. A Resident Dissenter must include in computing its income any interest awarded to it by a court.

### ***Holding and Disposing of KRC Shares***

#### **Dividends Received on KRC Shares**

A Resident Holder will be required to include in computing its income for a taxation year any dividends received (or deemed to be received) on the KRC Shares. In the case of a Resident Holder that is an individual (other than certain trusts), such dividends will be subject to the gross-up and dividend tax credit rules applicable to taxable dividends received from taxable Canadian corporations, including the enhanced gross-up and dividend tax credit applicable to any dividends designated by KRC as eligible dividends in accordance with the provisions of the Tax Act.

Taxable dividends received by a Resident Holder that is an individual (other than certain trusts) may increase such Resident Holder's liability for alternative minimum tax.

A dividend received (or deemed to be received) by a Resident Holder that is a corporation will generally be deductible in computing the corporation's taxable income. In certain circumstances, however, a taxable dividend received (or deemed to be received) by a Resident Holder that is a corporation may be deemed to be a gain from the disposition of capital property or proceeds of disposition potentially giving rise to a capital gain. Resident Holders that are corporations should consult their own tax advisors having regard to their own particular circumstances.

A Resident Holder that is a "private corporation", as defined in the Tax Act, or any other corporation controlled, whether because of a beneficial interest in one or more trusts or otherwise, by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts), will generally be liable to pay a refundable tax under Part IV of the Tax Act on dividends received (or deemed to be received) on the KRC Shares to the extent such dividends are deductible in computing the Resident Holder's taxable income for the taxation year.

#### *Disposition of KRC Shares*

Generally, on a disposition or deemed disposition of a KRC Share, a Resident Holder will realize a capital gain (or capital loss) equal to the amount, if any, by which the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base to the Resident Holder of the KRC Share immediately before the disposition or deemed disposition. The adjusted cost base to the Resident Holder of a KRC Share will be determined by averaging the cost of such KRC Shares with the adjusted cost base of all other KRC Shares held by the Resident Holder at that time. See "*Holders Resident in Canada – Taxation of Capital Gains and Losses*" below for a general discussion of the treatment of capital gains and capital losses under the Tax Act.

#### ***Taxation of Capital Gains and Losses***

Generally, a Resident Holder is required to include in computing its income for a taxation year one-half of the amount of any capital gain (a "**taxable capital gain**") realized in the year. Subject to and in accordance with the provisions of the Tax Act, a Resident Holder is required to deduct one-half of the amount of any capital loss (an "**allowable capital loss**") realized in a taxation year from taxable capital gains realized by the Resident Holder in the year and allowable capital losses in excess of taxable capital gains for the year may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized in such years, to the extent and under the circumstances described in the Tax Act.

The amount of any capital loss realized by a Resident Holder that is a corporation on the disposition or deemed disposition of a Distinction Share or a KRC Share may be reduced by the amount of any dividends received (or deemed to be received) by the Resident Holder on such share (or on a share for which such share was exchanged) to the extent and under the circumstances prescribed by the Tax Act. Similar rules may apply where Distinction Shares or KRC Shares are owned by a partnership or trust of which a corporation, trust or partnership is a member or beneficiary. Such Resident Holders should consult their own advisors.

Capital gains realized by a Resident Holder that is an individual (other than certain trusts) may increase such Resident Holder's liability for alternative minimum tax.

#### ***Additional Refundable Tax***

A Resident Holder that is throughout the taxation year a "Canadian-controlled private corporation", as defined in the Tax Act, is liable for tax, a portion of which may be refundable, on certain investment income, including taxable capital gains realized and dividends received or deemed to be received (but not dividends or deemed dividends that are deductible in computing taxable income) and certain interest.

#### ***Eligibility for Investment***

The KRC Shares received by Distinction Shareholders pursuant to the Business Combination will be qualified investments under the Tax Act for trusts governed by registered retirement savings plans ("**RRSP**"), registered retirement income funds ("**RRIF**"), registered education savings plans ("**RESP**"), registered disability savings plans ("**RDSP**"), tax-free savings accounts ("**TFSA**") and, together with RRSP, RRIF, RESP, and RDSP, "**Registered Plans**"), and deferred profit sharing plans, where: (i) the KRC Shares are listed on a "designated stock exchange" (which currently includes the TSX); or (ii) KRC is a "public corporation", each as defined in the Tax Act.

Notwithstanding that KRC Shares may be qualified investments for a Registered Plan, the holder, subscriber or annuitant of the Registered Plan, as the case may be, will be subject to a penalty tax as set out in the Tax Act if such securities are a "prohibited investment" for the Registered Plan for purposes of the Tax Act. A KRC Share will generally be a "prohibited investment" for a Registered Plan if the holder, subscriber or annuitant, as the case may be, does not deal at arm's length with KRC for the purposes of the Tax Act or has a "significant interest" (as defined in the Tax Act) in KRC. In addition, the KRC Shares will generally not be a prohibited investment if such shares are "excluded property" as defined in the Tax Act for purposes of the prohibited investment rules.

Resident Holders who would receive KRC Shares within a Registered Plan pursuant to the Business Combination should consult their own tax advisors in this regard in advance of the Business Combination.

### **Holders Not Resident in Canada**

This portion of the summary is generally applicable to a Holder who, at all relevant times, for purposes of the Tax Act, is not, and is not deemed to be, resident in Canada and does not use or hold, and is not deemed to use or hold, the Distinction Shares or KRC Shares in a business carried on in Canada (a "**Non-Resident Holder**"). Special rules, which are not discussed in this summary, may apply to certain holders that are insurers carrying on an insurance business in Canada and elsewhere.

### ***Exchange of Distinction Shares under the Business Combination***

A Non-Resident Holder whose Distinction Shares are "taxable Canadian property" and are not "treaty-protected property" will generally have the same tax considerations as those described above under "*Holders Resident in Canada – Exchange of Distinction Shares under the Business Combination*".

Such Non-Resident Holders may be entitled to the automatic tax deferral provisions of subsection 85.1(1) of the Tax Act as described above in respect of any Distinction Shares exchanged for KRC Shares if such Non-Resident Holder satisfies the conditions above under the heading "*Holders Resident in Canada – Exchange of Distinction Shares under the Business Combination*", and such Non-Resident Holder is not a foreign affiliate of a taxpayer resident in Canada that has included the gain or loss otherwise determined in its foreign accrual property income for the taxation year in which the exchange occurs. Where section 85.1(1) of the Tax Act applies, the KRC Shares received in exchange for Distinction Shares that constituted taxable Canadian property to such Non-Resident Holder will be deemed to be taxable Canadian property to such Non-Resident Holder for a period of 60 months after the exchange.

A Non-Resident Holder whose Distinction Shares are "taxable Canadian property" at the time of the disposition thereof pursuant to the Business Combination, regardless of whether any gain arising in respect thereof is deferred under the Tax Act, will generally be subject to reporting and withholding obligations under section 116 of the Tax Act in respect of the disposition of its Distinction Shares pursuant to the Business Combination. See discussion below under the heading "*Section 116 Considerations*".

### ***Distinction Shares – Taxable Canadian Property***

The Distinction Shares will be "taxable Canadian property" to a Non-Resident Holder if at any particular time during the 60-month period immediately preceding the Effective Time, the Distinction Shares derived more than 50% of their fair market value directly or indirectly from one or any combination of: (i) real or immovable properties situated in Canada; (ii) "Canadian resource properties" (as defined in the Tax Act); (iii) "timber resource properties" (as defined in the Tax Act); and (iv) options in respect of, or interests in, or for civil law rights in, property in any of the foregoing whether or not the property exists. Notwithstanding the foregoing, in certain circumstances set out in the Tax Act, Distinction Shares could be deemed to be taxable Canadian Property.

Where the Distinction Shares are taxable Canadian property to a Non-Resident Holder, a taxable capital gain resulting from the disposition of such shares will not be included in computing the Non-Resident Holder's income for the purposes of the Tax Act if the Distinction Shares constitute "treaty-protected property". Distinction Shares owned by a Non-Resident Holder will generally be treaty-protected property of a Non-Resident Holder if the gain from the disposition of such shares would, because of an applicable income tax treaty between Canada and the country in which the Non-Resident Holder is resident for purposes of such treaty and in respect of which the Non-Resident Holder is entitled to receive benefits thereunder, be exempt from tax under the Tax Act.

### ***Section 116 Considerations***

A Non-Resident Holder whose Distinction Shares are "taxable Canadian property" at the time of the disposition thereof pursuant to the Business Combination, regardless of whether any gain arising in respect thereof is deferred under the Tax Act, will



generally be subject to reporting and withholding obligations under section 116 of the Tax Act in respect of the disposition of its Distinction Shares pursuant to the Business Combination.

Where the Distinction Shares are "taxable Canadian property" to a Non-Resident Holder, and such Non-Resident Holder is not exempt from Canadian income tax because of the application of an applicable income tax convention or treaty, the reporting and withholding obligations under section 116 of the Tax Act will apply.

Where the reporting and withholding obligations under section 116 of the Tax Act apply, the Non-Resident Holder whose Distinction Shares constitute "taxable Canadian property" at the time of the disposition thereof pursuant to the Business Combination will be required to notify the CRA of the disposition, either prior to the disposition or within ten days thereafter, and should obtain a clearance certificate under section 116 of the Tax Act in respect of the disposition. If the Non-Resident Holder does not deliver to KRC on or before the Effective Date, a clearance certificate issued by CRA in respect of the disposition of the Distinction Shares pursuant to the Business Combination having a certificate limit at least equal to the proceeds of disposition (as determined for purposes of section 116 of the Tax Act) the Non-Resident Holder is entitled to receive in respect of the Distinction Shares disposed of pursuant to the Business Combination, then KRC will withhold all of the KRC Shares otherwise issuable to such Non-Resident Holder pursuant to the Business Combination. Such withheld KRC Shares shall be dealt with pursuant to the terms of the Business Combination Agreement.

**Non-Resident Holders whose Distinction Shares are, or may be, taxable Canadian property should consult their own tax advisors with respect to the Canadian federal tax consequences to them of disposing of Distinction Shares, including any resulting Canadian reporting obligations.**

#### ***Dissenting Non-Resident Holders***

A Non-Resident Holder that validly exercises Dissent Rights (a "**Non-Resident Dissenter**") and consequently is paid by KRC the fair value for the Non-Resident Dissenter's Distinction Shares will generally realize a capital gain or capital loss as discussed under "*Holders Resident in Canada – Dissenting Resident Holders*". As discussed above under "*Holders Not Resident in Canada – Exchange of Distinction Shares under the Business Combination*", any resulting capital gain would only be subject to tax under the Tax Act if the Non-Resident Dissenter's Distinction Shares are taxable Canadian property to the Non-Resident Holder at the Effective Time and are not treaty-protected property of the Non-Resident Holder at that time.

Generally, an amount paid in respect of interest awarded by the court to a Non-Resident Dissenter will not be subject to Canadian withholding tax under the Tax Act provided that such interest is not "participating debt interest" (as defined in the Tax Act).

#### ***Holding and Disposing of KRC Shares***

##### *Dividends Received on KRC Shares*

Dividends paid or credited (or deemed to be paid or credited) on the KRC Shares to a Non-Resident Holder will be subject to Canadian withholding tax at the rate of 25%, subject to any reduction in the rate of withholding to which the Non-Resident Holder is entitled under any applicable income tax convention. For example, under the Convention, where dividends on the KRC Shares are considered to be paid to or derived by a Non-Resident Holder that is the beneficial owner of the dividends and is a U.S. resident for the purposes of, and is entitled to benefits in accordance with, the provisions of the Convention, the applicable rate of Canadian withholding tax is generally reduced to 15%. Non-Resident Holders who may be eligible for a reduced rate of withholding tax on dividends pursuant to any applicable income tax treaty or convention should consult with their own tax advisors with respect to taking all appropriate steps in this regard.

##### *Disposition of KRC Shares*

A Non-Resident Holder will not be subject to tax under the Tax Act on any capital gain realized on a disposition or deemed disposition of KRC Shares, unless the KRC Shares constitute "taxable Canadian property" to the Non-Resident Holder and do not constitute "treaty-protected property".

Generally, the KRC Shares will not constitute "taxable Canadian property" to a Non-Resident Holder at the time of disposition provided that the KRC Shares are listed at that time on a designated stock exchange (which includes the TSX), unless at any particular time during the 60-month period that ends at that time:

- (a) one or any combination of: (i) the Non-Resident Holder; (ii) Persons with whom the Non-Resident Holder does not deal with at arm's length; and (iii) partnerships in which the Non-Resident Holder or a Person



described in (ii) holds a membership interest directly or indirectly through one or more partnerships, has owned 25% or more of the issued shares of any class or series of the capital stock of KRC; and

- (b) more than 50% of the fair market value of the KRC Shares was derived directly or indirectly from one or any combination of: (i) real or immovable properties situated in Canada; (ii) "Canadian resource properties" (as defined in the Tax Act); (iii) "timber resource properties" (as defined in the Tax Act); and (iv) options in respect of, or interests in, or for civil law rights in, property in any of the foregoing whether or not the property exists.

Notwithstanding the foregoing, in certain circumstances set out in the Tax Act, KRC Shares could be deemed to be taxable Canadian property. Non-Resident Holders whose KRC Shares may constitute taxable Canadian property should consult their own tax advisors.

Even if the KRC Shares are taxable Canadian property to a Non-Resident Holder, a taxable capital gain resulting from the disposition of such shares will not be included in computing the Non-Resident Holder's income for the purposes of the Tax Act if the KRC Shares constitute "treaty-protected property". KRC Shares owned by a Non-Resident Holder will generally be treaty-protected property of a Non-Resident Holder if the gain from the disposition of such shares would, because of an applicable income tax treaty between Canada and the country in which the Non-Resident Holder is resident for purposes of such treaty and in respect of which the Non-Resident Holder is entitled to receive benefits thereunder, be exempt from tax under the Tax Act.

Pursuant to the provisions of the Tax Act, where Distinction Shares constitute "taxable Canadian property" to a Non-Resident Holder, any KRC Shares received by the Non-Resident Holder on the exchange of such Distinction Shares utilizing the rollover available under section 85.1 of the Tax Act will be deemed to constitute "taxable Canadian property" to the Non-Resident Holder throughout the period that begins at the Effective Time and ends on the day that is 60 months after the Effective Time. The result is that such Non-Resident Holder may be subject to tax under the Tax Act on future gains realized on a disposition of those KRC Shares so long as such shares constitute "taxable Canadian property" and are not "treaty-protected property" of the Non-Resident Holder, at the time of disposition.

A Non-Resident Holder who disposes of KRC Shares may, in certain circumstances, also be required to file a Canadian income tax return reporting the disposition.

**Non-Resident Holders whose KRC Shares are, or may be, taxable Canadian property should consult their own tax advisors with respect to the Canadian federal tax consequences to them of disposing of KRC Shares, including any resulting Canadian reporting obligations.**

## **TAX CONSIDERATIONS IN OTHER JURISDICTIONS**

This Information Circular discusses certain Canadian federal income tax considerations applicable to certain Distinction Shareholders. Tax considerations applicable to Distinction Shareholders who are resident in jurisdictions other than Canada are not discussed and such Distinction Shareholders should consult their own tax advisors with respect to the tax implications of the Business Combination, including any associated filing requirements, in such jurisdictions and with respect to the tax implications in such jurisdictions of owning KRC Shares after the Business Combination. All Distinction Shareholders should consult their own tax advisors regarding the provincial, state, local and territorial tax considerations relating to the Business Combination and of holding KRC Shares.

**This Information Circular does not discuss any tax considerations applicable to holders of Distinction Incentives. Such Persons should consult their own tax advisors regarding the consequences of the Business Combination to them in their particular circumstances.**

## ***PRO FORMA* INFORMATION CONCERNING THE COMBINED COMPANY**

### **General**

The Business Combination will result in a strategic business combination of KRC and Distinction, pursuant to which KRC will acquire all of the issued and outstanding Distinction Shares that KRC does not already own in exchange for KRC Shares. Pursuant to the Business Combination, Distinction Shareholders will exchange their Distinction Shares for KRC Shares on the basis of 20 KRC Shares for each Distinction Share held.

Current KRC Shareholders are expected to own approximately 76% of the Combined Company immediately after completion of the Business Combination. Former Distinction Shareholders (other than KRC) are expected to own approximately 24% of the Combined Company upon completion of the Business Combination.

### ***Organizational Structure***

Pursuant to the terms of the Plan of Arrangement, Distinction and KRC shall be amalgamated and continued as one corporation under the CBCA.

### ***Narrative Description of the Business***

The Combined Company will operate as Kiwetinohk Resources Corp. and remain headquartered in Calgary, Alberta. For a detailed description of the business of Distinction, including the historical development of its business and its assets, see the Distinction AIF, which is incorporated by reference in this Information Circular. KRC will succeed to the reporting issuer status of Distinction. For a detailed description of the business of the Combined Company, see Appendix H – *Information Concerning KRC and the Combined Company*.

See *"The Business Combination – Reasons for the Business Combination"*.

### **Notice to Reader**

Additional information about the Combined Company following completion of the Business Combination is found in Appendix H – *"Information Concerning Kiwetinohk Resources Corp. and the Combined Company"* and should be read in conjunction with documents incorporated by reference in this Information Circular and the information concerning KRC and Distinction, as applicable, appearing elsewhere in this Information Circular. See also Appendix G – *"Information Concerning Distinction Energy Corp."*.

## **TIMING**

If the Meetings are held as scheduled and are not adjourned or postponed, and the necessary conditions for completion of the Business Combination are otherwise satisfied or waived, Distinction is expected to apply for the Final Order approving the Business Combination on or about August 31, 2021. If the Final Order is obtained in form and substance satisfactory to Distinction and KRC and all other conditions set forth in the Business Combination Agreement are otherwise satisfied or waived, Distinction and KRC expect the Effective Date will occur or about September 2, 2021. It is not possible, however, to state with certainty when the Effective Date will occur and it is possible that factors outside the control of Distinction and/or KRC could result in the Business Combination being completed at a later time, or not at all. Subject to certain limitations, each Party may terminate the Business Combination Agreement if the Business Combination is not consummated by November 8, 2021.

The Business Combination will become effective as of the Effective Time on the Effective Date upon the Articles of Arrangement being sent to the Director and the Director issuing the Certificate.

The Effective Date could be delayed for a number of reasons, including an objection before the Court at the hearing of the application for the Final Order.

## **RISK FACTORS**

Distinction Shareholders voting in favour of the Distinction Transaction Resolution and KRC Shareholders voting in favour of the KRC Transaction Resolution will be choosing to combine the businesses of Distinction and KRC and, in the case of Distinction Shareholders to acquire securities of KRC. The completion of the Business Combination involves risks. In addition to the risk factors present in each of Distinction's and KRC's businesses, described under the heading *"Risk Factors"* in the Distinction AIF, which is incorporated by reference herein, and under the heading *"Risk Factors"* in Appendix H – *"Information Concerning Kiwetinohk Resources Corp. and the Combined Company"*, Distinction Shareholders and KRC Shareholders should carefully consider the following risk factors in evaluating whether to approve the Distinction Transaction Resolution and the KRC Transaction Resolution, as applicable. Readers are cautioned that such risk factors are not exhaustive. These risk factors should be considered in conjunction with the other information included in this Information Circular, including the documents incorporated by reference herein and the documents filed by Distinction and KRC pursuant to Applicable Laws from time to time.

### ***Possible Failure to Realize Anticipated Benefits of the Business Combination***

Distinction and KRC are proposing to complete the Business Combination to create the opportunity to realize certain anticipated benefits including, among other things, those set forth in this Information Circular under the headings "*The Business Combination – Reasons for the Business Combination – Independent Committee and Distinction Board*", "*The Business Combination – Reasons for the Business Combination – KRC Board*", and information in Appendix H – "*Information Concerning Kiwetinohk Resources Corp. and the Combined Company*". The Business Combination is subject to normal commercial risks that such transaction may not be completed on the terms negotiated or at all. Distinction and KRC are proposing to complete the Business Combination to create a leader in responsible energy development and realize certain benefits including, among other things, potential synergies and cost savings. Achieving the benefits of the Business Combination depends in part on successfully consolidating functions and integrating operations, procedures and personnel in a timely and efficient manner, as well as the Combined Company's ability to realize the anticipated growth opportunities and synergies from integrating the respective businesses of Distinction and KRC following completion of the Business Combination.

Achieving the benefits of the Business Combination also depends on the ability of the Combined Company to realize the anticipated capital and operating synergies and to maximize the potential of its improved growth opportunities and capital funding opportunities as a result of combining the businesses and operations of Distinction and KRC.

The integration of the Distinction and KRC assets will require the dedication of substantial management effort, time and resources which may divert management's focus and resources from other strategic opportunities and from operational matters. The integration process may result in the loss of key employees and the disruption of ongoing business and employee relationships that may adversely affect the Combined Company's ability to achieve the anticipated benefits of the Business Combination. A variety of factors, including those risk factors set forth in this Information Circular and the documents incorporated by reference herein, may adversely affect the ability to achieve the anticipated benefits of the Business Combination.

### ***Satisfaction of Conditions Precedent***

The completion of the Business Combination is subject to a number of conditions precedent, certain of which are outside the control of Distinction and KRC. Among other things, completion of the Business Combination is subject to the approval of the Court, the approval of the Distinction Transaction Resolution by the Distinction Shareholders and the approval of the KRC Transaction Resolution by KRC Shareholders. There is no certainty, nor can Distinction or KRC provide any assurance, that these conditions will be satisfied or, if satisfied, when they will be satisfied. In addition, if the Business Combination is not completed, Distinction or KRC could be subject to litigation related to the failure to complete the Business Combination or to require Distinction or KRC to perform their respective obligations under the Business Combination Agreement.

Even if all approvals and orders are obtained and conditions precedent to the completion of the Business Combination are satisfied, no assurance can be made as to the terms, conditions and timing of such approvals, orders and consents. For example, these approvals, orders and consents may impose conditions on or require divestitures relating to the divisions, operations or assets of Distinction or KRC or may impose requirements, limitations or costs or place restrictions on the conduct of KRC's or Distinction's respective businesses, and if such approvals, orders or consents require an extended period of time to be obtained, such extended period of time could increase the chance that an adverse event occurs with respect to KRC or Distinction. Such extended period of time may also increase the chance that other adverse effects with respect to KRC or Distinction could occur, such as the loss of key personnel. Each Party's obligation to complete the Business Combination is also subject to the accuracy of the representations and warranties of the Other Party (subject to certain qualifications and exceptions) and the performance in all material respects of the Other Party's covenants under the Business Combination Agreement. As a result of these conditions, the Parties cannot provide assurance that the Business Combination will be completed on the terms or timeline contemplated in the Business Combination Agreement, or at all.

### ***Entry into New Business Activities***

Completion of the Business Combination will result in a combination of the current business activities currently carried on by each of Distinction and KRC as separate entities. The combination of these activities into the Combined Company may expose Distinction Shareholders and KRC Shareholders to different business risks than those to which they were exposed prior to the Business Combination. As a result of the changing risk profile of the companies, the Combined Company may be subject to review of its credit ratings, which may result in a downgrade or negative outlook being assigned to the Combined Company.

The integration of Distinction and KRC will require the dedication of substantial effort, time and resources on the part of management which may divert management's focus and resources from other strategic opportunities and from operational matters during this process. In addition, the integration process could result in disruption of existing relationships with suppliers, employees, customers and other constituencies of each company. There can be no assurance that management will be able to

integrate the operations of each of the businesses successfully or achieve any of the synergies or other benefits that are anticipated to result from the Business Combination. Most operational and strategic decisions and certain staffing decisions with respect to integration have not yet been made. These decisions and the integration of the two companies will present challenges to management, including the integration of systems and personnel of the two companies which may be geographically separated, unanticipated liabilities and unanticipated costs. It is possible that the integration process could result in the loss of key employees, the disruption of the respective ongoing businesses or inconsistencies in standards, controls, procedures and policies that adversely affect the ability of management to maintain relationships with customers, suppliers, employees or to achieve the anticipated benefits of the Business Combination. The performance of the Combined Company's operations after completion of the Business Combination could be adversely affected if the Combined Company cannot retain key employees to assist in the integration and operation of Distinction and KRC.

Any inability of management to successfully integrate the operations could have a Material Adverse Effect on the business, financial condition and results of operations of the Combined Company.

After the completion of the Business Combination, KRC will face the same risks that each of Distinction and KRC currently face, in addition to other risks.

#### ***The Combined Company's Business Mix will be Different than that of KRC and Distinction***

KRC is a private energy transition company focusing on commercializing, developing and producing oil and gas, capturing renewable energy as well as producing electricity and hydrogen from these primary energy sources. Distinction is an oil and natural gas company based in Calgary, Alberta, focused on commercializing, developing and producing crude oil, natural gas and natural gas liquids from properties in the Fox Creek region of Alberta. The Combined Company's business will entail a combination of these businesses, which will result in a different business mix than the current businesses of Distinction and KRC, respectively, and which may subject the Combined Company to different business risks than those which are currently applicable to Distinction and KRC as separate entities.

#### ***The Business Combination Agreement May Be Terminated***

Each of Distinction and KRC has the right to terminate the Business Combination Agreement in certain circumstances. Accordingly, there is no certainty, nor can either of Distinction or KRC provide any assurance, that the Business Combination Agreement will not be terminated by either Distinction or KRC before the completion of the Business Combination.

In addition, certain costs related to the Business Combination, such as legal, accounting and certain financial advisor fees, must be paid by Distinction and KRC even if the Business Combination is not completed.

If the Business Combination is not completed for any reason, including in the event the Distinction Shareholders or KRC Shareholders, respectively, do not approve the matters required to be voted on thereby, the ongoing businesses of KRC and Distinction may be adversely affected and, without realizing any of the anticipated benefits of having completed the Business Combination, Distinction and KRC would be subject to a number of risks, including the following:

- Distinction and KRC may experience negative reactions from the investment community, their customers, suppliers, regulators and employees and other partners in the business community;
- Distinction and KRC may be required to pay certain costs relating to the Business Combination, whether or not the Business Combination is completed; and
- matters relating to the Business Combination will have required substantial commitments of time and other resources by KRC and Distinction management, which would otherwise have been devoted to day-to-day operations and strategic opportunities that may have been beneficial to Distinction and KRC had the Business Combination not been contemplated.

#### ***While the Business Combination is Pending, Distinction and KRC are Restricted from Taking Certain Actions***

The Business Combination Agreement restricts Distinction and KRC from taking specified actions until the Business Combination is completed, without the consent of the Other Party. These restrictions may prevent Distinction and/or KRC from pursuing attractive business opportunities that may arise prior to completion of the Business Combination.

### ***Consents and Approvals***

Completion of the Business Combination is conditional upon receiving certain consents and regulatory approvals. A substantial delay in obtaining satisfactory approvals or the imposition of unfavourable terms or conditions in the regulatory approvals could adversely affect the business, financial condition or results of operations of KRC, Distinction or the Combined Company.

### ***Distinction Dissent Rights***

Distinction Shareholders have the right to exercise certain dissent and appraisal rights and demand payment of the fair value of their Distinction Shares in cash in connection with the Business Combination in accordance with the CBCA. If there are a significant number of Dissenting Distinction Shareholders, a substantial cash payment may be required to be made to such Distinction Shareholders that could have an adverse effect on KRC's financial condition and cash resources if the Business Combination is completed. It is a mutual condition to completion of the Business Combination that holders of less than 5% of the outstanding Distinction Shares have exercised Dissent Rights in respect of the Business Combination, which condition may be waived by mutual written consent of the Parties.

### ***KRC Dissent Rights***

KRC Shareholders have the right to exercise certain dissent and appraisal rights and demand payment of the fair value of their KRC Shares in cash in connection with the Business Combination in accordance with the ABCA. If there are a significant number of Dissenting KRC Shareholders, a substantial cash payment may be required to be made to such KRC Shareholders that could have an adverse effect on KRC's financial condition and cash resources if the Business Combination is completed.

### ***Potential Undisclosed Liabilities Associated with the Business Combination***

In connection with the Business Combination, there may be liabilities that KRC or Distinction failed to discover or were unable to quantify in their respective due diligence, which was conducted prior to the execution of the Business Combination Agreement. It is possible that Distinction or KRC may not be indemnified for some or all of such undisclosed liabilities.

### ***Dilutive Effect***

The issuance of KRC Shares pursuant to the Business Combination, if completed, will have an immediate dilutive effect on the ownership interest in KRC.

### ***Pro Forma Financial and Operational Information may not be Indicative of the Combined Company's Financial Condition, or Performance or Results of Operations following the Business Combination***

The unaudited *pro forma* financial and operational information contained in this Information Circular is presented for illustrative purposes only as of its respective dates or for its respective periods and may not be indicative of the financial condition, performance or results of operations of the Combined Company following completion of the Business Combination for several reasons. The unaudited *pro forma* financial information has been derived from the respective historical financial statements of KRC and Distinction, and certain adjustments and assumptions made as of the dates indicated therein have been made to give effect to the Business Combination. The information upon which these adjustments and assumptions have been made is preliminary and these kinds of adjustments and assumptions are difficult to make with complete accuracy. Moreover, the unaudited *pro forma* financial information does not include, among other things, estimated costs or synergies, adjustments related to restructuring or integration activities, future acquisitions or disposals not yet known or probable, or impacts of Business Combination-related change in control provisions that are currently not factually supportable and/or likely to occur. Therefore, the *pro forma* financial and operational information contained herein is presented for informational purposes only and is not necessarily indicative of what the Combined Company's actual financial condition, performance or results of operations would have been had the Business Combination been completed on the date indicated. Accordingly, the combined business, assets, results of operations and financial condition or performance may differ significantly from those indicated in the unaudited *pro forma* financial information. See Schedule C to Appendix H – "Information Concerning Kiwetinohk Resources Corp. and the Combined Company".

### ***Income Tax Laws***

There can be no assurance that the CRA or other applicable taxing authorities will agree with the federal income tax consequences of the Business Combination, as applicable, as summarized in this Information Circular. Furthermore, there can be no assurance that applicable Canadian and U.S. income tax Laws, regulations or tax treaties will not be changed or interpreted in a manner, or that applicable taxing authorities will not take administrative positions, that are adverse to Distinction Shareholders



in respect of the Business Combination or to KRC and its securityholders following completion of the Business Combination. Such taxation authorities may also disagree with how KRC or Distinction calculate or have in the past calculated their income for income tax purposes. In addition, the Business Combination and related transactions may restrict the ability of the Combined Company to use certain pre-combination tax attributes of either or both of KRC and Distinction. Any such events could adversely affect the Combined Company, its share price or the dividends or other payments to be paid to KRC's Shareholders following completion of the Business Combination.

#### ***Future Dividends on KRC Shares***

There can be no assurance as to future dividend payments by KRC on the KRC Shares and the level thereof, as KRC's dividend policy and the funds available for the payment of dividends from time to time will be dependent upon, among other things, operating cash flow generated by KRC and its subsidiaries, financial requirements for KRC's operations, the execution of its growth strategy and the satisfaction of solvency tests imposed by the CBCA for the declaration and payment of dividends.

#### ***KRC and Distinction may be the Targets of Legal Claims, Securities Class Actions, Derivative Lawsuits and Other Claims***

KRC and Distinction may be the target of securities class actions and derivative lawsuits which could result in substantial costs and may delay or prevent the Business Combination from being completed. Securities class action lawsuits and derivative lawsuits are often brought against companies that have entered into an agreement to merge, to acquire a public company or to be acquired. Third parties may also attempt to bring claims against KRC and Distinction seeking to restrain the Business Combination or seeking monetary compensation or other remedies. Even if the lawsuits are without merit, defending against these claims can result in substantial costs and divert the time and resources of management. Additionally, if a plaintiff is successful in obtaining an injunction prohibiting consummation of the Business Combination, then that injunction may delay or prevent the Business Combination from being completed.

In addition, political and public attitudes towards the Business Combination could result in negative press coverage and other adverse public statements affecting KRC and Distinction. Adverse press coverage and other adverse statements could lead to investigations by regulators, legislators and law enforcement officials or in legal claims or otherwise negatively impact the ability of KRC, Distinction or the Combined Company to take advantage of various business and market opportunities. The direct and indirect effects of negative publicity, and the demands of responding to and addressing it, may have a Material Adverse Effect on KRC, Distinction or the Combined Company.

#### ***KRC and Distinction Directors and Officers may have Interests in the Business Combination Different from the Interests of KRC Shareholders and Distinction Shareholders Following Completion of the Business Combination***

Certain of the directors and executive officers of KRC and Distinction were involved with negotiating the terms of the Business Combination Agreement, and the KRC Board has unanimously recommended (excluding directors who abstained in accordance with section 120 of the ABCA), that KRC Shareholders vote in favour of the KRC Transaction Resolution and the Distinction Board has unanimously recommended (excluding directors who abstained in accordance with section 120 of the CBCA), that Distinction Shareholders vote in favour of the Distinction Transaction Resolution. These directors and executive officers may have interests in the Business Combination that are different from, or in addition to, those of KRC Shareholders and Distinction Shareholders generally. These interests include, but are not limited to, the continued employment of certain executive officers of KRC and Distinction by the Combined Company, the continued service of certain directors of KRC and Distinction as directors of the Combined Company and the participation by certain executive officers in retention programs adopted by KRC and Distinction, respectively; for further information, see *"Interests of Certain Persons in the Business Combination"*. KRC Shareholders and Distinction Shareholders should be aware of these interests when they consider their respective board of directors' recommendations. The KRC Board and the Distinction Board were each aware of, and considered, these interests when they declared the advisability of the Business Combination Agreement and unanimously recommended, that KRC Shareholders approve the KRC Transaction Resolution and that Distinction Shareholders approve the Distinction Transaction Resolution.

### **COMPARISON OF SHAREHOLDER RIGHTS**

The rights of KRC Shareholders are currently governed by the ABCA and by KRC's by-laws and articles. If the KRC Transaction Resolution is approved, KRC will be continued federally under the CBCA. Accordingly, the securities issued to KRC Shareholders will be governed by the CBCA and KRC's by-laws and articles. Although the rights and privileges of shareholders under the ABCA are in many instances comparable to those under the CBCA, there are several differences. See Appendix K – *"Comparison of Shareholder Rights"* for a comparison of these rights. This summary is not intended to be exhaustive and Distinction Shareholders should consult their legal advisors regarding all of the implications of the effects of the Business Combination on such Distinction Shareholders' rights.



## INFORMATION CONCERNING DISTINCTION ENERGY CORP.

See Appendix G attached to this Information Circular for detailed information concerning Distinction.

## INFORMATION CONCERNING KIWETINOHK RESOURCES CORP.

See Appendix H attached to this Information Circular for detailed information concerning KRC.

## MATTERS TO BE CONSIDERED AT THE DISTINCTION MEETING

At the Distinction Meeting, Distinction Shareholders will be asked to consider the Distinction Transaction Resolution in the form set forth in Appendix A of this Information Circular.

Distinction Shareholders are urged to carefully review this Information Circular when considering the Distinction Transaction Resolution. In particular, see, "*The Business Combination*", "*Effect of the Business Combination*" and Appendix H – "*Information Concerning Kiwetinohk Resources Corp. and the Combined Company*".

To pass, the Distinction Transaction Resolution must be approved by: (i) not less than 66⅔% of the votes cast by Distinction Shareholders present in person or represented by proxy at the Distinction Meeting, in the manner set forth in the Interim Order; and (ii) a simple majority of the votes cast on the Distinction Transaction Resolution by the Distinction Shareholders present in person or represented by proxy at the Distinction Meeting after excluding the votes cast by those Persons whose votes are required to be excluded in accordance with MI 61-101.

**Unless otherwise directed, the persons named in the accompanying forms of proxy for the Distinction Meeting intend to vote FOR the Distinction Transaction Resolution.**

It is a condition to the completion of the Business Combination that the Distinction Transaction Resolution be approved at the Distinction Meeting.

## MATTERS TO BE CONSIDERED AT THE KRC MEETING

At the KRC Meeting, KRC Shareholders will be asked to consider the KRC Transaction Resolution in the form set forth in Appendix B of this Information Circular.

As at July 14, 2021 there were 9,968,185 Distinction Shares and 334,369,401 KRC Shares outstanding (in each case, on a non-diluted basis) on a pre-consolidation basis. Following the Amalgamation and immediately prior to the completion of the Business Combination, KRC will consolidate the outstanding KRC Shares on a 10 to 1 basis. Upon completion of the Business Combination, assuming there are no Dissenting Shareholders and that no Distinction Shares or KRC Shares are issued pursuant to any outstanding Distinction Incentives or KRC Incentives, as applicable, or entitlements or other rights to acquire Distinction Shares or KRC Shares between the Agreement Date and the Effective Date, there will be approximately 43,728,974 post-consolidation KRC Shares issued and outstanding, of which existing holders of Distinction Shares (other than KRC) and KRC Shares will collectively own approximately 24% and 76% of the Combined Company on a non-diluted basis, respectively. Based on the Distinction Shares outstanding as at July 14, 2021, KRC will issue approximately 102,920,340 pre-consolidation KRC Shares to acquire all of the currently outstanding Distinction Shares that KRC does not already own pursuant to the Business Combination.

The Business Combination will result in the issuance or potential issuance of a total of approximately 31% of the 334,369,401 pre-consolidation KRC Shares outstanding as at July 14, 2021 based on the Exchange Ratio of 20 KRC Shares for each Distinction Share. KRC Shareholders will be asked to approve the issuance of up to 102,920,340 KRC Shares in connection with the Business Combination.

KRC Shareholders are urged to carefully review this Information Circular when considering the KRC Transaction Resolution. In particular, see, "*The Business Combination*", "*Effect of the Business Combination*" and Appendix G – "*Information Concerning Distinction Energy Corp.*". For information relating to the impact of the Business Combination on KRC, see Appendix H – "*Information Concerning Kiwetinohk Resources Corp. and the Combined Company*".

To pass, the KRC Transaction Resolution must be approved by not less than 66⅔% of the votes cast by the KRC Shareholders present in person or represented by proxy at the KRC Meeting.

**Unless otherwise directed, the persons named in the accompanying form of proxy for the KRC Meeting intend to vote FOR the KRC Transaction Resolution.**

It is a condition to the completion of the Business Combination that the KRC Transaction Resolution be approved at the KRC Meeting.

## **GENERAL PROXY MATTERS – DISTINCTION**

### **Solicitation of Proxies**

This Information Circular is delivered in connection with the solicitation by or on behalf of management of Distinction of proxies for use at the Distinction Meeting. The cost of soliciting proxies will be borne by Distinction. The solicitation of proxies will be done primarily by mail and electronic means, but may also be solicited personally, by telephone, facsimile or other similar means by directors, officers, employees or agents of Distinction. The costs of preparing and distributing this Information Circular and meeting materials will be borne by Distinction and KRC, as applicable.

The Distinction Meeting is being called pursuant to the Interim Order to seek the requisite approvals of Distinction Shareholders to the Business Combination in accordance with section 192 of the CBCA. See *"The Business Combination"*, *"Effect of the Business Combination"* and *"Matters to be Considered at the Distinction Meeting"*.

The information set forth below generally applies to registered holders of Distinction Shares. If you are a Beneficial Holder of Distinction Shares (i.e. your Distinction Shares are held through a broker, financial institution or other nominee), see *"Information for Beneficial Holders"* at the front of this Information Circular.

### **Appointment and Revocation of Proxies**

Accompanying this Information Circular is a form of proxy for registered holders of Distinction Shares. The Persons named in the enclosed form of proxy are directors and/or officers of Distinction. **A registered Distinction Shareholder has a choice of voting by proxy on the internet, by phone, by mail or by fax or by using the form of proxy provided by Distinction to appoint another Person (who need not be a Distinction Shareholder) other than the Persons designated in the form of proxy provided by Distinction to attend the Distinction Meeting and act for such Distinction Shareholder, or voting in person by attending the Distinction Meeting. If a Distinction Shareholder votes by proxy on the internet, by telephone, by mail or by facsimile in advance of the Distinction Meeting, such Distinction Shareholder's vote will be counted, whether or not such Distinction Shareholder attends the Distinction Meeting. Even if a Distinction Shareholder attends the Distinction Meeting, it may be more convenient to vote in advance.** To exercise this right to vote at the Distinction Meeting, the Distinction Shareholder should strike out the names of management designees in the enclosed form of proxy and insert the name of the desired representative in the blank space provided in the form of proxy or submit another appropriate form of proxy. Completed forms of proxy must be received by the transfer agent and registrar of Distinction, Computershare, no later than the Distinction Proxy Deadline.

A registered Distinction Shareholder may vote in one of the following ways: (i) by internet, at the website indicated on the proxy form, for which the Control Number which is noted on the proxy form will be required; (ii) by telephone, at 1-866-732-8683 (toll-free in North America), for which the Control Number as noted on the proxy form will be required (if a Distinction Shareholder chooses to vote by telephone, such Distinction Shareholder cannot appoint anyone other than the appointees named on the form of proxy as proxyholder); (iii) by mailing a complete, signed and dated form of proxy using the enclosed return envelope or an envelope addressed to the registrar and transfer agent of Distinction, Computershare Trust Company of Canada, 8<sup>th</sup> Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1; (iv) by hand delivery to Computershare Trust Company of Canada, 8<sup>th</sup> Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1; (v) by facsimile, by sending a complete, signed and dated form of proxy to 1-866-249-7775 (toll-free in North America) or 1-416-263-9524 (outside North America); or (vi) in person at the Distinction Meeting wherein the form of proxy does not need to be completed or return in advance of the Distinction Meeting.

The following applies to Distinction Shareholders who wish to appoint as their proxyholders individuals other than those named in the proxy.

**Distinction Shareholders who wish to appoint as their proxyholders individuals other than those named in the proxy to attend and participate in the Distinction Meeting and vote their securities MUST submit their proxies appointing such individuals as proxyholders.**

In addition to revocation in any other manner permitted by law, a Distinction Shareholder may revoke or change a previously made proxy vote: (i) by instrument in writing executed by the Distinction Shareholder, as applicable, or such Distinction Shareholder's attorney authorized in writing or, if the Distinction Shareholder is a corporation, under its corporate seal or by an officer or attorney thereof, duly authorized, indicating the capacity under which such officer or attorney is signing and deposited with Computershare, the transfer agent of Distinction, at the office designated in the Notice of Special Meeting of Distinction Shareholders not later than 5:00 p.m. (Calgary time), on the Business Day preceding the day of the Distinction Meeting (or any adjournment or postponement thereof); or (ii) by a duly executed and deposited proxy as provided herein bearing a later date or time than the date or time of the proxy being revoked.

## Proxy Voting

The Distinction Shares represented by an effective form of proxy will be voted or withheld from voting in accordance with the instructions specified therein. **If a Distinction Shareholder returns the form of proxy but does not indicate how to vote its securities, and does not appoint a Person other than the Persons designed on the form of proxy, the Distinction Shares, as applicable, will be voted FOR the approval of the Distinction Transaction Resolution.** The enclosed applicable form of proxy confers discretionary authority in respect of amendments or variations to matters identified in the Notice of Special Meeting of Distinction Shareholders and with respect to other matters which may properly come before the Distinction Meeting or any adjournment or postponement thereof. As of the date hereof, management of Distinction is not aware of any amendments, variations or other matters to come before the Distinction Meeting. If a Distinction Shareholder attends the Distinction Meeting and is eligible to vote on the applicable resolution, such Distinction Shareholder can vote on such amendments, variations or other matters that properly come before the Distinction Meeting.

## General

Distinction is not using the "notice-and-access" procedures under Applicable Canadian Securities Laws to send its proxy-related materials to the Distinction Shareholders, and paper copies of such materials will be sent to all Distinction Shareholders. Distinction will be delivering proxy-related materials directly to non-objecting Beneficial Holders.

## Voting Securities of Distinction and Principal Holders thereof

As at July 14, 2021, there are 9,968,185 Distinction Shares issued and outstanding. Each Distinction Share entitles the holder thereof to one vote per Distinction Share on the Distinction Transaction Resolution at the Distinction Meeting.

Distinction Shareholders are entitled to vote if they were a holder of Distinction Shares at the close of business on July 23, 2021, the record date for the Distinction Meeting. Distinction will prepare, as of the Distinction Record Date, a list of Distinction Shareholders entitled to receive the Notice of Special Meeting of Distinction Shareholders, showing the number of Distinction Shares held by each such Distinction Shareholder. Distinction Shareholders whose names have been entered in the register of holders of Distinction Shares by the close of business on the Distinction Record Date will be entitled to receive notice of and to vote the Distinction Shares shown opposite such Distinction Shareholder's name at the Distinction Meeting.

To the knowledge of the directors and officers of Distinction, as of July 14, 2021, no Person or company beneficially owns, or exercises control or direction over, directly or indirectly, more than 10% of the voting rights attached to all of the outstanding Distinction Shares, other than as set forth below:

Name	Number of Distinction Shares	Percentage of Distinction Shares
KRC	5,136,311	52%
Luminus	2,601,167	26%

## Procedure and Votes Required

Pursuant to the Interim Order:

- each Distinction Share entitled to vote at the Distinction Meeting will entitle the holder to one vote at the Distinction Meeting in respect of the Distinction Transaction Resolution;
- the number of votes required to pass the Distinction Transaction Resolution shall be:
  - not less than 66  $\frac{2}{3}$ % of the votes cast by Distinction Shareholders present in person or represented by proxy at the Distinction Meeting, in the manner set forth in the Interim Order; and

- a simple majority of the votes cast on the Distinction Transaction Resolution by the Distinction Shareholders present in person or represented by proxy at the Distinction Meeting after excluding the votes cast by those Persons whose votes are required to be excluded in accordance with MI 61-101; and
- the quorum required in respect of the Distinction Transaction Resolution at the Distinction Meeting will be two persons present and holding or representing by proxy at least 25% of the shares entitled to vote at the meeting shall be a quorum.

Notwithstanding the foregoing, the Distinction Transaction Resolution authorizes the Distinction Board, without further notice to or approval of the Distinction Shareholders, to the extent permitted by the Business Combination Agreement and the Plan of Arrangement, to amend the Business Combination Agreement or the Plan of Arrangement and to not proceed with the Business Combination. See Appendix A to this Information Circular for the full text of the Distinction Transaction Resolution.

## GENERAL PROXY MATTERS – KRC

### Solicitation of Proxies

**This Information Circular is delivered in connection with the solicitation by or on behalf of management of KRC of proxies for use at the KRC Meeting.** In addition to solicitation by mail, proxies may be solicited by personal interviews, telephone or other means of communication and by directors, officers and employees of KRC. The cost of soliciting proxies will be borne by KRC. The solicitation of proxies will be done primarily by mail and electronic means, but may also be solicited personally, by telephone, facsimile or other similar means by directors, officers, employees or agents of KRC. The costs of preparing and distributing this Information Circular and meeting materials will be borne by Distinction and KRC.

The KRC Meeting is being called to seek the requisite approval of KRC Shareholders of the KRC Transaction Resolution. See *"The Business Combination"*, *"Effect of the Business Combination"* and *"Matters to be Considered at the KRC Meeting"*.

The information set forth below generally applies to registered holders of KRC Shares. If you are a Beneficial Holder of KRC Shares (i.e. your KRC Shares are held through a broker, financial institution or other nominee), see *"Information for Beneficial Holders"* at the front of this Information Circular.

### Appointment and Revocation of Proxies

Accompanying this Information Circular is a form of proxy for registered holders of KRC Shares. The Persons named in the enclosed form of proxy are directors and/or officers of KRC. **A registered KRC Shareholder has a choice of voting by proxy on the internet, by phone, by mail or by fax or by using the form of proxy provided by KRC to appoint another Person (who need not be a KRC Shareholder) other than the Persons designated in the form of proxy provided by KRC to attend the KRC Meeting and act for such KRC Shareholder, or voting in person by attending the KRC Meeting. If a KRC Shareholder votes by proxy on the internet, by telephone, by mail or by facsimile in advance of the KRC Meeting, such KRC Shareholder's vote will be counted, whether or not such KRC Shareholder attends the KRC Meeting. Even if a KRC Shareholder attends the KRC Meeting, it may be more convenient to vote in advance.** To exercise this right to vote at the KRC Meeting, the KRC Shareholder should strike out the names of management designees in the enclosed form of proxy and insert the name of the desired representative in the blank space provided in the form of proxy or submit another appropriate form of proxy. Completed forms of proxy must be received by the transfer agent and registrar of KRC, Computershare, no later than the KRC Proxy Deadline.

A registered shareholder may vote in one of the following ways: (i) by internet, at the website indicated on the proxy form, for which the Control Number which is noted on the proxy form will be required; (ii) by telephone, at 1-866-732-8683 (toll-free in North America), for which the Control Number as noted on the proxy form will be required (if a KRC Shareholder chooses to vote by telephone, such KRC Shareholder cannot appoint anyone other than the appointees named on the form of proxy as proxyholder); (iii) by mailing a complete, signed and dated form of proxy using the enclosed return envelope or an envelope addressed to the registrar and transfer agent of KRC, Computershare Trust Company of Canada, 8<sup>th</sup> Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1; (iv) by hand delivery to Computershare Trust Company of Canada, 8<sup>th</sup> Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1; (v) by facsimile, by sending a complete, signed and dated form of proxy to 1-866-249-7775 (toll-free in North America) or 1-416-263-9524 (outside North America); or (vi) in person at the KRC Meeting wherein the form of proxy does not need to be completed or return in advance of the KRC Meeting.

The following applies to KRC Shareholders who wish to appoint as their proxyholders individuals other than those named in the proxy.

**KRC Shareholders who wish to appoint as their proxyholders individuals other than those named in the proxy to attend and participate in the KRC Meeting and vote their securities MUST submit their proxies appointing such individuals as proxyholders.**

To appoint someone other than the individuals named in the proxy as proxyholder, insert that person's name in the blank space provided in the proxy and follow the instructions for submitting such proxy. This must be completed before registering such proxyholder, which is an additional step to be completed once you have submitted your proxy.

In addition to revocation in any other manner permitted by law, a KRC Shareholder may revoke a proxy: (i) by instrument in writing executed by the KRC Shareholder or such KRC Shareholder's attorney authorized in writing or if the KRC Shareholder is a corporation, under its corporate seal or by an officer or attorney thereof, duly authorized, indicating the capacity under which such officer or attorney is signing and deposited with Computershare, the transfer agent of KRC, at the office designated in the Notice of Special Meeting of KRC Shareholders not later than 5:00 p.m. (Calgary time) on the Business Day preceding the day of the KRC Meeting, (or any adjournment or postponement thereof); or (ii) by a duly executed and deposited proxy as provided herein bearing a later date or time than the date or time of the proxy being revoked.

### **Proxy Voting**

The KRC Shares represented by an effective form of proxy will be voted or withheld from voting in accordance with such KRC Shareholder's instructions. If a KRC Shareholder returns the form of proxy but does not indicate how to vote such KRC Shares, and does not appoint a Person other than the Persons designated on the form of proxy, **such KRC Shares will be voted FOR approval of the KRC Transaction Resolution. In respect of any other matters other than those set forth above which are to be considered at the KRC Meeting, where no choice is specified, the KRC Shares will be voted in favour of each matter identified in the accompanying Notice of Special Meeting of KRC Shareholders.** KRC Shareholders have the right to appoint a Person other than the Persons designated in the enclosed form of proxy as proxy holder to vote the KRC Shares on their behalf.

The enclosed applicable form of proxy confers discretionary authority in respect of amendments or variations to matters identified in the Notice of Special Meeting of KRC Shareholders and with respect to other matters which may properly come before the KRC Meeting or any adjournment or postponement thereof. As of the date hereof, management of KRC is not aware of any amendments, variations or other matters to come before the KRC Meeting. If a KRC Shareholder attends the KRC Meeting and is eligible to vote, such KRC Shareholder can vote on any amendments, variations or other matters that properly come before the KRC Meeting in accordance with the wishes of such KRC Shareholder. If a KRC Shareholder is voting by proxy, the Persons named in the form of proxy will have discretionary authority to vote on any such amendments, variations or other matters that may properly come before the KRC Meeting, as he or she sees fit for each item of business at the KRC Meeting.

### **Voting Securities of KRC and Principal Holders thereof**

As at July 14, 2021, there are 334,369,401 KRC Shares issued and outstanding on a pre-consolidation basis which are its only outstanding voting securities. Each KRC Share entitles the holder thereof to one vote on the KRC Transaction Resolution at the KRC Meeting.

KRC Shareholders are entitled to vote if they were a holder of KRC Shares at the close of business on July 23, 2021, the record date for the KRC Meeting. KRC will prepare, as of the KRC Record Date, a list of KRC Shareholders entitled to receive the Notice of Special Meeting of KRC Shareholders and showing the number of KRC Shares held by each such KRC Shareholder. KRC Shareholders whose names have been entered in the register of holders of KRC Shares at the close of business on the KRC Record Date will be entitled to receive notice of and to vote the KRC Shares shown opposite such KRC Shareholder's name at the KRC Meeting.

To the knowledge of the directors and officers of KRC, as of July 14, 2021, no Person or company beneficially owns, or exercises control or direction over, directly or indirectly, more than 10% of the voting rights attached to all of the outstanding KRC Shares, other than as set forth below:

<b>Name</b>	<b>Number of KRC Shares</b>	<b>Percentage of KRC Shares</b>
ARC	275,000,000 <sup>(1)</sup>	82% <sup>(2)</sup>

#### **Notes:**

- (1) Shown on a pre-consolidation basis.
- (2) Approximately 63% following completion of the Business Combination.

## **QUESTIONS AND OTHER ASSISTANCE**

If you are a KRC Shareholder or a Distinction Shareholder and you have any questions about the information contained in this Information Circular or require assistance in completing your form of proxy, Voting Instruction Form, Distinction Shareholder Letter of Transmittal or KRC Shareholder Letter of Transmittal please contact your financial, legal, tax or other professional advisors.



**APPENDIX A**  
**DISTINCTION TRANSACTION RESOLUTION**

**"BE IT RESOLVED AS A SPECIAL RESOLUTION THAT:**

1. The business combination ("**Business Combination**") under section 192 of the *Canada Business Corporations Act* (the "**CBCA**") involving Distinction Energy Corp. ("**Distinction**"), Kiwetinohk Resources Corp. ("**KRC**") and the shareholders of Distinction (the "**Distinction Shareholders**"), as more particularly described and set forth in the joint management information circular and proxy statement of Distinction and KRC accompanying the notices of meeting, as the Business Combination may be modified or amended in accordance with its terms, is hereby authorized, approved and adopted.
2. The plan of arrangement (the "**Plan of Arrangement**") involving Distinction, KRC and the Distinction Shareholders, the full text of which is set out as Schedule A to the business combination agreement dated June 28, 2021 between Distinction and KRC (the "**Business Combination Agreement**"), as may be modified or amended in accordance with its terms, is hereby authorized, approved and adopted.
3. The Business Combination Agreement, the actions of the directors of Distinction in approving the Business Combination Agreement and the actions of the directors and officers of Distinction in executing and delivering the Business Combination Agreement and any amendments thereto in accordance with its terms are hereby ratified and approved.
4. Notwithstanding that this resolution has been passed by the Distinction Shareholders or that the Business Combination has been approved by the Court of Queen's Bench of Alberta, the directors of Distinction are hereby authorized and empowered without further notice to or approval of the Distinction Shareholders: (a) to amend the Business Combination Agreement or the Plan of Arrangement, to the extent permitted by the Business Combination Agreement or the Plan of Arrangement; and (b) subject to the terms of the Business Combination Agreement, not to proceed with the Business Combination.
5. Any one director or officer of Distinction be and is hereby authorized and directed for and on behalf of Distinction to execute, under the corporate seal of Distinction or otherwise, and to deliver to the Director under the CBCA for filing articles of arrangement and such other documents as are necessary or desirable to give effect to the Business Combination and the Plan of Arrangement in accordance with the Business Combination Agreement.
6. Any one director or officer of Distinction be and is hereby authorized and directed for, on behalf of, and in the name of Distinction to execute or cause to be executed, under the corporate seal of Distinction or otherwise, and to deliver or cause to be delivered, all such other documents and instruments and to perform or cause to be performed all such other acts and things as in such person's opinion may be necessary or desirable to give full effect to the foregoing resolutions and the matters authorized thereby, such determination to be conclusively evidenced by the execution and delivery of such document, agreement or instrument or the doing of any such act or thing."

**APPENDIX B**  
**KRC TRANSACTION RESOLUTION**

**"BE IT RESOLVED AS A SPECIAL RESOLUTION THAT:**

**NUMBER OF DIRECTORS**

1. An amendment to the number of directors as set out in the articles (the "**Articles**") of Kiwetinohk Resources Corp. (the "**Corporation**") to increase the minimum number of directors from one (1) to three (3) and the maximum number of directors from nine (9) to eleven (11) is hereby authorized and approved.

**AMEND ARTICLES TO REMOVE PRIVATE COMPANY RESTRICTIONS**

2. An amendment to the share transfer restrictions as set out in the Articles to delete "No securities, other than non-convertible debt securities, of the Corporation shall be transferred to any person without the approval of the Board of Directors by resolution" and replace it with "NO RESTRICTIONS" is hereby authorized and approved.
3. An amendment to the other rules or provisions as set out in the Articles to delete the following paragraphs is hereby authorized and approved:
  - (a) Any invitation to the public to subscribe for the Corporation's securities is prohibited.
  - (b) The Corporation has a lien on every security registered in the name of a shareholder or his legal representative for a debt of that shareholder to the Corporation.

As a result of the deletion of the aforementioned paragraphs from the other rules or provisions of the articles of the Corporation, the remaining paragraphs shall be renumbered and are confirmed to be as set out below is hereby authorized and approved:

- (c) Without limiting the borrowing powers of the Corporation as set forth in the *Business Corporations Act* (Alberta), the directors of the Corporation may from time to time, without authorization of the shareholders,
  - (i) borrow money on the credit of the Corporation;
  - (ii) issue, reissue, sell or pledge bonds, debentures, notes or other evidences of indebtedness or guarantees of the Corporation, whether secured or unsecured;
  - (iii) subject to the *Business Corporations Act* (Alberta), give a guarantee on behalf of the Corporation to secure performance of an obligation of any person; and
  - (iv) mortgage, hypothecate, pledge or otherwise create a security interest in all or any property of the Corporation, owned or subsequently acquired, to secure any obligation of the Corporation.

Nothing in this clause limits or restricts the borrowing of money by the Corporation on bills of exchange or promissory notes made, drawn, accepted or endorsed by or on behalf of the Corporation.
4. Subject to the *Business Corporations Act* (Alberta), the directors may, between annual general meetings, appoint one or more additional directors of the Corporation to serve until the next annual general meeting, but the number of the additional directors shall not at any time exceed one third of the number of directors who held office at the expiration of the last annual meeting of the Corporation.
5. Shareholders meetings may be held anywhere inside or outside of Alberta that the directors determine by resolution from time to time.

**CONTINUANCE UNDER THE CBCA**

6. The continuance of the Corporation (the "**Continuance**") into the federal jurisdiction of Canada is hereby authorized and approved.

7. The Corporation is hereby authorized:
- (a) to make application to the Registrar of Corporations, Alberta for approval to continue the Corporation federally under the *Canada Business Corporations Act* (the "**CBCA**") pursuant to the laws of Canada;
  - (b) subject to obtaining the approval specified above, to file with the regulatory authorities of Canada, Articles of Continuance and all other requisite documentation in order to continue the Corporation as if it had been incorporated under the laws of Canada; and
  - (c) upon Continuance under the laws of Canada, to make application to the Registrar of Corporations, Alberta for a Certificate of Discontinuance pursuant to Section 189(6) of the *Business Corporations Act* (Alberta).
8. Subject to the Continuance of the Corporation federally under the CBCA, and subject to the issuance of a Certificate of Discontinuance, and without affecting the validity or existence of the Corporation, by or under its Articles and the validity of any act done thereunder, the shareholders of the Corporation hereby authorize amendment to the Articles of Incorporation in order to make all changes necessary to create Articles of Continuance in conformity with the provisions of the CBCA.

#### **SHARE ISSUANCE**

9. The issuance of up to 102,920,340 common shares ("**KRC Shares**") in the capital of the Corporation pursuant to the business combination involving the acquisition by the Corporation of all of the issued and outstanding common shares in the capital of Distinction Energy Corp. ("**Distinction**") that the Corporation does not already own in exchange for common shares in the capital of the Corporation, by way of plan of arrangement of Distinction (the "**Plan of Arrangement**") under the provisions of the CBCA all in accordance with a business combination agreement between Distinction and the Corporation, as more particularly described and set forth in the joint management information circular and proxy statement of the Corporation and Distinction and accompanying the notices of meeting is hereby authorized and approved.

#### **CONSOLIDATION OF KRC SHARES**

10. An amendment to the Articles to consolidate the issued and outstanding common shares on record outstanding immediately after the amalgamation of the Corporation and Distinction pursuant to the terms of the Plan of Arrangement on a 10 for 1 basis with any resulting fraction being rounded either up or down to the next highest or lowest number of the whole consolidated common shares as the case may be is hereby authorized and approved.

#### **GENERAL**

11. The directors of the Corporation, are authorized, in their discretion, by resolution, to abandon any of the foregoing resolutions without further approval, ratification or confirmation by the shareholders of the Corporation.
12. Any one director or officer of the Corporation be and is hereby authorized and directed for, on behalf of, and in the name of the Corporation to execute or cause to be executed, under the corporate seal of the Corporation or otherwise, and to deliver or cause to be delivered, all such other documents and instruments and to perform or cause to be performed all such other acts and things as in such person's opinion may be necessary or desirable to give full effect to the foregoing resolutions and the matters authorized thereby, such determination to be conclusively evidenced by the execution and delivery of such document, agreement or instrument or the doing of any such act or thing."

**APPENDIX C**  
**BUSINESS COMBINATION AGREEMENT**

**BUSINESS COMBINATION AGREEMENT**

**between**

**KIWETINOHK RESOURCES CORP.**

**and**

**DISTINCTION ENERGY CORP.**

**June 28, 2021**

## TABLE OF CONTENTS

Article 1 INTERPRETATION .....	1
1.1 Definitions .....	1
1.2 Interpretation Not Affected by Headings, etc. ....	12
1.3 Number, etc. ....	13
1.4 Date for Any Action .....	13
1.5 Entire Agreement.....	13
1.6 Currency .....	13
1.7 Accounting Matters .....	13
1.8 Disclosure in Writing.....	13
1.9 Knowledge.....	13
1.10 No Strict Construction .....	13
1.11 Other Definitional and Interpretive Provisions.....	14
1.12 Schedules.....	14
Article 2 THE BUSINESS COMBINATION AND MEETINGS.....	14
2.1 Plan of Arrangement.....	14
2.2 Distinction Board Recommendation.....	15
2.3 KRC Board Recommendation .....	16
2.4 Circular and Meetings.....	16
2.5 Court Proceedings.....	18
2.6 Effective Date .....	19
2.7 Payment of Consideration.....	19
2.8 Board of Directors of KRC .....	19
2.9 Employee and Management Matters .....	19
2.10 Treatment of Distinction Incentives.....	20
2.11 Applicable U.S. Securities Laws .....	20
2.12 Income Tax Matters and Withholding Obligations.....	21
Article 3 COVENANTS AND ADDITIONAL AGREEMENTS .....	23
3.1 Conduct of Business of KRC .....	23
3.2 Conduct of Business of Distinction .....	25
3.3 Mutual Covenants Regarding the Business Combination.....	28
3.4 Additional Covenants of KRC .....	30
3.5 Additional Covenants of Distinction .....	31
3.6 TSX Approval Assistance.....	32
3.7 Financing Assistance .....	33
Article 4 REPRESENTATIONS AND WARRANTIES OF KRC .....	36
4.1 Representations and Warranties of KRC .....	36
4.2 Investigation .....	36
4.3 Disclaimer.....	36
4.4 Survival of Representations and Warranties.....	36
Article 5 REPRESENTATIONS AND WARRANTIES OF Distinction.....	36
5.1 Representations and Warranties of Distinction.....	36
5.2 Investigation .....	36
5.3 Disclaimer.....	36
5.4 Survival of Representations and Warranties.....	37
Article 6 CONDITIONS PRECEDENT.....	37
6.1 Mutual Conditions Precedent.....	37
6.2 Additional Conditions to Obligations of KRC.....	38
6.3 Additional Conditions to Obligations of Distinction .....	39
6.4 Notice and Cure Provisions .....	40



6.5	Merger of Conditions.....	40
Article 7 ADDITIONAL AGREEMENTS.....		41
7.1	Covenants Regarding Non-Solicitation .....	41
7.2	Fees and Expenses .....	44
7.3	Access to Information; Confidentiality.....	44
7.4	Insurance and Indemnification.....	45
7.5	Financial Advisors .....	45
7.6	Privacy Issues .....	46
Article 8 AMENDMENT .....		47
8.1	Amendment .....	47
Article 9 TERMINATION .....		47
9.1	Termination .....	47
9.2	Notice and Effect of Termination .....	48
9.3	Waiver .....	48
Article 10 NOTICES .....		49
10.1	Notices .....	49
Article 11 GENERAL .....		50
11.1	Binding Effect.....	50
11.2	Assignment .....	50
11.3	Disclosure .....	50
11.4	Severability .....	50
11.5	Further Assurances .....	50
11.6	Time of Essence.....	51
11.7	Governing Law .....	51
11.8	Specific Performance.....	51
11.9	Third Party Beneficiaries .....	51
11.10	Counterparts.....	51

## **SCHEDULES**

SCHEDULE "A"	-	Plan of Arrangement
SCHEDULE "B"	-	Form of Distinction Transaction Resolution
SCHEDULE "C"	-	Form of KRC Transaction Resolutions
SCHEDULE "D"	-	Representations and Warranties of KRC
SCHEDULE "E"	-	Representations and Warranties of Distinction
SCHEDULE "F"	-	Forms of Support Agreement

## BUSINESS COMBINATION AGREEMENT

THIS BUSINESS COMBINATION AGREEMENT dated the 28<sup>th</sup> day of June, 2021,

BETWEEN:

**KIWETINOHK RESOURCES CORP.**, a corporation existing under the laws of the Province of Alberta ("**KRC**")

- and -

**DISTINCTION ENERGY CORP.**, a corporation existing under the laws of Canada ("**Distinction**")

**WHEREAS** KRC and Distinction wish to complete a transaction involving the acquisition by KRC of all of the issued and outstanding Distinction Shares that KRC does not already own in exchange for KRC Shares, by way of plan of arrangement of Distinction under the provisions of the CBCA, all in accordance with the terms set out herein;

**AND WHEREAS** the KRC Board and the Distinction Board have determined that it would be in the best interests of KRC and Distinction, respectively, to enter into this Agreement and to complete the transactions contemplated herein;

**AND WHEREAS** concurrently with the execution of this Agreement, KRC has entered into the Distinction Support Agreements with the Supporting Distinction Securityholders and Distinction has entered into the KRC Support Agreements with the Supporting KRC Shareholders;

**NOW THEREFORE** in consideration of the covenants and agreements herein contained and other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the Parties covenant and agree as follows:

### ARTICLE 1 INTERPRETATION

#### 1.1 Definitions

Whenever used in this Agreement, including the preamble and recitals hereto, unless there is something in the context or subject matter inconsistent therewith, the following defined words and terms have the indicated meanings and grammatical variations of such words and terms have corresponding meanings:

"**ABCA**" means the *Business Corporations Act* (Alberta);

"**Acquisition Proposal**" means, other than the transactions contemplated by this Agreement and other than any transaction involving only Distinction and one or more of its wholly-owned subsidiaries, any proposal, expression of interest, inquiry or offer from, or public announcement of an intention by, any Person, or group of Persons "acting jointly or in concert" within the meaning of National Instrument 62-104 – *Take-Over Bids and Issuer Bids*, whether or not in writing and whether or not delivered to a Party's securityholders and whether or not subject to due diligence or other conditions, or whether in one transaction or a series of transactions, that relates to, or may reasonably be expected to relate to:

- (a) any direct or indirect sale, issuance or acquisition of shares or other securities (or securities convertible or exercisable for shares or other securities) of Distinction that, when taken together with the shares and other securities of Distinction held by the proposed acquiror and any Person acting jointly or in concert with such acquiror, represent 20% or more of any class of equity or voting securities of Distinction or rights or interests therein and thereto;

- (b) any direct or indirect acquisition or purchase of 20% or more of the assets (or any joint venture, lease, long-term supply agreement or other arrangement having the same economic effect as an acquisition or purchase) of Distinction and its subsidiaries taken as a whole (and, for greater certainty, assets shall include shares of subsidiaries owned by Distinction);
- (c) an amalgamation, arrangement, share exchange, merger, business combination, joint venture, consolidation, recapitalization, liquidation, dissolution, winding-up, reorganization or other similar transaction involving Distinction or its subsidiaries that collectively own assets to which 20% or more of Distinction's revenues or earnings on a consolidated basis are attributable;
- (d) any take-over bid, issuer bid, exchange offer or similar transaction involving Distinction or its subsidiaries that, if consummated, would result in a Person or group of Persons acting jointly or in concert with such Person acquiring beneficial ownership of 20% or more of any class of equity or voting securities of Distinction (including securities convertible into or exercisable or exchangeable for equity or voting securities); or
- (e) any other transaction that would reasonably be expected to materially reduce the benefits to KRC of the Business Combination or impede, interfere with, prevent or delay the transactions contemplated by this Agreement or the Business Combination;

"**AFEs**" has the meaning ascribed thereto in Section 7.3(a);

"**affiliate**" means any Person that is affiliated with another Person in accordance with the meaning of the Securities Act; provided that, for purposes of this Agreement, the determination of whether a Person is an affiliate of another Person shall be made on the basis that no member of the KRC Group is an affiliate of any member of the Distinction Group and vice versa;

"**Agreement**", "**herein**", "**hereof**", "**hereto**", "**hereunder**" and similar expressions mean and refer to this Business Combination Agreement (including the Schedules hereto) as supplemented, modified or amended, and not to any particular article, section, schedule or other portion hereof;

"**Agreement Date**" means June 28, 2021;

"**Anti-Corruption Laws**" means collectively, the applicable legislation implementing the Organization for Economic Co-operation and Development Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, FCPA, the *Corruption of Foreign Public Officials Act* (Canada), the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada) and the rules and regulations promulgated thereunder or under any other applicable legislation of any jurisdiction covering a similar subject matter;

"**Applicable Canadian Securities Laws**" means, collectively, the Securities Act or similar statutes of each of the provinces and territories of Canada and the respective rules and regulations under such Laws, together with applicable published national, multilateral and local policy statements, instruments, notices and blanket orders of the provinces and territories of Canada and all applicable rules, by-laws and regulations governing any stock exchange;

"**Applicable Laws**" means, in any context that refers to one or more Persons or its or their respective businesses, activities, properties, assets, undertakings or securities, the Laws that apply to such Person or Persons or its or their respective businesses, activities, properties, assets, undertakings or securities and emanate from a Governmental Authority having jurisdiction over the Person or Persons or its or their respective businesses, activities, properties, assets, undertakings or securities and, for greater certainty, includes Applicable Canadian Securities Laws and Applicable U.S. Securities Laws;

"**Applicable U.S. Securities Laws**" means federal and state securities legislation of the United States and all rules, regulations and orders promulgated thereunder;

"**ARC**" means ARC Equity Management (Fund 8) Ltd. (as the general partner of ARC Energy Fund 8 Canadian Limited Partnership, ARC Energy Fund 8 United States Limited Partnership, ARC Energy Fund 8 International Limited Partnership and ARC Capital 8 Limited Partnership) and ARC Equity Management (Fund 9) Ltd. (as the general partner of ARC Energy Fund 9 Canadian Limited Partnership, ARC Energy Fund 9 United States Limited Partnership, ARC Energy Fund 9 International Limited Partnership and ARC Capital 9 Limited Partnership);

"**Articles of Arrangement**" means the articles of arrangement in respect of the Plan of Arrangement required under section 192(6) of the CBCA to be filed with the Director after the Final Order has been granted and all other conditions precedent to the Business Combination have been satisfied or waived, to give effect to the Business Combination which shall include the Plan of Arrangement and otherwise be in a form satisfactory to Distinction and KRC, each acting reasonably;

"**associate**" has the meaning ascribed thereto in the Securities Act; provided that, for purposes of this Agreement, the determination of whether a Person is an affiliate of another Person shall be made on the basis that no member of the KRC Group is an associate of any member of the Distinction Group and vice versa;

"**Business Combination**" means the business combination, pursuant to section 192 of the CBCA, on the terms set out in the Plan of Arrangement, as supplemented, subject to any amendments or variations thereto made in accordance with the provisions of this Agreement or made at the direction of the Court in the Final Order with the prior written consent of Distinction and KRC, each acting reasonably;

"**Business Day**" means, with respect to any action to be taken, any day other than a Saturday, Sunday or a statutory holiday in the Province of Alberta;

"**CBCA**" means the *Canada Business Corporations Act* (Canada);

"**Certificate**" means the certificate or other proof of filing to be issued by the Director pursuant to section 192(7) of the CBCA in respect of the Articles of Arrangement giving effect to the Business Combination;

"**Circular**" means the joint management information circular of Distinction and KRC to be sent by Distinction to the Distinction Shareholders (and any other Persons required by the Interim Order) in connection with the Distinction Meeting and to be sent by KRC to the KRC Shareholders (and any other Persons required by the ABCA) in connection with the KRC Meeting, together with any amendments thereto or supplements thereof;

"**Clearance Amount**" has the meaning ascribed thereto in Subsection 2.12(d);

"**Comfort Letter**" has the meaning ascribed thereto in Subsection 2.12(h);

"**Confidentiality Agreement**" means collectively, the confidentiality agreement between KRC and Distinction dated March 16, 2021, as amended from time to time and the common interest privilege agreement between KRC and Distinction dated effective March 16, 2021;

"**Contract**" means, with respect to a Party, a contract, lease, instrument, note, bond, debenture, mortgage, agreement, arrangement or understanding, written or oral, to which such Party, or any of its subsidiaries, is a Party or under which such Party or any of its subsidiaries is bound, has unfulfilled obligations or contingent liabilities or is owed unfulfilled obligations, whether known or unknown, and whether asserted or not;

"**Court**" means the Court of Queen's Bench of Alberta;

"**CRA**" means the Canada Revenue Agency;

"**Depository**" means Computershare Investor Services Inc., or such other Person that may be appointed by the Parties in connection with the Business Combination for the purpose of receiving deposits of certificates formerly representing Distinction Shares;

**"Director"** means the Director appointed under section 260 of the CBCA;

**"Disclosing Party"** has the meaning ascribed thereto in Section 7.6(a);

**"Dissent Rights"** has the meaning ascribed thereto in the Plan of Arrangement;

**"Distinction"** has the meaning ascribed thereto in the recitals hereof;

**"Distinction 2020 Reserves Report"** means the report prepared by GLJ dated March 5, 2021 evaluating the reserves attributable to certain of the assets of Distinction and its subsidiaries as at December 31, 2020, a true and complete copy of which has been disclosed in writing by Distinction to KRC;

**"Distinction Balance Sheet"** has the meaning ascribed thereto in Section (aa) of Schedule "E";

**"Distinction Board"** means the board of directors of Distinction;

**"Distinction Board Recommendation"** has the meaning ascribed thereto in Section 2.2(a);

**"Distinction Capital Program"** means the capital program of Distinction disclosed in writing by Distinction to KRC;

**"Distinction Credit Agreement"** means the Senior Secured Extendible Revolving Facility Amended and Restated Credit Agreement dated as of April 28, 2021 among Distinction, as borrower, ATB Financial, as agent and lender, Bank of Montreal, as lender and National Bank of Canada, as lender;

**"Distinction Disclosure Letter"** means the disclosure letter dated the Agreement Date from Distinction to KRC;

**"Distinction Employee Plans"** has the meaning ascribed thereto in Section (oo) of Schedule "E";

**"Distinction Fairness Opinion"** means the opinion of ATB Capital Markets, as financial advisor to Distinction, to the effect that, as of the date of such opinion, and subject to the assumptions made and limitations and qualifications included therein, the exchange ratio received by the Distinction Shareholders (other than KRC) pursuant to the Articles of Arrangement is fair, from a financial point of view, to the Distinction Shareholders (other than KRC);

**"Distinction Financial Statements"** means, collectively, (a) the audited consolidated financial statements of Distinction as at and for the years ended December 31, 2020 and 2019, together with the notes thereto and the auditor's report thereon and (b) the interim unaudited condensed consolidated financial statements of Distinction as at and for the three month period ended March 31, 2021 together with the notes thereto;

**"Distinction Group"** has the meaning ascribed thereto in Section 3.2(a);

**"Distinction Incentives"** means, collectively, the Distinction Stock Options and the Distinction RSUs;

**"Distinction Information"** means the information describing Distinction and its business, operations and affairs and/or its affiliates required to be included or incorporated by reference in the Circular under Applicable Canadian Securities Laws and/or the TSX in connection with the TSX Approval, if applicable;

**"Distinction Investor Agreement"** means the amended and restated investor agreement dated July 5, 2020 and amended and restated on January 15, 2021 and April 28, 2021 among Luminus, KRC and Distinction;

**"Distinction IP"** has the meaning ascribed thereto in Section (tt) of Schedule "E";

**"Distinction IT"** has the meaning ascribed thereto in Section (tt) of Schedule "E";

**"Distinction Management Services Agreement"** means the management services agreement dated July 5, 2020, as amended and restated on January 15, 2021 and April 28, 2021 among KRC, Distinction and Distinction Energy Partnership;

**"Distinction Material Contracts"** means the Contracts described in Section (u) of Schedule "E", together with all exhibits, schedules and amendments to such Contracts;

**"Distinction Meeting"** means the special meeting of Distinction Shareholders to be called and held in accordance with this Agreement and the Interim Order to permit the Distinction Shareholders to consider the Distinction Transaction Resolution and related matters, and any adjournment(s) or postponement(s) thereof;

**"Distinction Required Approval"** has the meaning ascribed thereto in Section 2.1(c)(ii);

**"Distinction RSUs"** means the restricted share units of Distinction, whether vested or unvested, granted by Contract to certain employees and directors of Distinction;

**"Distinction Stock Options"** means the stock options of Distinction, whether vested or unvested, granted by Contract to certain employees and directors of Distinction;

**"Distinction Shares"** means the class A common shares in the capital of Distinction as constituted on the Agreement Date;

**"Distinction Shareholders"** means the holders of Distinction Shares;

**"Distinction Special Committee"** means the special committee of the Distinction Board formed on March 1, 2021 comprised of Timothy Schneider, Glenn Koach and Steven Sinclair;

**"Distinction Support Agreements"** means the support agreements entered into between the Supporting Distinction Securityholders and KRC, dated as of the Agreement Date, in the form attached as Schedule "F";

**"Distinction Transaction Resolution"** means the special resolution in respect of the Business Combination to be considered by the Distinction Shareholders at the Distinction Meeting, substantially in the form attached as Schedule "B";

**"Economic Sanctions"** means the economic sanctions of the United States administered by OFAC, Global Affairs Canada or Public Safety Canada or any Applicable Law or executive order relating thereto;

**"Effective Date"** means the date shown on the Certificate giving effect to the Business Combination;

**"Effective Time"** means 12:01 a.m. on the Effective Date, or such other time as the Parties agree to in writing before the Effective Date;

**"Encumbrance"** means, any mortgage, pledge, assignment, charge, lien, security interest, adverse interest in property, other third party interest or encumbrance of any kind whether contingent or absolute, and any agreement, option, right or privilege (whether by Law, Contract or otherwise) capable of becoming any of the foregoing;

**"Environment"** means the natural components of the earth and includes: (a) any land (including land surface or subsurface strata), soil or underground space, surface water, ground water, body of water, sediment, and air (including all layers of the atmosphere); (b) all organic and inorganic matter and living organisms; (c) the interacting natural systems that include components referred to in clauses (a) and (b); (d) the environment or natural environment as defined in any Environmental Laws; and (e) any other environmental medium or natural resource;

**"Environmental Laws"** means, with respect to any one or more Persons or its or their business, activities, property, assets or undertaking, all Laws relating to the Environment or health and safety matters of the jurisdictions applicable to such Person or Persons or its or their business, activities, property, assets or undertaking, including Laws relating



to the storage, use, handling, manufacture, processing, labelling, advertising, sale, display, transportation, treatment, Release or disposal of, or exposure to, Hazardous Substances;

"**FCPA**" means U.S. *Foreign Corrupt Practices Act of 1977*;

"**Final Order**" means the order of the Court approving the Business Combination pursuant to section 192(4) of the CBCA, in a form acceptable to Distinction and KRC, each acting reasonably, approving the Business Combination, as such order may be amended by the Court (with the consent of both Distinction and KRC, each acting reasonably) at any time prior to the Effective Date or, if appealed, then, unless such appeal is withdrawn or denied, as affirmed or as amended (provided that any such amendment is acceptable to both Distinction and KRC, each acting reasonably) on appeal;

"**Financing**" has the meaning ascribed thereto in Section 3.7(a);

"**Financing Materials**" has the meaning ascribed thereto in Section 3.7(d);

"**Financing Sources**" means current and prospective investors, lenders and other counterparties to a Financing and the agents, arrangers, lenders, underwriters and other Persons that have committed or been engaged to provide or arrange (including through soliciting purchasers of, or otherwise placing, securities) or otherwise entered into agreements in connection with all or any part of a Financing, including the parties to any joinder agreements, indentures or credit agreements entered into in connection therewith, together with their respective affiliates and their and their respective affiliates' officers, directors, employees, controlling persons, agents and representatives and their respective successors and assigns;

"**GLJ**" means GLJ Ltd.;

"**Governmental Authority**" means any: (a) domestic or foreign federal, territorial, provincial, state, regional, municipal or local governmental, regulatory or administrative authority, department, court, agency, commission, board or tribunal, arbitral body, bureau, ministry, agency or instrumentality or official, including any political subdivision thereof; (b) quasi-governmental or private body exercising regulatory, expropriation or taxing authority under or for the account of any of the foregoing; or (c) any stock exchange;

"**Governmental Authorizations**" means licenses, permits, certificates, consents, orders, grants, registrations, recognition orders, exemption relief orders, no-action relief and other authorizations (including in connection with Environmental Laws) from any Governmental Authority;

"**Hazardous Substances**" means any pollutant, substance, dangerous substance, toxic substance, hazardous material, hazardous substance, waste, hazardous waste, dangerous good or contaminant, whether natural or artificial, and all breakdown substances, including any other material or substance that is prohibited, listed, defined, designated, classified or regulated under or pursuant to any Environmental Laws, and specifically including petroleum and all derivatives thereof and synthetic substitutes therefor;

"**Hedging Transaction**" means: (a) any transaction which is a rate swap transaction, basis swap, forward rate transaction, commodity loan, commodity consignment, commodity lease, commodity swap, commodity option, commodity purchase or sale (including, a forward Contract and whether settled by physical or financial delivery), equity or equity index swap, equity or equity index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, currency swap transaction, cross-currency rate swap transaction, currency option, transaction to buy, sell, borrow or lend securities or any other similar transaction (including any option with respect to any of these transactions); and (b) any derivative or combination of these transactions;

"**IFRS**" means accounting principles generally accepted in Canada applicable to public companies at the relevant time and which incorporates International Financial Reporting Standards as adopted by the Canadian Accounting Standards Boards;

**"Information Technology"** means all computer, information technology, data processing, and communications systems, components, facilities, and services, including all software, hardware, networks, interfaces, platforms, databases and related data, switches, telecommunications equipment, operating systems, websites, website content, links, and equipment relating to the transmission, storage, maintenance, organization, presentation, generation, processing, or analysis of data and information, whether or not in electronic format;

**"Intellectual Property Rights"** means any right or protection existing from time to time in a specific jurisdiction, whether registered or not, under any patent Law or other invention or discovery Law, copyright Law, industrial design Law, confidential information Law (including breach of confidence), trade secret Law, trademark Law, and any other industrial or intellectual property Laws, including legislation by competent governmental authorities and judicial decisions under common law or equity;

**"Interim Order"** means the interim order of the Court concerning the Business Combination under section 192(4) of the CBCA, in a form acceptable to Distinction and KRC, each acting reasonably, providing for, among other things, the calling and holding of the Distinction Meeting, as such order may be amended by the Court (with the consent of both Distinction and KRC, each acting reasonably);

**"ISDA"** has the meaning ascribed thereto in Section (n)(i)(D) of Schedule "D";

**"KRC"** has the meaning ascribed thereto in the recitals hereof;

**"KRC 2020 Reserves Report"** means the report prepared by McDaniel and dated January 21, 2021 evaluating the reserves attributable to certain of the assets of KRC and its subsidiaries as at December 31, 2020, a true and complete copy of which has been disclosed in writing by KRC to Distinction;

**"KRC Balance Sheet"** has the meaning ascribed thereto in Section (r) of Schedule "D";

**"KRC Board"** means the board of directors of KRC;

**"KRC Board Recommendation"** has the meaning ascribed thereto in Section 2.3(a);

**"KRC Capital Program"** means the capital program of KRC disclosed in writing by KRC to Distinction;

**"KRC Capital Warrants"** means the capital warrants of KRC, whether vested or unvested, granted or available to be granted to certain employees, director and consultants of KRC;

**"KRC Credit Agreement"** means the Senior Secured Extendible Revolving Facility Credit Agreement dated as of April 28, 2021 among KRC, as borrower, Bank of Montreal, as lender and agent, ATB Financial, as lender and National Bank of Canada, as lender;

**"KRC Disclosure Letter"** means the disclosure letter dated the Agreement Date from KRC to Distinction;

**"KRC Employee Plans"** has the meaning ascribed thereto in Section (ff) of Schedule "D";

**"KRC Fairness Opinion"** means, the opinion of Peters & Co. Limited as financial advisor to KRC, to the effect that, as of the date of such opinion, and subject to the assumptions made and limitations and qualifications included therein, the share exchange ratio pursuant to the Plan of Arrangement is fair, from a financial point of view, to KRC;

**"KRC Financial Statements"** means, collectively (a) the audited consolidated financial statements of KRC as at and for the years ended December 31, 2020 and 2019, together with the notes thereto and the auditor's report thereon and (b) the interim unaudited financial statements of KRC as at and for the three month period ended March 31, 2021 together with the notes thereto, true and complete copies of which have been disclosed in writing by KRC to Distinction;

**"KRC Group"** has the meaning ascribed thereto in Section 3.1(b);

**"KRC Incentives"** means, collectively, the KRC Capital Warrants, the KRC Performance Warrants and the KRC Stock Options;

**"KRC Information"** means the information describing KRC and its business, operations and affairs required to be included or incorporated by reference in the Circular under Applicable Canadian Securities Laws and/or the TSX in connection with the TSX approval, if applicable;

**"KRC Investment Rights Agreement (ARC)"** means the investment rights agreement dated August 20, 2018 between KRC and ARC;

**"KRC Investment Rights Agreement (Luminus)"** means the investment rights agreement to be entered into on the Effective Date between KRC and Luminus;

**"KRC IP"** has the meaning ascribed thereto in Section (kk) of Schedule "D";

**"KRC IT"** has the meaning ascribed thereto in Section (kk) of Schedule "D";

**"KRC Lock-up Agreements"** means lock-up agreements between (i) KRC and (ii) each of Luminus and the entities comprising ARC whereby such holders of KRC Shares agree not to sell or otherwise transfer any of their KRC Shares until the date that is 180 days after the date on which the KRC Shares are listed and posted for trading on the TSX following the final TSX Approval;

**"KRC Material Contracts"** means the Contracts described in Section (n) of Schedule "D", together with all exhibits, schedules and amendments to such Contracts;

**"KRC Meeting"** means the special meeting of KRC Shareholders to be called to permit the KRC Shareholders to consider the KRC Transaction Resolutions and related matters, and any adjournment(s) or postponement(s) thereof;

**"KRC Performance Warrants"** means the performance warrants of KRC, whether vested or unvested, granted or available to be granted to certain employees, directors and consultants of KRC;

**"KRC Shareholders"** means the holders of KRC Shares;

**"KRC Shares"** means the common shares in the capital of KRC as constituted on the Agreement Date, provided that any reference to the KRC Shares at a time after the Plan of Arrangement has been completed shall mean the common shares of the entity formed by the amalgamation of Distinction and KRC pursuant to the Plan of Arrangement;

**"KRC Stock Options"** means the stock options of KRC, whether vested or unvested, granted or available to be granted to certain employees, directors and consultants of KRC;

**"KRC Support Agreements"** means the support agreements entered into between the Supporting KRC Shareholders and Distinction, dated as of the Agreement Date, in the form attached as Schedule "F";

**"KRC Transaction Resolutions"** means the resolutions to be considered by the KRC Shareholders at the KRC Meeting, substantially in the form included in Schedule "C";

**"KRC USA"** means the unanimous shareholder agreement governing KRC;

**"Laws"** means all laws (including, for greater certainty, common law), statutes, regulations, bylaws, statutory rules, orders, ordinances, protocols, codes, guidelines, notices and directions enacted by a Governmental Authority (including all Applicable Canadian Securities Laws and all Applicable U.S. Securities Laws) and the terms and conditions of any grant of approval, permission, judgment, decision, ruling, award, authority or license of any Governmental Authority or self-regulatory authority;

**"Listing Materials"** has the meaning ascribed thereto in Section 3.6(a)(i);

"**Luminus**" means Luminus Energy IE Designated Activity Company;

"**Matching Period**" has the meaning ascribed thereto in Section 7.1(d);

"**Material Adverse Change**" or "**Material Adverse Effect**" means, with respect to either Party, any fact or state of facts, circumstance, change, effect, occurrence or event that individually is or in the aggregate are, or would individually or in the aggregate reasonably be expected to be, material and adverse to the business, operations, results of operations, assets, properties, capitalization, liabilities, obligations (whether absolute, accrued, conditional or otherwise) or condition (financial or otherwise) of the Party and its subsidiaries, taken as a whole, except to the extent of any fact or state of facts, circumstance, change, effect, occurrence or event resulting from or arising in connection with:

- (a) any change, development or condition generally affecting the industries, businesses or segments thereof in which such Party and its respective subsidiaries operate;
- (b) any change, development or condition in or relating to global, national or regional political conditions (including strikes, lockouts, riots, blockades or facility takeover for emergency purposes) or in general economic, business, banking, regulatory, currency exchange, interest rate, rates of inflation or market conditions or in national or global financial or capital markets;
- (c) any change, development or condition resulting from any act of terrorism or any outbreak of hostilities or declared or undeclared war, or any escalation or worsening of such acts of terrorism, hostilities or war;
- (d) any adoption, proposal, implementation or change in Law or in any interpretation, application or non-application of any Laws by any Governmental Authority (including, for greater certainty, any change to the Tax Act or other applicable taxing legislation or to tax rates);
- (e) any change in applicable generally accepted accounting principles, including IFRS, or changes in regulatory accounting requirements applicable to: (A) the oil and gas exploration, development and production businesses; or (B) the renewable power (distribution and transmission) business;
- (f) any climatic, earthquake or other natural event or condition (including weather conditions and any natural disaster);
- (g) any epidemic, pandemic, disease outbreak (including COVID-19), other health crisis or public health event;
- (h) any decline in the market price for crude oil, natural gas or related hydrocarbons or power on a current or forward basis;
- (i) any actions taken (or omitted to be taken) at the written request of the Other Party;
- (j) any action taken by the Party or any of its subsidiaries that is required pursuant to this Agreement (excluding, where applicable, any obligation to act in the ordinary course of business, but, for greater certainty, including any steps taken pursuant to Section 3.3);
- (k) any matter or prospective matter which has, at or prior to the Agreement Date, been expressly disclosed by Distinction in the Distinction Disclosure Letter or by KRC in the KRC Disclosure Letter, in each case, other than any disclosures that are cautionary in nature, such as risk factors (it being understood that any change relating to any matter so disclosed may be taken into account in determining whether a Material Adverse Effect has occurred);
- (l) the execution, announcement, pendency or performance of this Agreement or the consummation of the Business Combination;

- (m) the failure of the Party to meet any internal, published, public or analyst projections, forecasts, guidance or estimates, including without limitation of revenues, earnings or cash flows (it being understood that the causes underlying such failure may be taken into account in determining whether a Material Adverse Effect has occurred); or
- (n) any change in the market price, credit rating or trading volume of any securities of the Party (it being understood that the causes underlying such change in market price or trading volume may be taken into account in determining whether a Material Adverse Effect has occurred);

provided, however, that (A) with respect to clauses (a) through and including (h), such matter does not have a materially disproportionate effect on the business, operations, results of operations, assets, properties, capitalization, liabilities, obligations (whether absolute, accrued, conditional or otherwise) or condition (financial or otherwise) of such Party and its subsidiaries, taken as a whole, relative to other comparable companies and entities operating in the oil and gas industry in respect of Distinction and in the oil and gas or renewable power industry in respect of KRC (in which case the incremental disproportionate effect may be taken into account in determining whether there has been, or is reasonably expected to be, a Material Adverse Effect); and (B) and unless expressly provided in any particular section of this Agreement, references in certain sections of this Agreement to dollar amounts are not intended to be, and shall not be deemed to be, illustrative or interpretive for purposes of determining whether a "Material Adverse Effect" has occurred;

**"material change"** has the meaning ascribed thereto in the Securities Act;

**"Material Subsidiary"** means a subsidiary, the total assets of which constitute more than 10% of the consolidated assets of KRC or Distinction, as the case may be, as at December 31, 2020, the total liabilities of which constitute more than 10% of the consolidated liabilities of KRC or Distinction, as the case may be, as at December 30, 2020, or the total revenues of which constitute more than 10% of the consolidated revenues of KRC or Distinction, as the case may be, respectively, for the financial year ended December 31, 2020;

**"McDaniel"** means McDaniel & Associates Consultants Ltd.;

**"misrepresentation"** has the meaning ascribed thereto in the Securities Act;

**"Money Laundering Laws"** means, collectively, the applicable anti-money laundering Laws and any related or similar applicable rules, regulations or guidelines, issued, administered or enforced by any Governmental Authority;

**"Non-Resident Shareholder"** has the meaning ascribed to that term in the Plan of Arrangement;

**"OFAC"** means the Office of Foreign Assets Control of the U.S. Treasury Department;

**"OHSL"** means Occupational Health and Safety legislation;

**"Order"** means all judicial, arbitral, administrative, ministerial, departmental or regulatory judgments, injunctions, orders, decisions, rulings, determinations, awards, or decrees of any Governmental Authority (in each case, whether temporary, preliminary or permanent);

**"Other Party"** means: (a) with respect to KRC, Distinction; and (b) with respect to Distinction, KRC;

**"Outside Date"** means November 8, 2021 or such later date as may be agreed to in writing by the Parties;

**"Parties"** means KRC and Distinction, and **"Party"** means either of them;

**"Permitted Transaction"** means any Financing or other transaction listed in Section 3.1(c) that is not reasonably expected, as determined by KRC acting reasonably, to (i) result in the KRC Shares issued to the former holders of Distinction Shares pursuant to the Business Combination having a value lower than the value of such KRC Shares implied by the Business Combination at the date of execution of this Agreement, (ii) unduly delay the TSX Approval

having regard to the timeframes set forth in this Agreement or (iii) result in Distinction Shareholders (excluding KRC) holding in the aggregate less than 12.5% of the KRC Shares immediately following completion of the Plan of Arrangement;

**"Person"** includes any individual, firm, partnership, joint venture, venture capital fund, association, trust, trustee, executor, administrator, legal personal representative, estate group, body corporate, corporation, unincorporated association or organization, Governmental Authority, syndicate or other entity, whether or not having legal status;

**"Personal Information"** means any information that is defined as "personal information", "personally identifiable information", or "personal data" under Applicable Law;

**"Plan of Arrangement"** means the plan of arrangement in the form attached as Schedule "A", as the same may be amended or supplemented from time to time in accordance with the terms hereof, thereof or at the direction of the Court in the Final Order with the consent of Distinction and KRC, each acting reasonably;

**"Recipient"** has the meaning ascribed thereto in Section 7.6(a);

**"Release"** means any release, spill, leak, pumping, addition, pouring, emission, emptying, discharge, migration, injection, escape, leaching, disposal, dumping, deposit, spraying, burial, abandonment, incineration, seepage, placement or introduction of a Hazardous Substance, whether accidental or intentional, into or through the Environment that would constitute a violation of Environmental Law;

**"Remittance Date"** has the meaning ascribed thereto in Subsection 2.12(f);

**"Representatives"** means, with respect to a Party, its respective subsidiaries and its and their officers, directors, employees, financial advisors, legal counsel, accountants, advisors, and all other representatives and agents;

**"Return"** means any report, return, statement, claim for refund, estimate, election, designation, form, declaration of estimated tax, information statement and return relating to, or required to be filed or actually filed with a Governmental Authority in connection with, any Taxes;

**"Section 116 Certificate"** has the meaning ascribed thereto in Subsection 2.12(f);

**"Section 116(2) Certificate"** has the meaning ascribed thereto in Subsection 2.12(d);

**"Section 116(4) Certificate"** has the meaning ascribed thereto in Subsection 2.12(f);

**"Securities Act"** means the *Securities Act* (Alberta);

**"SEDAR"** means the System for Electronic Document Analysis and Retrieval;

**"subsidiary"** has the meaning ascribed thereto in the Securities Act; provided that, for purposes of this Agreement, the determination of whether a Person is a subsidiary of another Person shall be made on the basis that no member of the Distinction Group is a subsidiary of any member of the KRC Group;

**"Superior Proposal"** means an unsolicited bona fide written Acquisition Proposal:

- (a) that complies with all Applicable Canadian Securities Laws and Applicable U.S. Securities Laws and did not result from or involve a breach of Section 7.1;
- (b) that is not subject to a financing condition;
- (c) that is not subject to any due diligence condition;



- (d) to acquire not less than all of the Distinction Shares or not less than substantially all of the assets, properties, permits, rights or other privileges (whether contractual or otherwise) of Distinction and its subsidiaries and partnership interests;
- (e) that the Distinction Board and any relevant committee thereof has determined in good faith (after receipt of advice from its professional financial advisors and external legal counsel) is reasonably capable of being consummated without undue delay, taking into account all legal, financial, regulatory and other aspects of such Acquisition Proposal and the Person making such Acquisition Proposal; and
- (f) that the Distinction Board and/or any relevant committee thereof determines in good faith, after consultation with its professional financial advisors, would be, if consummated in accordance with its terms, more favourable, from a financial point of view, for the Distinction Shareholders (other than KRC) than the Business Combination;

**"Support Agreements"** means collectively, the Distinction Support Agreements and the KRC Support Agreements;

**"Supporting Distinction Securityholders"** means Luminus, Concise Capital Management LP, Concise Short Term High Yield Master Fund, SPC, Mercer QIF Fund PLC - Mercer Investment Fund 1, Concise Short Term High Yield Fund, The Beebee Foundation, The Saratoga Advantage Trust – James Alpha Hedged High Income Portfolio, Stornoway Recovery Fund LP and Ravensource Fund and all of the directors and certain of the executive officers of Distinction that hold Distinction Shares;

**"Supporting KRC Shareholders"** means ARC and each of the directors and executive officers of KRC that hold KRC Shares;

**"Tax"** or **"Taxes"** means all taxes, duties, fees, premiums, assessments, imposts, levies and other charges of any kind whatsoever imposed by any Applicable Laws and howsoever denominated, together with all interest, penalties, fines, additions to tax or other additional amounts imposed in respect thereof, including those levied on, or measured by, or referred to as, income, gross receipts, profits, capital, large corporation, capital gain, minimum, transfer, land transfer, sales, goods and services, harmonized sales, provincial sales, use, value-added, excise, stamp, withholding, business, franchising, property, employer health, payroll, employment, employment insurance, health and health insurance, social services, education and social security taxes, fuel taxes or levies, all surtaxes, all customs duties and import and export taxes, pension plan and workers compensation premiums or contributions, royalties, carbon taxes or levies and other obligations of the same or of a similar nature to any of the foregoing;

**"Tax Act"** means the *Income Tax Act* (Canada);

**"Third Party Beneficiaries"** has the meaning ascribed thereto in Section 11.9;

**"Transferred Information"** has the meaning ascribed thereto in Section 7.6(a);

**"TSX"** means the Toronto Stock Exchange;

**"TSX Approval"** has the meaning ascribed thereto in Section 3.4(g);

**"U.S. Exchange Act"** means the *United States Securities Exchange Act of 1934*, as amended; and

**"U.S. Securities Act"** means the *United States Securities Act of 1933*, as amended.

## 1.2 Interpretation Not Affected by Headings, etc.

The division of this Agreement into articles and sections is for convenience of reference only and shall not affect the construction or interpretation of this Agreement. The terms "this Agreement", "hereof", "herein", "hereto" and "hereunder" and similar expressions refer to this Agreement (including the Schedules hereto) and not to

any particular article, section or other portion hereof and include any agreement or instrument supplementary or ancillary hereto.

### **1.3 Number, etc.**

Words importing the singular number include the plural and vice versa, and words importing the use of any gender include all genders. Where the word "including" or "includes" is used in this Agreement, it means "including (or includes) without limitation".

### **1.4 Date for Any Action**

If any date on which any action is required to be taken hereunder is not a Business Day, such action shall be taken on the next succeeding day that is a Business Day.

### **1.5 Entire Agreement**

This Agreement, the Confidentiality Agreement (to the extent that the provisions of the Confidentiality Agreement have not been superseded by the provisions of this Agreement) and the Distinction Investor Agreement, together with the agreements and documents referred to herein and therein, constitute the entire agreement between the Parties pertaining to the subject matter hereof and supersede all prior agreements, understandings, negotiations and discussions, whether oral or written, between the Parties with respect to the subject matter hereof. For greater certainty, the Support Agreements are separate agreements between the parties thereto and are unaffected by this Section 1.5.

### **1.6 Currency**

Unless otherwise indicated, all sums of money referred to in this Agreement are expressed in lawful money of Canada.

### **1.7 Accounting Matters**

Unless otherwise stated, all accounting terms used in this Agreement shall have the meanings attributable thereto under IFRS and all determinations of an accounting nature that are required to be made shall be made in a manner consistent with IFRS.

### **1.8 Disclosure in Writing**

Reference to "disclosure in writing" or similar references herein shall, in the case of disclosure to KRC be references exclusively to the Distinction Disclosure Letter, or in the case of disclosure to Distinction be references exclusively to the KRC Disclosure Letter.

### **1.9 Knowledge**

In this Agreement, references to "to the knowledge of" means the actual knowledge of the KRC Board or the Distinction Board, as the case may be, after such inquiry as such individuals shall consider reasonable in the circumstances.

### **1.10 No Strict Construction**

The Parties acknowledge that their respective legal counsel have reviewed and participated in settling the terms of this Agreement, and the Parties hereby agree that any rule of construction to the effect that any ambiguity is to be resolved against the drafting Party will not be applicable in the interpretation of this Agreement.

### **1.11 Other Definitional and Interpretive Provisions**

- (a) References in this Agreement to the words "include", "includes" or "including" shall be deemed to be followed by the words "without limitation" whether or not they are in fact followed by those words or words of like import.
- (b) A reference to time in this Agreement shall be to Calgary time, unless otherwise specified; and Calgary time shall refer to Mountain Standard Time or Mountain Daylight Savings Time during the respective intervals in which each is in force in the Province of Alberta.
- (c) Any capitalized terms used in any Schedule but not otherwise defined therein, shall have the meaning as defined in this Agreement.
- (d) References to any Contract are to that Contract as amended, modified or supplemented from time to time in accordance with the terms hereof and thereof. Any reference in this Agreement to a Person includes the heirs, administrators, executors, legal personal representatives, predecessors, successors and permitted assigns of that Person.
- (e) Where a term is defined herein, a capitalized derivative of that term shall have a corresponding meaning unless the context otherwise requires.
- (f) References to a statute or Law shall be a reference to: (i) that statute or Law as amended or re-enacted from time to time and every statute or Law that may be substituted therefor; and (ii) the rules, regulations, by-laws, other subsidiary legislation and published policies or notices made pursuant to that statute or Law.

### **1.12 Schedules**

The following schedules attached hereto are incorporated into, and form an integral part of, this Agreement:

SCHEDULE "A"	-	Plan of Arrangement
SCHEDULE "B"	-	Form of Distinction Transaction Resolution
SCHEDULE "C"	-	Form of KRC Transaction Resolutions
SCHEDULE "D"	-	Representations and Warranties of KRC
SCHEDULE "E"	-	Representations and Warranties of Distinction
SCHEDULE "F"	-	Forms of Support Agreement

## **ARTICLE 2 THE BUSINESS COMBINATION AND MEETINGS**

### **2.1 Plan of Arrangement**

- (a) Subject to the terms and conditions of this Agreement, the Parties agree to carry out the Business Combination in accordance with the terms of the Plan of Arrangement.
- (b) As soon as reasonably practicable after the Agreement Date, but in any event by no later than July 27, 2021, Distinction will apply to the Court, in a manner acceptable to KRC, acting reasonably, for the Interim Order and thereafter will diligently seek the Interim Order in cooperation with KRC. Upon receipt of the Interim Order, Distinction will promptly carry out the terms of the Interim Order to the extent applicable to it.
- (c) The application for an Interim Order referred to in Section 2.1(b) shall request that the Interim Order provide, among other things:
  - (i) for the classes of Persons to whom notice is to be provided in respect of the Business Combination and the Distinction Meeting and for the manner in which such notice is to be provided;

- (ii) that the requisite approval for the Distinction Transaction Resolution to be placed before the Distinction Shareholders at the Distinction Meeting shall be:
  - (A) 66⅔% of the votes cast on the Distinction Transaction Resolution by the Distinction Shareholders present in person (or virtually) or represented by proxy at the Distinction Meeting (and that each Distinction Shareholder is entitled to one vote for each Distinction Share held); and
  - (B) if required under Applicable Canadian Securities Laws, a simple majority of the votes cast on the Distinction Transaction Resolution by the Distinction Shareholders present in person (or virtually) or represented by proxy at the Distinction Meeting after excluding the votes cast by those Persons whose votes are required to be excluded in accordance with Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*,

**(the "Distinction Required Approval");**
- (iii) for the method and manner in which amendments, revisions or supplements to the Circular (and any other materials sent by Distinction in connection with the Distinction Meeting), including material changes, may be mailed, filed or otherwise publicly disseminated to the Distinction Shareholders and such other Persons as may be required by the Interim Order;
- (iv) that, in all other respects, other than as ordered by the Court, the terms, restrictions and conditions of the constating documents of Distinction, including quorum requirements and all other matters, shall apply in respect of the Distinction Meeting;
- (v) for the grant of Dissent Rights to the registered Distinction Shareholders as set forth in the Plan of Arrangement;
- (vi) that the Distinction Meeting may be adjourned or postponed from time to time in accordance with the terms of this Agreement without the need for additional approval of the Court;
- (vii) confirmation of the record date for the purposes of determining the Distinction Shareholders entitled to receive materials and vote at the Distinction Meeting in accordance with the Interim Order;
- (viii) that such record date will not change in respect of any adjournment(s) or postponement(s) of the Distinction Meeting, unless required by Applicable Laws;
- (ix) for the notice requirements with respect to the presentation of the application to the Court for the Final Order; and
- (x) for such other matters as the Parties may agree in writing, each acting reasonably.
- (d) On the condition that all necessary approvals for the Distinction Transaction Resolution are obtained from the Distinction Shareholders, Distinction shall, as soon as reasonably practicable following the Distinction Meeting but in any event not later than five Business Days after the Distinction Transaction Resolution is duly passed, submit the Business Combination to the Court and apply for the Final Order.

## 2.2 Distinction Board Recommendation

Distinction represents and warrants to KRC that the Distinction Board, based in part on the unanimous recommendation of the Distinction Special Committee:

- (a) has unanimously (excluding directors that have abstained from voting in accordance with the CBCA):

- (i) determined that the Business Combination and the entry into this Agreement are in the best interests of Distinction;
- (ii) determined that the Business Combination is fair to the Distinction Shareholders;
- (iii) approved this Agreement and the transactions contemplated hereby; and
- (iv) resolved to recommend that the Distinction Shareholders vote in favour of the Distinction Transaction Resolution;

(collectively (a)(i), (ii), (iii) and (iv) the "**Distinction Board Recommendation**"); and

- (b) has received the oral Distinction Fairness Opinion.

### 2.3 KRC Board Recommendation

KRC represents and warrants to Distinction that the KRC Board:

- (a) has unanimously (excluding directors that have abstained from voting in accordance with the ABCA):
  - (i) determined that the Business Combination and the entry into this Agreement are in the best interests of KRC;
  - (ii) approved this Agreement and the transactions contemplated hereby; and
  - (iii) resolved to recommend that KRC Shareholders vote in favour of the KRC Transaction Resolutions;

(collectively (a)(i), (ii) and (iii) the "**KRC Board Recommendation**"); and

- (b) has received the oral KRC Fairness Opinion.

### 2.4 Circular and Meetings

- (a) As promptly as practicable following the execution of this Agreement and in compliance with the Interim Order and Applicable Laws, Distinction shall and with assistance from and the participation of the Other Party, each acting reasonably: (i) prepare the Circular together with any other documents required by Applicable Laws in connection with the Distinction Meeting, and cause the Circular and such other documents to be mailed to the Distinction Shareholders and such other Persons as required by the Interim Order and filed with applicable securities regulatory authorities and other Governmental Authorities in all jurisdictions where the same are required to be filed by no later than August 4, 2021; and (ii) convene and conduct the Distinction Meeting by no later than August 31, 2021 and not adjourn, postpone or cancel (or propose the same) the Distinction Meeting without the prior written consent of KRC, such consent not to be unreasonably withheld, conditioned or delayed, except in the case of an adjournment or postponement required for quorum purposes or by Applicable Laws or by a Governmental Authority, at which Distinction Meeting the Distinction Transaction Resolution shall be submitted to the Distinction Shareholders entitled to vote upon such resolutions for approval.
- (b) As promptly as practicable following the execution of this Agreement KRC shall and with assistance from and the participation of the Other Party, each acting reasonably: (i) prepare the Circular together with any other documents required by Applicable Laws in connection with the KRC Meeting and cause the Circular and such other documents to be mailed to the KRC Shareholders and such other Persons required by the ABCA by no later than August 4, 2021; and (ii) convene and conduct the KRC Meeting by no later than August 31, 2021 and not adjourn, postpone or cancel (or propose the same) the KRC Meeting without the prior written consent of Distinction, such consent not to be unreasonably withheld, conditioned or delayed, except in the case of an adjournment or postponement required for quorum purposes or by Applicable Laws

or by a Governmental Authority, at which KRC Meeting the KRC Transaction Resolutions shall be submitted to the KRC Shareholders entitled to vote upon such resolution for approval.

- (c) Each of Distinction and KRC shall, with assistance from and the participation of the Other Party, each acting reasonably, cause the Circular to be prepared in compliance, in all material respects, with Applicable Canadian Securities Laws, the CBCA and the ABCA, to satisfy the requirements of the TSX Approval, if applicable, and to provide the Distinction Shareholders and the KRC Shareholders with information in sufficient detail to permit them to form a reasoned judgment concerning the matters to be considered at the Distinction Meeting and the KRC Meeting, respectively, and shall include: (i) or incorporate by reference the Distinction Information; (ii) a copy of the Distinction Fairness Opinion; (iii) subject to the terms of this Agreement, the Distinction Board Recommendation; (iv) or incorporate by reference the KRC Information; (v) subject to the terms of this Agreement, the KRC Board Recommendation; (vi) a copy of the KRC Fairness Opinion; (vii) details of the composition of the KRC Board following the Effective Time as agreed to by the Parties in accordance with Section 2.8; (viii) a summary of the terms of the Support Agreements; and (ix) a copy, and summary of the terms and conditions, of this Agreement.
- (d) Distinction shall use reasonable commercial efforts to, in a timely manner, provide KRC with all financial statements and financial information reasonably requested by KRC to prepare pro forma financial statements at and for the applicable periods for inclusion in the Circular in the form prescribed by Applicable Canadian Securities Laws and/or as required by TSX in connection with the TSX Approval, if applicable.
- (e) KRC shall use reasonable commercial efforts to, in a timely manner, provide Distinction with all financial statements and financial information reasonably requested by Distinction to prepare pro forma financial statements at and for the applicable periods for inclusion in the Circular in the form prescribed by Applicable Canadian Securities Laws and/or as required by TSX in connection with the TSX Approval, if applicable.
- (f) KRC shall, in a timely manner, provide Distinction with the KRC Information, and such other information relating to KRC as Distinction may reasonably request for inclusion in the Circular, so as to permit compliance with the timeline set out in Section 2.4(a).
- (g) Distinction shall, in a timely manner, provide KRC with the Distinction Information, and such other information relating to Distinction as KRC may reasonably request for inclusion in the Circular, so as to permit compliance with the timeline set out in Section 2.4(a).
- (h) The Parties shall, subject to compliance with Applicable Canadian Securities Laws, incorporate the KRC Information and the Distinction Information into the Circular substantially in the form provided by KRC and Distinction, respectively, and each Party shall provide the Other Party and its Representatives with an opportunity to review and comment on the Circular and any other relevant documentation and shall give due consideration to all comments made by the Other Party and its Representatives (subject to any Applicable Laws). The Circular shall be in form and content satisfactory to Distinction and KRC, each acting reasonably, and shall comply with Applicable Canadian Securities Laws, the CBCA and the ABCA and to satisfy the requirements of the TSX Approval, if applicable.
- (i) Distinction shall use its reasonable commercial efforts to ensure that the Distinction Information provided by it and included in the Circular does not, at the time of the mailing of the Circular, contain any misrepresentation.
- (j) KRC shall use its reasonable commercial efforts to ensure that the KRC Information provided by it and included in the Circular does not, at the time of the mailing of the Circular, contain any misrepresentation.
- (k) Each Party shall promptly notify the Other Party if it becomes aware that the Circular contains a misrepresentation, or otherwise requires an amendment or supplement. The Parties shall cooperate in the preparation of any such amendment or supplement as is required or appropriate, and KRC and Distinction shall promptly mail, file or otherwise publicly disseminate any such amendment or supplement to the Distinction Shareholders and such other Persons as required by the Interim Order and the KRC Shareholders



and such other Persons as required by the ABCA and, if required by the Court or by Law, file the same with the applicable securities regulatory authorities and other Governmental Authorities as required.

- (l) The Parties shall cooperate to schedule and convene the Distinction Meeting and the KRC Meeting on the same date (subject to any adjournments or postponements required or permitted by this Agreement).
- (m) Each Party shall consult with the Other Party in fixing the record date of the Distinction Meeting and the KRC Meeting, and shall not change such record date for the Distinction Shareholders or the KRC Shareholders, as applicable, entitled to vote at the Distinction Meeting or the KRC Meeting, as applicable, in connection with any adjournment or postponement of the Distinction Meeting or the KRC Meeting, as applicable, unless required by Law.
- (n) Each Party shall provide notice to the Other Party of the Distinction Meeting or the KRC Meeting, as applicable, and allow the Other Party and its Representatives to attend such meeting.
- (o) Each Party shall advise the Other Party, as the Other Party may reasonably request, and on a daily basis on each of the last 10 Business Days prior to the proxy cut-off date for the Distinction Meeting or the KRC Meeting, as applicable, as to the aggregate tally of the proxies received by such Party in respect of the Distinction Transaction Resolution and the KRC Transaction Resolutions, as applicable, and any other matters to be considered at the Distinction Meeting or the KRC Meeting, as applicable.

## **2.5 Court Proceedings**

In connection with the Court proceedings relating to obtaining the Interim Order and the Final Order, Distinction shall:

- (a) provide KRC and its legal counsel with reasonable opportunity to review and comment upon drafts of all material to be filed with the Court in connection with the Business Combination, prior to the filing of that material, and give reasonable and due consideration to all comments of KRC and its legal counsel;
- (b) provide KRC and its legal counsel on a timely basis a description of any information required to be supplied by KRC for inclusion in any material to be filed with the Court in connection with the Business Combination, prior to the filing of that material, and will accept the reasonable comments of KRC and its legal counsel with respect to any such information required to be supplied by KRC and included in such material and any other matters contained therein;
- (c) provide counsel to KRC, on a timely basis, with copies of any notice of appearance and evidence served on Distinction or its counsel in respect of the application for the Interim Order and the application for the Final Order or any appeal therefrom, and of any notice (written or oral) received by Distinction indicating an intention to oppose the granting of the Interim Order or the Final Order or to appeal the Interim Order or the Final Order;
- (d) not object to legal counsel to KRC making such submissions on the application for the Interim Order and the application for the Final Order as such counsel considers appropriate, acting reasonably, provided that Distinction is advised of the nature of any submissions prior to the hearing and such submissions are consistent in all material respects with this Agreement and the Business Combination;
- (e) subject to Laws, not file any material with, or make any written submissions to, the Court in connection with the Business Combination or serve any such material, and will not agree to modify or amend materials so filed or served, except as contemplated hereby or with KRC's prior written consent, such consent not to be unreasonably withheld, conditioned or delayed; on the condition that nothing herein shall require KRC to agree or consent to, and KRC shall not be deemed to agree or consent to, any increased purchase price or other consideration or other modification or amendment to such filed or served materials that expands or increases KRC's obligations, or diminishes or limits KRC's rights, set forth in any such filed or served materials or under this Agreement; and

- (f) oppose any proposal from any Person that the Interim Order or the Final Order contain any provision inconsistent with this Agreement, and if required by the terms of the Interim Order or the Final Order or by Law to return to Court with respect to the Interim Order or the Final Order do so only after notice to, and in consultation and cooperation with, KRC.

## **2.6 Effective Date**

The Business Combination shall become effective at the Effective Time on the Effective Date. The Certificate shall be conclusive evidence that the Business Combination has become effective as of the Effective Time. The Parties shall use their reasonable commercial efforts to cause the Effective Date to occur as soon as reasonably practicable, but in any event no later than three Business Days following the issuance of the Final Order and subject to the satisfaction or waiver of the conditions set out in Article 6, and, in any event, not later than the Outside Date.

## **2.7 Payment of Consideration**

KRC will, on the Effective Date, prior to the sending of the Articles of Arrangement to the Director pending only filing of the Articles of Arrangement but subject to Section 2.12, deposit, or cause to be deposited, in escrow with the Depositary, to be released in accordance with the Plan of Arrangement for the benefit of and to be held on behalf of the Distinction Shareholders entitled to receive KRC Shares pursuant to the Plan of Arrangement, certificates representing, or other evidence regarding the issuance of, the KRC Shares that such Distinction Shareholders are entitled to receive under the Business Combination (calculated without reference to whether any Distinction Shareholder has exercised Dissent Rights).

## **2.8 Board of Directors of KRC**

- (a) From the date of execution of this Agreement by the Parties until the earlier of (i) the termination of this Agreement in accordance with its terms and (ii) the Effective Date, Distinction shall have the right to three observers to the KRC Board, who shall initially be Tim Schneider, Steven Sinclair and Beth Reimer-Heck and who will be entitled to attend meetings of the KRC Board as observers provided they have first entered into customary observer arrangements with KRC addressing matters such as confidentiality, fiduciary duties and protection of corporate opportunities to KRC's satisfaction, acting reasonably.
- (b) The Parties agree that, upon completion of the Business Combination, the KRC Board on the Effective Date shall consist of nine members, led by Kevin Brown as Chair and shall include, Patrick Carlson, Bill Slavin, Leland Corbett, Kaush Rahkit, Steve Sinclair, Tim Schneider, Beth Reimer-Heck and one additional director to be nominated by KRC with a view to meet the long-term expectations of the equity markets for the best standards of governance focused on governance experience, diversity, environmental sustainability and energy sector expertise.

## **2.9 Employee and Management Matters**

- (a) Distinction shall use its reasonable commercial efforts to obtain and deliver to KRC at the Effective Time evidence reasonably satisfactory to KRC of the resignations, effective as of the Effective Time, of all of the directors and officers of Distinction other than those specified by KRC prior to the Effective Date to remain. Such resignations shall be received in consideration for Distinction providing releases to each such Person, in form and substance satisfactory to KRC and Distinction and such resigning Person, each acting reasonably, which mutual releases shall contain exceptions for amounts or obligations owing to such directors and/or officers for accrued but unpaid salary, directors' fees, other payments due pursuant to the Business Combination as a Distinction Shareholder, benefits and other compensation or pursuant to indemnity or directors' and officers' insurance arrangements, and for any payments that may be owing to them pursuant to the terms of their employment with Distinction.
- (b) KRC covenants and agrees, and after the Effective Time will cause Distinction and any successor to Distinction, to honour and comply with the terms of all existing indemnification, employment, change of

control and severance agreements of each member of the Distinction Group and all obligations of the members of the Distinction Group under the Distinction Employee Plans.

- (c) KRC and Distinction, on its own behalf and on behalf of Distinction Energy Partnership, acknowledge and agree that the Distinction Management Services Agreement will be terminated at the Effective Time with immediate effect.

## **2.10 Treatment of Distinction Incentives**

- (a) The particulars of the Distinction Incentives outstanding as at the Agreement Date have been disclosed in writing to KRC by Distinction, including, as applicable: (i) the names of holders of Distinction Incentives and the number and type of Distinction Incentives held by them; (ii) the date of grant; (iii) the date of expiry; (iv) the vesting date(s) and the details of all Distinction Incentives that are vested as of the Agreement Date; and (iv) the number of Distinction Shares issuable or amount of cash payable on exercise, settlement or redemption, as applicable, of each Distinction Incentive.
- (b) The Parties acknowledge that the Business Combination will result in a "change of control" in respect of the Distinction Incentives and that the vesting of the Distinction Incentives upon the completion of the Business Combination will be accelerated as a result of the Business Combination.
- (c) Distinction will use its reasonable commercial efforts to obtain the surrender of the Distinction RSUs prior to the Effective Date in exchange for the payment to the holders thereof of one Distinction Share per Distinction RSU surrendered.
- (d) KRC agrees that, subject to obtaining the prior written agreement of each holder of Distinction Stock Options that (i) following the Effective Date, such Distinction Stock Options may only be exercised during the one hundred consecutive day period commencing on the date on which the KRC Shares are first listed and posted for trading on the TSX after receipt of the final TSX Approval and (ii) such Distinction Stock Options shall immediately terminate at the conclusion of such one hundred day period, in each case notwithstanding any other terms of the Contract governing such Distinction Stock Options, KRC will succeed to, and be substituted for, and may exercise every right and power of Distinction, and KRC will assume all of the covenants and obligations of Distinction, under the Contracts governing the Distinction Stock Options. Following the Effective Time, former holders of Distinction Stock Options shall be entitled to receive KRC Shares on the exercise of such Distinction Stock Options, subject to such adjustments as are then necessary to reflect (i) the ratio at which Distinction Shares are exchanged for KRC Shares pursuant to the Business Combination and (ii) the subsequent consolidation of KRC Shares pursuant to the Plan of Arrangement on a 10:1 basis.

## **2.11 Applicable U.S. Securities Laws**

The Parties agree that the Plan of Arrangement will be carried out with the intention that all KRC Shares to be issued to Distinction Shareholders on completion of the Business Combination will be issued by KRC in reliance on the exemption from the registration requirements of the U.S. Securities Act provided by Section 3(a)(10) thereunder. In order to ensure the availability of the exemption under Section 3(a)(10) of the U.S. Securities Act, the Parties agree that the Plan of Arrangement will be carried out on the following basis:

- (a) the Court will be advised, prior to the hearing required to approve the Interim Order, as to the intention of the Parties to rely on the exemption from registration provided by Section 3(a)(10) of the U.S. Securities Act for the issuance of all securities based on the Court's approval of the Plan of Arrangement;
- (b) Distinction will ensure that each Distinction Shareholder will be given adequate notice advising them of their right to attend the hearing of the Court at which the Court will consider the procedural and substantive fairness of the terms and conditions of the Plan of Arrangement and providing them with sufficient information necessary for them to exercise that right;

- (c) Distinction Shareholders will be advised that the KRC Shares to be issued or issuable pursuant to the Plan of Arrangement in exchange for Distinction Shares have not been registered under the U.S. Securities Act and will be issued by KRC in reliance on the exemption provided by Section 3(a)(10) of the U.S. Securities Act and in the case of Distinction Shareholders that are, or, have been within 90 days of the Effective Date, affiliates (as defined in Rule 144 of the U.S. Securities Act) of KRC, will be subject to restrictions on resale under the securities Laws of the United States;
- (d) the Final Order approving the terms and conditions of the Plan of Arrangement that is obtained from the Court will expressly state that the Plan of Arrangement is approved by the Court as being procedurally and substantively fair to Distinction Shareholders, after a hearing upon the fairness of the terms and conditions on which all Persons to whom it was proposed to issue the securities had a right to appear (following such Persons' receipt of timely and adequate notice of the hearing, and without any improper impediments to their appearance at the hearing), and after a finding by the Court of such fairness; and
- (e) the Final Order shall include a statement to substantially the following effect: "the approval of the Arrangement by this Court will constitute the basis for an exemption from the registration requirements of the *Securities Act of 1933*, as amended, of the United States of America pursuant to Section 3(a)(10) thereof, with respect to the issuance of common shares of KRC issuable to Distinction Shareholders in exchange for their Distinction Shares pursuant to the Arrangement".

## 2.12 Income Tax Matters and Withholding Obligations

- (a) The Parties intend that the exchange of Distinction Shares for KRC Shares pursuant to the Plan of Arrangement shall be structured as a tax-deferred share-for-share exchange pursuant to subsection 85.1(1) of the Tax Act, subject to a Distinction Shareholder's option to choose to recognize its capital gain (or capital loss) in the manner provided in subsection 85.1(1) of the Tax Act.
- (b) Distinction, KRC and the Depositary shall be entitled to deduct or withhold from any amounts payable to any Distinction Shareholder, or any other Person, pursuant to the Business Combination, such amounts (whether in cash or KRC Shares,) as Distinction, KRC or the Depositary reasonably determines it is required to deduct or withhold with respect to such payment under the Tax Act or any provision of federal, provincial, territorial, state, local or foreign tax law. To the extent that amounts are so deducted or withheld, such deducted or withheld amounts shall be treated, for all purposes hereof, as having been paid or delivered to the holders of Distinction Shares in respect of whom such deduction or withholding was made, provided that such deducted or withheld amounts are timely remitted to the appropriate Governmental Authority. Any of Distinction, KRC or the Depositary is hereby authorized to sell or otherwise dispose of any share consideration as is necessary to provide sufficient funds to Distinction, KRC or the Depositary, as the case may be, to enable it to comply with all deduction or withholding requirements applicable to it, and none of Distinction, KRC or the Depositary shall be liable to any Person for any deficiency in respect of any proceeds received, and Distinction, KRC or the Depositary, as applicable, shall notify the holder thereof and remit to the holder thereof any unapplied balance of the net proceeds of such sale.
- (c) Distinction shall be exclusively responsible to ensure compliance with any obligations in respect of withholding Taxes in respect of any amounts paid in connection with the exercise or settlement of Distinction Incentives (whether pursuant to Section 2.10 or otherwise), and Distinction shall deliver the consideration for the foregoing net of such amounts to holders of Distinction Incentives. Any such amounts deducted, withheld and remitted by Distinction will be treated for all purposes, including under this Agreement, as having been paid to the holders of Distinction Incentives in respect of which such deduction, withholding and remittance was made, provided that such deducted and withheld amounts are timely remitted to the appropriate Governmental Authority.
- (d) A Non-Resident Shareholder shall take all reasonable steps to obtain and deliver to KRC on or before the Effective Date a certificate issued under subsection 116(2) of the Tax Act (a "**Section 116(2) Certificate**") in respect of the disposition of the Distinction Shares to KRC having a certificate limit at least equal to the proceeds of disposition (as determined for purposes of section 116 of the Tax Act) the Non-Resident

Shareholder is entitled to receive in respect of the Distinction Shares disposed of by the Non-Resident Shareholder on the Effective Date pursuant to the Arrangement (the "**Clearance Amount**").

- (e) If the Non-Resident Shareholder does not deliver to KRC on or before the Effective Date a Section 116(2) Certificate in respect of the sale of the Distinction Shares having a certificate limit at least equal to the Clearance Amount, KRC will withhold 100% of the KRC Shares otherwise issuable to such Non-Resident Shareholder pursuant to the Arrangement ("**Withheld Shares**").
- (f) If, on or before the twenty-fifth day of the month following the calendar month in which the Effective Date occurs (the "**Remittance Date**"), KRC receives from the Non-Resident Shareholder a Section 116(2) Certificate or an appropriate certificate issued under subsection 116(4) of the Tax Act in respect of the Distinction Shares disposed of by the Non-Resident Shareholder (a "**Section 116(4) Certificate**", and collectively with a Section 116(2) Certificate, a "**Section 116 Certificate**") in respect of the Distinction Shares disposed of by the Non-Resident Shareholder, with a certificate limit at least equal to the Clearance Amount, KRC shall, as soon as is practicable after receipt of such Section 116 Certificate, deliver to the Non-Resident Shareholder the Withheld Shares.
- (g) Subject to paragraph (h) below, in the event that on or before the Remittance Date, KRC does not receive a Section 116 Certificate in respect of the Distinction Shares disposed of by the Non-Resident Shareholder with a certificate limit at least equal to the Clearance Amount, or receives a Section 116 Certificate with a certificate limit that is less than the Clearance Amount, then KRC shall, as agent for the Non-Resident Shareholder, sell or otherwise dispose of such portion of the Withheld Shares as is necessary to provide sufficient funds to KRC to enable it to comply with its withholding obligations and remit to the Non-Resident Shareholder any unapplied balance of the net proceeds of such sale, and the balance, if any, of the Withheld Shares. If the proceeds of such sale are insufficient to fund the required withholding and remittance obligations of KRC under subsection 116(5) of the Tax Act, the Non-Resident Shareholder shall forthwith pay the deficiency to KRC. The Non-Resident Shareholder shall bear all reasonable costs and expenses associated with any sale by KRC pursuant to the foregoing sentences.
- (h) If the CRA has provided a letter in form satisfactory to KRC, acting reasonably, confirming that the CRA will not enforce the remittance of funds as is strictly required under subsection 116(5) of the Tax Act (a "**Comfort Letter**") then the Remittance Date shall be extended to be the date upon which KRC receives either a Section 116 Certificate in respect of the Distinction Shares disposed of by the Non-Resident Shareholder, or notification from the CRA that the Comfort Letter is of no further effect.
- (i) The Non-Resident Shareholder may, at any time prior to KRC selling or otherwise disposing of the Withheld Shares in accordance with the provisions hereof, make payment of an amount equal to 25% of the Clearance Amount to KRC or authorize and direct KRC to sell or otherwise dispose of such portion of the Withheld Shares, as is necessary to provide sufficient funds to KRC to enable it to comply with its withholding obligations and: (a) KRC shall, as soon as is practicable after receipt of the payment or direction, deliver to the Non-Resident Shareholder the certificate(s) respecting the Withheld Shares and sell such portion of the Withheld Shares as directed, as applicable; and (b) such payment or net proceeds of such sale, as applicable, shall be held on the terms and conditions contained in this Section 2.12.
- (j) KRC will not be liable for any loss or damage whatsoever to the Non-Resident Shareholder caused by its performance of or its failure to perform its duties and responsibilities under this Section 2.12, save only to the extent that such loss or damage is attributable to the gross negligence or wilful misconduct of KRC. In particular, the Non-Resident Shareholder shall be deemed to acknowledge and agree that the price at which Withheld Shares may be sold or disposed of may be less than the fair value of the Withheld Shares at the Effective Date and, as a result, KRC will not be liable or accountable for any loss or damage to the Non-Resident Shareholder resulting from the price at which the Withheld Shares are sold or otherwise disposed of in accordance with the provisions hereof. KRC will have no liability for any failure to sell any of the Withheld Shares at any particular price or prices, or within any particular time period.
- (k) For the purposes of this Section 2.12, each KRC Share shall be deemed to have a fair market value of \$1.00.



## ARTICLE 3 COVENANTS AND ADDITIONAL AGREEMENTS

### 3.1 Conduct of Business of KRC

From the Agreement Date until the earlier of the Effective Time and the termination of this Agreement in accordance with Article 9, except as otherwise expressly permitted or specifically contemplated by this Agreement (including the Plan of Arrangement) as otherwise required by Applicable Laws or with the prior written approval of the Distinction Board, it being acknowledged that all members of the Distinction Board shall be entitled to be present at and vote on all such matters (such consent not to be unreasonably withheld, conditioned or delayed):

- (a) except as disclosed in writing by KRC to Distinction and other than in respect of activities described in the KRC Capital Program and Permitted Transactions, the business of KRC shall be conducted only in, and KRC shall not take any action except in, the ordinary course of business and consistent with past practice, with it being acknowledged and agreed by Distinction that such covenant is subject to: (i) KRC's compliance with Applicable Laws related to the COVID-19 pandemic; and (ii) actions taken as a result of such pandemic's continuing effect on working restrictions and the local, national and global economy (including any work stoppages or operational stoppages necessary to safeguard life or property); provided that any such action taken outside of the ordinary course of business or inconsistent with past practice as a result of such pandemic's continuing effect on working restrictions and the local, national and global economy (including any work stoppages or operational stoppages necessary to safeguard life or property) will be commercially reasonable and, to the extent applicable, not disproportionate compared to actions taken by companies similar to KRC, and KRC shall use all reasonable commercial efforts to maintain and preserve its and their business organization, assets, employees and advantageous business relationships;
- (b) except as contemplated in the KRC Transaction Resolutions, KRC and any affiliate of KRC (collectively, the “**KRC Group**”) shall not and shall not permit any other member of the KRC Group to, directly or indirectly: (i) amend KRC's constituting documents or amend in any material respects the constituting documents of any member of the KRC Group, except as contemplated by the KRC Transaction Resolutions; (ii) amend its existing accounting policies, practices, methods and principles or adopt new accounting principles, in each case, except as required by IFRS; (iii) declare, set aside or pay any dividend or other distribution or payment in cash, shares or property in respect of the KRC Shares owned by any Person other than a member of the KRC Group; (iv) split, consolidate, redeem, purchase or otherwise acquire any of its outstanding shares or other securities; (v) amend the terms of any of its securities; (vi) adopt a plan of liquidation or resolutions providing for the liquidation, dissolution, merger, consolidation or reorganization of KRC; (vii) conduct its business in material non-compliance with any Applicable Laws; or (viii) enter into, modify or terminate any Contract, agreement, commitment or arrangement with respect to any of the foregoing, except as permitted above;
- (c) other than in respect of a Permitted Transaction, which for certainty shall not require approval by the Distinction Board, KRC shall not directly or indirectly: (i) sell, pledge, dispose of or encumber any material assets of KRC other than the sale of petroleum products in the ordinary course of business; (ii) acquire (by merger, amalgamation, consolidation or acquisition of shares or assets) any corporation, partnership or other business organization or division thereof or make any investment either by purchase of shares or securities, contributions of capital (other than to or from a subsidiary of KRC) or, other than the purchase of petroleum products in the ordinary course of business, purchase of any material property or materials assets of any other individual or entity; (iii) except in respect of (A) KRC Shares issuable pursuant to the terms of KRC Incentives outstanding on the Agreement Date or available to be issued under the KRC Incentives or (B) grants of KRC Stock Options or KRC Performance Warrants issued in accordance with the terms of this Agreement, issue, grant, sell or pledge or agree to issue, grant, sell or pledge any securities of KRC or any of its subsidiaries, or securities convertible into or exchangeable or exercisable for, or otherwise evidencing a right to acquire, securities of KRC or any of its subsidiaries; (iv) incur any indebtedness, other than undrawn amounts available on the KRC Credit Agreement as of the date of this Agreement, for borrowed money or any other liability or obligation or issue any debt securities or assume, guarantee, endorse or otherwise as an accommodation become responsible for, the obligations of any other individual or entity, or make any loans or advances, except in the ordinary course of business consistent with past practice in relation to internal



transactions solely involving members of KRC; (v) pay, discharge or satisfy any claims, liabilities or obligations (including any regulatory investigation) which are material to the business of KRC, other than the payment, discharge or satisfaction, in the ordinary course of business consistent with past practice; (vi) release or relinquish, or authorize or propose to do so, any contractual right which is material to the business of KRC; (vii) waive, release, grant or transfer any rights of value or modify or change any existing license, lease, Contract or other document which is material to the business of KRC; (viii) enter into, amend or terminate any Hedging Transaction, other than a Hedging Transaction entered into, amended or terminated in the ordinary course of business consistent with past practice (which for greater certainty, "ordinary course of business consistent with past practice" shall not include the entry into, amendment, renewal or termination of any transportation or any physical purchases and sales Contracts with a term greater than 12 months); or (iv) authorize or propose any of the foregoing, or enter into or modify any Contract, agreement, commitment or arrangement to do any of the foregoing;

- (d) KRC shall use its reasonable commercial efforts (taking into account insurance market conditions and offerings and industry practices) to cause its current insurance (or reinsurance) policies, including directors' and officers' insurance, not to be cancelled or terminated or any of the coverage thereunder to lapse, except where such cancellation, termination or lapse would not individually or in the aggregate be material to KRC, unless simultaneously with such termination, cancellation or lapse, replacement policies underwritten by insurance or re-insurance companies of nationally recognized standing having comparable deductibles and providing coverage equal to or greater than the coverage under the cancelled, terminated or lapsed policies for substantially similar premiums are in full force and effect;
- (e) KRC shall not: (i) take any action or permit any action to be taken in respect of any regulatory matters related to its business and/or operations that could reasonably be likely to result in a Material Adverse Effect or prevent the completion of the transactions contemplated in this Agreement without the prior written consent of Distinction; and (ii) not engage in any meetings or communications with any Governmental Authority in relation to any regulatory matters related to its business and/or operations that could reasonably be likely to result in a Material Adverse Effect or prevent the completion of the transactions contemplated in this Agreement without legal counsel for Distinction being advised of same, and having been given the opportunity to participate in such meetings or communications, and in any event shall immediately notify and provide copies to Distinction and Distinction's legal counsel of any communications to or from a Governmental Authority in relation to such matters;
- (f) KRC shall not enter into any Contract that has take or pay obligations of any nature whatsoever which individually could require payments by KRC of more than **\$REDACTED** annually or that in aggregate together with other Contracts with take or pay obligations of any nature whatsoever entered into after the Agreement Date could require payments by KRC of more than **\$REDACTED** annually;
- (g) other than in respect of activities described in the KRC Capital Program which has been disclosed in writing by KRC to Distinction, KRC shall not incur or commit to additional capital expenditures prior to the Effective Date individually or in the aggregate exceeding **\$REDACTED**;
- (h) KRC shall use its reasonable commercial efforts (taking into account insurance market conditions and offerings and industry practices) to cause its current insurance (or reinsurance) policies, including directors' and officers' insurance, not to be cancelled or terminated or any of the coverage thereunder to lapse, except where such cancellation, termination or lapse would not individually or in the aggregate be material to KRC, unless simultaneously with such termination, cancellation or lapse, replacement policies underwritten by insurance or re-insurance companies of nationally recognized standing having comparable deductibles and providing coverage equal to or greater than the coverage under the cancelled, terminated or lapsed policies for substantially similar premiums are in full force and effect;
- (i) KRC shall continue to withhold from each payment to be made to any of its present or former employees (which includes officers) and directors and to all other Persons (including all Persons who are non-residents of Canada for the purposes of the Tax Act), all amounts that are required to be so withheld by any Applicable Laws and KRC shall remit such withheld amounts to the proper Governmental Authority within the times prescribed by such Applicable Laws;

- (j) KRC shall: (i) duly and on a timely basis file all material Returns required to be filed by it and all such Returns will be true, complete and correct in all material respects; (ii) timely pay all material Taxes which are due and payable unless validly contested; (iii) not make, rescind or revoke any material express or deemed election relating to Taxes, file any material amended Returns or make any material Tax filings outside the ordinary course of business; (iv) not make a request for a Tax ruling with any Governmental Authority with respect to any material Taxes; (v) not agree to any extension of time for the filing of any material Returns or with respect to the assessment or reassessment of material Taxes; (vi) not enter into a settlement agreement or settle or compromise any claim, action, suit, litigation, proceeding, arbitration, investigation, audit or controversy relating to Taxes in respect of any matter where the aggregate amount of Tax exceeds \$REDACTED; (vii) not change in any material respect any of its methods of reporting income, deductions or accounting for Tax purposes from those employed in the preparation of its Returns for the taxation year ending December 31, 2020; (viii) not enter into any Tax sharing, Tax allocation or Tax indemnification agreement (other than any such agreement entered into in the ordinary course of business the primary purpose of which does not relate to Taxes); and (ix) properly reserve (and reflect such reserves in its books and records and financial statements) in accordance with past practice and in the ordinary course of business, for all material Taxes accruing in respect of KRC which are not due or payable prior to the Effective Date; and
- (k) KRC shall not agree, resolve or commit to do any of the foregoing.

Nothing in this Agreement is intended to or shall result in Distinction exercising material influence over the operations of KRC, particularly in relation to operations in which the Parties compete or would compete, but for this Agreement, with each other, prior to the Effective Date.

### 3.2 Conduct of Business of Distinction

From the Agreement Date until the earlier of the Effective Time and the termination of this Agreement in accordance with Article 9, except as otherwise expressly permitted or specifically contemplated by this Agreement (including the Plan of Arrangement), as otherwise required by Applicable Laws or with the prior written consent of KRC (such consent not to be unreasonably withheld, conditioned or delayed):

- (a) except as disclosed in writing by Distinction to KRC and other than in respect of activities described in the Distinction Capital Program the business of Distinction and any subsidiary of Distinction (collectively, the "**Distinction Group**") shall be conducted only in, and the members of the Distinction Group shall not, take any action except in, the ordinary course of business and consistent with past practice, with it being acknowledged and agreed by KRC that such covenant is subject to: (i) the Distinction Group's compliance with Applicable Laws related to the COVID-19 pandemic; and (ii) actions taken as a result of such pandemic's continuing effect on working restrictions and the local, national and global economy (including any work stoppages or operational stoppages necessary to safeguard life or property); provided that any such action taken outside of the ordinary course of business or inconsistent with past practice as a result of such pandemic's continuing effect on working restrictions and the local, national and global economy (including any work stoppages or operational stoppages necessary to safeguard life or property) will be commercially reasonable and, to the extent applicable, not disproportionate compared to actions taken by companies similar to Distinction, and Distinction shall use all reasonable commercial efforts to maintain and preserve its and their business organization, assets, employees and advantageous business relationships;
- (b) Distinction shall not, and shall not permit any other member of the Distinction Group, or any affiliate of Distinction, to, directly or indirectly: (i) amend Distinction's constating documents or amend in any material respect the constating documents of any other member of the Distinction Group; (ii) amend its existing accounting policies, practices, methods and principles or adopt new accounting principles, in each case except as required by IFRS; (iii) declare, set aside or pay any dividend or other distribution or payment in cash, shares or property in respect of the Distinction Shares owned by any Person other than a member of the Distinction Group; (iv) except Distinction Shares issuable pursuant to the terms of Distinction Incentives outstanding on the Agreement Date, issue, grant, sell or pledge or agree to issue, grant, sell or pledge any securities of Distinction or any of its subsidiaries, or securities convertible into or exchangeable or exercisable for, or otherwise evidencing a right to acquire, securities of Distinction or any of its subsidiaries; (v) split, consolidate, redeem, purchase or otherwise acquire any of its outstanding shares or other securities; (vi)

amend the terms of any of its securities; (vii) adopt a plan of liquidation or resolutions providing for the liquidation, dissolution, merger, consolidation or reorganization of Distinction or any subsidiary of Distinction; (viii) conduct its business in material non-compliance with any Applicable Laws; or (ix) enter into, modify or terminate any Contract, agreement, commitment or arrangement with respect to any of the foregoing, except as permitted above;

- (c) Distinction shall not, and shall not permit any other member of the Distinction Group to, directly or indirectly: (i) sell, pledge, dispose of or encumber any assets of the Distinction Group other than the sale of petroleum products in the ordinary course of business; (ii) acquire (by merger, amalgamation, consolidation or acquisition of shares or assets) any corporation, partnership or other business organization or division thereof or make any investment either by purchase of shares or securities, contributions of capital (other than to or from a subsidiary of Distinction) or, other than the purchase of petroleum products in the ordinary course of business, purchase of any property or assets of any other individual or entity; (iii) incur any indebtedness for borrowed money or any other liability or obligation or issue any debt securities or assume, guarantee, endorse or otherwise as an accommodation become responsible for, the obligations of any other individual or entity, or make any loans or advances, except in the ordinary course of business consistent with past practice in relation to internal transactions solely involving members of the Distinction Group; (iv) pay, discharge or satisfy any claims, liabilities or obligations (including any regulatory investigation) which are material to the business of Distinction, other than the payment, discharge or satisfaction, in the ordinary course of business consistent with past practice; (v) release or relinquish, or authorize or propose to do so, any contractual right which is material to the business of Distinction; (vi) waive, release, grant or transfer any rights of value or modify or change any existing license, lease, Contract or other document which is material to the business of Distinction; (vii) enter into, amend or terminate any Hedging Transaction, other than a Hedging Transaction entered into, amended or terminated in the ordinary course of business consistent with past practice (which for greater certainty, "ordinary course of business consistent with past practice" shall not include the entry into, amendment, renewal or termination of any transportation or any physical purchases and sales Contracts with a term greater than 12 months); (viii) no member of the Distinction Group will agree to, endorse, enter into, change, amend or modify any Contract, arrangement or undertaking with any Person (other than a subsidiary of Distinction) in which such member of the Distinction Group holds a direct or indirect equity interest; (ix) take any action or implement any of the matters referenced in Section 3.12 of the Distinction Investor Agreement (regardless of whether such Contract is terminated or in force); or (x) authorize or propose any of the foregoing, or enter into or modify any Contract, agreement, commitment or arrangement to do any of the foregoing;
- (d) no member of the Distinction Group shall: (i) take any action or permit any action to be taken in respect of any regulatory matters related to its business and/or operations that could reasonably be likely to result in a Material Adverse Effect or prevent the completion of the transactions contemplated in this Agreement without the prior written consent of KRC; and (ii) not engage in any meetings or communications with any Governmental Authority in relation to any regulatory matters related to its business and/or operations that could reasonably be likely to result in a Material Adverse Effect or prevent the completion of the transactions contemplated in this Agreement, without legal counsel for KRC being advised of same, and having been given the opportunity to participate in such meetings or communications, and in any event shall immediately notify and provide copies to KRC and KRC's legal counsel of any communications to or from a Governmental Authority in relation to such matters;
- (e) Distinction shall not enter into any Contract that has take or pay obligations of any nature whatsoever which individually could require payments by Distinction of more than **\$REDACTED** annually or that in aggregate together with other Contracts with take or pay obligations of any nature whatsoever entered into after the Agreement Date could require payments by Distinction of more than **\$REDACTED** annually;
- (f) other than in respect of activities described in the Distinction Capital Program which has been disclosed in writing by Distinction to KRC, Distinction shall not incur or commit to capital expenditures prior to the Effective Date individually or in the aggregate exceeding **\$REDACTED**;
- (g) Distinction shall not, and shall not permit any other member of the Distinction Group to, grant to any employee (which includes officers) or director an increase in compensation in any form, grant to any

employee or director any increase in compensation in any form, make any loan to any employee or director, or take any action with respect to the grant of any change of control, severance, retention or termination pay to, or the entering into of any employment agreement (or amendments thereto or ancillary agreements) with, any employee or director of any member of the Distinction Group, or with respect to any increase of benefits payable under its current change of control, severance or termination pay policies;

- (h) no member of the Distinction Group shall adopt or amend or make any contribution to any bonus, profit sharing, option, pension, retirement, deferred compensation, insurance, retention, incentive compensation, other compensation or other similar plan, agreement, trust, fund or arrangement for the benefit of employees or directors, except as is necessary to comply with non-discretionary requirements of pre-existing plans;
- (i) Distinction shall use its reasonable commercial efforts (taking into account insurance market conditions and offerings and industry practices) to cause its current insurance (or reinsurance) policies, including directors' and officers' insurance, not to be cancelled or terminated or any of the coverage thereunder to lapse, except where such cancellation, termination or lapse would not individually or in the aggregate be material to Distinction, unless simultaneously with such termination, cancellation or lapse, replacement policies underwritten by insurance or re-insurance companies of nationally recognized standing having comparable deductibles and providing coverage equal to or greater than the coverage under the cancelled, terminated or lapsed policies for substantially similar premiums are in full force and effect;
- (j) Distinction shall maintain a system of internal control over financial reporting (as such term is defined in National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*) providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS and will otherwise comply with National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*, except where the failure to maintain such a system would not materially affect the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS;
- (k) Distinction shall continue to withhold from each payment to be made to any of its present or former employees and directors and to all other Persons (including all Persons who are non-residents of Canada for the purposes of the Tax Act), all amounts that are required to be so withheld by any Applicable Laws and Distinction shall remit such withheld amounts to the proper Governmental Authority within the times prescribed by such Applicable Laws;
- (l) Distinction shall: (i) duly and on a timely basis file all material Returns required to be filed by it before the Effective Date and all such Returns will be true, complete and correct in all material respects; (ii) timely pay all Taxes which are due and payable by it before the Effective Date unless validly contested; (iii) not make, rescind or revoke any material express or deemed election relating to Taxes, file any material amended Returns or make any material Tax filings outside the ordinary course of business, except as required by Applicable Law; (iv) not make a request for a Tax ruling with any Governmental Authority with respect to any Taxes; (v) not agree to any extension of time for the filing of any material Returns or with respect to the assessment or reassessment of Taxes; (vi) not enter into a settlement agreement or settle or compromise any claim, action, suit, litigation, proceeding, arbitration, investigation, audit or controversy relating to Taxes; (vii) not change in any material respect any of its methods of reporting income, deductions or accounting for Tax purposes from those employed in the preparation of its Returns for the taxation year ending December 31, 2020; (viii) not enter into any Tax sharing, Tax allocation or Tax indemnification agreement (other than any such agreement entered into in the ordinary course of business the primary purpose of which does not relate to Taxes); and (ix) properly reserve (and reflect such reserves in its books and records and financial statements) in accordance with past practice and in the ordinary course of business, for all material Taxes accruing in respect of Distinction which are not due or payable prior to the Effective Date;
- (m) Distinction shall use reasonable commercial efforts to suspend any listing committee of the Distinction Board and shall not reinstate any such committee and shall not seek the listing of the Distinction Shares on any stock exchange; and
- (n) Distinction shall not agree, resolve or commit to do any of the foregoing.

Nothing in this Agreement is intended to or shall result in KRC exercising material influence over the operations of Distinction, particularly in relation to operations in which the Parties compete or would compete, but for this Agreement, with each other, prior to the Effective Date.

### **3.3 Mutual Covenants Regarding the Business Combination**

Subject to Applicable Laws, from the Agreement Date until the earlier of the Effective Time and the termination of this Agreement in accordance with Article 9, except as otherwise expressly permitted or specifically contemplated by this Agreement (including the Plan of Arrangement), as otherwise required by Applicable Laws or with the prior written consent of the Other Party (such consent not to be unreasonably withheld, conditioned or delayed):

- (a) each Party shall comply promptly with all requirements imposed by Law on it with respect to this Agreement and the Business Combination, including seeking all required securityholder approvals at the Distinction Meeting and the KRC Meeting, as applicable;
- (b) each Party shall use its reasonable commercial efforts to assist the Other Party in obtaining the Interim Order and the Final Order and to carry out the intent or effect of this Agreement and the Business Combination;
- (c) each Party shall use its reasonable commercial efforts to satisfy (or cause the satisfaction of) the conditions precedent to its obligations under this Agreement (to the extent the satisfaction of the same is within the control of such Party) and to take, or cause to be taken, all other actions and to do, or cause to be done, all other things necessary, proper or advisable under Applicable Laws to complete and give effect to the transactions contemplated by this Agreement and the Business Combination, including using its reasonable commercial efforts to promptly:
  - (i) obtain and maintain all necessary waivers, consents, permits, exemptions, orders, agreements, amendments (including, if applicable, in respect of the Interim Order), confirmations and approvals required to be obtained from any Person in connection with the Business Combination (including from counterparties to any material Contracts); and notwithstanding anything to the contrary in this Agreement, in connection with obtaining any approval or consent from any Person with respect to any transaction contemplated by this Agreement: (A) not, without the prior written consent of the Other Party (such consent not to be unreasonably withheld, conditioned or delayed), pay or commit to pay to such Person whose approval or consent is being solicited any material amount of cash or other consideration, or make any material commitment or incur any liability or other obligation due to such Person to the extent that such payments are not provided for in a Contract with such Person; and (B) neither Party nor any of their respective affiliates shall be required to pay or commit to pay to such Person whose approval or consent is being solicited any material amount of cash or other consideration, or make any commitment or incur any liability or other obligation to such Person to the extent that such payments are not provided for in a Contract with such Person;
  - (ii) obtain all necessary consents, assignments, waivers and amendments to, or terminations of, any instruments or other documents to which it is a party, or by which it is bound, that may be necessary to permit it to carry out the transactions contemplated by this Agreement and to take such other steps and actions as may be necessary or appropriate to fulfill its obligations hereunder;
  - (iii) effect all necessary registrations, filings and submissions of information required by Governmental Authority from such Party and its subsidiaries relating to the Business Combination;
  - (iv) obtain all necessary exemptions, consents, orders, approvals and authorizations as are required by it under all Applicable Laws to permit it to carry out the transactions contemplated by this Agreement and/or necessary to complete the Business Combination; and
  - (v) upon reasonable consultation with the Other Party, oppose, lift or rescind any injunction, restraining or other order, decree or ruling seeking to restrain, enjoin or otherwise prohibit or adversely affect



the consummation of the Business Combination and to defend, or cause to be defended, all lawsuits or other legal, regulatory or other proceedings challenging or affecting the Business Combination or this Agreement or the consummation of the transactions contemplated hereby;

- (d) neither Distinction nor KRC or their respective subsidiaries, as applicable, shall take any action, refrain from taking any reasonable commercial action, or permit any action to be taken or reasonable commercial action to not be taken, which is inconsistent with this Agreement or which would reasonably be expected to prevent, materially impede or significantly delay the consummation of the Business Combination or the transactions contemplated hereby, or which would render, or may reasonably be expected to render, any representation or warranty made by such Party in this Agreement untrue in any material respect;
- (e) each Party will promptly notify the Other Party in writing of:
  - (i) any notice or other communication from any Person alleging that the consent or waiver, permit, exemption, order, approval, agreement, amendment or confirmation of such Person (or another Person) is or may be required in connection with this Agreement or the Business Combination and the response thereto from such Party, its subsidiaries or its Representatives;
  - (ii) any material communication from any Governmental Authority in connection with the transactions contemplated by this Agreement and the response thereto from such Party, its subsidiaries or its Representatives;
  - (iii) any material Governmental Authority or third party complaints, investigations or hearings (or communications indicating that the same may be contemplated) in respect Distinction or KRC or their respective subsidiaries, as applicable, or the Business Combination, and any material change in relation thereto;
  - (iv) all material matters relating to material claims, actions, enquiries, applications, suits, demands, arbitrations, charges, indictments, hearings or other civil, criminal, administrative or investigative proceedings, or other investigations or examinations pending or, to the knowledge of such Party, threatened, against Distinction or KRC or their respective subsidiaries, as applicable, or related to the Business Combination; and
  - (v) any material change (actual, anticipated, contemplated or, to the knowledge of such Party, threatened) in its business, operations, affairs, assets, capitalization, financial condition, licenses, permits, rights, privileges or liabilities, whether contractual or otherwise, or of any change in any representation or warranty provided by such Party in this Agreement which change is or may be of such a nature to render any representation or warranty misleading or untrue in any material respect; and
- (f) such Party shall in good faith discuss with the Other Party any change in circumstances (actual, anticipated, contemplated, or to the knowledge of such Party, threatened) which is of such a nature that there may be a reasonable question as to whether notice need to be given to the Other Party pursuant to Section 3.3(e);
- (g) each Party shall promptly inform the Other Party as soon as it is aware of any material communication (written or oral) received by such Party or its Representatives from the Distinction Shareholders (in the case of Distinction) or the KRC Shareholders (in the case of KRC) in opposition to the Business Combination or the transactions contemplated in this Agreement (in the case of Distinction) or, in the case of KRC, the matters contemplated in the KRC Transaction Resolutions;
- (h) each Party shall indemnify and save harmless the Other Party and its subsidiaries and their respective directors, officers, employees, representatives and agents from and against any and all liabilities, claims, demands, losses, costs, damages and expenses (excluding any loss of profits or consequential damages) to which any of such Persons may be subject or which any of such Persons may suffer or incur, whether under



the provisions of any Law or otherwise, in any way caused by, or arising, directly or indirectly, from or in consequence of:

- (i) any misrepresentation or alleged misrepresentation by such Party in the Distinction Information (in the case of Distinction) or the KRC Information (in the case of KRC) contained in the Circular or the Listing Materials, if applicable; or
- (ii) any order made or any inquiry, investigation or proceeding by any securities commission or other competent authority based upon any untrue statement or omission of a material fact or alleged untrue statement or omission of a material fact or any misrepresentation or any alleged misrepresentation by such Party in the Distinction Information (in the case of Distinction) or the KRC Information (in the case of KRC) contained in the Circular or the Listing Materials, if applicable,

except that such Party shall not be liable in any such case to the extent that any such liabilities, claims, demands, losses, costs, damages and expenses arise out of or are based solely upon any misrepresentation or any alleged misrepresentation by the Other Party in the Circular or the Listing Materials, as applicable, that is based solely on the KRC Information or the Distinction Information of such Other Party, as applicable, included in the Circular or the Listing Materials, as applicable, or the non-compliance by the Other Party with any requirement of Applicable Laws in connection with the transactions contemplated by this Agreement. Notwithstanding anything contained in this Agreement, the foregoing indemnity shall survive the Effective Time;

- (i) except for proxies and non-substantive communications with the holders of its securities and communications that a Party is required to keep confidential pursuant to Applicable Law, such Party shall furnish promptly to the Other Party, or the Other Party's counsel, a copy of each notice, report, schedule or other document delivered, filed or received by such Party from holders of such Party's securities or regulatory agencies in connection with: (i) the Business Combination; (ii) the Distinction Meeting or the KRC Meeting, as applicable; (iii) any filings under Applicable Laws in connection with the transactions contemplated by this Agreement; and (iv) any dealings with stock exchanges or regulatory agencies, in connection with the transactions contemplated by this Agreement; and
- (j) each Party shall make all filings and applications under Applicable Laws that are required to be made by such Party in connection with the Business Combination and shall take all reasonable commercial action necessary to be in compliance, in all material respects, with such Applicable Laws.

### **3.4 Additional Covenants of KRC**

KRC shall perform and shall cause each other member of the KRC Group to perform all obligations required to be performed by it under this Agreement, cooperate with Distinction in connection therewith, and do all such other acts and things as may be necessary or desirable in order to consummate and make effective, as soon as reasonably practicable, the transactions contemplated by this Agreement and, without limiting the generality of the foregoing:

- (a) KRC shall assist Distinction in the preparation of the Court documents related to the Interim Order and the Final Order;
- (b) unless this Agreement shall have been terminated in accordance with Section 9.1, KRC shall convene and hold the KRC Meeting, at which meeting the KRC Transaction Resolutions shall be submitted to the KRC Shareholders entitled to vote upon such resolutions for approval;
- (c) subject to Applicable Laws, KRC shall not file any material with, or make any submissions to, the Court in connection with the Business Combination or serve any such material, and will not agree to modify or amend materials so filed or served, except as contemplated hereby or with Distinction's prior written consent, such consent not to be unreasonably withheld, conditioned or delayed;

- (d) subject to the terms of this Agreement, KRC shall solicit proxies to be voted at the KRC Meeting in favour of the matters to be considered at such meeting, including the KRC Transaction Resolutions and against any resolution submitted by any Person that is inconsistent with such resolution and the completion of any of the transactions contemplated by this Agreement;
- (e) to the extent permitted under Applicable Laws and the Interim Order, KRC shall vote its Distinction Shares at the Distinction Meeting in favour of the matters to be considered at such meeting, including the Distinction Transaction Resolution and against any resolution submitted by any Person that is inconsistent with such resolution and the completion of any of the transactions contemplated by this Agreement;
- (f) KRC shall conduct the KRC Meeting in accordance with the by-laws of KRC and any instrument of a Governmental Authority governing or having authority over such meeting and otherwise in accordance with Applicable Laws;
- (g) KRC recognizes the significant importance that Distinction Shareholders ascribe to KRC obtaining a stock exchange listing. As a result, KRC agrees that in consultation with Distinction it shall apply to the TSX to obtain conditional and subsequent final approval of the listing and posting for trading of the KRC Shares (including the KRC Shares to be issued pursuant to the Business Combination) on the TSX (the "**TSX Approval**") and shall use reasonable commercial efforts to obtain the final TSX Approval on or prior to November 8, 2021. Promptly and in any event within five (5) Business Days following the execution of this Agreement, KRC will form a Listing Monitoring Committee whose purpose shall be to monitor the status of the TSX Approval and whose members shall be Tim Schneider, Steven Sinclair, and one ARC representative who is on the KRC Board. KRC covenants and agrees to take all such reasonable action as may be required to satisfy the conditions of the TSX Approval in order for the KRC Shares (including the KRC Shares to be issued pursuant to the Business Combination) to be listed and posted for trading, as soon as reasonably practicable following receipt of the conditional TSX Approval and to provide copies of all applications, submissions and correspondence between KRC and the TSX in respect of same to the Listing Monitoring Committee. Notwithstanding anything contained in this Agreement, the foregoing covenant shall survive the Effective Time;
- (h) KRC will cause to be taken all necessary corporate action to create, allot and reserve for issuance the KRC Shares to be issued in exchange for the Distinction Shares pursuant to the Plan of Arrangement; and
- (i) KRC will make all filings and applications under Applicable Laws that are required to be made on the part of KRC or, following the Effective Date, Distinction, in connection with the transactions contemplated herein and shall take all action that may be necessary to be in compliance, in all material respects, with such Applicable Laws.

### 3.5 Additional Covenants of Distinction

Distinction shall perform and shall cause each other member of the Distinction Group to perform, all obligations required to be performed by it under this Agreement, cooperate with KRC in connection therewith, and do all such other acts and things as may be necessary or desirable in order to consummate and make effective, as soon as reasonably practicable, the transactions contemplated by this Agreement and, without limiting the generality of the foregoing:

- (a) Distinction shall forthwith carry out the terms of the Interim Order and the Final Order;
- (b) unless this Agreement shall have been terminated in accordance with Section 9.1, Distinction shall convene and hold the Distinction Meeting, at which meeting the Distinction Transaction Resolution shall be submitted to the Distinction Shareholders entitled to vote upon such resolution for approval, even if the Distinction Board shall have withdrawn, amended, modified or qualified the Distinction Board Recommendation;

- (c) Distinction shall conduct the Distinction Meeting in accordance with the by-laws of Distinction and any instrument of a Governmental Authority governing or having authority over such meeting (including, in the case of the Distinction Meeting, the Interim Order) and otherwise in accordance with Applicable Laws;
- (d) subject to the terms of this Agreement, Distinction shall solicit proxies to be voted at the Distinction Meeting in favour of the matters to be considered at such meeting, including the Distinction Transaction Resolution and against any resolution submitted by any Person that is inconsistent with such resolutions and the completion of any of the transactions contemplated by this Agreement;
- (e) Distinction shall maintain its status as a "reporting issuer" (or similarly designated entity) not in default under Applicable Canadian Securities Laws in the provinces and territories where it is a reporting issuer at the Agreement Date;
- (f) Distinction will promptly provide KRC, for review by KRC and its legal counsel, prior to filing or issuance of the same, any proposed public disclosure document, including any news release or material change report, subject to Distinction's obligations under Applicable Canadian Securities Laws to make continuous disclosure and timely disclosure of material information, and KRC agrees to keep such information confidential in accordance with the terms of the Confidentiality Agreement until it is filed as part of Distinction's public disclosure record on SEDAR; and
- (g) Distinction shall promptly inform KRC as soon as it is aware of the number of Distinction Shares for which Distinction receives notices of dissent or written objections to the Business Combination, whether or not such notices or objections are valid or in proper form, and provide KRC with copies of such notices and written objections on an as received basis and, subject to Applicable Laws, shall provide KRC with an opportunity to review and comment upon any written communications proposed to be sent by or on behalf of Distinction to any Distinction Shareholder exercising or purporting to exercise Dissent Rights in relation to the Distinction Transaction Resolution and reasonable consideration shall be given to any comments made by KRC and its legal counsel prior to sending any such written communications. Distinction shall not settle any claims with respect to Dissent Rights without the prior written consent of KRC, not to be unreasonably withheld, conditioned or delayed.

### 3.6 TSX Approval Assistance

- (a) Distinction shall use commercially reasonable efforts to provide and to cause its subsidiaries (and to use commercially reasonable efforts to cause its and their Representatives) to provide such customary and timely cooperation to KRC and its Representatives as KRC may reasonably request in connection with the arrangements by KRC to obtain the TSX Approval, including:
  - (i) making available to KRC and its Representatives and their respective agents and advisors, such financial information or other information as KRC may reasonably request in connection with the preparation of any document (which could include the Circular) required in connection with achieving the TSX Approval (the "**Listing Materials**") and assist in the preparation of the Listing Materials;
  - (ii) cooperating in respect of presentations or meetings held in connection with the TSX Approval, with such cooperation to include the participation of senior officers in a reasonable number of meetings, presentations, conference calls, drafting sessions and due diligence sessions;
  - (iii) providing KRC and its Representatives with any financial information and data required to prepare any pro forma financial statements and with any reserves and operating data, in each case, reasonably required or customarily included in listing materials in connection with the Listing Materials and permitting KRC to include and/or incorporate by reference in any such Listing Materials, the Circular and any continuous disclosure documents of Distinction or extracts therefrom;

- (iv) cooperating and providing information reasonably required by or for the benefit of the TSX, in compliance with applicable requirements or customary practice;
  - (v) cooperating with the preparation and negotiation of and entry into and sending of definitive and ancillary documentation in connection with the TSX Approval, including providing any undertakings required by the TSX;
  - (vi) promptly updating any information provided by or on behalf of it, or which relates to Distinction or its subsidiaries to ensure that such information does not contain a misrepresentation;
  - (vii) using reasonable commercial efforts to obtain any necessary cooperation from any of its auditors and any other advisors to the use of any financial or other expert information required to be included in the Listing Materials or customarily included in similar materials and to the identification in the Listing Materials of each such advisor, including any consents with respect to the inclusion thereof in such Listing Materials and customary comfort letters; and
  - (viii) taking all actions reasonably requested by KRC that are necessary or customary to obtain and permit the consummation of the TSX Approval.
- (b) Distinction acknowledges that, in connection with the TSX Approval, KRC may have confidential discussions concerning this Agreement and/or the Business Combination with the TSX and that confidential or otherwise non-public information may be provided to the TSX and Distinction consents to KRC and its affiliates and Representatives having such discussions and providing such information.
- (c) If requested by KRC, Distinction shall use reasonable commercial efforts to, in a timely manner, provide KRC with all reserves and operating data reasonably requested by KRC to prepare pro forma reserves and resources report(s) as evaluated by KRC's independent qualified reserves evaluator in accordance with Applicable Canadian Securities Laws in connection with the Listing Materials.
- (d) Without limiting the generality of the foregoing, Distinction consents to the use of all logos of Distinction and its subsidiaries in any Listing Materials; provided, that such logos are: (i) used (A) solely in a manner that is not intended, or reasonably likely, to harm or disparage Distinction or its subsidiaries or the reputation or goodwill of Distinction or its subsidiaries, and (B) solely in connection with a description of Distinction, its business and products or the transactions contemplated by this Agreement (including the TSX Approval); or (ii) used in any other manner as may be approved by Distinction from time to time.
- (e) KRC shall, promptly upon request by Distinction (and in any event following termination of this Agreement): (i) reimburse Distinction or its subsidiaries for all reasonable and documented out-of-pocket costs (including reasonable and documented out-of-pocket legal fees) incurred by Distinction or its subsidiaries in connection with any of the actions contemplated by this Section 3.6; and (ii) shall indemnify and hold harmless Distinction or its subsidiaries from and against any and all losses, damages, claims, costs or expenses suffered or incurred by any of them in connection with the cooperation of Distinction and its subsidiaries contemplated by this Section 3.6, in each case, other than in connection with any information supplied by or on behalf of Distinction or any of its subsidiaries (or which relates to Distinction or any of its subsidiaries which is approved in writing by Distinction or any subsidiary (including by email)) or to the extent resulting from Distinction's or any of its subsidiaries' fraud, gross negligence or willful misconduct.

### **3.7 Financing Assistance**

- (a) In respect of all Financings (as defined below) permitted by Section 3.1, Distinction shall use commercially reasonable efforts to provide and to cause its subsidiaries (and to use commercially reasonable efforts to cause its and their Representatives) to provide such customary and timely cooperation to KRC and its Representatives as KRC may reasonably request in connection with the arrangements by KRC to obtain new or amend any existing credit facilities or issue equity or debt securities, publicly or privately, including any refinancing or in connection with any transaction involving the acquisition by KRC of assets or securities of

another entity (a "**Financing**") (and provided that (i) such cooperation does not unreasonably interfere with the ongoing business operations of Distinction or its subsidiaries; (ii) other than any customary authorization letters described below, Distinction shall not be required to execute or enter into, or cause any of its subsidiaries to execute or enter into, any binding commitment or agreement which becomes effective prior to the Effective Time or which is not conditional on the completion of the Business Combination and does not terminate without liability to Distinction or its subsidiaries upon the termination of this Agreement; (iii) neither the Distinction Board nor any of Distinction's subsidiaries' boards of directors (or equivalent bodies) shall be required to approve or adopt any financing or Contracts related thereto (or any alternative financing) that would take effect prior to, or are not otherwise contingent upon the occurrence of, the Effective Time (and no such directors that shall not be continuing directors shall be required to take such action); (iv) no employee, officer or director of Distinction or any of its subsidiaries shall be required to take any action which would result in such Person incurring any personal liability (as opposed to liability in his or her capacity as an officer) with respect to any matters related to a Financing; and (v) any actions taken hereunder shall be, and shall be deemed to be, taken in compliance with this Section 3.7), including:

- (i) cooperating in respect of presentations or meetings held by or on behalf of KRC with Financing Sources, with such cooperation to include the participation of officers in a reasonable number of meetings, presentations, conference calls, drafting sessions and due diligence sessions in connection with a Financing;
- (ii) making available to KRC and its Representatives and their respective agents and advisors, such financial information or other information as KRC may reasonably request in connection with the preparation of the Financing Materials and assist in the preparation of the Financing Materials, including providing customary authorization letters to the applicable Financing Sources authorizing the distribution of information to prospective lenders and other Financing Sources (without limiting the confidentiality restrictions noted below);
- (iii) providing KRC and its Representatives with any financial information and data required to prepare any pro forma financial statements and with any reserves and operating data, in each case, reasonably required or customarily included in the Financing Materials and permitting KRC to include and/or incorporate by reference in any such Financing Materials, the Circular and any continuous disclosure documents of Distinction or extracts therefrom;
- (iv) cooperating and providing information reasonably required by or for the benefit of the Financing Sources in the context of due diligence and verification, in compliance with applicable requirements or customary practice;
- (v) as soon as practicable following request, providing KRC and any of the applicable Financing Sources with all documentation and other information required under applicable Money Laundering Laws, rules and regulations, know-your-client processes, including, the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* and the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, as amended and with respect to beneficial ownership;
- (vi) if applicable, cooperating in the discharge of existing indebtedness and Encumbrances of Distinction and its subsidiaries in connection with a Financing (which discharge for clarity shall not be required to take effect before closing of the Business Combination), including obtaining a customary debt pay-off letter(s) and delivering a draft of such pay-off letter(s) to KRC and its legal counsel for comment and review;
- (vii) cooperating with the preparation and negotiation of and entry into and sending of definitive and ancillary documentation in connection with a Financing, including any certificates and other documents required under any of the existing Contracts of Distinction;
- (viii) promptly updating any information provided by or on behalf of it, or which relates to Distinction or its subsidiaries to ensure that such information does not contain a misrepresentation;



- (ix) using reasonable commercial efforts to obtain any necessary cooperation from any of its auditors and any other advisors to the use of any financial or other expert information required to be included in Financing Materials or customarily included in offering materials for transactions involving any applicable Financing and to the identification in Financing Materials of each such advisor, including any consents with respect to the inclusion thereof in such Financing Materials and customary comfort letters; and
  - (x) taking all actions reasonably requested by KRC that are necessary or customary to permit the consummation of a Financing.
- (b) Distinction acknowledges that, in connection with any Financing, KRC may, upon reasonable consultation with Distinction, have confidential discussions concerning this Agreement and/or the Business Combination with the Financing Sources and each of their agents and advisors and that confidential or otherwise non-public information may be provided to the Financing Sources and each of their agents and advisors, and Distinction consents to KRC and its affiliates and Representatives having such discussions and providing such information provided that such Financing Sources and each of their respective agents and advisors agree to keep any applicable confidential information concerning Distinction or its subsidiaries confidential including through "click through" confidentiality agreements and confidentiality provisions contained in customary bank books and offering memoranda.
- (c) If requested by KRC, Distinction shall use reasonable commercial efforts to, in a timely manner, provide KRC with all reserves and operating data reasonably requested by KRC to prepare pro forma reserves and resources report(s) as evaluated by KRC's independent qualified reserves evaluator in accordance with Applicable Canadian Securities Laws in connection with the Financing Materials.
- (d) Without limiting the generality of the foregoing, Distinction consents to the use of all logos of Distinction and its subsidiaries in any marketing materials, offering documents, prospectuses, registration statements, bank information memoranda and similar documents (the "**Financing Materials**") used in connection with a Financing; provided, that such logos are: (i) used (A) solely in a manner that is not intended, or reasonably likely, to harm or disparage Distinction or its subsidiaries or the reputation or goodwill of Distinction or its subsidiaries, and (B) solely in connection with a description of Distinction, its business and products or the transactions contemplated by this Agreement (including any Financing); or (ii) used in any other manner as may be approved by Distinction from time to time.
- (e) None of Distinction or its subsidiaries shall be required to: (i) pay any commitment, consent or other similar fee, incur any liability, or provide or agree to provide any indemnity in connection with a Financing prior to the Effective Time; (ii) take any action or do anything that would (A) contravene any Applicable Laws or its organizational or constating documents in effect as of the Agreement Date, (B) breach or would result in a default under any material Contract to which Distinction or its subsidiaries is party, or (C) reasonably be expected to prevent or materially delay the consummation of the Business Combination or the transactions contemplated hereby; (iii) disclose any information that would result in the disclosure of any trade secrets or similar information or violate any obligations of Distinction or its subsidiaries with respect to confidentiality that are owed to any third party; provided, Distinction shall, and shall cause its subsidiaries to, notify KRC if any documentation and information is being so withheld and provide a general description of such withheld documentation or information, in each case, to the extent permitted under the applicable obligation of confidentiality; or (iv) waive or amend any terms of this Agreement.
- (f) KRC shall, promptly upon request by Distinction (and in any event following termination of this Agreement): (i) reimburse Distinction or its subsidiaries for all reasonable and documented out-of-pocket costs (including reasonable and documented out-of-pocket legal fees) incurred by Distinction or its subsidiaries in connection with any of the actions contemplated by this Section 3.7; and (ii) shall indemnify and hold harmless Distinction or its subsidiaries from and against any and all losses, damages, claims, costs or expenses suffered or incurred by any of them in connection with the cooperation of Distinction and its subsidiaries contemplated by this Section 3.7 or in connection with a Financing, in each case, other than in connection with any information supplied by or on behalf of Distinction or any of its subsidiaries (or which relates to Distinction or any of its subsidiaries which is approved in writing by Distinction or any subsidiary (including by email))



or to the extent resulting from Distinction's or any of its subsidiaries' fraud, gross negligence or willful misconduct.

#### **ARTICLE 4 REPRESENTATIONS AND WARRANTIES OF KRC**

##### **4.1 Representations and Warranties of KRC**

KRC hereby makes to, and in favour of, Distinction the representations and warranties set out in Schedule "D" and acknowledges that Distinction is relying upon such representations and warranties in connection with the matters contemplated by this Agreement.

##### **4.2 Investigation**

Any investigation by Distinction and its advisors shall not mitigate, diminish or affect the representations and warranties of KRC pursuant to this Agreement.

##### **4.3 Disclaimer**

Distinction agrees and acknowledges that, except as set forth in this Agreement, KRC makes no representation or warranty, express or implied, at law or in equity, with respect to KRC, its businesses, its past, current or future financial condition or its assets, liabilities or operations, or its past, current or future profitability, performance or cash flows, individually or in the aggregate, and any such other representations or warranties are hereby expressly disclaimed.

##### **4.4 Survival of Representations and Warranties**

The representations and warranties of KRC contained in this Agreement shall expire and be terminated on the earlier of the Effective Date and the date on which this Agreement is terminated in accordance with its terms.

#### **ARTICLE 5 REPRESENTATIONS AND WARRANTIES OF DISTINCTION**

##### **5.1 Representations and Warranties of Distinction**

Distinction hereby makes to, and in favour of, KRC the representations and warranties set out in Schedule "E" and acknowledges that KRC is relying upon such representations and warranties in connection with the matters contemplated by this Agreement.

##### **5.2 Investigation**

Any investigation by KRC and its advisors shall not mitigate, diminish or affect the representations and warranties of Distinction pursuant to this Agreement.

##### **5.3 Disclaimer**

KRC agrees and acknowledges that, except as set forth in this Agreement, Distinction makes no representation or warranty, express or implied, at law or in equity, with respect to Distinction, its businesses, its past, current or future financial condition or its assets, liabilities or operations, or its past, current or future profitability, performance or cash flows, individually or in the aggregate, and any such other representations or warranties are hereby expressly disclaimed.

## 5.4 Survival of Representations and Warranties

The representations and warranties of Distinction contained in this Agreement shall expire and be terminated on the earlier of the Effective Date and the date on which this Agreement is terminated in accordance with its terms.

## ARTICLE 6 CONDITIONS PRECEDENT

### 6.1 Mutual Conditions Precedent

The respective obligations of the Parties to consummate the transactions contemplated by this Agreement, and in particular to complete the Business Combination, are subject to the satisfaction, on or before the Effective Date, or such other time specified, of the following conditions:

- (a) the Interim Order shall have been granted in form and substance satisfactory to each of KRC and Distinction, acting reasonably, and such order shall not have been set aside or modified in a manner unacceptable to KRC or Distinction, each acting reasonably, on appeal or otherwise;
- (b) the Distinction Transaction Resolution shall have been approved by the Distinction Shareholders by the Distinction Required Approval at the Distinction Meeting, in accordance with the Interim Order;
- (c) the KRC Transaction Resolutions shall have been approved by the KRC Shareholders by the requisite vote at the KRC Meeting;
- (d) the Final Order shall have been granted on terms consistent with the Business Combination and in form and substance satisfactory to each of the Parties, acting reasonably, and such order shall not have been set aside or modified in a manner unacceptable to either of the Parties, acting reasonably, on appeal or otherwise;
- (e) no Governmental Authority shall have enacted, issued, promulgated, enforced or entered any Order or Law which is then in effect and has the effect of making the Business Combination illegal or otherwise preventing or prohibiting consummation of the Business Combination;
- (f) the aggregate number of Distinction Shares held, directly or indirectly, by the Distinction Shareholders who have properly exercised and not withdrawn Dissent Rights in connection with the Business Combination shall not exceed 5% of the aggregate of the outstanding Distinction Shares at the Effective Time;
- (g) KRC shall have continued the jurisdiction of its incorporation to the CBCA pursuant to articles of continuance in form and substance satisfactory to each of KRC and Distinction, acting reasonably;
- (h) KRC shall have filed articles of amendment, in form and substance satisfactory to each of KRC and Distinction, acting reasonably, to remove any references to private company restrictions in the KRC articles of incorporation, to increase the minimum numbers of directors to three and to increase the maximum number of directors to 11;
- (i) the KRC Investment Rights Agreement (ARC) shall have been amended on terms satisfactory to KRC, ARC and Distinction, each acting reasonably;
- (j) KRC and Luminus shall have entered into the KRC Investment Rights Agreement (Luminus) on terms satisfactory to KRC, ARC and Distinction, each acting reasonably;
- (k) all Distinction Stock Options shall have been assumed by KRC in accordance with Section 2.10(d);
- (l) all Distinction Distinction RSUs shall have been converted to Distinction Shares in accordance with Section 2.10;

- (m) KRC shall have received duly executed KRC Lock-up Agreements from each of Luminus and the entities comprising ARC on terms satisfactory to KRC and Distinction, each acting reasonably, to the extent such obligations are not contained in the KRC Investment Rights Agreement (Luminus) and the KRC Investment Rights Agreement (ARC), respectively; and
- (n) all waivers, consents and approvals required by KRC under the KRC Credit Agreement and Distinction under the Distinction Credit Agreement in connection with consummation of the Business Combination shall have been provided or obtained on terms and conditions acceptable to each of KRC and Distinction, acting reasonably, at or before the Effective Time.

The conditions in this Section 6.1 are for the mutual benefit of the Parties and may be asserted by either Party regardless of the circumstances and may be waived by the mutual written consent of the Parties, in whole or in part, at any time and from time to time without prejudice to any other rights that the Parties may have, including the right of the Parties to rely on any other of such conditions.

## 6.2 Additional Conditions to Obligations of KRC

The obligation of KRC to consummate the transactions contemplated by this Agreement, and in particular to complete the Business Combination, is subject to the satisfaction, on or before the Effective Date or such other time specified, of the following conditions:

- (a) Distinction shall have fulfilled and complied with in all material respects each of its covenants herein to be performed, fulfilled or complied with on or before the Effective Time, and Distinction shall have provided to KRC a certificate from two directors of Distinction certifying compliance with such covenants dated the Effective Date;
- (b)
  - (i) the representations and warranties in Section (s) (*Capitalization*) of Schedule "E" and in Section 7.5 shall be true and correct in all respects as of the Agreement Date and as of the Effective Date as if made on and as of such date (except to the extent such representations and warranties speak of an earlier date, the accuracy of which shall be determined as of such earlier date), except for such failures to be true and correct that are *de minimis*;
  - (ii) the representations and warranties in Sections (a) (*Organization and Qualification*), (b) (*Authority Relative to this Agreement*), (c) (*Material Subsidiaries; Joint Ventures*), (d) (*Ownership of Subsidiaries*), (e) (*No Violation; Absence of Defaults and Conflicts*), (r) (*Reporting Issuer Status*), (t) (*No Orders*) and (bb) (*No Material Adverse Change*) of Schedule "E" shall be true and correct in all material respects as of the Agreement Date and as of the Effective Date as if made on and as of such date; and
  - (iii) all other representations and warranties of Distinction set forth in this Agreement shall be true and correct as of the Effective Date as if made on and as of such date (except to the extent such representations and warranties speak as of an earlier date, the accuracy of which shall be determined as of that specified date), except where any failure or failures of any such representations and warranties to be so true and correct would not result in, or would not reasonably be expected to result in, a Material Adverse Change in respect of Distinction, on a consolidated basis or prevent the completion of the transactions contemplated in this Agreement (and, for this purpose, any reference to "material", "Material Adverse Effect" or any other concept of materiality within such representations and warranties shall be ignored),

and Distinction shall have provided to KRC a certificate from two directors of Distinction certifying such accuracy on the Effective Date;

- (c) all third party consents, waivers, Governmental Authorizations, orders and approvals required, whether under Applicable Law, from Governmental Authorities or parties to Contracts of each member of the Distinction Group, or otherwise, in connection with the consummation of the Business Combination shall have been

provided or obtained on terms and conditions acceptable to KRC, acting reasonably, at or before the Effective Time, except where the failure to provide or obtain such would not, individually or in the aggregate, have a Material Adverse Effect on Distinction, on a consolidated basis, or prevent the completion of the transactions contemplated in this Agreement;

- (d) the Distinction Investor Agreement shall have been terminated; and
- (e) between the Agreement Date and the Effective Time, there shall not have occurred any changes, events, circumstances or developments that would reasonably be likely to have (individually or in the aggregate) a Material Adverse Effect on Distinction.

The conditions in this Section 6.2 are for the exclusive benefit of KRC and may be asserted by KRC regardless of the circumstances or may be waived by KRC in its sole discretion, in whole or in part, at any time and from time to time without prejudice to any other rights which KRC may have, including the right of KRC to rely on any other of such conditions.

### 6.3 Additional Conditions to Obligations of Distinction

The obligation of Distinction to consummate the transactions contemplated by this Agreement, and in particular to complete the Business Combination, is subject to the satisfaction, on or before the Effective Date or such other time specified, of the following conditions:

- (a) KRC shall have fulfilled and complied with in all material respects each of its covenants herein to be performed, fulfilled or complied with on or before the Effective Time, and KRC shall have provided to Distinction a certificate of two executive officers certifying compliance with such covenants dated the Effective Date;
- (b)
  - (i) the representations and warranties in Section (k) (*Capitalization*) of Schedule "D" and in Section 7.5 shall be true and correct in all respects as of the Agreement Date and as of the Effective Date as if made on and as of such date (except to the extent such representations and warranties speak of an earlier date, the accuracy of which shall be determined as of such earlier date or are affected by transactions contemplated or permitted by the Agreement), except for such failures to be true and correct that are *de minimis*;
  - (i) the representations and warranties in Sections (a) (*Organization and Qualification*), (b) (*Authority Relative to this Agreement*), (c) (*Material Subsidiaries; Joint Ventures*), (d) (*Ownership of Subsidiaries*) (e) (*No Violation; Absence of Defaults and Conflicts*), (m) (*No Orders*) and (s) (*No Material Adverse Change*) of Schedule "D" shall be true and correct in all material respects as of the Agreement Date and as of the Effective Date as if made on and as of such date; and
  - (ii) all other representations and warranties of KRC set forth in this Agreement shall be true and correct as of the Effective Date as if made on and as of such date (except to the extent such representations and warranties speak as of an earlier date, the accuracy of which shall be determined as of that specified date or are affected by transactions contemplated or permitted by the Agreement), except where any failure or failures of any such representations and warranties to be so true and correct would not result in, or would not reasonably be expected to result in, a Material Adverse Change in respect of KRC, on a consolidated basis or prevent the completion of the transactions contemplated in this Agreement (and, for this purpose, any reference to "material", "Material Adverse Effect" or any other concept of materiality within such representations and warranties shall be ignored),

and KRC shall have provided to Distinction a certificate of its Chief Executive Officer and Chief Financial Officer certifying such accuracy on the Effective Date;

- (c) the KRC USA shall have been terminated;

- (d) all third party consents, waivers, Governmental Authorizations, orders and approvals required, whether under Applicable Law, from Governmental Authorities or parties to Contracts of each member of the KRC Group, or otherwise, in connection with the consummation of the Business Combination shall have been provided or obtained on terms and conditions acceptable to Distinction, acting reasonably, at or before the Effective Time, except where the failure to provide or obtain such would not, individually or in the aggregate, have a Material Adverse Effect on Distinction, on a consolidated basis, or prevent the completion of the transactions contemplated in this Agreement; and
- (e) between the Agreement Date and the Effective Time, there shall not have occurred any changes, events, circumstances or developments that would reasonably be likely to have (individually or in the aggregate) a Material Adverse Effect on KRC.

The conditions in this Section 6.3 are for the exclusive benefit of Distinction and may be asserted by Distinction regardless of the circumstances or may be waived by Distinction in its sole discretion, in whole or in part, at any time and from time to time without prejudice to any other rights which Distinction may have, including the right of Distinction to rely on any other of such conditions.

#### **6.4 Notice and Cure Provisions**

- (a) Each Party shall give prompt notice to the Other Party of the occurrence, or failure to occur, at any time from the Agreement Date to the Effective Date, of any event or state of facts that would, or would be likely to:
  - (i) cause any of the representations or warranties of such Party contained herein to be untrue or inaccurate in any material respect on the date hereof or at the Effective Date; or
  - (ii) result in the failure to comply with or satisfy any covenant or condition to be complied with or satisfied by either Party hereunder prior to or at the Effective Date,

in each case to the extent that the conditions in Section 6.2(a) and Section 6.2(b), in the case of Distinction's representations, warranties and covenants, and Section 6.3(a) and Section 6.3(b), in the case of KRC's representations, warranties and covenants, would not be capable of being satisfied at any time from the Agreement Date until the Effective Date. No such notification shall affect the representations or warranties of the Parties or the conditions to the obligations of the Parties hereunder.

- (b) Neither Distinction nor KRC may elect to terminate this Agreement as provided for in Section 9.1(c) unless promptly, and in any event prior to the issuance of the Certificate: (i) the Party intending to rely thereon has delivered a written notice to the Other Party specifying in reasonable detail all breaches of covenants, representations and warranties or other matters that the Party delivering such notice is asserting as the basis for the non-fulfillment of the applicable condition or conditions precedent and shall provide in such notice that the Other Party shall be entitled to cure any breach of a covenant or representation and warranty or other matters within five Business Days after receipt of such notice (except that no cure period shall be provided for a breach that, by its nature, cannot be cured and, in no event, shall any cure period extend beyond the Outside Date); and (ii) if the breaches of covenants, representations and warranties or other matters specified in such notice have not been cured by the date that is the earlier of the Outside Date and the date that is five Business Days after receipt of such notice, such date shall be the termination date. More than one such notice may be delivered by a Party.

#### **6.5 Merger of Conditions**

The conditions set out in this Article 6 are conclusively deemed to have been satisfied, waived or released upon the issuance of a Certificate in respect of the Business Combination.

## ARTICLE 7 ADDITIONAL AGREEMENTS

### 7.1 Covenants Regarding Non-Solicitation

- (a) Distinction shall, and shall cause its Representatives, to: (i) immediately cease and cause to be terminated all existing solicitations, encouragements, discussions or negotiations (including through any of its Representatives), if any, with any third parties (other than KRC), initiated before the Agreement Date with respect to any Person that has made, indicated any interest in making or may reasonably be expected to make, an Acquisition Proposal; (ii) as and from the Agreement Date until termination of this Agreement pursuant to Article 9, immediately discontinue providing access to and disclosure of any of its confidential information and not allow or establish further access to any of its confidential information, or any data room, virtual or otherwise, to any Person (other than KRC or its Representatives); (iii) pursuant to and in accordance with each applicable confidentiality agreement relating to an Acquisition Proposal, promptly request the return or destruction of all information provided to any third parties that have entered into a confidentiality agreement with Distinction or any of its subsidiaries and the destruction of all material including or incorporating or otherwise reflecting such confidential information regarding Distinction or any of its subsidiaries, and shall use reasonable commercial efforts to cause such requests to be honoured; and (iv) not release, waive, terminate or otherwise forbear in the enforcement of, amend or modify, or enter into or participate in any discussions, negotiations or agreements to release, waive or otherwise forbear or amend or modify, any rights or other benefits under any confidentiality agreements to which Distinction or any of its subsidiaries is a party, including any "standstill provisions" thereunder; except, in respect of (ii) and (iii) above. Distinction undertakes to enforce all standstill, non-disclosure, non-disturbance, non-solicitation and similar covenants or agreements that it has entered into with third parties prior to the Agreement Date.
- (b) Distinction shall not, directly or indirectly, do, nor authorize or permit any of its Representatives to do, any of the following:
- (i) solicit, assist, initiate or knowingly facilitate or encourage or take any action to solicit, assist, initiate or knowingly facilitate or encourage any Acquisition Proposal, or engage in any communication regarding the making of any proposal or offer that constitutes or may constitute or may reasonably be expected to lead to an Acquisition Proposal, including by way of furnishing information or access to properties, facilities or books and records;
  - (ii) withdraw, amend, modify or qualify, or propose to withdraw, amend, modify or qualify, in any manner adverse to KRC, the Distinction Board Recommendation (or any related recommendation by any committee of the Distinction Board);
  - (iii) make any public announcement or take any other action inconsistent with the Distinction Board Recommendation;
  - (iv) enter into or otherwise engage or participate in any negotiations or any discussions regarding any inquiry, proposal or offer that constitutes or may constitute or may reasonably be expected to lead to an Acquisition Proposal, or furnish or provide access to any information with respect to securities, business, properties, operations or conditions (financial or otherwise) of any member of the Distinction Group in connection with or in furtherance of an Acquisition Proposal, or otherwise cooperate in any way with, or assist or knowingly participate in, facilitate or encourage, any effort or attempt of any other Person to do or seek to do any of the foregoing;
  - (v) accept, recommend, approve, agree to, endorse or propose publicly to accept, recommend, approve, agree to or endorse, or, for a period in excess of two Business Days, take no position or a neutral position with respect to a publicly announced or publicly proposed, Acquisition Proposal; or
  - (vi) accept, approve, endorse or enter into (other than a confidentiality agreement permitted by and in accordance with Section 7.1(b)(vii)) or publicly propose to accept, approve, endorse or enter into



any agreement, understanding or arrangement (including any letter of intent or agreement in principle) in respect of or in any way related to any Acquisition Proposal or providing for the payment of any break, termination or other fees or expenses to any Person if KRC or Distinction, as applicable, completes the transactions contemplated hereby;

except that notwithstanding any other provisions of clause (ii) of Section 7.1(a) or this Section 7.1(b), Distinction and its Representatives may:

- (vii) at any time prior to obtaining the approval of the Distinction Shareholders of the Distinction Transaction Resolution, enter into, or participate in, any discussions or negotiations with an arm's length third party who (without any solicitation, initiation or encouragement, directly or indirectly, after the Agreement Date, by Distinction or any of its Representatives) seeks to initiate such discussions or negotiations and, subject to execution of a confidentiality agreement with terms at least as restrictive to such counterparty as the Confidentiality Agreement (on the condition that such confidentiality agreement shall provide for the disclosure thereof, along with the information provided thereunder, to KRC), may furnish to such third party information concerning Distinction and its business, affairs, properties and assets (on the condition that such third party is not furnished with greater access or information than KRC), in each case if and only to the extent that:
    - (A) the third party has first made a written bona fide Acquisition Proposal, which did not result from a breach of this Section 7.1, and in respect of which the Distinction Board, determines in good faith, after consultation with its external legal and independent financial advisors, constitutes, or would reasonably be expected to constitute or lead to, a Superior Proposal;
    - (B) prior to furnishing such information to or entering into or participating in any such negotiations or initiating any discussions with such third party, Distinction promptly provides written notice to KRC to the effect that it is furnishing information to or entering into or participating in discussions or negotiations with such Person or entity and provides to KRC the confidentiality agreement entered into with such Person or entity in accordance with this Section 7.1(b)(vii) and the information required to be provided under Sections 7.1(c) and 7.1(d); and
    - (C) Distinction has been, and would be after entering into or participating in any such discussions or negotiations, in compliance with all of its obligations under this Section 7.1;
  - (viii) comply with Division 3 of National Instrument 62-104 – *Take-Over Bids and Issuer Bids* and similar provisions under Applicable Canadian Securities Laws relating to the provision of directors' circulars and make appropriate disclosure with respect thereto to its shareholders; and
  - (ix) at any time prior to obtaining the approval of the Distinction Shareholders of the Distinction Transaction Resolution, withdraw the Distinction Board Recommendation (or any recommendation by any committee of the Distinction Board) and recommend, endorse or propose publicly to recommend or endorse such Superior Proposal, but only if prior to such withdrawal and the taking of such other action: (A) Distinction shall have concluded in good faith, after considering all proposals to adjust the terms and conditions of this Agreement as contemplated by Section 7.1(d) and after receiving the advice of its financial advisors and external legal counsel, as reflected in minutes of the Distinction Board, that such Superior Proposal is in the best interests of Distinction and the taking of such action is necessary for the Distinction Board to act in a manner consistent with its fiduciary duties under Applicable Law; and (B) Distinction complies with its obligations set out in Section 7.1(d).
- (c) If, after the Agreement Date, Distinction or any of its subsidiaries is in receipt of an Acquisition Proposal or any request (which request may be reasonably considered to be in furtherance of, or in relation to, an Acquisition Proposal) for non-public information relating to Distinction or its properties, facilities, books or records, Distinction shall promptly (and in any event within 24 hours of receipt by Distinction) notify KRC (at first orally and then in writing) of any Acquisition Proposal (or any amendment thereto) or any

amendments to the foregoing received, directly or indirectly, by Distinction. Such notice shall include a copy of any written Acquisition Proposal (and any amendment thereto) or any such request (which request may be reasonably considered to be in furtherance of, or in relation to, an Acquisition Proposal) for non-public information relating to Distinction or its properties, facilities, books or records received by Distinction or, if no written Acquisition Proposal has been received, a description of the material terms and conditions of, and the identity of the Person making any inquiry, proposal or offer or request (to the extent then known by Distinction). Distinction shall also provide such further and other details of the Acquisition Proposal, request or any amendment thereto as KRC may reasonably request (to the extent then known by Distinction). Distinction shall keep KRC fully informed of the status, including any change to material terms, of any Acquisition Proposal, request or any amendment thereto, shall respond promptly to all reasonable inquiries by KRC with respect thereto, and shall provide to KRC copies of all correspondence and other written material sent to or provided to Distinction by any Person in connection with such inquiry, proposal, offer or request sent or provided by Distinction to any Person in connection with such inquiry, proposal, offer or request.

- (d) Following receipt of a Superior Proposal, Distinction shall give KRC, orally and in writing, at least five Business Days advance notice of any decision by the Distinction Board to recommend a Superior Proposal, which notice shall:
- (i) confirm that the Distinction Board has determined that such Acquisition Proposal constitutes a Superior Proposal;
  - (ii) identify the third party making the Superior Proposal;
  - (iii) if Distinction is proposing to enter into an agreement to implement such Superior Proposal, confirm that the entering into of a definitive agreement to implement such Superior Proposal is not subject to any financing or due diligence condition; and
  - (iv) if Distinction is proposing to enter into an agreement to implement such Superior Proposal, confirm that a definitive agreement to implement such Superior Proposal has been settled between Distinction and such third party in all material respects (including in respect of the value and financial terms and the value ascribed to any non-cash consideration offered under such Acquisition Proposal), and Distinction will concurrently provide a true and complete copy thereof, together with all supporting materials, including any financing documents supplied to Distinction in connection therewith, and will thereafter promptly provide any amendments thereto, to KRC.

During the five Business Day period commencing on the delivery of such notice (such period, the "**Matching Period**"), Distinction agrees not to recommend such Superior Proposal and not to release the party making the Superior Proposal from any standstill provisions and shall not change, withdraw, withhold, amend, modify or qualify, or propose publicly to change, withdraw, withhold, amend, modify or qualify, the Distinction Board Recommendation. During the Matching Period, KRC shall have the opportunity (but not the obligation) to offer to amend this Agreement and the Business Combination in order for such Acquisition Proposal to cease to be a Superior Proposal. In addition, during the Matching Period, or such longer period as Distinction may approve in writing for such purpose: (i) the Distinction Board shall review any offer made by KRC to amend this Agreement and the Business Combination in good faith in order to determine whether such proposal would, upon acceptance, result in the Acquisition Proposal previously constituting a Superior Proposal ceasing to be a Superior Proposal; and (ii) Distinction shall negotiate in good faith with KRC to make such amendments to the terms of this Agreement and the Business Combination as would enable KRC to proceed with the transactions contemplated by this Agreement on such amended terms. If the Distinction Board determines that such Acquisition Proposal would cease to be a Superior Proposal: (i) Distinction shall promptly so advise KRC, and Distinction and KRC shall amend this Agreement to reflect such offer made by KRC, and shall take and cause to be taken all such actions as are necessary to give effect to the foregoing; and (ii) the Distinction Board shall not recommend such Acquisition Proposal and shall not release the party making the Acquisition Proposal from any standstill provisions and shall not change, withdraw, withhold, amend, modify or qualify, or propose publicly to change, withdraw, withhold, amend, modify or qualify, the Distinction Board Recommendation. Distinction acknowledges that each successive material modification of

any Superior Proposal that results in an increase in the consideration (or the value thereof) to be received by Distinction Shareholders or other material terms or conditions shall constitute a new Superior Proposal for purposes of the requirement under this Section 7.1(d) to initiate a new Matching Period.

- (e) The Distinction Board shall promptly and in any event within 24 hours after the determination in clause (i) or (ii) below, reaffirm the Distinction Board Recommendation, by news release after any Acquisition Proposal is publicly announced or made if: (i) the Distinction Board determines that such Acquisition Proposal does not constitute a Superior Proposal in accordance with this Section 7.1; or (ii) the Distinction Board determines that an amendment to the terms of this Agreement has been agreed that results in the Acquisition Proposal not being a Superior Proposal. Distinction shall provide KRC and its external legal counsel with a reasonable opportunity to review the form and content of any such news release and shall make all reasonable amendments to such news release as requested by KRC and its legal counsel.
- (f) KRC agrees that all information that may be provided to it by Distinction with respect to any Superior Proposal pursuant to this Section 7.1 shall be treated as if it were "**Confidential Information**" as that term is defined in the Confidentiality Agreement, and such information shall not be disclosed or used except in accordance with the Confidentiality Agreement or in order to enforce its rights under this Agreement in legal proceedings.
- (g) Distinction shall ensure that its Representatives are aware of the provisions of this Section 7.1. Distinction shall be responsible for any breach of this Section 7.1 by its Representatives.

## 7.2 Fees and Expenses

Except as expressly set out in this Agreement, each Party covenants and agrees to bear its own fees, costs and expenses in connection with the transactions contemplated by this Agreement and the Business Combination.

## 7.3 Access to Information; Confidentiality

- (a) From and after the Agreement Date until the earlier of the Effective Time and the termination of this Agreement, subject to compliance with Applicable Laws and the terms of any existing Contracts (including the Confidentiality Agreement), Distinction and KRC shall cause its and their respective Representatives (and Distinction shall cause each other member of the Distinction Group) to, provide the Other Party and its Representatives such access as the Other Party may reasonably require at all reasonable times, at the Other Party's sole cost and expense and only during normal business hours, including for the purpose of facilitating integration business planning and reviewing such Party's cash management policy and internal financing policies, to their premises (including field offices and sites), books, Contracts, Returns, records, Information Technology, properties, assets, officers, employees, agents and management personnel, and shall furnish promptly to the Other Party all data and information as the Other Party may reasonably request in order to permit the Other Party to be in a position to expeditiously and efficiently integrate the business and operations of KRC and Distinction immediately upon but not prior to the Effective Date; provided that no investigations made by or on behalf of the Other Party, whether under this Section 7.3 or otherwise, shall waive, diminish the scope of, or otherwise affect, or be deemed to modify, any covenant representation or warranty made by Distinction or KRC herein. Without limiting the foregoing and subject to compliance with Applicable Law and the terms of any existing Contracts (including the Confidentiality Agreement): (i) Distinction and KRC and their respective Representatives shall, upon reasonable prior notice, have the right to conduct inspections of the properties of the Other Party (and in respect of KRC, each member of the Distinction Group); (ii) Distinction and KRC shall, upon the Other Party's request, facilitate discussions between the Other Party and any third party from whom consent may be required; (iii) Distinction and KRC shall, on a bi-weekly basis or if otherwise requested by the Other Party, provide the Other Party with the details (which shall not include the identity of the proposed counterparty) of any proposed Hedging Transactions contemplated by Distinction or KRC, as applicable; and (iv) Distinction and KRC shall form a committee consisting of appropriate senior officers and other representatives that shall meet on a regular basis for the purpose of integration business planning, with mechanisms in place to ensure that all pre-closing activities of Distinction and KRC continue to be conducted independently.

- (b) Distinction shall provide information and reasonable assistance to KRC in implementing a communications plan of KRC in respect of Distinction's employees. KRC shall consult with and consider the reasonable comments of Distinction in connection with the implementation of such plan. Distinction shall coordinate reasonable access to Distinction's employees, from time to time, as reasonably requested by KRC and may attend and participate in any discussions or presentations in connection therewith.
- (c) Nothing in this Section 7.3 shall require a Party to disclose information which it is prohibited from disclosing pursuant to a written confidentiality agreement or confidentiality provision of an agreement with a third party or information that, in the opinion of the Party, acting reasonably, is competitively sensitive (provided that the Parties acknowledge and agree that external counsel to the Parties may have access to such information on a privileged and confidential basis in connection with obtaining regulatory approvals required in connection with the Business Combination) or may result in jeopardizing a Party's legal privilege in respect of such information.
- (d) The Parties acknowledge and agree that all information provided (or any of its Representatives) pursuant to this Section 7.3 shall be considered to be "**Confidential Information**" for purposes of the Confidentiality Agreement and shall be subject to the Confidentiality Agreement.

#### **7.4 Insurance and Indemnification**

- (a) KRC and Distinction agree that that all rights to indemnification, expense reimbursement or exculpation now existing in favour of present and former officers and directors of Distinction shall survive completion of the Business Combination and, after the Effective Time, Distinction and any successor to Distinction will not take any action to terminate or adversely affect, and will fulfill its obligations pursuant to, expense advancement and exculpation arrangements and indemnities provided or available to or in favour of past and present officers and directors of Distinction pursuant to the provisions of the articles, by-laws or other constating documents of Distinction, applicable corporate legislation and any written indemnity agreements (and each of them), which have been entered into between Distinction and its past or current officers or directors effective on or prior to the Agreement Date.
- (b) KRC will maintain or cause to be maintained in effect for three years from the Effective Time, policies of directors' and officers' liability insurance for the benefit of the existing Distinction directors and officers providing coverage comparable to the coverage provided by the directors' and officers' policies obtained by Distinction that are in effect immediately prior to the Effective Time and providing coverage in respect of claims arising from facts or events that occurred on or prior to the Effective Time and which will cover all claims made prior to the Effective Date or within three years of the Effective Date. Prior to the Effective Time, Distinction may, in the alternative, purchase run off directors' and officers' liability insurance for the benefit of its officers and directors having a coverage period of up to six years from the Effective Time, and in such event KRC will not have any further obligation under this Section 7.4.
- (c) In the event that KRC or any of its successors or assigns shall (i) consolidate with or merge or amalgamate into any other Person and shall not be the continuing or surviving company or entity of such consolidation, merger or amalgamation or (ii) transfer all or substantially all of its properties and assets to any Person, then, and in each such case, KRC shall cause proper provision to be made so that the successor and assign of KRC or all or substantially all of its properties and assets, as the case may be, assumes the obligations set forth in this Section 7.4.

#### **7.5 Financial Advisors**

As at the Agreement Date, KRC and Distinction represent and warrant to each other that, except for Peters & Co. Limited in the case of KRC, and ATB Capital Markets in the case of Distinction, no financial advisor, broker, finder, investment banker or any other advisor is entitled to any brokerage, finder's or other fee or commission, or to the reimbursement of any of its expenses, in connection with the Business Combination. Each Party has provided to the Other Party a correct and complete copy of all agreements relating to the arrangements between it and its financial advisors as are in existence at the Agreement Date and agrees: (a) not to amend the terms of any such agreements relating to the payment of fees and expenses or indemnification without the prior written approval of the

Other Party; and (b) not to disclose the terms of the agreements between the Other Party and its financial advisors to such Party's financial advisors.

## 7.6 Privacy Issues

- (a) For the purposes of this Section 7.6, "**Transferred Information**" means any Personal Information to be disclosed or conveyed to one Party or any of its Representative (for purposes of this Section 7.6, the "**Recipient**") by or on behalf of the Other Party (for purposes of this Section 7.6, the "**Disclosing Party**") as a result of or in conjunction with the transactions contemplated herein, and includes all such Personal Information disclosed to the Recipient on or prior to the Agreement Date.
- (b) Each Disclosing Party acknowledges and confirms that any Transferred Information which it is responsible for disclosing to a Recipient is necessary for the purposes of determining if the Parties shall proceed with the transactions contemplated in this Agreement, and if the determination is made to proceed with such transactions contemplated, to complete them.
- (c) Each Disclosing Party covenants and agrees to, upon request, use reasonable efforts to advise the Recipient of the purposes for which the Transferred Information was initially collected from or in respect of the individual to which such Transferred Information relates and the additional purposes where the Disclosing Party has notified the individual of such additional purpose, and where required by Applicable Law, obtained the consent of such individual to such use or disclosure.
- (d) In addition to its other obligations hereunder, each of the Parties covenants and agrees to, and shall use reasonable commercial efforts to cause its Recipients to:
  - (i) prior to the completion of the transactions contemplated herein:
    - (A) use and disclose the Transferred Information solely for the purpose of reviewing and completing the transactions contemplated hereby, including for the purpose of determining to complete such transactions;
    - (B) protect the Transferred Information by making reasonable security arrangements against such risks as unauthorized access, collection, use, disclosure, copying, modification, disposal or destruction; provided, however, that such arrangements include, at a minimum, safeguards that are appropriate to the sensitivity of the Transferred Information; and
    - (C) if the transactions contemplated hereby do not proceed, return the Transferred Information to the Disclosing Party or destroy it, at the Disclosing Party's election, within a reasonable time;
  - (ii) after the completion of the transactions contemplated herein:
    - (A) use and disclose the Transferred Information under its control only for those purposes for which the Transferred Information was initially collected, permitted to be used or disclosed, unless:
      - (I) the Disclosing Party or the Recipient has first notified the individual about whom the Transferred Information related of any additional purpose, and where required by Applicable Law, obtained the consent of such individual to such additional purpose; or
      - (II) such use or disclosure is permitted or authorized by Applicable Law, without notice to, or consent from, such individual;

- (B) protect the Transferred Information under its control by making reasonable security arrangements against such risks as unauthorized access, collection, use, disclosure, copying, modification, disposal or destruction; provided, however, that such arrangements include, at a minimum, safeguards that are appropriate to the sensitivity of the Transferred Information; and
- (C) give effect to any withdrawal of consent made by an individual to whom the Transferred Information under its control relates; and
- (iii) notwithstanding any other provision herein, where the disclosure or transfer of Transferred Information to the Recipient requires the consent of, or the provision of notice to, the individual about whom the Transferred Information relates, to not require or accept the disclosure or transfer of such Transferred Information until the Disclosing Party has first notified such individual of such disclosure or transfer and the purpose for same, and where required by Applicable Law, obtained the individual's consent to same and to only collect, use and disclose such information to the extent necessary to complete the transactions contemplated herein and as authorized or permitted by Laws.
- (e) Where required by Applicable Law, each of the Parties agrees to promptly notify the individuals about whom the Transferred Information relates that the transactions contemplated herein have taken place and that their Transferred Information has been disclosed in connection herewith.

## **ARTICLE 8 AMENDMENT**

### **8.1 Amendment**

Subject to the Interim Order, the Final Order and Applicable Laws, this Agreement (other than the Plan of Arrangement, which may only be amended in accordance with Article 6 thereof) may, at any time and from time to time before or after the holding of the Distinction Meeting and the KRC Meeting, but prior to the Effective Time, be amended by written agreement of the Parties without further notice to, or authorization from, their respective securityholders and any such amendment may, without limitation:

- (a) change the time for performance of any of the obligations or acts of KRC or Distinction hereunder;
- (b) waive any inaccuracies in, or modify, any representation or warranty contained herein or in any document delivered pursuant hereto;
- (c) waive compliance with, or modify, any of the covenants contained herein and waive or modify performance of any of the obligations of KRC or Distinction hereunder; or
- (d) waive satisfaction of, or modify, any of the conditions precedent set out herein;

on the condition that no such amendment reduces or modifies or otherwise changes the substance or form of the consideration to be received under the Business Combination by the Distinction Shareholders without approval by the Distinction Shareholders given in the same manner as required for the approval of the Distinction Transaction Resolution.

## **ARTICLE 9 TERMINATION**

### **9.1 Termination**

This Agreement may be terminated at any time prior to the Effective Date:

- (a) by mutual written agreement of the Parties;



- (b) by either Party if:
  - (i) the Distinction Shareholders fail to approve the Distinction Transaction Resolution by the Distinction Required Approval at the Distinction Meeting in accordance with the Interim Order;
  - (ii) the KRC Shareholders fail to approve the KRC Transaction Resolutions by the requisite vote at the KRC Meeting;
  - (iii) a change in Law is enacted, made, enforced or amended that makes the consummation of the Business Combination illegal or otherwise prohibits or enjoins the Parties from completing the Business Combination, and such Law has, if applicable, become final and non-appealable, on the condition that: (A) the Party seeking to terminate this Agreement has used its reasonable commercial efforts to, as applicable, appeal or overturn such Law or otherwise have it lifted or rendered non-applicable in respect of the Business Combination; and (B) the enactment, making, enforcement or amendment of such Law was not primarily due to the failure of such Party to perform any of its covenants or agreements under this Agreement; or
  - (iv) if the Effective Time shall not have occurred on or prior to the Outside Date, except that the right to terminate this Agreement under this Section 9.1(b)(iv) shall not be available to a Party whose failure to fulfill any of its obligations has been the cause of, or resulted in, the failure of the Effective Time to occur by such date; or
- (c) if any of the conditions set forth in Sections 6.1 or 6.2 in the case of KRC, or in Sections 6.1 or 6.3, in the case of Distinction, has not been satisfied or waived by the Outside Date or such condition is incapable of being satisfied by the Outside Date; provided that the Party seeking termination is in compliance with its obligations as provided in Section 6.4(b), if applicable, and on the condition that the failure to satisfy the particular condition precedent being relied upon as a basis for termination of this Agreement did not occur as a result of a breach by the Party seeking to rely on the condition precedent of any of its covenants or obligations under the Agreement.

## **9.2 Notice and Effect of Termination**

- (a) The Party desiring to terminate this Agreement pursuant to Section 9.1 (other than pursuant to Section 9.1(c) in circumstances in which Section 6.4(b) is applicable and has been complied with) shall give written notice of such termination to the Other Party, specifying in reasonable detail the basis for such Party's exercise of its termination right.
- (b) If this Agreement is terminated in the circumstances set out in Section 9.1, this Agreement shall forthwith become void and neither Party shall have any liability or further obligation to the Other Party hereunder, except with respect to the obligations set forth in this Section 9.2, Section 1.10, Section 3.3(h), Section 7.2 Section 7.6, Article 10 and Article 11, where applicable, which shall survive any termination hereof. Nothing contained in this Section 9.2 shall relieve either Party from liability for any fraud, or wilful or intentional breach of any provision of this Agreement prior to the termination of this Agreement. No termination of this Agreement shall affect the obligations of the Parties pursuant to the Confidentiality Agreement, except to the extent specified therein.

## **9.3 Waiver**

Either Party may: (a) extend the time for the performance of any of the obligations or other acts of the Other Party; (b) waive compliance with any of the Other Party's agreements or the fulfillment of any conditions to its own obligations contained herein; and (c) waive inaccuracies in any of the Other Party's representations or warranties contained herein or in any document delivered by the Other Party; provided, however, that any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such Party and such waiver shall apply only to the specific matters identified in such instrument. No failure or delay by either Party in

exercising any right, power or privilege under this Agreement will operate as a waiver thereof, nor will any single or partial exercise preclude any other or further exercise of any right, power or privilege under this Agreement.

## ARTICLE 10 NOTICES

### 10.1 Notices

Any notice that is required to be given pursuant to any provision of this Agreement shall be given or made in writing and shall be delivered personally (including by courier) or sent by email to the Party to whom it is addressed, as follows:

- (a) if to KRC, addressed to it at:

Kiwetinohek Resources Corp.  
Suite 1900, 250 – 2<sup>nd</sup> Street SW  
Calgary, Alberta T2P 0C1

Attention: Lisa Wong, VP Business Systems  
Email: **REDACTED**

with a copy to:

Stikeman Elliott LLP  
4300 Bankers Hall West  
888 - 3<sup>rd</sup> Street S.W.  
Calgary, Alberta T2P 5C5

Attention: Ben Hudy  
Email: **REDACTED**

- (b) if to Distinction, addressed to it at:

Distinction Energy Corp.  
333 – 7<sup>th</sup> Avenue SW, #2300  
Calgary, Alberta T2P 2Z1

Attention: Jakub Brogowski, Chief Financial Officer  
Email: **REDACTED**

with a copy to:

Cassels Brock & Blackwell LLP  
Suite 3810, Bankers Hall West, 888 3rd Street SW  
Calgary, Alberta T2P 5C5

Attention: Josef W. Hoher  
Email: **REDACTED**

or to such other address as a Party may, from time to time, advise to the Other Party by notice in writing. The date or time of receipt of any such notice shall be deemed to be the date of delivery or the time such email is received.

## **ARTICLE 11 GENERAL**

### **11.1 Binding Effect**

This Agreement shall be binding upon and enure to the benefit of the Parties and their respective successors and permitted assigns.

### **11.2 Assignment**

Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by either Party without the prior written consent of the Other Party.

### **11.3 Disclosure**

The Parties agree to issue a joint press release with respect to this Agreement as soon as practicable after its due execution. Thereafter each Party shall promptly provide to the Other Party, for review by the Other Party and its legal counsel, and receive the prior consent, not to be unreasonably withheld, conditioned or delayed of the Other Party prior to issuing, or permitting any of its directors, officers, employees or agents to issue, any news release or other written statement or other public disclosure document with respect to this Agreement or the Business Combination, and the Other Party agrees to keep such information confidential until it is publicly disseminated. From the Agreement Date until the earlier of the Effective Date or the date on which this Agreement is terminated in accordance with its terms, Distinction further agrees to provide to KRC and its legal counsel, prior to filing or issuance of, a copy of any financial statements, management's discussion and analysis, annual information form, material change report, press release or similar type document proposed to be filed or issued by Distinction and to consider and include any reasonable comments from KRC and its legal counsel. Notwithstanding the foregoing, if either Party is required by Applicable Laws, to make any disclosure relating to this Agreement or the transactions contemplated by this Agreement, such disclosure may be made, but that Party shall use reasonable commercial efforts to consult with the Other Party as to the nature and wording of such disclosure prior to it being made.

### **11.4 Severability**

If any one or more of the provisions (or any part thereof) of this Agreement is determined to be invalid, illegal or unenforceable in any respect in any jurisdiction, such provision or provisions (or part or parts thereof) shall be, and shall be conclusively deemed to be, as to such jurisdiction, severable from the balance of this Agreement and:

- (a) the validity, legality or enforceability of the remaining provisions of this Agreement will not in any way be affected or impaired by the severance of the provisions (or parts thereof) so severed; and
- (b) the invalidity, illegality or unenforceability of any provision (or part thereof) of this Agreement in any jurisdiction shall not affect or impair such provision (or part thereof) or any other provisions of this Agreement in any other jurisdiction.

Upon any determination that any term or other provision in this Agreement is invalid, illegal or incapable of being enforced, the Parties will negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in an acceptable manner to the end that the transactions contemplated by this Agreement are fulfilled to the fullest extent possible.

### **11.5 Further Assurances**

Each Party shall from time to time and at all times hereafter at the request of the Other Party, but without further consideration, do and perform all such further acts, matters and things and execute and deliver all such further documents, deeds, assignments, agreements, notices and writings and give such further assurances as shall be reasonably required for the purpose of giving effect to this Agreement.

#### **11.6 Time of Essence**

Time is of the essence in this Agreement.

#### **11.7 Governing Law**

This Agreement shall be governed by and construed in accordance with the Laws of the Province of Alberta and the federal Laws of Canada applicable therein and the Parties irrevocably attorn to the jurisdiction of the courts of the Province of Alberta in respect of all disputes arising under or in relation to this Agreement.

#### **11.8 Specific Performance**

Each Party agrees that irreparable harm would occur for which money damages would not be an adequate remedy at law in the event that any of the provisions of this Agreement were not performed by the Other Party in accordance with their specific terms or were otherwise breached. It is accordingly agreed that, each Party shall be entitled to an injunction or injunctions and other equitable relief to prevent breaches or threatened breaches of the provisions of this Agreement or the Confidentiality Agreement or to otherwise obtain specific performance of any such provisions, any requirement for the securing or posting of any bond in connection with the obtaining of any such injunctive or other equitable relief hereby being waived.

#### **11.9 Third Party Beneficiaries**

The provisions of Sections 3.3(h) and 7.4 are: (a) intended for the benefit of the Parties' directors, officers, employees, representatives and agents, and all present and former officers and directors of Distinction, as applicable, as and to the extent applicable in accordance with their terms, and shall be enforceable by each of such Persons and his or her heirs, executors administrators and other legal representatives (collectively, the "**Third Party Beneficiaries**") and KRC shall hold the rights and benefits of Sections 3.3(h) and 7.4 in trust for and on behalf of the Third Party Beneficiaries and KRC hereby accepts such trust and agrees to hold the benefit of and enforce performance of such covenants on behalf of the Third Party Beneficiaries; and (b) in addition to, and not in substitution for, any other rights that the Third Party Beneficiaries may have by Contract or otherwise. Except as provided in this Section 11.9, this Agreement shall not confer any rights or remedies upon any Person other than the Parties and their respective successors and permitted assigns.

#### **11.10 Counterparts**

This Agreement may be executed in counterparts and by facsimile or portable document format (PDF), each of which shall be deemed an original, and all of which together constitute one and the same instrument.

*[The Remainder of this Page is Intentionally Left Blank; Signature Page Follows]*

**IN WITNESS WHEREOF** the Parties have executed this Agreement as of the date first above written.

**KIWETINOHK RESOURCES CORP.**

By: *(signed) "Jakub Brogowski" Chief Financial Officer*

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By:

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**DISTINCTION ENERGY CORP.**

By: *(signed) "Timothy Schneider" Director*

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By: *(signed) "P. Eric Gallie" Director*

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**SCHEDULE "A"**  
**PLAN OF ARRANGEMENT**



**PLAN OF ARRANGEMENT UNDER SECTION 192  
OF THE  
CANADA BUSINESS CORPORATIONS ACT**

**ARTICLE 1  
INTERPRETATION**

**1.1 Definitions**

Whenever used in this Plan of Arrangement, unless there is something in the context or subject matter inconsistent therewith, the following defined words and terms have the indicated meanings and grammatical variations of such words and terms have corresponding meanings:

"**ABCA**" means the Business Corporations Act, RSA 2000, c B-9;

"**Agreement Date**" means the date of the execution of the Business Combination Agreement;

"**AmalCo**" means the corporation resulting from the Amalgamation;

"**AmalCo Shares**" means the common shares in the capital of AmalCo as constituted on the Effective Date;

"**Amalgamation**" means the amalgamation of Distinction and KRC to be effected pursuant to Section 3.1(d);

"**Applicable Canadian Securities Laws**" means, collectively, the Securities Act or similar statutes of each of the provinces and territories of Canada and the respective rules and regulations under such Laws, together with applicable published national, multilateral and local policy statements, instruments, notices and blanket orders of the provinces and territories of Canada and all applicable rules, by-laws and regulations governing any stock exchange;

"**Applicable Laws**" means, in any context that refers to one or more Persons or its or their respective businesses, activities, properties, assets, undertakings or securities, the Laws that apply to such Person or Persons or its or their respective businesses, activities, properties, assets, undertakings or securities and emanate from a Governmental Authority having jurisdiction over the Person or Persons or its or their respective businesses, activities, properties, assets, undertakings or securities and, for greater certainty, includes Applicable Canadian Securities Laws and Applicable U.S. Securities Laws;

"**Applicable U.S. Securities Laws**" means federal and state securities legislation of the United States and all rules, regulations and orders promulgated thereunder;

"**Articles of Arrangement**" means the articles of arrangement in respect of the Plan of Arrangement required under section 192(6) of the CBCA to be filed with the Director after the Final Order has been granted and all other conditions precedent to the Business Combination have been satisfied or waived, to give effect to the Business Combination which shall include the Plan of Arrangement and otherwise be in a form satisfactory to Distinction and KRC, each acting reasonably;

"**Business Combination**" means the business combination, pursuant to section 192 of the CBCA, on the terms set out in the Plan of Arrangement, as supplemented, subject to any amendments or variations thereto made in accordance with the provisions of the Plan of Arrangement or the Business Combination Agreement or made at the direction of the Court in the Final Order with the prior written consent of Distinction and KRC, each acting reasonably;

"**Business Combination Agreement**" means the business combination agreement dated June 28, 2021 between KRC and Distinction with respect to the Business Combination, as supplemented, modified or amended;

"**Business Day**" means, with respect to any action to be taken, any day other than a Saturday, Sunday or a statutory holiday in the Province of Alberta;

"CBCA" means the Canada *Business Corporations Act*, RSC 1985, c C-44;

"**Certificate**" means the certificate or other proof of filing to be issued by the Director pursuant to section 192(7) of the CBCA in respect of the Articles of Arrangement giving effect to the Business Combination;

"**Circular**" means the joint management information circular of Distinction and KRC to be sent by Distinction to the Distinction Shareholders (and any other Persons required by the Interim Order) in connection with the Distinction Meeting and to be sent by KRC to the KRC Shareholders (and any other Persons required by the ABCA) in connection with the KRC Meeting, together with any amendments thereto or supplements thereof;

"**Clearance Amount**" means the certificate limit at least equal to the proceeds of disposition (as determined for purposes of section 116 of the Tax Act) the Non-Resident Shareholder is entitled to receive in respect of the Distinction Shares disposed of by the Non-Resident Shareholder on the Effective Date;

"**Court**" means the Court of Queen's Bench of Alberta;

"**Depository**" means Computershare Investor Services Inc.;

"**Director**" means the Director appointed under section 260 of the CBCA;

"**Dissenting Shareholder**" means any registered Distinction Shareholder who has duly and validly exercised its Dissent Rights with respect to the Distinction Transaction Resolution pursuant to Article 4 and the Interim Order, and has not withdrawn or been deemed to have been withdrawn such exercise of Dissent Rights;

"**Dissent Rights**" means the rights of dissent of Dissenting Shareholders in respect of the Business Combination described in Section 4.1;

"**Distinction**" means Distinction Energy Corp., a corporation existing under the CBCA;

"**Distinction Meeting**" means the special meeting of Distinction Shareholders to be called to permit the Distinction Shareholders to consider the Distinction Transaction Resolution and related matters, and any adjournment(s) or postponement(s) thereof;

"**Distinction Shareholders**" means the holders of Distinction Shares;

"**Distinction Shares**" means the class A common shares in the capital of Distinction as constituted on the Agreement Date;

"**Distinction Transaction Resolution**" means the special resolution in respect of the Business Combination to be considered by the Distinction Shareholders at the Distinction Meeting, substantially in the form included in the Business Combination Agreement as Schedule "B" attached thereto;

"**Effective Date**" means the date shown on the Certificate giving effect to the Business Combination;

"**Effective Time**" means 12:01 a.m. on the Effective Date;

"**Encumbrance**" means, any mortgage, pledge, assignment, charge, lien, security interest, adverse interest in property, other third party interest or encumbrance of any kind whether contingent or absolute, and any agreement, option, right or privilege (whether by Law, contract or otherwise) capable of becoming any of the foregoing;

"**Exchange Ratio**" means the exchange ratio of 20 KRC Shares for each Distinction Share;

"**Final Order**" means the order of the Court approving the Business Combination pursuant to section 192(4) of the CBCA, as such order may be affirmed, amended or modified by any court of competent jurisdiction;

**"Governmental Authority"** means any: (a) domestic or foreign federal, territorial, provincial, state, regional, municipal or local governmental, regulatory or administrative authority, department, court, agency, commission, board or tribunal, arbitral body, bureau, ministry, agency or instrumentality or official, including any political subdivision thereof; (b) quasi-governmental or private body exercising regulatory, expropriation or taxing authority under or for the account of any of the foregoing; or (c) any stock exchange;

**"Interim Order"** means the interim order of the Court concerning the Business Combination under section 192(4) of the CBCA, in a form acceptable to Distinction and KRC, each acting reasonably, providing for, among other things, the calling and holding of the Distinction Meeting, as such order may be amended by the Court (with the consent of both Distinction and KRC, each acting reasonably);

**"KRC"** means Kiwetinohk Resources Corp., a corporation which, as of the Effective Time, shall be existing under the CBCA;

**"KRC Meeting"** means the special meeting of KRC Shareholders to be called to permit the KRC Shareholders to consider the KRC Transaction Resolutions and related matters, and any adjournment(s) or postponement(s) thereof;

**"KRC Shareholders"** means the holders of KRC Shares;

**"KRC Shares"** means the common shares in the capital of KRC as constituted on the Agreement Date;

**"KRC Transaction Resolutions"** means the resolutions to be considered by the KRC Shareholders at the KRC Meeting, substantially in the form included in the Business Combination Agreement as Schedule "C" attached thereto;

**"Laws"** means all laws (including, for greater certainty, common law), statutes, regulations, bylaws, statutory rules, orders, ordinances, protocols, codes, guidelines, notices and directions enacted by a Governmental Authority (including all Applicable Canadian Securities Laws and all Applicable U.S. Securities Laws) and the terms and conditions of any grant of approval, permission, judgment, decision, ruling, award, authority or license of any Governmental Authority or self-regulatory authority;

**"Letter of Transmittal"** means the letter of transmittal to be sent to Distinction Shareholders for use in connection with the Business Combination, in the form accompanying the Circular;

**"Non-Resident Shareholder"** means a Distinction Shareholder that is: (i) a Person who is not a resident of Canada for the purposes of the Tax Act; or (ii) a partnership that is not a Canadian partnership for the purposes of the Tax Act; or (iii) any Distinction Shareholder that has not delivered a Letter of Transmittal on or before the end of the next month following the Effective Date;

**"Person"** includes any individual, firm, partnership, joint venture, venture capital fund, association, trust, trustee, executor, administrator, legal personal representative, estate group, body corporate, corporation, unincorporated association or organization, Governmental Authority, syndicate or other entity, whether or not having legal status;

**"Plan of Arrangement"** means this plan of arrangement, as supplemented, modified or amended in accordance with the terms of the Business Combination Agreement or the terms hereof, and "hereby", "hereof", "herein", "hereunder", "herewith" and similar terms refer to this plan of arrangement and not to any particular provision of this plan of arrangement;

**"Section 116(2) Certificate"** means a certificate issued under subsection 116(2) of the Tax Act;

**"Securities Act"** means the *Securities Act* (Alberta);

**"Share Consolidation"** has the meaning given to it in Section 3.1(e);

**"Tax Act"** means the *Income Tax Act*, RSC 1985, c 1 (5th Supp); and

"TSX" means the Toronto Stock Exchange.

## **1.2 Interpretation Not Affected by Headings, etc.**

The division of this Plan of Arrangement into articles and sections is for convenience of reference only and shall not affect the construction or interpretation of this Plan of Arrangement. The terms "this Plan of Arrangement", "hereof", "herein", "hereto" and "hereunder" and similar expressions refer to this Plan of Arrangement and not to any particular article, section or other portion hereof and include any agreement or instrument supplementary or ancillary hereto.

## **1.3 Number, etc.**

Words importing the singular number include the plural and vice versa, and words importing the use of any gender include all genders. Where the word "including" or "includes" is used in this Plan of Arrangement, it means "including (or includes) without limitation".

## **1.4 Date for Any Action**

If any date on which any action is required to be taken hereunder is not a Business Day, such action shall be taken on the next succeeding day that is a Business Day.

## **1.5 Currency**

Unless otherwise indicated, all sums of money referred to in this Plan of Arrangement are expressed in lawful money of Canada.

## **1.6 References to Legislation**

References in this Plan of Arrangement to any statute or sections thereof shall include such statute as amended or substituted and any regulations promulgated thereunder from time to time in effect.

# **ARTICLE 2 THE BUSINESS COMBINATION AGREEMENT**

## **2.1 Plan Part of the Business Combination Agreement**

This Plan of Arrangement is made pursuant to, is subject to the provisions of and forms part of, the Business Combination Agreement.

## **2.2 Binding Effect**

This Plan of Arrangement and the Business Combination, upon the filing of the Articles of Arrangement and the issuance of the Certificate, shall become effective at, and be binding as and from, the Effective Time, on: (a) Distinction; (b) KRC; (c) all registered and beneficial holders of Distinction Shares, including Dissenting Shareholders; (e) the Depositary; (f) AmalCo and (g) all other Persons, without any further act or formality required on the part of any Person except as expressly provided herein.

## **2.3 Filing of the Articles of Arrangement**

The Articles of Arrangement shall be filed with the Director with the purpose and intent that none of the provisions of this Plan of Arrangement shall become effective unless all of the provisions of this Plan of Arrangement shall have become effective in the sequence provided herein. The Certificate shall be conclusive evidence that the Business Combination has become effective and that each of the steps, events or transactions set out in Section 3.1 have become effective in the sequence and at the times set out therein. If no Certificate is required to be issued by the Director pursuant to section 192(7) of the CBCA, the Business Combination shall become effective commencing at the

Effective Time on the date the Articles of Arrangement are filed with the Director pursuant to section 192(6) of the CBCA.

### **ARTICLE 3 PLAN OF ARRANGEMENT**

#### **3.1 Filing of the Articles of Arrangement**

Commencing at the Effective Time, each of the steps, events or transactions set out below shall, except for steps, events or transactions deemed to occur concurrently with other steps, events or transactions as set out below, occur and shall be deemed to occur consecutively in two minute intervals in the following order (or as otherwise provided herein or in such other manner, order or times as the parties to the Business Combination Agreement may agree in writing) without any further act or formality, except as otherwise provided herein:

##### ***Dissenting Shareholders***

- (a) the Distinction Shares held by Dissenting Shareholders shall be deemed to have been transferred to, and acquired by, KRC (free and clear of any Encumbrances), and:
  - (i) such Dissenting Shareholders shall cease to be the holders of the Distinction Shares so transferred and to have any rights as Distinction Shareholders other than the right to be paid fair value for such Distinction Shares as set out in Section 4.1;
  - (ii) such Dissenting Shareholders' names shall be removed from the applicable register or registers of holders of Distinction Shares maintained by or on behalf of Distinction as it relates to the Distinction Shares so transferred; and
  - (iii) KRC shall become the transferee (free and clear of all Encumbrances) of the Distinction Shares so transferred and shall be added to the applicable register of Distinction Shares maintained by or on behalf of Distinction;

##### ***Acquisition of Distinction Shares by KRC***

- (b) each Distinction Shareholder (other than a Dissenting Shareholder and KRC) shall simultaneously transfer, and shall be deemed to have transferred, to KRC (free and clear of any Encumbrances) that number of Distinction Shares equal to the number of Distinction Shares held by such Distinction Shareholder immediately prior to the Effective Time, in sole consideration for that number of KRC Shares obtained by multiplying the number of Distinction Shares held by such Distinction Shareholder immediately prior to the Effective Time, by the Exchange Ratio, and all of such KRC Shares shall be deemed to be duly authorized, validly issued and fully paid and non-assessable, and an amount equal to the lesser of (A) the "paid up capital", within the meaning of the Tax Act, of the Distinction Shares so acquired pursuant to this Section 3.1(b), and (B) the fair market value of the Distinction Shares so acquired pursuant to this Section 3.1(b), shall be added to the stated capital account maintained by KRC for the KRC Shares.

##### ***Amalgamation***

- (c) Immediately prior to Section 3.1(d), the aggregate stated capital of the Distinction Shares shall be, and shall be deemed to be, reduced to \$1.00.
- (d) Distinction and KRC shall be amalgamated and continued as one corporation under the CBCA in accordance with this Plan, including the following:
  - (i) ***Name.*** The name of AmalCo shall be Kiwetinohk Resources Corp.;

- (ii) **Share Provisions.** The share provisions and authorized share capital of AmalCo shall be the same as the share provisions and authorized share capital of KRC;
- (iii) **Directors and Officers.**
  - (A) **Initial Directors.** The directors of AmalCo shall consist of nine members, led by Kevin Brown as Chair and shall include, Patrick Carlson, Bill Slavin, Leland Corbett, Kaush Rahkit, Steve Sinclair, Tim Schneider, Beth Reimer-Heck and one additional director to be nominated by KRC with a view to meet the long-term expectations of the equity markets for the best standards of governance focused on governance experience, diversity, environmental sustainability and energy sector expertise; and
  - (B) **Initial Officers.** The officers of AmalCo shall be the same as the officers of KRC;
- (iv) **Business and Powers.** There shall be no restrictions on the business that AmalCo may carry on or on the powers it may exercise;
- (v) **Other Provisions.** The other provisions forming part of the Articles of AmalCo shall be the same as the respective provision of the articles of KRC as such existed immediately prior to the amalgamation;
- (vi) **By-laws.** The by-laws of AmalCo shall be the by-laws of KRC;
- (vii) **Registered Office.** The registered office of AmalCo shall be the registered office of KRC;
- (viii) **Effect of Amalgamation.** The following shall be the effect of the Amalgamation:
  - (A) all of the property of each of Distinction and KRC shall continue to be the property of AmalCo;
  - (B) AmalCo shall continue to be liable for the obligations of each of Distinction and KRC;
  - (C) any existing cause of action, claim or liability to prosecution of Distinction or KRC shall be unaffected;
  - (D) any civil, criminal or administrative action or proceeding pending by or against either of Distinction or KRC may be continued to be prosecuted by or against AmalCo; and
  - (E) a conviction against, or ruling, order or judgment in favour of or against, either of Distinction or KRC may be enforced by or against AmalCo;
- (ix) **Articles.** The articles of amalgamation of AmalCo filed shall be deemed to be the articles of incorporation of AmalCo, and the certificate of amalgamation of AmalCo shall be deemed to be the certificate of incorporation of AmalCo;
- (x) **Cancellation of Shares.** On the amalgamation each issued and outstanding share in the capital of Distinction shall be cancelled without repayment of capital in respect thereof, and each issued and outstanding share of KRC, of any class or series, including the KRC Shares issued pursuant to Section 3.1(b), shall remain unaffected and issued and outstanding;
- (xi) **Stated Capital.** The aggregate stated capital of AmalCo will be an amount equal to the aggregate of the paid-up capital for the purposes of the Tax Act of the KRC Shares outstanding immediately before the Amalgamation.



### ***Share Consolidation***

- (e) The AmalCo Shares shall be, and shall be deemed to be, consolidated (the "**Share Consolidation**") on the basis of one AmalCo Share for every 10 AmalCo Shares outstanding immediately after the Amalgamation. Any fractional interests in the consolidated AmalCo Shares will, without any further act or formality, be cancelled without payment of any consideration therefor. Notwithstanding any provision of the CBCA, immediately following the completion of such consolidation, the stated capital of the AmalCo Shares shall be equal to the stated capital of the AmalCo Shares immediately prior to such consolidation.

### **3.2 Transfer of Securities**

With respect to each Distinction Shareholder other than Dissenting Shareholders, immediately before the Effective Time, upon the exchange of Distinction Shares for KRC Shares pursuant to Section 3.1(b):

- (a) such Distinction Shareholder shall cease to be a holder of the Distinction Shares so transferred and to have any rights as a Distinction Shareholder other than the right to receive the number of KRC Shares issuable to such holder on the basis set forth in Section 3.1(b);
- (b) such holder's name shall be removed from the applicable register of holders of Distinction Shares maintained by or on behalf of Distinction as it relates to the Distinction Shares so transferred;
- (c) KRC shall become the transferee (free and clear of all Encumbrances) of the Distinction Shares so transferred and shall be added to the register of holders of Distinction Shares maintained by or on behalf of Distinction; and
- (d) KRC shall cause to be issued and delivered the consideration issuable and deliverable to such Distinction Shareholder and, in particular, KRC shall allot and issue to such Distinction Shareholder the number of KRC Shares issuable to such holder on the basis set forth in Section 3.1(b), and such Distinction Shareholder's name shall be added to the applicable register of holders of KRC Shares maintained by or on behalf of KRC in respect of such issued KRC Shares.

### **3.3 No Fractional Securities**

No fractional KRC Shares shall be issued under the Business Combination. In the event that a Distinction Shareholder would otherwise be entitled to a fractional KRC Share hereunder, the number of KRC Shares issued to such Distinction Shareholder will be rounded up to the next whole number of KRC Shares if the fractional entitlement is equal to or greater than 0.5 and shall, without any additional compensation, be rounded down to the next whole number of KRC Shares if the fractional entitlement is less than 0.5. In calculating fractional interests, all Distinction Shares registered in the name of or beneficially held by such Distinction Shareholder or its nominee(s), shall be aggregated.

### **3.4 Adjustment to Consideration**

The number of KRC Shares to which a Distinction Shareholder is entitled to pursuant to the Plan of Arrangement shall be adjusted to reflect fully the effect of any stock split, reverse split, stock dividend (including any dividend or distribution of securities convertible into KRC Shares or Distinction Shares, other than stock dividends paid in lieu of ordinary course dividends), consolidation, reclassification, reorganization, recapitalization or other like change with respect to KRC Shares or Distinction Shares occurring after the Agreement Date and prior to the Effective Time.

### **3.5 U.S. Securities Act Exemption**

Notwithstanding any provision herein to the contrary, Distinction and KRC agree that this Plan of Arrangement will be carried out with the intention that all the Persons to whom the KRC Shares are issued on completion of this Plan of Arrangement will be issued by KRC in reliance on the exemption from the registration requirements of the United

States *Securities Act of 1933*, as amended, as provided by section 3(a)(10) thereof and pursuant to exemptions from registration under any applicable state securities laws.

## **ARTICLE 4 RIGHTS OF DISSENT**

### **4.1 Rights of Dissent**

Registered Distinction Shareholders may exercise Dissent Rights with respect to the Distinction Shares held by such holders in connection with the Business Combination pursuant to and in the manner set forth in section 190 of the CBCA, as modified by the Interim Order and this Section 4.1; provided that, notwithstanding section 190(5) of the CBCA, the written objection to the Distinction Transaction Resolution referred to in section 190(5) of the CBCA must be received by Distinction not later than 5:00 p.m. (Calgary time) five Business Days immediately preceding the date of the Distinction Meeting. Dissenting Shareholders who duly exercise their Dissent Rights shall be deemed to have transferred the Distinction Shares held by them and in respect of which Dissent Rights have been validly exercised to KRC (free and clear of all Encumbrances) for cancellation without any further act or formality at the effective time of Section 3.1(a) notwithstanding the provisions of section 190 of the CBCA, and if they:

- (a) ultimately are entitled to be paid fair value for such Distinction Shares they: (i) shall be deemed not to have participated in the transactions in Article 3 (other than Section 3.1(a)); (ii) shall be paid by KRC the fair value of such Distinction Shares which fair value shall be determined as of the close of business, in respect of the Distinction Shares, on the last Business Day before the Distinction Transaction Resolution was adopted; and (iii) will not be entitled to any other payment or consideration, including any payment that would be payable under the Business Combination had such holders not exercised their Dissent Rights in respect of such Distinction Shares; or
- (b) ultimately are not entitled, for any reason, to be paid fair value for such Distinction Shares they shall be deemed to have participated in the Business Combination, commencing at the Effective Time, on the same basis as a non-dissenting holder of Distinction Shares notwithstanding the provisions of section 190 of the CBCA, and such holder shall receive KRC Shares for such holder's Distinction Shares on the basis set forth in Section 3.1(b).

### **4.2 Recognition of Dissenting Shareholders**

- (a) In no circumstances shall Distinction, KRC, AmalCo or any other Person be required to recognize a Person exercising Dissent Rights unless such Person is the registered holder of those Distinction Shares in respect of which such rights are sought to be exercised.
- (b) For greater certainty, in no case shall Distinction, KRC, AmalCo or any other Person be required to recognize Dissenting Shareholders as holders of Distinction Shares in respect of which Dissent Rights have been validly exercised after the effective time of Section 3.1(a). In addition to any other restrictions in section 190 of the CBCA, Distinction Shareholders who have voted in favour of the Distinction Transaction Resolution shall not be entitled to exercise Dissent Rights. A Person may only exercise Dissent Rights in respect of all, and not less than all, of such Person's Distinction Shares.

## **ARTICLE 5 CERTIFICATES AND DELIVERY OF CONSIDERATION**

### **5.1 Delivery of Consideration**

- (a) KRC shall, on the Effective Date, prior to the sending of the Articles of Arrangement to the Director, deposit, or cause to be deposited, in escrow with the Depositary for the benefit of and to be held on behalf of the Distinction Shareholders entitled to receive KRC Shares pursuant to Section 3.1(b), certificates representing, or other evidence regarding the issuance of, the KRC Shares that such Distinction Shareholders are entitled

to receive under the Business Combination (calculated without reference to whether any Distinction Shareholder has exercised Dissent Rights) and, which certificates, or other evidence, shall be held by the Depositary as agent and nominee for the Distinction Shareholders in accordance with the provisions of this Article 5.

- (b) Forthwith following the Effective Time, subject to Section 5.1(c), KRC shall cause to be issued to each Distinction Shareholder the number of KRC Shares issuable in respect of the Distinction Shares required by Section 3.1(b), as adjusted, if applicable, pursuant to Section 3.4.
- (c) The Depositary shall deliver the consideration in respect of those Distinction Shares that were transferred or deemed to be transferred pursuant to Section 3.1(b) which are held on a book-entry basis, less any amounts withheld pursuant to Section 5.4, in accordance with normal industry practice for payments relating to securities held on a book-entry only basis. With respect to those Distinction Shares not held on a book-entry basis, upon surrender to the Depositary for cancellation of a certificate or certificates (as applicable) which, immediately prior to the Effective Time, represented outstanding Distinction Shares that were transferred or deemed to be transferred pursuant to Section 3.1(b) together with a duly completed and executed Letter of Transmittal and such additional documents and instruments as the Depositary may reasonably require, each Distinction Shareholder represented by such surrendered certificate(s) shall be entitled to receive in exchange therefor, and the Depositary shall deliver to such holder as directed in the Letter of Transmittal, the consideration which such holder has the right to receive under this Plan of Arrangement for such Distinction Shares less any amounts withheld pursuant to Section 5.4, and any certificate(s) so surrendered shall forthwith be cancelled.
- (d) Until surrendered as contemplated by Section 5.1(c), each certificate that immediately prior to the Effective Time represented Distinction Shares shall be deemed after the Effective Time to represent only the right to receive upon such surrender the consideration to which holders of such Distinction Shares are entitled under the Business Combination, less any amounts withheld pursuant to Section 5.4, or as to those held by Dissenting Shareholders, other than those Dissenting Shareholders deemed to have participated in the Business Combination pursuant to Section 4.1, to receive the fair value of the Distinction Shares represented by such certificate.
- (e) Subject to any Applicable Laws relating to unclaimed personal property, any certificate formerly representing Distinction Shares that is not deposited, together with all other documents required hereunder, on or before the last Business Day before the third anniversary of the Effective Date, and any right or claim by or interest of any kind or nature, including the right of a former Distinction Shareholder to receive certificates representing KRC Shares to which such holder is entitled pursuant to the Business Combination, shall terminate and be deemed to be surrendered and forfeited to KRC for no consideration, together with all entitlements to dividends, distributions and interest thereon. In such case, such KRC Shares shall be returned to KRC for cancellation.
- (f) No Distinction Shareholder shall be entitled to receive any consideration with respect to the Distinction Shares other than the consideration to which the holder is entitled to receive under the Business Combination and, for greater certainty, no such holder will be entitled to receive any interest, dividend, premium or other payment in connection therewith.

## **5.2 Lost Certificates**

If any certificate which immediately prior to the Effective Time represented an interest in one or more outstanding Distinction Shares that were transferred pursuant to Section 3.1 has been lost, stolen or destroyed, upon satisfying such reasonable requirements as may be imposed by KRC and the Depositary in relation to the issuance of replacement share certificates, the Depositary will issue and deliver in exchange for such lost, stolen or destroyed certificate the consideration to which the holder is entitled pursuant to the Business Combination (and any dividends or distributions with respect thereto) as determined in accordance with the Business Combination, deliverable in accordance with such holder's Letter of Transmittal. The Person who is entitled to receive such consideration shall, as a condition precedent to the receipt thereof, give a bond satisfactory to each of KRC, Distinction and their respective transfer agents in such

form as is satisfactory to KRC, Distinction and their respective transfer agents, or shall otherwise indemnify KRC, Distinction and their respective transfer agents, to the reasonable satisfaction of such parties, against any claim that may be made against any of them with respect to the certificate alleged to have been lost, stolen or destroyed.

### **5.3 Distributions with Respect to Unsurrendered Certificates**

No dividend or other distribution declared or made after the Effective Time with respect to KRC Shares with a record date after the Effective Time shall be delivered to the holder of any unsurrendered certificate which, immediately prior to the Effective Time, represented outstanding Distinction Shares unless and until the holder of such certificate shall have complied with the provisions of Section 5.1 or Section 5.2. Subject to Applicable Law and to Section 5.4, at the time of such compliance, a Distinction Shareholder entitled to receive KRC Shares shall receive, in addition to the delivery of a certificate representing the KRC Shares a cheque for the amount of the dividend or other distribution with a record date after the Effective Time, without interest, theretofore paid with respect to such KRC Shares.

### **5.4 Withholdings**

- (a) Distinction, KRC, AmalCo and the Depositary shall be entitled to deduct or withhold from any amounts payable to any Distinction Shareholder, or any other Person, pursuant to the Business Combination, such amounts (whether in cash or KRC Shares) as Distinction, KRC, AmalCo or the Depositary reasonably determines it is required to deduct or withhold with respect to such payment under the Tax Act or any provision of federal, provincial, territorial, state, local or foreign tax law. To the extent that amounts are so deducted or withheld, such deducted or withheld amounts shall be treated, for all purposes hereof, as having been paid or delivered to the holders of Distinction Shares in respect of whom such deduction or withholding was made, provided that such deducted or withheld amounts are timely remitted to the appropriate Governmental Authority. Any of Distinction, KRC, AmalCo or the Depositary is hereby authorized to sell or otherwise dispose of any share consideration as is necessary to provide sufficient funds to Distinction, KRC, AmalCo or the Depositary, as the case may be, to enable it to comply with all deduction or withholding requirements applicable to it, and none of Distinction, KRC, AmalCo or the Depositary shall be liable to any Person for any deficiency in respect of any proceeds received, and Distinction, KRC, AmalCo or the Depositary, as applicable, shall notify the holder thereof and remit to the holder thereof any unapplied balance of the net proceeds of such sale.
- (b) Without limiting the generality of Section 5.4(a), (a) if a Non-Resident Shareholder does not deliver to KRC on or before the Effective Date a Section 116(2) Certificate in respect of the sale of the Distinction Shares having a certificate limit at least equal to the Clearance Amount, KRC will withhold 100% of the KRC Shares otherwise issuable to such Non-Resident Shareholder pursuant to the Business Combination and such withheld KRC Shares shall be withheld and dealt with in accordance with the terms of Section 2.12 of the Business Combination Agreement.

### **5.5 No Encumbrances**

Any exchange or transfer of securities pursuant to this Plan of Arrangement shall be free and clear of any Encumbrances or other claims of third parties of any kind.

### **5.6 Paramountcy**

From and after the Effective Time:

- (a) this Plan of Arrangement shall take precedence and priority over any and all rights related to Distinction Shares issued or outstanding prior to the Effective Time;
- (b) the rights and obligations of Distinction, KRC, AmalCo, the Depositary, the Distinction Shareholders and any trustee, transfer agent or other depositary therefor in relation to this Plan of Arrangement, shall be solely as provided for in this Plan of Arrangement; and

- (c) all actions, causes of action, claims or proceedings (actual or contingent, and whether or not previously asserted) based on or in any way relating to any Distinction Shares shall be deemed to have been settled, compromised, released and determined without liability except as set forth in this Plan of Arrangement.

## **5.7 Illegality of Delivery of KRC Shares**

Notwithstanding the foregoing, if it appears to KRC that it would be contrary to Applicable Law to issue KRC Shares pursuant to the Business Combination to a Distinction Shareholder that is not a resident of Canada or the U.S., the KRC Shares that otherwise would be issued to that Person will be issued to the Depositary for sale by the Depositary or a nominee of the Depositary acceptable to Distinction and KRC, each acting reasonably, on behalf of that Person. The KRC Shares so issued to the Depositary will be pooled and sold as soon as practicable after the Effective Date, on such dates and at such prices as the Depositary determines in its sole discretion. The Depositary or its nominee shall not be obligated to seek or obtain a minimum price for any of the KRC Shares sold by it. Each such Person will receive a pro rata share of the cash proceeds from the sale of the KRC Shares sold by the Depositary (less commissions, other reasonable expenses incurred in connection with the sale of the KRC Shares and any amount withheld in respect of taxes) in lieu of the KRC Shares themselves. None of Distinction, KRC, AmalCo or the Depositary will be liable for any loss arising out of any such sales.

## **ARTICLE 6 AMENDMENTS**

### **6.1 Amendment of this Plan of Arrangement**

- (a) Distinction and KRC may amend, modify or supplement this Plan of Arrangement at any time and from time to time prior to the Effective Time, provided that each such amendment, modification or supplement must be: (i) set out in writing; (ii) approved by both Distinction and KRC, each acting reasonably; (iii) filed with the Court and, if made following the Distinction Meeting, approved by the Court; and (iv) communicated to the Distinction Shareholders, if and as required by the Court.
- (b) Any amendment, modification or supplement to this Plan of Arrangement may be proposed by Distinction or KRC at any time prior to or at the Distinction Meeting (provided that Distinction or KRC, as applicable, shall have consented thereto in writing, acting reasonably) with or without any other prior notice or communication and, if so proposed and accepted by the Persons voting at the Distinction Meeting (other than as may be required by the Interim Order), shall become part of this Plan of Arrangement for all purposes.
- (c) Any amendment, modification or supplement to this Plan of Arrangement that is approved or directed by the Court following the Distinction Meeting shall be effective only: (i) if it is consented to in writing by each of Distinction and KRC (in each case, acting reasonably); and (ii) if required by the Court, it is consented to by some or all of the Distinction Shareholders voting in the manner directed by the Court.
- (d) This Plan of Arrangement may be amended, modified or supplemented following the Effective Time unilaterally by AmalCo, provided that it concerns a matter which, in the reasonable opinion of AmalCo, is of an administrative nature required to better give effect to the implementation of this Plan of Arrangement and is not adverse to the economic interest of any former holder of Distinction Shares.

## **ARTICLE 7 FURTHER ASSURANCES**

### **7.1 Further Assurances**

Notwithstanding that the steps, events and transactions set out in this Plan of Arrangement shall occur and shall be deemed to occur in the order set out in this Plan of Arrangement without any further act or formality, each of KRC, Distinction and AmalCo shall make, do and execute, or cause to be made, done and executed, all such further acts,

deeds, agreements, transfers, assurances, instruments or documents as may reasonably be required by either of them in order to further document or evidence any of the steps, events and transactions set out in this Plan of Arrangement.



**SCHEDULE "B"**  
**FORM OF DISTINCTION TRANSACTION RESOLUTION**

**BE IT RESOLVED AS A SPECIAL RESOLUTION THAT:**

1. The business combination ("**Business Combination**") under section 192 of the *Canada Business Corporations Act* (the "**CBCA**") involving Distinction Energy Corp. ("**Distinction**"), Kiwetinohk Resources Corp. ("**KRC**") and the shareholders of Distinction (the "**Distinction Shareholders**"), as more particularly described and set forth in the joint management information circular and proxy statement of Distinction and KRC accompanying the notices of meeting, as the Business Combination may be modified or amended in accordance with its terms, is hereby authorized, approved and adopted.
2. The plan of arrangement (the "**Plan of Arrangement**") involving Distinction, KRC and the Distinction Shareholders, the full text of which is set out as Schedule "A" to the business combination agreement dated June 28, 2021 between Distinction and KRC (the "**Business Combination Agreement**"), as may be modified or amended in accordance with its terms, is hereby authorized, approved and adopted.
3. The Business Combination Agreement, the actions of the directors of Distinction in approving the Business Combination Agreement and the actions of the directors and officers of Distinction in executing and delivering the Business Combination Agreement and any amendments thereto in accordance with its terms are hereby ratified and approved.
4. Notwithstanding that this resolution has been passed by the Distinction Shareholders or that the Business Combination has been approved by the Court of Queen's Bench of Alberta, the directors of Distinction are hereby authorized and empowered without further notice to or approval of the Distinction Shareholders: (i) to amend the Business Combination Agreement or the Plan of Arrangement, to the extent permitted by the Business Combination Agreement or the Plan of Arrangement; and (ii) subject to the terms of the Business Combination Agreement, not to proceed with the Business Combination.
5. Any one director or officer of Distinction be and is hereby authorized and directed for and on behalf of Distinction to execute, under the corporate seal of Distinction or otherwise, and to deliver to the Director under the CBCA for filing articles of arrangement and such other documents as are necessary or desirable to give effect to the Business Combination and the Plan of Arrangement in accordance with the Business Combination Agreement.
6. Any one director or officer of Distinction be and is hereby authorized and directed for, on behalf of, and in the name of Distinction to execute or cause to be executed, under the corporate seal of Distinction or otherwise, and to deliver or cause to be delivered, all such other documents and instruments and to perform or cause to be performed all such other acts and things as in such person's opinion may be necessary or desirable to give full effect to the foregoing resolutions and the matters authorized thereby, such determination to be conclusively evidenced by the execution and delivery of such document, agreement or instrument or the doing of any such act or thing.

**SCHEDULE "C"**  
**FORM OF KRC TRANSACTION RESOLUTIONS**

**BE IT RESOLVED AS A SPECIAL RESOLUTION THAT:**

**NUMBER OF DIRECTORS**

1. An amendment to the number of directors as set out in the articles (the "**Articles**") of Kiwetinohk Resources Corp. (the "**Corporation**") to increase the minimum number of directors from one (1) to three (3) and the maximum number of directors from nine (9) to eleven (11) is hereby authorized and approved.

**AMEND ARTICLES TO REMOVE PRIVATE COMPANY RESTRICTIONS**

2. An amendment to the share transfer restrictions as set out in the Articles to delete "No securities, other than non-convertible debt securities, of the Corporation shall be transferred to any person without the approval of the Board of Directors by resolution" and replace it with "NO RESTRICTIONS" is hereby authorized and approved.
3. An amendment to the other rules or provisions as set out in the Articles to delete the following paragraphs is hereby authorized and approved:
  - (a) Any invitation to the public to subscribe for the Corporation's securities is prohibited.
  - (b) The Corporation has a lien on every security registered in the name of a shareholder or his legal representative for a debt of that shareholder to the Corporation.

As a result of the deletion of the aforementioned paragraphs from the other rules or provisions of the articles of the Corporation, the remaining paragraphs shall be renumbered and are confirmed to be as set out below is hereby authorized and approved:

- (1) Without limiting the borrowing powers of the Corporation as set forth in the *Business Corporations Act* (Alberta), the directors of the Corporation may from time to time, without authorization of the shareholders,
  - a. borrow money on the credit of the Corporation;
  - b. issue, reissue, sell or pledge bonds, debentures, notes or other evidences of indebtedness or guarantees of the Corporation, whether secured or unsecured;
  - c. subject to the *Business Corporations Act* (Alberta), give a guarantee on behalf of the Corporation to secure performance of an obligation of any person; and
  - d. mortgage, hypothecate, pledge or otherwise create a security interest in all or any property of the Corporation, owned or subsequently acquired, to secure any obligation of the Corporation.

Nothing in this clause limits or restricts the borrowing of money by the Corporation on bills of exchange or promissory notes made, drawn, accepted or endorsed by or on behalf of the Corporation.

- (2) Subject to the *Business Corporations Act* (Alberta), the directors may, between annual general meetings, appoint one or more additional directors of the Corporation to serve until the next annual general meeting, but the number of the additional directors shall not at any time exceed one third of the number of directors who held office at the expiration of the last annual meeting of the Corporation.

- (3) Shareholders meetings may be held anywhere inside or outside of Alberta that the directors determine by resolution from time to time.

#### **CONTINUANCE UNDER THE CBCA**

4. The continuance of the Corporation (the "**Continuance**") into the federal jurisdiction of Canada is hereby authorized and approved.
5. The Corporation is hereby authorized:
- (a) to make application to the Registrar of Corporations, Alberta for approval to continue the Corporation federally under the *Canada Business Corporations Act* (the "**CBCA**") pursuant to the laws of Canada;
  - (b) subject to obtaining the approval specified above, to file with the regulatory authorities of Canada, Articles of Continuance and all other requisite documentation in order to continue the Corporation as if it had been incorporated under the laws of Canada; and
  - (c) upon Continuance under the laws of Canada, to make application to the Registrar of Corporations, Alberta for a Certificate of Discontinuance pursuant to Section 189(6) of the *Business Corporations Act* (Alberta).
6. Subject to the Continuance of the Corporation federally under the CBCA, and subject to the issuance of a Certificate of Discontinuance, and without affecting the validity or existence of the Corporation, by or under its Articles and the validity of any act done thereunder, the shareholders of the Corporation hereby authorize amendment to the Articles of Incorporation in order to make all changes necessary to create Articles of Continuance in conformity with the provisions of the CBCA.

#### **SHARE ISSUANCE**

7. The issuance of up to 102,920,340 common shares ("**KRC Shares**") in the capital of the Corporation pursuant to the business combination involving the acquisition by the Corporation of all of the issued and outstanding common shares in the capital of Distinction Energy Corp. ("**Distinction**") that the Corporation does not already own in exchange for common shares in the capital of the Corporation, by way of plan of arrangement of Distinction (the "**Plan of Arrangement**") under the provisions of the CBCA all in accordance with a business combination agreement between Distinction and the Corporation, as more particularly described and set forth in the joint management information circular and proxy statement of the Corporation and Distinction and accompanying the notices of meeting is hereby authorized and approved.

#### **CONSOLIDATION OF KRC SHARES**

8. An amendment to the Articles to consolidate the issued and outstanding common shares on record outstanding immediately after the amalgamation of the Corporation and Distinction pursuant to the terms of the Plan of Arrangement on a 10 for 1 basis with any resulting fraction being rounded either up or down to the next highest or lowest number of the whole consolidated common shares as the case may be is hereby authorized and approved.

#### **GENERAL**

9. The directors of the Corporation, are authorized, in their discretion, by resolution, to abandon any of the foregoing resolutions without further approval, ratification or confirmation by the shareholders of the Corporation.

10. Any one director or officer of the Corporation be and is hereby authorized and directed for, on behalf of, and in the name of the Corporation to execute or cause to be executed, under the corporate seal of the Corporation or otherwise, and to deliver or cause to be delivered, all such other documents and instruments and to perform or cause to be performed all such other acts and things as in such person's opinion may be necessary or desirable to give full effect to the foregoing resolutions and the matters authorized thereby, such determination to be conclusively evidenced by the execution and delivery of such document, agreement or instrument or the doing of any such act or thing.

**SCHEDULE "D"**  
**REPRESENTATIONS AND WARRANTIES OF KRC**

- (a) Organization and Qualification. Each of KRC and each of its subsidiaries are corporations duly incorporated, validly existing and in good standing under the Applicable Laws of their jurisdiction of incorporation and have the requisite corporate power and authority to own their respective properties as now owned and to carry on their respective business as it is now being conducted. KRC and each of its subsidiaries are duly registered to do business and each is in good standing in each jurisdiction in which the character of their respective properties, owned or leased, or the nature of their activities makes such registration necessary, except where the failure to be so registered or in good standing would not have a Material Adverse Effect on KRC and its subsidiaries, taken as a whole.
- (b) Authority Relative to this Agreement. KRC has the requisite corporate authority to enter into this Agreement and the Distinction Support Agreements and to carry out its obligations hereunder and thereunder. The execution and delivery of this Agreement and the Distinction Support Agreements, and the consummation by KRC of the transactions contemplated hereunder and thereunder, have been duly authorized by the KRC Board and, subject to the approval of the KRC Transaction Resolutions by the KRC Shareholders and the approval of the Circular and matters relating to the KRC Meeting by the KRC Board, no other corporate proceedings on the part of KRC are necessary to authorize this Agreement or the Business Combination. This Agreement and the Distinction Support Agreements have been duly executed and delivered by KRC and constitute legal, valid and binding obligations of KRC enforceable against it in accordance with the terms hereof and thereof, subject to the qualification that such enforceability may be limited by bankruptcy, insolvency, reorganization or other Applicable Laws of general application relating to or affecting rights of creditors and that equitable remedies, including specific performance, are discretionary and may not be ordered.
- (c) Material Subsidiaries; Joint Ventures. KRC has no Material Subsidiaries. Each KRC subsidiary is not currently prohibited, directly or indirectly, from paying any dividends to KRC or any KRC affiliate, from making any other distribution on its capital stock or from repaying KRC or any other affiliate of KRC any loans or advances to it from such Person. Other than any Contracts to which both Distinction and KRC are party, for which disclosure to Distinction is not required, or as disclosed in writing by KRC to Distinction, neither KRC nor any of its subsidiaries is a partner or participant in any material partnership, joint venture, profit-sharing arrangement or other business combination of any kind and is not party to any Contract under which it agrees to carry on any material part of its business or any other activity in such manner or by which it agrees to share any material revenue or profit with any other Person.
- (d) Ownership of Subsidiaries. KRC is the beneficial direct or indirect owner of all of the outstanding securities of each of its subsidiaries with good title thereto free and clear of any and all Encumbrances. There are no outstanding options, rights, entitlements, understandings or commitments (contingent or otherwise) regarding the right to acquire any such shares of capital stock or other ownership interests in such subsidiaries. All of the outstanding shares of capital stock in each of the subsidiaries of KRC are validly issued, fully paid and non-assessable and are not subject to, nor were they issued in violation of, any pre-emptive rights.
- (e) No Violation; Absence of Defaults and Conflicts.
  - (i) Neither KRC nor any of its subsidiaries is in violation of its constating documents or by-laws or in default in the performance or observance of any obligation, agreement, covenant or condition contained in any note, bond, mortgage, indenture, loan agreement, deed of trust, agreement, lien, Contract or other instrument or obligation to which KRC or any of its subsidiaries is a party or to which any of them, or their respective properties or assets, may be subject or by which KRC or any of its subsidiaries is bound, except for such defaults which would not result in a Material Adverse Effect on KRC.
  - (ii) Except as disclosed in writing by KRC to Distinction, neither the execution and delivery of this Agreement by KRC nor the consummation of the Business Combination contemplated by this

Agreement nor compliance by KRC with any of the provisions hereof will: (A) violate, conflict with, or result in a breach of any provision of, require any consent, approval or notice under, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) or result in a right of termination or acceleration under, or result in the creation of any Encumbrance upon any of the properties or assets of KRC or any of its subsidiaries or cause any indebtedness to come due before its stated maturity or cause any credit to cease to be available, under any of the terms, conditions or provisions of: (1) their respective constating documents or by-laws; or (2) any note, bond, mortgage, indenture, loan agreement, deed of trust, agreement, lien, Contract or other instrument or obligation to which KRC or any of its subsidiaries is a party or to which any of them, or any of their respective properties or assets, may be subject or by which KRC or any of its subsidiaries is bound; or (B) subject to obtaining the requisite approvals of the KRC Shareholders, the Distinction Shareholders and the Court and compliance with Applicable Canadian Securities Laws, violate any Laws applicable to KRC or any of its subsidiaries or any of their respective properties or assets; or (C) cause the suspension or revocation of any authorization, consent, approval, license or Governmental Authorization currently in effect (except, in the case of each of clauses (A), (B) and (C) above, for such violations, conflicts, breaches, defaults, terminations, accelerations, creations of Encumbrances, suspensions or revocations which, or any consents, approvals or notices which if not given or received, would not, individually or in the aggregate, have any Material Adverse Effect on KRC).

- (iii) Other than in connection with or in compliance with the provisions of Applicable Laws in relation to the completion of the Business Combination or which are required to be fulfilled after the completion of the Business Combination, and except for the requisite approvals of the KRC Shareholders, the Distinction Shareholders and the Court: (A) there is no legal impediment to KRC's consummation of the Business Combination; and (B) no filing or registration with, or authorization, consent or approval of, any Governmental Authority is required of KRC in connection with the consummation of the Business Combination, except for such filings or registrations which, if not made, or for such authorizations, consents or approvals which, if not received, would not have a Material Adverse Effect on KRC or significantly impede the ability of KRC to consummate the Business Combination.
- (f) KRC Shares. KRC has reserved and allotted or will reserve and allot prior to the Effective Time a sufficient number of KRC Shares as are issuable pursuant to the Business Combination and, subject to the terms and conditions of the Business Combination, such KRC Shares when issued, will be duly authorized, validly issued and fully paid and non-assessable.
- (g) Litigation. There are no actions, suits, proceedings or investigations by Governmental Authorities or other Persons pending or, to the knowledge of KRC, threatened, affecting or that would reasonably be expected to affect KRC or any of its subsidiaries or any of their respective properties or assets at law or equity or before or by any court or Governmental Authority which action, suit, proceeding or investigation involves a reasonable possibility of any judgment against or liability of KRC or any of its subsidiaries which, if successful, would have a Material Adverse Effect on KRC or would significantly impede the ability of KRC to consummate the Business Combination. Neither KRC nor any of its subsidiaries is subject to any outstanding order, writ, injunction or decree that has had or would have a Material Adverse Effect on KRC or would significantly impede the ability of KRC to consummate the Business Combination.
- (h) Returns Filed and Taxes Paid. All material Returns required to be filed by or on behalf of KRC and any of its subsidiaries have been duly filed on a timely basis and such Returns are true, complete and correct in all material respects. All material Taxes due or payable by KRC and any of its subsidiaries, whether or not shown to be payable on such Returns, have been paid in full on a timely basis, other than any such Taxes being contested in good faith and for which adequate reserves in accordance with IFRS have been established.
- (i) Tax Reserves. KRC has provided adequate accruals in the KRC Financial Statements for material impacts to deferred Taxes payable and current Taxes payable by, or required to be withheld and remitted by KRC and any of its subsidiaries, which Taxes are not yet payable to the applicable Governmental Authority, in each case in conformity with IFRS.



- (j) Tax Deficiencies; Audits. No deficiencies exist or have been asserted with respect to Taxes of KRC and any of its subsidiaries that would have a Material Adverse Effect on KRC. Neither KRC nor any of its subsidiaries is a party to any action or proceeding for assessment or collection of Taxes that would have a Material Adverse Effect on KRC, nor, to the knowledge of KRC, has such an event been asserted or threatened against KRC or any of its subsidiaries or any of their respective assets that would have a Material Adverse Effect on KRC.
- (k) Withholding Taxes. KRC and each of its subsidiaries have paid or have withheld and remitted to the appropriate Governmental Authority all Taxes required to be paid, withheld and remitted by them, including in connection with amounts paid or owing to employees, non-residents of Canada, independent contractors, creditors, shareholders or other third parties, except where the failure to pay or withhold and remit would not have a Material Adverse Effect on KRC.
- (l) Full Disclosure. The data and information in respect of KRC's and its subsidiaries' Tax position provided by KRC to Distinction in writing, was and is accurate and correct in all material respects as at the respective dates thereof and, in respect of any information provided or requested, did not knowingly omit any material data or information necessary to make any data or information provided not misleading as at the respective dates thereof. KRC has no knowledge of any material adverse change to the Tax of KRC or any of its subsidiaries from that disclosed in such data and information.
- (m) Foreign Returns. Neither KRC nor any of its subsidiaries has filed, or has been required or is currently required to file, any Returns with any Governmental Authority outside of their respective jurisdictions of incorporation, and no claims have ever been made by a Governmental Authority that KRC or any of its subsidiaries is or may be subject to Tax in a jurisdiction where it does not file Returns.
- (n) GST and Similar Taxes. The books and records of KRC fairly and correctly set out and disclose, in all material respects, all liabilities and unclaimed input tax credits under Part IX of the *Excise Tax Act* (Canada) for purposes of the goods and services or harmonized sales tax or any similar legislation, and fairly and correctly set out and disclose in all material respects all liabilities and remittances in respect of any provincial sales tax, fuel tax, or any other value-added tax. All financial transactions of KRC and each of its subsidiaries have been accurately and completely recorded, in all material respects in the books and records thereof.
- (o) Residence. KRC is a "Canadian corporation" as defined in the Tax Act.
- (p) Capitalization. As of the Agreement Date, the authorized capital of KRC consists of an unlimited number of KRC Shares and an unlimited number of preferred shares issuable in series subject to the terms of KRC's articles of incorporation. As of the Agreement Date, 334,369,401 KRC Shares and no preferred shares are issued and outstanding. As of the Agreement Date, other than 20,073,300 KRC Capital Warrants, 38,983,889 KRC Performance Warrants and 19,489,385 KRC Stock Options issued and outstanding, there are no options, warrants or other rights, plans, agreements or commitments of any nature whatsoever requiring the issuance, sale or transfer by KRC of any securities of KRC (including KRC Shares) or any securities convertible into, or exchangeable or exercisable for, or otherwise evidencing a right to acquire, any securities of KRC (including KRC Shares). KRC has disclosed in writing to Distinction a true and accurate summary of the maximum number of KRC Stock Options and KRC Performance Warrants that will be outstanding at the time of the TSX Approval. All issued and outstanding KRC Shares are duly authorized, validly issued, fully paid and non-assessable and are not subject to, nor were they issued in violation of, any pre-emptive rights and all KRC Shares issuable upon the exercise or settlement as applicable, of KRC Incentives or, following the Effective Date, in accordance with the terms of such securities will be duly authorized, validly issued, fully paid and non-assessable and will not be subject to any pre-emptive rights. Other than the issued and outstanding KRC Shares, there are no securities of KRC outstanding which have the right to vote generally with KRC Shareholders on any matter.
- (q) No Orders. No order, ruling or determination having the effect of suspending the sale of, or ceasing the trading of, the KRC Shares or any other securities of KRC has been issued by any Governmental Authority and is continuing in effect and no proceedings for that purpose have been instituted, are pending or, to the

knowledge of KRC, are contemplated or threatened under any Applicable Laws or by any Governmental Authority.

(r) Material Agreements.

- (i) The KRC Disclosure Letter sets forth a true and complete list, and KRC has made available to Distinction true and complete copies (including all material amendments, modifications, extensions or renewals with respect thereto) as at the Agreement Date, of each of the following Contracts to which KRC or any of its subsidiaries is a party or bound as of the Agreement Date, other than any contracts to which both Distinction and KRC are party, for which disclosure to Distinction is not required:
- (A) each Contract containing any area of mutual interest, joint bidding area, joint acquisition area, or non-compete or similar type of provision that materially restricts the ability of KRC or any of its subsidiaries to (A) compete in any line of business or geographic area or with any Person during any period of time after the Effective Time or (B) make, sell or distribute any products or services, or use, transfer or distribute, or enforce any of their rights with respect to, any of their material assets or properties;
  - (B) each Contract that creates, evidences, provides commitments in respect of, secures or guarantees (A) indebtedness for borrowed money in any amount in excess of **\$REDACTED** or (B) other indebtedness of KRC or any of its subsidiaries (whether incurred, assumed, guaranteed or secured by any asset) in excess of **\$REDACTED**, other than agreements solely between or among KRC and any of its subsidiaries;
  - (C) each Contract involving the pending acquisition, swap, exchange, sale or other disposition of (or option to purchase, acquire, swap, exchange, sell or dispose of) any assets of KRC or any of its subsidiaries for which the aggregate consideration (or the fair market value of such consideration, if non-cash) payable to or from KRC or any of its subsidiaries exceeds **\$REDACTED**, other than Contracts involving the acquisition or sale of (or option to purchase or sell) hydrocarbons or power in the ordinary course of business;
  - (D) each International Swaps and Derivatives Association contract (each, an "ISDA") for any Hedging Transaction, it being acknowledged that all derivative transactions are governed by such ISDAs, with each transaction agreed upon and confirmed through the standard bank counterparty confirmation process and documentation;
  - (E) each partnership, shareholder, joint venture, limited liability company agreement or other joint ownership agreement, other than with respect to arrangements exclusively among KRC and any of its subsidiaries and other than any customary joint operating agreements or unit agreements affecting the oil and gas properties of KRC or any of its subsidiaries;
  - (F) each joint development agreement, exploration agreement, participation, farmout, farm-in or program agreement or similar Contract requiring KRC or any of its subsidiaries to make annual expenditures in excess of **\$REDACTED** or aggregate payments in excess of **\$REDACTED** (in each case, net to the interest of KRC and any of its subsidiaries) following the Agreement Date, other than customary joint operating agreements or unit agreements affecting the oil and gas properties of KRC or any of its subsidiaries and exploration and development obligations under oil and gas leases;
  - (G) each agreement that contains any exclusivity, "most favored nation" or most favored customer provision, call or put option, preferential right or rights of first or last offer, negotiation or refusal, to which KRC or any of its subsidiaries is subject, and, in each case, is material to the business of KRC and its subsidiaries, taken as a whole, in each case other than those contained in (1) any agreement in which such provision is solely for the benefit

of KRC or any of its subsidiaries, (2) customary royalty pricing provisions in oil and gas leases or (3) customary preferential rights in joint operating agreements or unit agreements affecting the oil and gas properties of KRC or any of its subsidiaries;

- (H) any acquisition or divestiture Contract that contains "earn out" or other contingent payment obligations, or remaining indemnity or similar obligations (other than (1) asset retirement obligations or plugging and abandonment obligations set forth in the KRC 2020 Reserves Report or (2) customary indemnity obligations with respect to the post-closing ownership and operation of acquired assets), that would reasonably be expected to result in (x) earn out payments, contingent payments or other similar obligations to a third party (but excluding indemnity payments) in any year in excess of \$REDACTED or (y) earn out payments, contingent payments or other similar obligations to a third party, including indemnity payments, in excess of \$REDACTED in the aggregate after the Agreement Date;
  - (I) any Contract (other than any other Contract otherwise covered by this Section (m)) that creates future payment obligations (including settlement agreements or Contracts that require any capital contributions to, or investments in, any Person) of KRC or any of its subsidiaries outside the ordinary course of business, in each case, involving annual payments in excess of \$REDACTED or aggregate payments in excess of \$REDACTED (excluding, for the avoidance of doubt, customary joint operating agreements or unit agreements affecting the oil and gas properties of KRC or any of its subsidiaries), or creates or would create an Encumbrance on any material asset or property of KRC or any of its subsidiaries;
  - (J) any Contract that provides for midstream services to, or the sale by, KRC or any of its subsidiaries of hydrocarbons or power for a term greater than or equal to two years and does not allow KRC or any of its subsidiaries to terminate it without penalty to KRC or any of its subsidiaries within 90 days; and
  - (K) any Contract that provides for a "take-or-pay" clause or any similar prepayment obligation, minimum volume commitments or capacity reservation fees to a gathering, transportation or other arrangement downstream of the wellhead, or similar arrangements that otherwise guarantee or commit volumes of hydrocarbons from KRC or any of its subsidiaries' oil and gas properties, which in each case, would reasonably be expected to involve payments (including penalty or deficiency payments) in excess of \$REDACTED during the 12 month period following the Agreement Date or aggregate penalty or deficiency payments in excess of \$REDACTED during the two year period following the Agreement Date
- (ii) Neither KRC nor any of its subsidiaries has received notice of or is in breach of, or default under the terms of, and, to the knowledge of KRC, no other party to any KRC Material Contract is in breach of, or default under the terms of, any KRC Material Contract, nor is any event of default (or similar term) continuing under any KRC Material Contract, and, to the knowledge of KRC, there does not exist any event, condition or omission that would constitute such a default, breach or event of default (or similar term) (whether by lapse of time or notice or both) under any KRC Material Contract, in each case where such breach, default or event of default (or similar term) would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect in respect of KRC.
- (s) Filings. KRC and each of its subsidiaries have filed all material documents required to be filed by it with all applicable Governmental Authorities and all such documents were, as of their respective dates, in compliance in all material respects with all Applicable Laws.
  - (t) Books and Records. The corporate records and minute books of KRC and each of its subsidiaries have been maintained substantially in accordance with all Applicable Laws and are complete and accurate in all material respects.

- (u) Financial Statements The KRC Financial Statements, are prepared in accordance with IFRS (consistently applied), and present, fairly in accordance with IFRS the consolidated financial position, results of operations and changes in financial position of KRC on a consolidated basis as of the dates thereof and for the periods indicated therein. There has been no material change in KRC's accounting policies, except as described in the notes to the KRC Financial Statements, since January 1, 2021. A true and complete copy of the KRC Financial Statements have been disclosed in writing by KRC to Distinction.
- (v) Absence of Undisclosed Liabilities. As at the Agreement Date, KRC has no material obligations or liabilities of any nature (matured or unmatured, fixed or contingent), other than:
  - (i) those set forth or adequately provided for in the most recent statement of financial position and associated notes thereto included in the KRC Financial Statements (the "**KRC Balance Sheet**");
  - (ii) those incurred in the ordinary course of business and not required to be set forth in the KRC Balance Sheet under IFRS;
  - (iii) those incurred in the ordinary course of business since the date of the KRC Balance Sheet and consistent with past practice; and
  - (iv) those incurred in connection with the execution of this Agreement.
- (w) No Material Adverse Change. Except for the Business Combination or any action taken in accordance with this Agreement, since December 31, 2020: (i) KRC and each of its subsidiaries have conducted their respective business only in the ordinary and normal course and consistent with past practice, subject to compliance with Applicable Laws related to, and the impact on the business of, the COVID-19 pandemic and such pandemic's continuing effect on working restrictions and the local, national and global economy (including any work stoppages or operational stoppages necessary to safeguard life or property); (ii) no liability or obligation of any nature (whether absolute, accrued, contingent or otherwise) material to KRC (taken as a whole) has been incurred other than in the ordinary course of business; (iii) there has not been any Material Adverse Change in respect of KRC; and (iv) there have been no material facts, transactions, events or occurrences which would have a Material Adverse Effect on KRC.
- (x) Conduct of Business. Since December 31, 2020, neither KRC nor any of its subsidiaries has taken any action that would be in violation of Section 3.1 if such provision had been in effect since that date, other than violations which would not have any Material Adverse Effect on KRC or would not significantly impede KRC's ability to consummate the Business Combination.
- (y) U.S. Securities Laws.
  - (i) KRC is a "foreign private issuer" as defined in Rule 405 of Regulation C under the U.S. Securities Act.
  - (ii) No class of securities of KRC is registered or required to be registered under Section 12 of the U.S. Exchange Act, nor does KRC have any reporting obligation under Section 15(d) of the U.S. Exchange Act.
  - (iii) KRC is not registered or required to be registered as an "investment company" pursuant to the *United States Investment Company Act of 1940*, as amended.
- (z) Environmental.
  - (i) There have not occurred any material spills, emissions or pollution on any property of KRC or any of its subsidiaries or as a result of their respective operations that have not been remediated in compliance with Environmental Laws, nor has KRC or any of its subsidiaries been subject to any stop orders, control orders, clean-up orders or reclamation orders under applicable Environmental

Laws that have not been complied with. All operations of KRC and each of its subsidiaries have been and are now being conducted in compliance with all applicable Environmental Laws, except where the failure to be in compliance would not individually or in the aggregate have a Material Adverse Effect on KRC. KRC is not aware of, or is subject to:

- (A) any proceeding, application, order or directive which relates to environmental, health or safety matters, and which may require any work, repairs, construction, or expenditures; or
    - (B) any demand or notice with respect to the breach of any Environmental Laws applicable to KRC or any of its subsidiaries, including any regulations respecting the use, storage, treatment, transportation, or disposition of any Hazardous Substances.
  - (ii) In the ordinary course of its business, KRC periodically reviews the effect of Environmental Laws on various business, operations and properties of KRC and each of its subsidiaries, in the course of which it identifies and evaluates associated costs and liabilities (including any capital or operating expenditures required for clean-up, closure of properties or compliance with Environmental Laws, or any permit, license or approval, any related constraints on operating activities and any potential liabilities to third parties). On the basis of such review, KRC has reasonably concluded that such associated costs and liabilities would not result in a Material Adverse Change to KRC.
- (aa) Title. KRC and each of its subsidiaries have good and sufficient title to their real property interests, including fee simple estate of and in real property, leases, easements, rights of way, permits or licenses from landowners or authorities permitting the use of land by KRC and each of its subsidiaries, necessary to permit the operation of their respective business as presently owned and conducted, other than where the failure to have such good and sufficient title would not individually or in the aggregate have a Material Adverse Effect on KRC. KRC does not have any knowledge nor is aware of any defects, failures or impairments in the title of KRC or any of its subsidiaries to their respective assets, whether or not an action, suit, proceeding or inquiry is pending or threatened or whether or not discovered by any third party, which in aggregate would have a Material Adverse Effect on KRC.
- (bb) No Defaults under Leases and Agreements.
- (i) Neither KRC nor any of its subsidiaries has received notice of any default under any of the leases and other title and operating documents or any other agreement or instrument pertaining to their respective assets to which KRC or any of its subsidiaries is a party or by or to which KRC or any of its subsidiaries or any of their respective assets are bound or subject except to the extent that such defaults would not in the aggregate have a Material Adverse Effect on KRC.
  - (ii) To the knowledge of KRC:
    - (A) KRC and each of its subsidiaries are in good standing under all, and is not in default under any; and
    - (B) there is no existing condition, circumstance or matter which constitutes or which, with the passage of time or the giving of notice, would constitute a default under any,leases and other title and operating documents or any other agreements and instruments pertaining to its assets to which it is a party or by or to which it or such assets are bound or subject and, to the knowledge of KRC, all such leases, title and operating documents and other agreements and instruments are in good standing and in full force and effect and none of the counterparties to such leases, title and operating documents and other agreements and instruments is in default thereunder except to the extent that such defaults would not, individually or in the aggregate, have a Material Adverse Effect on KRC.



- (cc) No Encumbrances. Except as disclosed in writing by KRC to Distinction, neither KRC nor any of its subsidiaries has encumbered or alienated their interests in their respective assets or agreed to do so and their assets are free and clear of all Encumbrances except for such Encumbrances as are disclosed in any governmental registry or arising in the ordinary course of business or are not material in the aggregate.
- (dd) Ownership of Material Property. KRC and each of its subsidiaries have ownership of all material property (including oil and gas leasehold interests in accordance with industry standard oilfield practice) necessary to the operation of their respective businesses, in each case free and clear of all Encumbrances and other material adverse claims known to KRC, other than such Encumbrances as are disclosed in any governmental registry or arising in the ordinary course of business or are not material in the aggregate.
- (ee) No ROFRs. There are no rights of first refusal, pre-emptive rights of purchase or similar right whereby any third party has the right to acquire or purchase any of KRC's or any of its subsidiaries' assets as a consequence of the Parties entering into this Agreement or the Business Combination, other than where such rights would not individually or in the aggregate have a Material Adverse Effect on KRC.
- (ff) Royalties, Rentals and Taxes Paid. All royalties and rentals payable under the leases and other title and operating documents pertaining to the oil and gas assets of KRC and each of its subsidiaries and all ad valorem, property, production, severance and similar taxes and assessments based upon or measured by the ownership of such assets or the production of petroleum substances derived therefrom or allocated thereto or the proceeds of sales thereof payable have been properly paid in full and in a timely manner, except to the extent that such non-payment would not in the aggregate have a Material Adverse Effect on KRC.
- (gg) Reserves. A true and complete copy of the KRC 2020 Reserves Report has been provided to Distinction. KRC cooperated with McDaniel in the preparation of the KRC 2020 Reserves Report, which has been accepted and approved by the KRC Board. KRC has made available to McDaniel prior to the issuance of the KRC 2020 Reserves Report for the purpose of preparing such report, all information within KRC's power or possession requested by McDaniel, which information did not to KRC's knowledge, at the time such information was provided, contain any misrepresentation and KRC does not have any knowledge of any change in the production, cost, reserves, resources or other relevant information provided to McDaniel since the date that such information was so provided that would result, individually or in the aggregate, in a Material Adverse Effect in respect of KRC. KRC believes that the KRC 2020 Reserves Report reasonably presents the estimated quantity and pre-tax net present values of the oil and natural gas reserves associated with the properties evaluated in such report as at December 31, 2020, based upon information available at the time such reserves information was prepared, and KRC believes that at the date of such report, the KRC 2020 Reserves Report reasonably presented the aggregate estimated quantity and pre-tax net present values of such reserves or the estimated monthly production volumes therefrom.
- (hh) Licences. KRC and each of its subsidiaries have obtained and are in compliance with all licenses, permits, certificates, consents, orders, grants and other authorizations of or from any Governmental Authority necessary to conduct their respective businesses as they are now being or are proposed to be conducted, other than such licenses, permits, certificates, consents, orders, grants and other authorizations, the absence of which would, individually or in the aggregate, not have a Material Adverse Effect on KRC.
- (ii) Long-Term Hedging Transactions. As at the Agreement Date, KRC and each of its subsidiaries have no obligations or liabilities, direct or indirect, vested or contingent in respect of any Hedging Transaction except as disclosed in writing by KRC to Distinction with respect to Hedging Transactions and those entered in the ordinary course of business consistent with past practice and as permitted under KRC's corporate policies.
- (jj) Employee Benefit Plans. KRC has made available to Distinction true, complete and correct copies of each material option, incentive compensation, deferred compensation, share purchase or share-based compensation plan and each other material employee or director compensation or benefit plan, agreement or arrangement, or any similar agreement, plan, policy or other arrangement (and any amendments thereto), for the benefit of directors or former directors of KRC and any of its subsidiaries, consultants or former consultants of KRC and any of its subsidiaries, employees or former employees of KRC or any of its subsidiaries, which are maintained by, contributed to, or binding upon KRC and any of its subsidiaries or in



respect of which KRC or any of its subsidiaries have any actual or potential liability (the "**KRC Employee Plans**"), and:

- (i) each KRC Employee Plan has been maintained and administered in material compliance with its terms, and is funded in accordance with Applicable Laws;
- (ii) all required material employer contributions under any KRC Employee Plans have been made in accordance with the terms thereof;
- (iii) each KRC Employee Plan that is required or intended to be qualified under Applicable Law or registered or approved by a Governmental Authority has been so qualified, registered or approved by the appropriate Governmental Authority, and nothing has occurred since the date of the last qualification, registration or approval to materially adversely affect, or cause, the appropriate Governmental Authority to revoke such qualification, registration or approval;
- (iv) to the knowledge of KRC, there are no pending or anticipated material claims against or otherwise involving any of the KRC Employee Plans and no material suit, action or other litigation (excluding claims for benefits incurred in the ordinary course of KRC Employee Plan activities) has been brought against or with respect to any KRC Employee Plan;
- (v) all material contributions, reserves or premium payments required to be made to the KRC Employee Plans have been made or accrued for in the books and records of KRC;
- (vi) the execution and delivery of this Agreement or the consummation of the transactions contemplated herein will not under any KRC Employee Plan result in, cause the accelerated vesting of, funding or delivery of, or increase the amount or value of, any payment or benefit to any employee, officer, or director of KRC or any of its subsidiaries, or will not limit the right of KRC or any of its subsidiaries to amend, merge, terminate or receive a reversion of assets from any KRC Employee Plan or related trust; and
- (vii) all material unfunded liabilities in respect of the KRC Employee Plans have been reflected in the KRC Financial Statements or accrued for in the books and records of KRC.

(kk) Employment Agreements and Collective Agreements.

- (i) Neither KRC nor any of its subsidiaries is a party to, nor is engaged in any negotiations with respect to, any employment agreement with any employee or any written or oral agreement, arrangement or understanding, providing for severance, termination or change of control payments to any KRC or subsidiary of KRC employee as a result of the execution and delivery of this Agreement or the consummation of the Business Combination.
- (ii) Neither KRC nor any of its subsidiaries is a party to, nor is engaged in any negotiations with respect to, any collective bargaining or union agreement, any actual or threatened application for certification or bargaining rights or letter of understanding, with respect to any current or former KRC or subsidiary of KRC employee. No trade union, council of trade unions, employee bargaining agency or affiliated bargaining agent holds bargaining rights with respect to any employees of KRC or any of its subsidiaries by way of certification, interim certification, voluntary recognition or succession rights of any KRC or subsidiary of KRC employees.
- (iii) There is no labour strike, dispute, lock-out, work slowdown or stoppage or concerted work refusal outstanding, pending or involving KRC or any of its subsidiaries and, to the knowledge of KRC, no labour strike, dispute, lock-out, work slowdown or stoppage is threatened against KRC or any of its subsidiaries. No trade union has applied to have KRC declared a related successor or common employer pursuant to the Labour Relations Code (Alberta) or any similar legislation in any jurisdiction in which KRC or any of its subsidiaries carry on business.

- (iv) No unfair labour practice complaint, grievance or arbitration proceeding is pending or involving KRC or any of its subsidiaries and, to the knowledge of KRC, neither KRC nor any of its subsidiaries has engaged in any unfair labour practice and no unfair labour practice complaint, grievance or arbitration proceeding has been threatened against KRC or any of its subsidiaries, in each case other than as in the aggregate would be material to KRC.
  - (v) KRC and each of its subsidiaries are in material compliance with all terms and conditions of employment and all Applicable Laws respecting employment, including pay equity, human rights, privacy, employment standards, worker's compensation and occupational health and safety, and there are no outstanding actual or, to the knowledge of KRC, threatened claims, complaints, investigations or orders under any such Laws, other than as in the aggregate do not have a Material Adverse Effect on KRC.
  - (vi) All amounts due or accrued for all salary, wages, bonuses, commissions, vacation with pay and other employee benefits in respect of employees of KRC and each of its subsidiaries which are attributable to the period before the Effective Date have been paid or are accurately reflected in the books and records of KRC.
  - (vii) There are no material outstanding assessments, penalties, fines, liens, charges, surcharges or other amounts due or owing by KRC or any of its subsidiaries pursuant to any workers' compensation legislation and neither KRC nor any of its subsidiaries has been reassessed in any material respect under such legislation and, to the knowledge of KRC, no audit of KRC or any of its subsidiaries is currently being performed pursuant to any applicable worker's compensation legislation.
  - (viii) There are no material charges pending with respect to KRC or any of its subsidiaries under applicable OHSL. Each of KRC and each of its subsidiaries have complied in all material respects with the terms and conditions of the OHSL, as well as with any orders issued under OHSL. There are no appeals of any material orders under OHSL currently outstanding.
- (ll) Insurance. Policies of insurance are in force naming KRC and each of its subsidiaries as insureds that adequately cover all risks as are customarily covered by oil and gas producers and distributors in the industry in which KRC operates. All such policies shall remain in force and effect (subject to taking into account insurance market conditions and offerings and industry practices) and shall not be cancelled or otherwise terminated as a result of the transactions contemplated by this Agreement other than such cancellations as would not individually or in the aggregate have a Material Adverse Effect on KRC.
- (mm) Indebtedness To and By Officers, Directors and Others. Neither KRC nor any of its subsidiaries is indebted to any of its respective directors, officers, employees or consultants, or any of their respective associates or affiliates, or other parties not at arm's length, except for amounts due as normal compensation or reimbursement of ordinary business expenses, nor is there any indebtedness owing by any such parties to KRC or any of the its subsidiaries, as the case may be.
- (nn) Compliance with Laws. KRC and each of its subsidiaries have complied with and are not in violation of any Applicable Laws other than non-compliance or violations which would, individually or in the aggregate, not have a Material Adverse Effect on KRC.
- (oo) Possession of Intellectual Property. (i) KRC and each of its subsidiaries own with good and valid title thereto, free and clear of all Encumbrances, or have the full right or license to use, and to continue to use, the Intellectual Property Rights owned by, licensed to, or used by any of them in the operation, conduct or maintenance of their respective businesses in the manner presently and historically operated, conducted and maintained (collectively, the "**KRC IP**"); (ii) the KRC IP is sufficient for KRC and each of its subsidiaries to operate, conduct and maintain their respective business in the manner presently and historically operated, conducted and maintained; (iii) neither the operation, conduct or maintenance by KRC or any of its subsidiaries of their respective business in the manner presently and historically operated, conducted and maintained, nor the use by KRC or each of its subsidiaries of any KRC IP in respect thereto infringes, misappropriates, misuses or violates the Intellectual Property Rights or any other rights of any third party, or

breaches any duty or obligation owed to any third party; (iv) neither KRC nor any of its subsidiaries has received any notice, complaint, threat or claim alleging: (A) the infringement, misappropriation, misuse or violation of any Intellectual Property Right or other right of any third party or breach of any duty or obligation owed to any third party; or (B) that KRC or any of its subsidiaries does not own any KRC IP or, in the case of KRC IP which is licensed to KRC or any of its subsidiaries, as the case may be, that it does not have the right to use such Intellectual Property Rights in connection with the operation, conduct and maintenance of their business in the manner presently and historically operated, conducted and maintained; (v) KRC and each of its subsidiaries have used and continue to use reasonable commercial efforts (including measures to protect secrecy and confidentiality, where appropriate) to protect the KRC IP; (vi) the entering into of this Agreement or consummation of the Business Combination will not trigger any material change of control payments or fees under any seismic license agreements; (vii) the Information Technology owned, licensed, leased or used by KRC or any of its subsidiaries (collectively, the "**KRC IT**") meets or exceeds industry standards, and adequately satisfies the data processing and other computing needs of the respective businesses and operations of KRC and any of its subsidiaries as presently and historically operated, conducted and maintained; (viii) KRC and each of its subsidiaries: (A) have and continue to use reasonable commercial efforts to protect the security and integrity of the KRC IT and the information thereon; and (B) have adopted administrative, procedural, physical and technological safeguards (including disaster recovery and business continuity plans), which are consistent with or exceed current industry standards, to adequately and properly ensure the protection of their respective business; and (ix) KRC and each of its subsidiaries have collected, used, disclosed, stored, and otherwise processed all Personal Information under their custody and control materially in accordance with applicable data protection and privacy Laws.

(pp) Corrupt Practices and Trade Legislation.

- (i) To the knowledge of KRC, neither it nor any of its subsidiaries, or any of their respective directors, officers, agents, employees or affiliates acting in their capacity as such, have, directly or indirectly, (A) made or authorized, or promised to make or authorize, any contribution, payment or gift of funds, property or other thing of value to any official, employee or agent of any governmental agency, authority or instrumentality (including government-owned or –controlled businesses) of any jurisdiction or any official or employee of any public international organization, state-owned enterprise, or a close relative thereof, or (B) made, or promised to make, or authorized any contribution, payment or gift of funds, property or other thing of value to any candidate for public office, to any political party, political party official or employee, in either case, where either the payment or the purpose of such contribution, payment, gift or other thing of value to improperly influence any government action or decision or to secure an improper advantage for the purpose of obtaining or retaining business, or was, is, or would be prohibited under Anti-Corruption Laws applicable to KRC or any of its subsidiaries and their respective operations and have instituted and maintained policies and procedures designed to ensure, and which are reasonably expected to continue to ensure, continued compliance with such Laws. This includes, for greater certainty, policies and procedures that are designed to ensure compliance by any third party agents, representatives or business partners that interact with foreign public officials on KRC or any of its subsidiaries' behalf with Applicable Laws that prohibit corruption or bribery. To the knowledge of KRC, no action, suit or proceeding or investigation by or before any court or governmental agency, authority or body or any arbitrator involving KRC or any of its subsidiaries or any with respect to the Anti-Corruption Laws is pending or threatened or has been pending or threatened.
- (ii) During the periods of the KRC Financial Statements, the operations of KRC and any of its subsidiaries are and have been conducted at all times in compliance with applicable statutory and regulatory financial recordkeeping and reporting requirements, the accurate books and requirements of Anti-Corruption Laws, and Money Laundering Laws. To the knowledge of KRC, no action, suit, proceeding or investigation by or before any court or governmental agency, authority or body or any arbitrator involving KRC or any of its subsidiaries with respect to the Money Laundering Laws is pending or threatened or has been pending or threatened.
- (iii) Neither KRC nor any of its subsidiaries, nor to the knowledge of KRC, any director, officer, agent, employee or affiliate thereof has had any sanctions administered by the OFAC, Global Affairs

Canada or Public Safety Canada imposed upon such Person; and neither KRC nor any of its subsidiaries is in violation of any of the Economic Sanctions, including, for greater certainty, Economic Sanctions that restrict oil and gas sector investments and trade in oil and gas sector equipment to certain destinations such as Russia, Iran and Syria, or is conducting or has conducted business with any Person who is the target of any Economic Sanctions in violation of applicable Economic Sanctions.

- (iv) There have been no material inaccurate or fictitious entries made in the books or records of KRC or any of its subsidiaries (to the extent such books or records are kept in connection with the books and records of KRC or any of its subsidiaries) relating to any secret or unrecorded fund or any unlawful payment, gift, political or charitable contribution or other thing of value or advantage, and neither KRC nor any of its subsidiaries, or, to the knowledge of KRC, their affiliates have directly or indirectly established or maintained a secret or unrecorded fund.
- (v) KRC: (A) maintains systems of accounting and internal controls sufficient to provide reasonable assurances that: (1) the books and records of KRC and each of its subsidiaries accurately and fairly reflect the transactions of KRC and each of its subsidiaries, as applicable, in reasonable detail; (2) transactions are executed in accordance with management's general or specific authorization; and (3) transactions are recorded as necessary to maintain accountability for assets; (B) maintains a risk-based system of accounting and compliance controls sufficient to ensure that KRC's financial statements are accurately and fairly stated and to monitor, prevent, detect and report transactions violating any Applicable Law that prohibits corruption or bribery; and (C) has instituted policies and procedures in relation to business conduct and ethics required by Applicable Law and otherwise reasonably sufficient to provide reasonable assurances that the businesses of KRC and any of its subsidiaries are conducted without any of the actions described in clause (v)(A), (vi)(B), and (v)(C) of this Section (II) and, to the knowledge of KRC, there has not been any material breach of such policies or procedures.
- (vi) Without limiting the generality of the foregoing, KRC and each of its subsidiaries, and each of their respective officers and employees, and each of their respective consultants, agents and representatives, acting in their capacity as such, is in material compliance with all Applicable Laws relating to lobbying activities and campaign contributions, if any, and all filings required to be made under any Applicable Law relating to such lobbying activities and campaign contributions are accurate and have been properly filed with the appropriate Governmental Authority in all material respects.
- (vii) For the avoidance of doubt, any reference to "other thing of value" in this Section (II) includes meals, entertainment, travel and lodging.
- (viii) For purposes of this Section (II) only, "affiliates" means those affiliates acting in connection with the properties, assets or business of KRC or its subsidiaries, as applicable.
- (qq) Investment Canada Act. KRC is not a non-Canadian within the meaning of the *Investment Canada Act* (Canada).
- (rr) Disclosure. To the knowledge of KRC, KRC has not withheld from Distinction any material information or documents concerning KRC, any of its subsidiaries or their respective assets or liabilities during the course of Distinction's review thereof. No representation or warranty contained in this Agreement or other disclosure document provided or to be provided to Distinction by KRC pursuant to this Agreement contains or will contain any untrue statement of a material fact or omits to state a material fact which is necessary in order to make the statements herein or therein not misleading.

**SCHEDULE "E"**  
**REPRESENTATIONS AND WARRANTIES OF DISTINCTION**

- (a) Organization and Qualification. Each of Distinction and each of its subsidiaries are entities duly formed, validly existing and in good standing under the Applicable Laws of their jurisdiction of formation and have the requisite power and authority to own their respective properties as now owned and to carry on their respective business as it is now being conducted. Distinction and each of its subsidiaries are duly registered to do business and each is in good standing in each jurisdiction in which the character of their respective properties, owned or leased, or the nature of their activities makes such registration necessary, except where the failure to be so registered or in good standing would not have a Material Adverse Effect on Distinction and any of its subsidiaries, taken as a whole.
- (b) Authority Relative to this Agreement. Distinction has the requisite corporate authority to enter into this Agreement and the KRC Support Agreements and to carry out its obligations hereunder and thereunder. The execution and delivery of this Agreement and the KRC Support Agreements, and the consummation by Distinction of the transactions contemplated hereunder and thereunder, and the participation by Distinction in the Business Combination contemplated hereby have been duly authorized by the Distinction Board and, subject to the approval of the Distinction Transaction Resolution by the Distinction Shareholders and the approval of the Circular and matters relating to the Distinction Meeting by the Distinction Board, no other corporate proceedings on the part of Distinction are necessary to authorize this Agreement or the Business Combination. This Agreement and the KRC Support Agreements have been duly executed and delivered by Distinction and constitute legal, valid and binding obligations of Distinction enforceable against it in accordance with the terms hereof and thereof, subject to the qualification that such enforceability may be limited by bankruptcy, insolvency, reorganization or other Applicable Laws of general application relating to or affecting rights of creditors and that equitable remedies, including specific performance, are discretionary and may not be ordered.
- (c) Material Subsidiaries; Joint Ventures. Distinction has no Material Subsidiaries other than Distinction Energy Partnership and Distinction Energy (Alberta) Ltd. Each Distinction subsidiary is not currently prohibited, directly or indirectly, from paying any dividends to Distinction or any other affiliate of Distinction, from making any other distribution on its capital stock or from repaying to Distinction or any affiliate of Distinction any loans or advances to it from such Person. Other than any Contracts to which both Distinction and KRC are party, for which disclosure to KRC is not required, and except as disclosed in writing by Distinction to KRC, neither Distinction nor any of its subsidiaries is a partner or participant in any material partnership, joint venture, profit-sharing arrangement or other business combination of any kind and is not party to any agreement under which it agrees to carry on any material part of its business or any other activity in such manner or by which it agrees to share any material revenue or profit with any other Person.
- (d) Ownership of Subsidiaries. Distinction is the beneficial direct or indirect owner of all of the outstanding securities of each of its subsidiaries with good title thereto free and clear of any and all Encumbrances, there are no outstanding options, rights, entitlements, understandings or commitments (contingent or otherwise) regarding the right to acquire any such shares of capital stock or other ownership interests in such subsidiaries. All of the outstanding shares of capital stock in each of its subsidiaries of Distinction are validly issued, fully paid and non-assessable. None of the outstanding securities of Distinction's subsidiaries are subject to nor were they issued in violation of, any pre-emptive rights.
- (e) No Violation; Absence of Defaults and Conflicts.
- (i) Neither Distinction nor any of its subsidiaries is in violation of its constating documents or by-laws or is in default in the performance or observance of any obligation, agreement, covenant or condition contained in any note, bond, mortgage, indenture, loan agreement, deed of trust, agreement, lien, Contract or other instrument or obligation to which Distinction or any of its subsidiaries is a party or to which any of them, or their respective properties or assets, may be subject or by which Distinction or any of its subsidiaries is bound, except for such defaults which would not result in a Material Adverse Effect on Distinction.



- (ii) Except as disclosed in writing by Distinction to KRC, neither the execution and delivery of this Agreement by Distinction nor the consummation of the Business Combination contemplated by this Agreement nor compliance by Distinction with any of the provisions hereof will: (A) violate, conflict with, or result in a breach of any provision of, require any consent, approval or notice under, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) or result in a right of termination or acceleration under, or result in the creation of any Encumbrance upon any of the properties or assets of Distinction or any of its subsidiaries or cause any indebtedness to come due before its stated maturity or cause any credit to cease to be available, under any of the terms, conditions or provisions of: (1) their respective constating documents or by-laws; or (2) any note, bond, mortgage, indenture, loan agreement, deed of trust, agreement, lien, Contract or other instrument or obligation to which Distinction or any of its subsidiaries is a party or to which any of them, or any of their respective properties or assets, may be subject or by which Distinction or any of its subsidiaries is bound; or (B) subject to obtaining the requisite approvals of the KRC Shareholders, the Distinction Shareholders and the Court and compliance with Applicable Canadian Securities Laws, violate any Laws applicable to Distinction or any of its subsidiaries or any of their respective properties or assets; or (C) cause the suspension or revocation of any authorization, consent, approval, license or Governmental Authorization currently in effect (except, in the case of each of clauses (A), (B) and (C) above, for such violations, conflicts, breaches, defaults, terminations, accelerations, creations of Encumbrances, suspensions or revocations which, or any consents, approvals or notices which if not given or received, would not, individually or in the aggregate, have any Material Adverse Effect on Distinction).
- (iii) Other than in connection with or in compliance with the provisions of Applicable Laws in relation to the completion of the Business Combination or which are required to be fulfilled after the completion of the Business Combination, and except for the requisite approvals of the KRC Shareholders, the Distinction Shareholders and the Court: (A) there is no legal impediment to Distinction's consummation of the Business Combination; and (B) no filing or registration with, or authorization, consent or approval of, any Governmental Authority is required of Distinction in connection with the consummation of the Business Combination, except for such filings or registrations which, if not made, or for such authorizations, consents or approvals which, if not received, would not have a Material Adverse Effect on Distinction or significantly impede the ability of Distinction to consummate the Business Combination.
- (f) Litigation. Except as disclosed in writing by Distinction to KRC, there are no actions, suits, proceedings or investigations by Governmental Authorities or other Persons pending or, to the knowledge of Distinction, threatened, affecting or that would reasonably be expected to affect Distinction or any of its subsidiaries or any of their respective properties or assets at law or equity or before or by any court or Governmental Authority which action, suit, proceeding or investigation involves a reasonable possibility of any judgment against or liability of Distinction or any of its subsidiaries which, if successful, would have a Material Adverse Effect on Distinction or would significantly impede the ability of Distinction to consummate the Business Combination. Neither Distinction nor any of its subsidiaries is subject to any outstanding order, writ, injunction or decree that has had or would have a Material Adverse Effect on Distinction or would significantly impede the ability of Distinction to consummate the Business Combination.
- (g) Returns Filed and Taxes Paid. All material Returns required to be filed by or on behalf of Distinction and any of its subsidiaries have been duly filed on a timely basis and such Returns are true, complete and correct in all material respects. All material Taxes due or payable by Distinction and any of its subsidiaries, whether or not shown to be payable on such Returns, have been paid in full on a timely basis, other than any such Taxes being contested in good faith and for which adequate reserves in accordance with IFRS have been established.
- (h) Tax Reserves. Distinction has provided adequate accruals in the Distinction Financial Statements for material impacts to deferred Taxes payable and current Taxes payable by, or required to be withheld and remitted by, Distinction and any of its subsidiaries, which Taxes are not yet payable to the applicable Governmental Authority, in each case in conformity with IFRS.



- (i) Tax Deficiencies; Audits. No deficiencies exist or have been asserted with respect to Taxes of Distinction or any of its subsidiaries that would have a Material Adverse Effect on Distinction. Neither Distinction nor any of its subsidiaries is a party to any action or proceeding for assessment or collection of Taxes that would have a Material Adverse Effect on Distinction, nor, to the knowledge of Distinction, has such an event been asserted or threatened against Distinction or any of its subsidiaries or any of their respective assets that would have a Material Adverse Effect on Distinction.
- (j) Withholding Taxes. Distinction and each of its subsidiaries have paid or have withheld and remitted to the appropriate Governmental Authority all Taxes required to be paid, withheld and remitted by them, including in connection with amounts paid or owing to employees, non-residents of Canada, independent contractors, creditors, shareholders or other third parties, except where the failure to pay or withhold and remit would not have a Material Adverse Effect on Distinction.
- (k) Full Disclosure. The data and information in respect of Distinction's and its subsidiaries' Tax position provided by Distinction to KRC in writing, was and is accurate and correct in all material respects as at the respective dates thereof and, in respect of any information provided or requested, did not knowingly omit any material data or information necessary to make any data or information provided not misleading as at the respective dates thereof. Distinction has no knowledge of any material adverse change to the Tax of Distinction or any of its subsidiaries from that disclosed in such data and information.
- (l) Foreign Returns. Neither Distinction nor any of its subsidiaries has filed, or has been required or is currently required to file, any Returns with any Governmental Authority outside of their respective jurisdictions of incorporation, and no claims have ever been made by a Governmental Authority that Distinction or any of its subsidiaries is or may be subject to Tax in a jurisdiction where it does not file Returns.
- (m) GST and Similar Taxes. The books and records of Distinction fairly and correctly set out and disclose, in all material respects, all liabilities and unclaimed input tax credits under Part IX of the *Excise Tax Act* (Canada) for purposes of the goods and services or harmonized sales tax or any similar legislation, and fairly and correctly set out and disclose in all material respects all liabilities and remittances in respect of any provincial sales tax, fuel tax, or any other value-added tax. All financial transactions of Distinction and each of its subsidiaries have been accurately and completely recorded, in all material respects in the books and records thereof.
- (n) Residence. Distinction is a "Canadian corporation" as defined in the Tax Act.
- (o) Tax Sharing Agreements. Neither Distinction nor any of its subsidiaries is a party to any agreement relating to the sharing, allocation or indemnification of Taxes, or any similar agreement, Contract or arrangement (other than any such agreement entered into in the ordinary course of business the primary purpose of which does not relate to Taxes), or has any material liability for Taxes of any Person (other than Distinction or any of its subsidiaries).
- (p) Reporting Issuer Status. Distinction is a reporting issuer (where such concept exists) in all provinces of Canada and is in material compliance with all Applicable Canadian Securities Laws therein.
- (q) Capitalization. As of the Agreement Date, the authorized capital of Distinction consists of an unlimited number of Distinction Shares, an unlimited number of common shares and an unlimited number of preferred shares, issuable in series. Schedule (q) of the Distinction Disclosure Letter sets forth a true and complete list of all outstanding Distinction Incentives and the Contracts governing all Distinction Incentives. As of the Agreement Date, there are 9,968,185 Distinction Shares issued and outstanding. As of the Agreement Date, other than 304,436 Distinction Stock Options and 316,055 Distinction RSUs, there are no options, warrants or other rights, plans, agreements or commitments of any nature whatsoever requiring the issuance, sale or transfer by Distinction of any securities of Distinction (including Distinction Shares) or any securities convertible into, or exchangeable or exercisable for, or otherwise evidencing a right to acquire, any securities of Distinction (including Distinction Shares). All issued and outstanding Distinction Shares are duly authorized, validly issued, fully paid and non-assessable and are not subject to, nor were they issued in violation of, any pre-emptive rights and all Distinction Shares issuable upon the exercise, settlement or

redemption, as applicable, of Distinction Incentives in accordance with the terms of such securities will be duly authorized, validly issued, fully paid and non-assessable and will not be subject to any pre-emptive rights. Other than the Distinction Shares, there are no securities of Distinction outstanding which have the right to vote generally with Distinction Shareholders on any matter relating to the approval of the Business Combination.

- (r) No Orders. No order, ruling or determination having the effect of suspending the sale of, or ceasing the trading of, the Distinction Shares or any other securities of Distinction has been issued by any Governmental Authority and is continuing in effect and no proceedings for that purpose have been instituted, are pending or, to the knowledge of Distinction, are contemplated or threatened under any Applicable Laws or by any Governmental Authority.
- (s) Material Agreements.
  - (i) Other than this Agreement, Distinction has not entered into any material agreements which are required to be filed by Distinction under National Instrument 51-102 – *Continuous Disclosure Obligations*, except for those agreements which have been so filed by Distinction.
  - (ii) Other than the Contracts set forth in Section (u)(i) above, Schedule "E" (s)(ii) of the Distinction Disclosure Letter sets forth a true and complete list, and Distinction has made available to KRC true and complete copies (including all material amendments, modifications, extensions or renewals with respect thereto), of each of the following Contracts to which Distinction or any of its subsidiaries is a party or bound as of the Agreement Date, other than any Contracts to which both Distinction and KRC are party, for which disclosure to KRC is not required:
    - (A) each Contract containing any area of mutual interest, joint bidding area, joint acquisition area, or non-compete or similar type of provision that materially restricts the ability of Distinction or any of its subsidiaries to (A) compete in any line of business or geographic area or with any Person during any period of time after the Effective Time or (B) make, sell or distribute any products or services, or use, transfer or distribute, or enforce any of their rights with respect to, any of their material assets or properties;
    - (B) each Contract that creates, evidences, provides commitments in respect of, secures or guarantees (A) indebtedness for borrowed money in any amount in excess of \$**REDACTED** or (B) other indebtedness of Distinction or any of its subsidiaries (whether incurred, assumed, guaranteed or secured by any asset) in excess of \$**REDACTED**, other than agreements solely between or among Distinction and any of its subsidiaries;
    - (C) each Contract involving the pending acquisition, swap, exchange, sale or other disposition of (or option to purchase, acquire, swap, exchange, sell or dispose of) any oil and gas properties of Distinction or any of its subsidiaries for which the aggregate consideration (or the fair market value of such consideration, if non-cash) payable to or from Distinction or any of its subsidiaries exceeds \$**REDACTED**, other than Contracts involving the acquisition or sale of (or option to purchase or sell) hydrocarbons in the ordinary course of business;
    - (D) each ISDA for any Hedging Transaction, it being acknowledged that all derivative transactions are governed by such ISDAs, with each transaction agreed upon and confirmed through the standard bank counterparty confirmation process and documentation;
    - (E) each partnership, shareholder, joint venture, limited liability company agreement or other joint ownership agreement, other than with respect to arrangements exclusively among Distinction and any of its subsidiaries and other than any customary joint operating agreements or unit agreements affecting the oil and gas properties of Distinction or any of its subsidiaries;

- (F) each joint development agreement, exploration agreement, participation, farmout, farm-in or program agreement or similar Contract requiring Distinction or any of its subsidiaries to make annual expenditures in excess of **\$REDACTED** or aggregate payments in excess of **\$REDACTED** (in each case, net to the interest of Distinction and any of its subsidiaries) following the Agreement Date, other than customary joint operating agreements or unit agreements affecting the oil and gas properties of Distinction or any of its subsidiaries and exploration and development obligations under oil and gas leases;
  - (G) each agreement that contains any exclusivity, "most favored nation" or most favored customer provision, call or put option, preferential right or rights of first or last offer, negotiation or refusal, to which Distinction or any of its subsidiaries is subject, and, in each case, is material to the business of Distinction and its subsidiaries, taken as a whole, in each case other than those contained in (1) any agreement in which such provision is solely for the benefit of Distinction or any of its subsidiaries, (2) customary royalty pricing provisions in oil and gas leases or (3) customary preferential rights in joint operating agreements or unit agreements affecting the oil and gas properties of Distinction or any of its subsidiaries;
  - (H) any acquisition or divestiture Contract that contains "earn out" or other contingent payment obligations, or remaining indemnity or similar obligations (other than (1) asset retirement obligations or plugging and abandonment obligations set forth in the Distinction 2020 Reserves Report or (2) customary indemnity obligations with respect to the post-closing ownership and operation of acquired assets), that would reasonably be expected to result in (x) earn out payments, contingent payments or other similar obligations to a third party (but excluding indemnity payments) in any year in excess of **\$REDACTED** or (y) earn out payments, contingent payments or other similar obligations to a third party, including indemnity payments, in excess of **\$REDACTED** in the aggregate after the Agreement Date;
  - (I) any Contract (other than any other Contract otherwise covered by this Section (u)) that creates future payment obligations (including settlement agreements or Contracts that require any capital contributions to, or investments in, any Person) of Distinction or any of its subsidiaries outside the ordinary course of business, in each case, involving annual payments in excess of **\$REDACTED** or aggregate payments in excess of **\$REDACTED** (excluding, for the avoidance of doubt, customary joint operating agreements or unit agreements affecting the oil and gas properties of Distinction or any of its subsidiaries), or creates or would create an Encumbrance on any material asset or property of Distinction or any of its subsidiaries;
  - (J) any Contract that provides for midstream services to, or the sale by, Distinction or any of its subsidiaries of hydrocarbons for a term greater than or equal to two years and does not allow Distinction or any of its subsidiaries to terminate it without penalty to Distinction or any of its subsidiaries within 90 days; and
  - (K) any Contract that provides for a "take-or-pay" clause or any similar prepayment obligation, minimum volume commitments or capacity reservation fees to a gathering, transportation or other arrangement downstream of the wellhead, or similar arrangements that otherwise guarantee or commit volumes of hydrocarbons from Distinction or any of its subsidiaries' oil and gas properties, which in each case, would reasonably be expected to involve payments (including penalty or deficiency payments) in excess of **\$REDACTED** during the 12 month period following the Agreement Date or aggregate penalty or deficiency payments in excess of **\$REDACTED** during the two year period following the Agreement Date.
- (iii) Neither Distinction nor any of its subsidiaries has received notice of or is in breach of, or default under the terms of, and, to the knowledge of Distinction, no other party to any Distinction Material Contract is in breach of, or default under the terms of, any Distinction Material Contract, nor is any event of default (or similar term) continuing under any Distinction Material Contract, and, to the

knowledge of Distinction, there does not exist any event, condition or omission that would constitute such a default, breach or event of default (or similar term) (whether by lapse of time or notice or both) under any Distinction Material Contract, in each case where such breach, default or event of default (or similar term) would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect in respect of Distinction.

- (t) Filings. Distinction and each of its subsidiaries have filed all material documents required to be filed by it with all applicable Governmental Authorities and all such documents were, as of their respective dates, in compliance in all material respects with all Applicable Laws and at the time filed did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.
- (u) Books and Records. The corporate records and minute books of Distinction and each of its subsidiaries have been maintained substantially in accordance with all Applicable Laws and are complete and accurate in all material respects.
- (v) Financial Statements. The Distinction Financial Statements, and any interim or annual financial statements filed by or on behalf of Distinction on and after the Agreement Date with any securities regulatory authorities, in compliance, or intended compliance, with any Applicable Canadian Securities Laws, were, or when so filed, will have been, prepared in accordance with IFRS (consistently applied), and present, or when so filed will present, fairly in accordance with IFRS the consolidated financial position, results of operations and changes in financial position of Distinction on a consolidated basis as of the dates thereof and for the periods indicated therein (subject, in the case of any unaudited interim financial statements, to normal year-end audit adjustments). There has been no material change in Distinction's accounting policies, except as described in the notes to the Distinction Financial Statements, since January 1, 2021.
- (w) Financial Reporting. Distinction maintains a system of internal control over financial reporting (as such term is defined in National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*) providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS and has otherwise complied with National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*, except where the failure to maintain such a system would not reasonably be expected to have a Material Adverse Effect on Distinction; management of Distinction has assessed the effectiveness of Distinction's internal control over financial reporting, as at December 31, 2019 and December 31, 2020, and has concluded that such internal control over financial reporting was effective as of such dates.
- (x) Disclosure Controls and Procedures. Distinction maintains disclosure controls and procedures that comply with the requirements of Applicable Canadian Securities Laws; such disclosure controls and procedures have been designed to ensure that information required to be disclosed by Distinction in the reports that it files or submits under Applicable Canadian Securities Laws is recorded, processed, summarized and reported within the time periods specified in such securities laws; such disclosure controls and procedures were effective as of December 31, 2020 at a reasonable assurance level.
- (y) Absence of Undisclosed Liabilities. As at the Agreement Date, Distinction has no material obligations or liabilities of any nature (matured or unmatured, fixed or contingent), other than:
  - (i) those set forth or adequately provided for in the most recent statement of financial position and associated notes thereto included in the Distinction Financial Statements (the "**Distinction Balance Sheet**");
  - (ii) those incurred in the ordinary course of business and not required to be set forth in the Distinction Balance Sheet under IFRS;
  - (iii) those disclosed in writing by Distinction to KRC and incurred in the ordinary course of business since the date of the Distinction Balance Sheet and consistent with past practice;

- (iv) those incurred in connection with the execution of this Agreement; and
  - (v) those disclosed in writing by Distinction to KRC.
- (z) No Material Adverse Change. Except for the Business Combination or any action taken in accordance with this Agreement, since December 31, 2020: (i) Distinction and each of its subsidiaries have conducted their respective business only in the ordinary and normal course consistent with past practice, subject to compliance with Applicable Laws related to, and the impact on the business of, the COVID-19 pandemic and such pandemic's continuing effect on working restrictions and the local, national and global economy (including any work stoppages or operational stoppages necessary to safeguard life or property); (ii) no liability or obligation of any nature (whether absolute, accrued, contingent or otherwise) material to Distinction (taken as a whole) has been incurred other than in the ordinary course of business; (iii) there has not been any Material Adverse Change in respect of Distinction; and (iv) there have been no material facts, transactions, events or occurrences which would have a Material Adverse Effect on Distinction.
- (aa) Conduct of Business. Since December 31, 2020, neither Distinction nor any of its subsidiaries has taken any action that would be in violation of Section 3.2 if such provision had been in effect since that date, other than violations which would not have any Material Adverse Effect on Distinction or would not significantly impede Distinction's ability to consummate the Business Combination.
- (bb) U.S. Securities Laws.
- (i) Distinction is a "foreign private issuer" as defined in Rule 405 of Regulation C under the U.S. Securities Act.
  - (ii) No class of securities of Distinction is registered or required to be registered under Section 12 of the U.S. Exchange Act, nor does Distinction have any reporting obligation under Section 15(d) of the U.S. Exchange Act.
  - (iii) Distinction is not registered or required to be registered as an "investment company" pursuant to the *United States Investment Company Act of 1940*, as amended.
- (cc) Environmental.
- (i) There have not occurred any material spills, emissions or pollution on any property of Distinction or any of its subsidiaries or as a result of their respective operations that have not been remediated in compliance with Environmental Laws, nor has Distinction or any of its subsidiaries been subject to any stop orders, control orders, clean-up orders or reclamation orders under applicable Environmental Laws that have not been complied with. All operations of Distinction and each of its subsidiaries have been and are now being conducted in compliance with all applicable Environmental Laws, except where the failure to be in compliance would not individually or in the aggregate have a Material Adverse Effect on Distinction. Distinction is not aware of, or is subject to:
    - (A) any proceeding, application, order or directive which relates to environmental, health or safety matters, and which may require any work, repairs, construction, or expenditures; or
    - (B) any demand or notice with respect to the breach of any Environmental Laws applicable to Distinction or any of its subsidiaries, including any regulations respecting the use, storage, treatment, transportation, or disposition of any Hazardous Substances.
  - (ii) In the ordinary course of its business, Distinction periodically reviews the effect of Environmental Laws on various business, operations and properties of Distinction and each of its subsidiaries, in the course of which it identifies and evaluates associated costs and liabilities (including any capital or operating expenditures required for clean-up, closure of properties or compliance with

Environmental Laws, or any permit, license or approval, any related constraints on operating activities and any potential liabilities to third parties). On the basis of such review, Distinction has reasonably concluded that such associated costs and liabilities would not result in a Material Adverse Change to Distinction.

- (dd) Title. Distinction and each of its subsidiaries have good and sufficient title to their real property interests, including fee simple estate of and in real property, leases, easements, rights of way, permits or licenses from landowners or authorities permitting the use of land by Distinction and each of its subsidiaries, necessary to permit the operation of their respective business as presently owned and conducted, other than where the failure to have such good and sufficient title would not individually or in the aggregate have a Material Adverse Effect on Distinction. Distinction has no knowledge nor is aware of any defects, failures or impairments in the title of Distinction or any of its subsidiaries to their respective assets, whether or not an action, suit, proceeding or inquiry is pending or threatened or whether or not discovered by any third party, which in aggregate would have a Material Adverse Effect on Distinction.
- (ee) No Defaults under Leases and Agreements. Except as disclosed in writing by Distinction to KRC:
  - (i) neither Distinction nor any of its subsidiaries has received notice of any default under any of the leases and other title and operating documents or any other agreement or instrument pertaining to their respective assets to which Distinction or any of its subsidiaries is a party or by or to which Distinction or any of its subsidiaries or any of their respective assets are bound or subject except to the extent that such defaults would not in the aggregate have a Material Adverse Effect on Distinction; and
  - (ii) to the knowledge of Distinction:
    - (A) Distinction and each of its subsidiaries are in good standing under all, and is not in default under any; and
    - (B) there is no existing condition, circumstance or matter which constitutes or which, with the passage of time or the giving of notice, would constitute a default under any, leases and other title and operating documents or any other agreements and instruments pertaining to its assets to which it is a party or by or to which it or such assets are bound or subject and, to the knowledge of Distinction, all such leases, title and operating documents and other agreements and instruments are in good standing and in full force and effect and none of the counterparties to such leases, title and operating documents and other agreements and instruments is in default thereunder except to the extent that such defaults would not, individually or in the aggregate, have a Material Adverse Effect on Distinction.
- (ff) No Encumbrances. Neither Distinction nor any of its subsidiaries has encumbered or alienated their interests in their respective assets or agreed to do so and their assets are free and clear of all Encumbrances except for such Encumbrances as are disclosed in any governmental registry or arising in the ordinary course of business or are not material in the aggregate.
- (gg) Ownership of Material Property. Distinction and each of its subsidiaries have ownership of all material property (including oil and gas leasehold interests in accordance with industry standard oilfield practice) necessary to the operation of their respective businesses, in each case free and clear of all Encumbrances and other material adverse claims known to Distinction, other than such Encumbrances as are disclosed in any governmental registry or arising in the ordinary course of business or are not material in the aggregate.
- (hh) No ROFRs. There are no rights of first refusal, pre-emptive rights of purchase or similar right whereby any third party has the right to acquire or purchase any of Distinction's or any of its subsidiaries' assets as a consequence of the Parties entering into this Agreement or the Business Combination, other than where such rights would not individually or in the aggregate have a Material Adverse Effect on Distinction.



- (ii) Royalties, Rentals and Taxes Paid. Except as disclosed in writing by Distinction to KRC, all royalties and rentals payable under the leases and other title and operating documents pertaining to the oil and gas assets of Distinction and any of its subsidiaries and all ad valorem, property, production, severance and similar taxes and assessments based upon or measured by the ownership of such assets or the production of petroleum substances derived therefrom or allocated thereto or the proceeds of sales thereof payable have been properly paid in full and in a timely manner except to the extent that such non-payment would not in the aggregate have a Material Adverse Effect on Distinction.
- (jj) Reserves. A true and complete copy of the Distinction 2020 Reserves Report has been provided to KRC. Distinction cooperated with GLJ in the preparation of the Distinction 2020 Reserves Report, which has been accepted and approved by the reserves committee of the Distinction Board and the Distinction Board. Distinction has made available to GLJ prior to the issuance of the Distinction 2020 Reserves Report for the purpose of preparing such report, all information within Distinction's power or possession requested by GLJ, which information did not to Distinction's knowledge, at the time such information was provided, contain any misrepresentation and Distinction does not have any knowledge of any change in the production, cost, reserves, resources or other relevant information provided to GLJ since the date that such information was so provided that would result, individually or in the aggregate, in a Material Adverse Effect in respect of Distinction. Distinction believes that the Distinction 2020 Reserves Report reasonably presents the estimated quantity and pre-tax net present values of the oil and natural gas reserves associated with the properties evaluated in such report as at December 31, 2020, based upon information available at the time such reserves information was prepared, and Distinction believes that at the date of such report, the Distinction 2020 Reserves Report reasonably presented the aggregate estimated quantity and pre-tax net present values of such reserves or the estimated monthly production volumes therefrom.
- (kk) Licences. Except as disclosed in writing by Distinction to KRC, Distinction and each of its subsidiaries have obtained and are in compliance with all licenses, permits, certificates, consents, orders, grants and other authorizations of or from any Governmental Authority necessary to conduct their respective businesses as they are now being or are proposed to be conducted, other than such licenses, permits, certificates, consents, orders, grants and other authorizations the absence of which would, individually or in the aggregate, not have a Material Adverse Effect on Distinction.
- (ll) Long-Term Hedging Transactions. As at the Agreement Date, Distinction and each of its subsidiaries have no obligations or liabilities, direct or indirect, vested or contingent in respect of any Hedging Transaction except as disclosed in writing by Distinction to KRC with respect to Hedging Transactions and those entered in the ordinary course of business consistent with past practice and as permitted under Distinction's corporate policies.
- (mm) Employee Benefit Plans. Distinction has made available to KRC true, complete and correct copies of each material option, incentive compensation, deferred compensation, share purchase or share-based compensation plan and each other material employee or director compensation or benefit plan, agreement or arrangement, or any similar agreement, plan, policy or other arrangement (and any amendments thereto), for the benefit of directors or former directors of Distinction and any of its subsidiaries, consultants or former consultants of Distinction and any of its subsidiaries, employees or former employees of Distinction or any of its subsidiaries, which are maintained by, contributed to, or binding upon Distinction and any of its subsidiaries or in respect of which Distinction or any of its subsidiaries have any actual or potential liability (the "**Distinction Employee Plans**"), and:
  - (i) each Distinction Employee Plan has been maintained and administered in material compliance with its terms, and is funded in accordance with Applicable Laws;
  - (ii) all required material employer contributions under any Distinction Employee Plans have been made in accordance with the terms thereof;
  - (iii) each Distinction Employee Plan that is required or intended to be qualified under Applicable Law or registered or approved by a Governmental Authority has been so qualified, registered or approved by the appropriate Governmental Authority, and nothing has occurred since the date of the last

qualification, registration or approval to materially adversely affect, or cause, the appropriate Governmental Authority to revoke such qualification, registration or approval;

- (iv) to the knowledge of Distinction, there are no pending or anticipated material claims against or otherwise involving any of the Distinction Employee Plans and no material suit, action or other litigation (excluding claims for benefits incurred in the ordinary course of Distinction Employee Plan activities) has been brought against or with respect to any Distinction Employee Plan;
  - (v) all material contributions, reserves or premium payments required to be made to the Distinction Employee Plans have been made or accrued for in the books and records of Distinction;
  - (vi) the execution and delivery of this Agreement or the consummation of the transactions contemplated herein will not under any Distinction Employee Plan result in, cause the accelerated vesting of, funding or delivery of, or increase the amount or value of, any payment or benefit to any employee, officer, or director of Distinction or any of its subsidiaries, or will not limit the right of Distinction or any of its subsidiaries to amend, merge, terminate or receive a reversion of assets from any Distinction Employee Plan or related trust; and
  - (vii) all material unfunded liabilities in respect of the Distinction Employee Plans have been reflected in the Distinction Financial Statements or accrued for in the books and records of Distinction.
- (nn) Employment Agreements and Collective Agreements.
- (i) Neither Distinction nor any of its subsidiaries is a party to, nor is engaged in any negotiations with respect to, any employment agreement with any employee or any written or oral agreement, arrangement or understanding, providing for severance, termination or change of control payments to any Distinction or subsidiary of Distinction employee as a result of the execution and delivery of this Agreement or the consummation of the Business Combination.
  - (ii) Neither Distinction nor any of its subsidiaries is a party to, nor is engaged in any negotiations with respect to, any collective bargaining or union agreement, any actual or threatened application for certification or bargaining rights or letter of understanding, with respect to any current or former Distinction or subsidiary of Distinction employee. No trade union, council of trade unions, employee bargaining agency or affiliated bargaining agent holds bargaining rights with respect to any employees of Distinction or any of its subsidiaries by way of certification, interim certification, voluntary recognition or succession rights of any Distinction or subsidiary of Distinction employees.
  - (iii) There is no labour strike, dispute, lock-out, work slowdown or stoppage or concerted work refusal outstanding, pending or involving Distinction or any of its subsidiaries and, to the knowledge of Distinction, no labour strike, dispute, lock-out, work slowdown or stoppage is threatened against Distinction or any of its subsidiaries. No trade union has applied to have Distinction declared a related successor or common employer pursuant to the *Labour Relations Code* (Alberta) or any similar legislation in any jurisdiction in which Distinction or any of its subsidiaries carry on business.
  - (iv) No unfair labour practice complaint, grievance or arbitration proceeding is pending or involving Distinction or any of its subsidiaries and, to the knowledge of Distinction, neither Distinction nor any of its subsidiaries has engaged in any unfair labour practice and no unfair labour practice complaint, grievance or arbitration proceeding has been threatened against Distinction or any of its subsidiaries, in each case other than as in the aggregate would be material to Distinction.
  - (v) Distinction and each of its subsidiaries are in material compliance with all terms and conditions of employment and all Applicable Laws respecting employment, including pay equity, human rights, privacy, employment standards, worker's compensation and occupational health and safety, and there are no outstanding actual or, to the knowledge of Distinction, threatened claims, complaints,

investigations or orders under any such Laws, other than as in the aggregate do not have a Material Adverse Effect on Distinction.

- (vi) All amounts due or accrued for all salary, wages, bonuses, commissions, vacation with pay and other employee benefits in respect of employees of Distinction and each of its subsidiaries which are attributable to the period before the Effective Date have been paid or are accurately reflected in the books and records of Distinction.
- (vii) There are no material outstanding assessments, penalties, fines, liens, charges, surcharges or other amounts due or owing by Distinction or any of its subsidiaries pursuant to any workers' compensation legislation and neither Distinction nor any of its subsidiaries has been reassessed in any material respect under such legislation and, to the knowledge of Distinction, no audit of Distinction or any of its subsidiaries is currently being performed pursuant to any applicable worker's compensation legislation.
- (viii) There are no material charges pending with respect to Distinction or any of its subsidiaries under applicable OHSL. Each of Distinction and each of its subsidiaries have complied in all material respects with the terms and conditions of the OHSL, as well as with any orders issued under OHSL. There are no appeals of any material orders under OHSL currently outstanding.
- (ix) Distinction and each of its subsidiaries have in all material respects properly classified each contractor and contingent worker directly engaged or retained by them, respectively, in accordance with all Applicable Laws and there are no outstanding actual or, to the knowledge of Distinction, threatened material claims, complaints or investigations regarding Distinction or any of its subsidiaries' classification of such contractors and contingent workers.
- (oo) Insurance. Policies of insurance are in force naming Distinction and each of its subsidiaries as insureds that adequately cover all risks as are customarily covered by oil and gas producers and distributors in the industry in which Distinction operates. All such policies shall remain in force and effect (subject to taking into account insurance market conditions and offerings and industry practices) and shall not be cancelled or otherwise terminated as a result of the transactions contemplated by this Agreement other than such cancellations as would not individually or in the aggregate have a Material Adverse Effect on Distinction.
- (pp) Indebtedness To and By Officers, Directors and Others. Neither Distinction nor any of its subsidiaries is indebted to any of its respective directors, officers, employees or consultants, or any of their respective associates or affiliates, or other parties not at arm's length, except for amounts due as normal compensation or reimbursement of ordinary business expenses, nor is there any indebtedness owing by any such parties to Distinction or any of the its subsidiaries, as the case may be.
- (qq) Compliance with Laws. Distinction and each of its subsidiaries have complied with and are not in violation of any Applicable Laws other than non-compliance or violations which would, individually or in the aggregate, not have a Material Adverse Effect on Distinction.
- (rr) Possession of Intellectual Property. (i) Distinction and each of its subsidiaries own with good and valid title thereto, free and clear of all Encumbrances, or have the full right or license to use, and to continue to use, the Intellectual Property Rights owned by, licensed to, or used by any of them in the operation, conduct or maintenance of their respective businesses in the manner presently and historically operated, conducted and maintained (collectively, the "**Distinction IP**"); (ii) the Distinction IP is sufficient for Distinction and each of its subsidiaries to operate, conduct and maintain their respective business in the manner presently and historically operated, conducted and maintained; (iii) neither the operation, conduct or maintenance by Distinction or any of its subsidiaries of their respective business in the manner presently and historically operated, conducted and maintained, nor the use by Distinction or each of its subsidiaries of any Distinction IP in respect thereto infringes, misappropriates, misuses or violates the Intellectual Property Rights or any other rights of any third party, or breaches any duty or obligation owed to any third party; (iv) neither Distinction nor any of its subsidiaries has received any notice, complaint, threat or claim alleging: (A) the infringement, misappropriation, misuse or violation of any Intellectual Property Right or other right of any

third party or breach of any duty or obligation owed to any third party; or (B) that Distinction or any of its subsidiaries does not own any Distinction IP or, in the case of Distinction IP which is licensed to Distinction or any of its subsidiaries, as the case may be, that it does not have the right to use such Intellectual Property Rights in connection with the operation, conduct and maintenance of their business in the manner presently and historically operated, conducted and maintained; (v) Distinction and each of its subsidiaries have used and continue to use reasonable commercial efforts (including measures to protect secrecy and confidentiality, where appropriate) to protect the Distinction IP; (vi) the entering into of this Agreement or consummation of the Business Combination will not trigger any material change of control payments or fees under any seismic license agreements; (vii) the Information Technology owned, licensed, leased or used by Distinction or any of its subsidiaries (collectively, the "**Distinction IT**") meets or exceeds industry standards, and adequately satisfies the data processing and other computing needs of the respective businesses and operations of Distinction and any of its subsidiaries as presently and historically operated, conducted and maintained; (viii) Distinction and each of its subsidiaries: (A) have and continue to use reasonable commercial efforts to protect the security and integrity of the Distinction IT and the information thereon; and (B) have adopted administrative, procedural, physical and technological safeguards (including disaster recovery and business continuity plans), which are consistent with or exceed current industry standards, to adequately and properly ensure the protection of their respective business; and (ix) Distinction and each of its subsidiaries have collected, used, disclosed, stored, and otherwise processed all Personal Information under their custody and control materially in accordance with applicable data protection and privacy Laws.

(ss) Corrupt Practices and Trade Legislation.

- (i) To the knowledge of Distinction, neither it nor any of its subsidiaries, or any of their respective directors, officers, agents, employees or affiliates acting in their capacity as such, have, directly or indirectly, (A) made or authorized, or promised to make or authorize, any contribution, payment or gift of funds, property or other thing of value to any official, employee or agent of any governmental agency, authority or instrumentality (including government-owned or –controlled businesses) of any jurisdiction or any official or employee of any public international organization, state-owned enterprise, or a close relative thereof, or (B) made, or promised to make, or authorized any contribution, payment, or gift of funds, property or other thing of value to any candidate for public office, to any political party, political party official or employee, in either case, where either the payment or the purpose of such contribution, payment, gift or other thing of value to improperly influence any government action or decision or to secure an improper advantage for the purpose of obtaining or retaining business, or was, is, or would be prohibited under Anti-Corruption Laws applicable to Distinction or any of its subsidiaries and their respective operations and have instituted and maintained policies and procedures designed to ensure, and which are reasonably expected to continue to ensure, continued compliance with such Laws. This includes, for greater certainty, policies and procedures that are designed to ensure compliance by any third party agents, representatives or business partners that interact with foreign public officials on Distinction or any of its subsidiaries' behalf with Applicable Laws that prohibit corruption or bribery. To the knowledge of Distinction, no action, suit or proceeding or investigation by or before any court or governmental agency, authority or body or any arbitrator involving Distinction or any of its subsidiaries or any with respect to the Anti-Corruption Laws is pending or threatened or has been pending or threatened.
- (ii) During the periods of the Distinction Financial Statements, the operations of Distinction and each of its subsidiaries are and have been conducted at all times in compliance with applicable statutory and regulatory financial recordkeeping and reporting requirements, the accurate books and requirements of Anti-Corruption Laws, and Money Laundering Laws. To the knowledge of Distinction, no action, suit, proceeding or investigation by or before any court or governmental agency, authority or body or any arbitrator involving Distinction or any of its subsidiaries with respect to the Money Laundering Laws is pending or threatened or has been pending or threatened.
- (iii) Neither Distinction nor any of its subsidiaries, nor to the knowledge of Distinction, any director, officer, agent, employee or affiliate thereof has had any sanctions administered by the OFAC, Global Affairs Canada or Public Safety Canada imposed upon such Person; and neither Distinction nor any

of its subsidiaries is in violation of any of the Economic Sanctions, including, for greater certainty, Economic Sanctions that restrict oil and gas sector investments and trade in oil and gas sector equipment to certain destinations such as Russia, Iran and Syria, or is conducting or has conducted business with any Person who is the target of any Economic Sanctions in violation of applicable Economic Sanctions.

- (iv) There have been no material inaccurate or fictitious entries made in the books or records of Distinction or any of its subsidiaries (to the extent such books or records are kept in connection with the books and records of Distinction or any of its subsidiaries) relating to any secret or unrecorded fund or any unlawful payment, gift, political or charitable contribution or other thing of value or advantage, and neither Distinction nor any of its subsidiaries, or, to the knowledge of Distinction, their affiliates have directly or indirectly established or maintained a secret or unrecorded fund.
- (v) Distinction: (A) maintains systems of accounting and internal controls sufficient to provide reasonable assurances that: (1) the books and records of Distinction and each of its subsidiaries accurately and fairly reflect the transactions of Distinction and each of its subsidiaries, as applicable, in reasonable detail; (2) transactions are executed in accordance with management's general or specific authorization; and (3) transactions are recorded as necessary to maintain accountability for assets; (B) maintains a risk-based system of accounting and compliance controls sufficient to ensure that both entity's financial statements are accurately and fairly stated and to monitor, prevent, detect and report transactions violating any Applicable Law that prohibits corruption or bribery; and (C) has instituted policies and procedures in relation to business conduct and ethics required by Applicable Law and otherwise reasonably sufficient to provide reasonable assurances that the businesses of Distinction and each of its subsidiaries are conducted without any of the actions described in clause (v)(A), (v)(B), and (v)(C) of this Section (uu) and, to the knowledge of Distinction, there has not been any material breach of such policies or procedures.
- (vi) Without limiting the generality of the foregoing, Distinction and each of its subsidiaries, and each of their respective officers and employees, and each of their respective consultants, agents and representatives, acting in their capacity as such, is in material compliance with all Applicable Laws relating to lobbying activities and campaign contributions, if any, and all filings required to be made under any Applicable Law relating to such lobbying activities and campaign contributions are accurate and have been properly filed (except for any delays in making such filings, the consequences of which would not be material to Distinction) with the appropriate Governmental Authority in all material respects.
- (vii) For the avoidance of doubt, any reference to "other thing of value" in this Section (uu) includes meals, entertainment, travel and lodging.
- (viii) For purposes of this Section (uu) only, "affiliates" means those affiliates acting in connection with the properties, assets or business of Distinction or its subsidiaries, as applicable.
- (tt) Disclosure. To the knowledge of Distinction, Distinction has not withheld from KRC any material information or documents concerning Distinction, any of its subsidiaries or their respective assets or liabilities during the course of KRC's review thereof. No representation or warranty contained in this Agreement or other disclosure document provided or to be provided to KRC by Distinction pursuant to this Agreement contains or will contain any untrue statement of a material fact or omits to state a material fact which is necessary in order to make the statements herein or therein not misleading.

**SCHEDULE "F"**  
**FORMS OF SUPPORT AGREEMENT**



## FORM OF DISTINCTION SUPPORT AGREEMENT

\_\_\_\_\_, 2021

To the Undersigned Securityholder of Distinction Energy Corp.

Dear Sir / Madame:

**Re:     *Agreement respecting the Business Combination of Kiwetinohk Resources Corp. and Distinction Energy Corp.***

Reference is made to the business combination agreement dated on or about June \_\_\_\_, 2021 (the "**Business Combination Agreement**") between Kiwetinohk Resources Corp. ("**KRC**") and Distinction Energy Corp. ("**Distinction**") pursuant to which, among other things, KRC has agreed to directly or indirectly purchase all of the issued and outstanding class A common shares in the capital of Distinction (the "**Distinction Shares**") that KRC does not already own (including all of the Distinction Shares issued upon the conversion, exercise, settlement or redemption, as applicable, of outstanding special warrants of Distinction ("**Distinction Special Warrants**"), outstanding stock options of Distinction (the "**Distinction Stock Options**") and outstanding restricted share units of Distinction ("**Distinction RSUs**", and together with the Distinction Stock Options, the "**Distinction Incentives**") for the consideration set out in the Business Combination Agreement (the "**Business Combination**").

The Distinction Shares, the Distinction Special Warrants and the Distinction Incentives are collectively referred to herein as the "**Distinction Securities**". Capitalized words and phrases used but not defined herein shall have the meaning ascribed to them in the Business Combination Agreement.

We understand that you (the "**Securityholder**") beneficially own or exercise control or direction over, directly or indirectly, the number of Distinction Securities set forth on the execution page of this letter agreement (the "**Securityholder's Distinction Securities**"). Any references in this letter agreement to the Securityholder's Distinction Securities shall be deemed to include: (a) the Distinction Securities owned by the Securityholder as at the date hereof; (b) where the context requires, all Distinction Shares issued to the Securityholder after the date hereof, including pursuant to the conversion, exercise, settlement or redemption, as applicable, of the outstanding Distinction Special Warrants or Distinction Incentives held by the Securityholder before the record date of the Meeting (as defined below); and (c) any and all other Distinction Securities hereafter acquired or controlled by the Securityholder in his, her or its personal capacity either directly or indirectly before the record date of the Meeting.

This letter agreement sets forth the agreement between KRC and the Securityholder that the Securityholder agrees to vote the Securityholder's Distinction Securities, to the extent that such securities have or are granted voting rights, in favour of the Business Combination (and in favour of any actions or resolutions required in furtherance of completing the Business Combination) at any meeting of the Distinction securityholders, however called, for the purpose of approving the Business Combination and any adjournment or postponement thereof (the "**Meeting**") and to otherwise support the Business Combination, subject to the terms and conditions of this letter agreement.

The Securityholder acknowledges and agrees that the completion of the Business Combination is subject to various conditions as set forth in the Business Combination Agreement, which conditions are for the exclusive benefit of Distinction and/or KRC, which Distinction and/or KRC has the right, in its sole discretion, to waive in whole or in part, or to rely on in connection with the termination of the Business Combination Agreement and this letter agreement and their respective obligations to complete the Business

Combination. Further, the Securityholder acknowledges and agrees that the Business Combination Agreement may be amended or amended and restated and any such amendment or amendment and restatement shall not in any way affect the obligations of the Securityholder hereunder except as provided in Section 5 hereof. By executing this letter agreement, the Securityholder understands and acknowledges that KRC is entering into the Business Combination Agreement in reliance on the Securityholder's execution and delivery of this letter agreement and the terms contained herein, and in consideration for KRC entering into the Business Combination Agreement with Distinction, each of KRC and the Securityholder hereby agrees to be bound by the terms set forth herein.

## **1. Covenants of the Securityholder**

For good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and subject to the terms and conditions hereof, from the date hereof until the termination of this letter agreement in accordance with Section 5 hereof, the Securityholder hereby covenants and agrees, as follows:

- (a) to vote (or cause to be voted), and provide evidence thereof, including if voting by proxy, to KRC within five days prior to the Meeting all of the Securityholder's Distinction Securities, to the extent that such securities have or are granted voting rights, in favour of all resolutions required in furtherance of completing the Business Combination, as contemplated by the Business Combination Agreement, and any actions required in furtherance of the actions contemplated thereby at the Meeting and not withdraw any proxies or change the vote thereof;
- (b) to vote (or to cause to be voted) all of the Securityholder's Distinction Securities, to the extent that such securities have or are granted voting rights, at any meeting of securityholders of Distinction against any resolution or transaction which would in any manner impede, interfere with, frustrate, prevent, delay or nullify the Business Combination or any of the other transactions contemplated by the Business Combination Agreement;
- (c) except to the extent permitted hereunder, not take or omit to take any action of any kind which would cause any of its representations or warranties in this letter agreement to become untrue in any material respect or which would adversely affect in any material respect the success of the Business Combination, the completion of the Business Combination or the purchase of any Distinction Shares (including the Distinction Shares issuable upon the exercise, settlement or redemption, as applicable, of any Distinction Special Warrants, Distinction Incentives or other Distinction securities held by the Securityholder) or Distinction Special Warrants under the Business Combination;
- (d) promptly notify KRC upon any of the Securityholder's representations or warranties in this letter agreement becoming untrue or incorrect in any material respect during the period commencing on the date hereof and expiring at the earlier of the Effective Time and the termination of this letter agreement in accordance with Section 5 hereof, and for the purpose of this provision, each representation and warranty shall be deemed to be given at and as of all times during such period (irrespective of any language which suggests that it is only being given as at the date hereof);
- (e) not to grant or agree to grant any proxy or other right to vote any of the Securityholder's Distinction Securities, to the extent that such securities have or are granted voting rights (other than as permitted under subsections 1(a) and 1(b) hereof or in respect of any

regularly held annual meeting of Distinction with respect to matters that do not affect the Business Combination), or enter into any voting trust, vote pooling or other agreement with respect to the right to vote, call meetings of securityholders or give consents or approval of any kind as to any of the Securityholder's Distinction Securities, to the extent that such securities have or are granted voting rights (other than in connection with the performance by the Securityholder of its obligations hereunder);

- (f) not to sell, transfer, gift, assign, convey or otherwise dispose of, or enter into any agreement or understanding relating to the sale, transfer, gift, assignment, conveyance or other disposition of, any of the Securityholder's Distinction Securities to any person other than to: (i) KRC or any subsidiary of KRC; or (ii) an affiliate or associate of such Securityholder provided that such affiliate or associate first agrees with KRC to be bound by the terms hereof and that such transfer of the Securityholder's Distinction Securities is permitted in accordance with the terms thereof;
- (g) notwithstanding subsection 1(f) hereof, the Securityholder may sell, assign, convey or otherwise transfer or dispose of any or all of the Securityholder's Distinction Securities to a Related Person provided that such Related Person enters into an agreement with KRC on the same terms as this letter agreement, or otherwise agrees with KRC to be bound by the provisions hereof or as otherwise consented to by KRC, which consent may be arbitrarily withheld and that the transfer of the Securityholder's Distinction Securities is permitted in accordance with the terms thereof. For the purposes hereof, "**Related Person**" means: (i) a spouse, parent, grandparent, brother, sister or child of the Securityholder; or (ii) a company or family trust if all of the voting securities of such company are held by, or all the beneficiaries of such trust are, one or more of the persons referred to in clause (i);
- (h) not to exercise any Dissent Rights or appraisal rights in respect of any resolution approving the Business Combination and not to exercise any other Securityholder rights or remedies available at common law or pursuant to the CBCA or Applicable Canadian Securities Laws to delay, hinder, upset or challenge the Business Combination; and
- (i) to execute and deliver, or cause to be executed and delivered, such additional or further consents, documents or other instruments as KRC may reasonably request for the purpose of effectively carrying out the matters contemplated by this letter agreement.

## **2. Non-Solicitation**

The Securityholder agrees that, subject to Section 15 hereof, it will not directly or indirectly:

- (a) solicit or knowingly assist, initiate, entertain, facilitate or encourage, or take any action to solicit or knowingly assist, initiate, entertain, facilitate or encourage any Acquisition Proposal, or engage in any communication regarding the making of any proposal or offer that constitutes or may constitute or may reasonably be expected to lead to an Acquisition Proposal, including, without limitation, by way of furnishing information or access to properties, facilities or books and records of Distinction or any of its subsidiaries; or
- (b) enter into or participate in any discussions or negotiations regarding an Acquisition Proposal, or furnish to any other person any information with respect to the business, properties, operations, or conditions (financial or otherwise) of Distinction or any of its subsidiaries in connection with, or performance of an Acquisition Proposal or otherwise

cooperate in any way with, or knowingly assist, participate in, facilitate or encourage, any effort or attempt of any other person to do or seek to do any of the foregoing.

### **3. Representations and Warranties**

The Securityholder represents and warrants to KRC that:

- (a) the Securityholder is duly authorized and has the authority to execute and deliver this letter agreement and to carry out the transactions contemplated hereby and this letter agreement is a valid and binding agreement enforceable against the Securityholder in accordance with its terms, subject to the qualification that such enforceability may be limited by bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other applicable laws of general application relating to or affecting rights of creditors and that equitable remedies, including specific performance, are discretionary and may not be ordered;
- (b) neither the execution of this letter agreement by the Securityholder nor the completion by the Securityholder of the transactions contemplated hereby will constitute a violation of or default under, or conflict with, any contract, commitment, agreement, understanding, arrangement or restriction of any kind to which the Securityholder will be a party or by which it will be bound at the time of completion of such transactions;
- (c) (i) the Securityholder is the beneficial owner of or exercises control and direction, directly or indirectly, over the number of Distinction Shares, Distinction Special Warrants and Distinction Incentives, set forth on the execution page of this letter agreement; and (ii) as at the date hereof, the foregoing Distinction Shares, Distinction Special Warrants and Distinction Incentives as set forth on the execution page hereof are the only securities in the capital of Distinction (or securities convertible, exchanged or exercisable into Distinction Securities) beneficially owned by the Securityholder or over which he, she or it, directly or indirectly, exercises control or direction over;
- (d) the Securityholder is either (i) the legal and beneficial owner of record, or (ii) the beneficial owner exercising control and direction over (but not the holder of record of), the Distinction Securities listed on the execution page of this letter agreement, in each case, with good and marketable title thereto, free and clear of any and all mortgages, liens, charges, restrictions, security interests, adverse claims, pledges, encumbrances and demands or rights of others of any nature or kind whatsoever;
- (e) other than pursuant to this letter agreement, the Distinction Securities (including the Distinction Shares issuable upon the exercise, settlement or redemption, as applicable, of the Distinction Special Warrants or the Distinction Incentives) owned or controlled by the Securityholder are not subject to any securityholder agreements, voting trust or similar agreements or any right or privilege (whether by law, pre-emptive or contractual) capable of becoming a securityholders' agreement, voting trust or other agreement affecting such Distinction Securities or any interest therein or right thereto, including, without limitation, the voting of any such securities;
- (f) other than pursuant to this letter agreement, the Securityholder has not previously granted or agreed to grant any proxy or any other right to vote any of the Securityholder's Distinction Securities in respect of any meeting of securityholders of Distinction that is currently in force, and has not entered into a voting trust, vote pooling or other agreement

with respect to his, her or its right to vote, call meetings of securityholders of Distinction or give consents or approvals of any kind as to the Securityholder's Distinction Securities;

- (g) there are no legal proceedings currently in progress or pending before any Governmental Authority or, to the Securityholder's knowledge, threatened against the Securityholder or any of such Securityholder's affiliates that would materially adversely affect in any manner the ability of the Securityholder to enter into this letter agreement and to perform its obligations hereunder or the title of the Securityholder to any of the Securityholder's Distinction Securities, and there is no current and enforceable judgment, decree or order against the Securityholder that would adversely affect in any manner the ability of the Securityholder to enter into this letter agreement and to perform its obligations hereunder or the title of the Securityholder to any of the Securityholder's Distinction Securities; and
- (h) no authorization, consent or approval from, or filing, registration, declaration or qualification with, or before, or giving notice to, any person is required to be obtained, given or made in connection with the execution and delivery by the Securityholder of this letter agreement, the performance of the terms hereof by the Securityholder or the consummation of the transactions contemplated hereby by the Securityholder, except for those which have been (or will be with respect to consummation of the Business Combination) duly and unconditionally obtained and are (or will be with respect to consummation of the Business Combination) in full force and effect.

#### **4. Expenses**

KRC and the Securityholder agree to pay their respective expenses incurred in connection with this letter agreement.

#### **5. Termination**

It is understood and agreed that the respective rights and obligations hereunder of KRC and the Securityholder shall cease and this letter agreement shall terminate on the earlier of: (a) the Effective Time; (b) the date on which this letter agreement is terminated by the mutual written agreement of the parties hereto; (c) the close of business on the date of the Meeting at which a vote of the Distinction Shareholders in respect of the Distinction Transaction Resolution is taken and is not approved by the requisite majority of Distinction Shareholders; (d) the date of the meeting at which a vote of the KRC Shareholders in respect of the KRC Transaction Resolutions is taken and is not approved by the requisite approvals of KRC Shareholders; and (e) the date on which the Business Combination Agreement is terminated in accordance with its terms. In addition, this letter agreement may be terminated by the Securityholder by notice in writing to KRC if the Business Combination Agreement is amended to reduce or change the form of consideration payable to the Securityholder for its Distinction Shares pursuant to the Business Combination.

In the event of termination of this letter agreement, this letter agreement shall forthwith be of no further force and effect, except for Sections 4, 7, 8, 11, 12 and 14 hereof and this Section 5, which provisions shall survive the termination of this letter agreement and there shall be no liability on the part of either the Securityholder or KRC or any of its affiliates or associates, except to the extent that either such party is in default of its obligations herein contained.

## **6. Future Amendments**

To the extent that the Business Combination Agreement is amended, modified, restated, replaced or superseded from time to time, all references herein to the Business Combination Agreement shall be to the Business Combination Agreement as amended, modified or restated from time to time or to the agreement which has replaced or superseded it from time to time, and all references to particular sections of the Business Combination Agreement shall be deemed to be references to the analogous provision in the Business Combination Agreement as amended, modified or restated from time to time or to the agreement which has replaced or superseded it from time to time.

## **7. Assignment**

Except as expressly set forth herein, no party to this letter agreement may assign any of its rights or obligations under this letter agreement without the prior written consent of the other party except that either party may assign its rights and obligations under this letter agreement to any of its affiliates, provided such affiliate executes and delivers a counterpart to this letter agreement pursuant to which, in the case of KRC, it agrees to be bound by the terms of this letter agreement as if it were the purchaser pursuant to the Business Combination, but no such assignment shall relieve such party of its obligations hereunder.

## **8. Disclosure**

Prior to the first public disclosure of the existence and terms and conditions of this letter agreement by Distinction or KRC, the Securityholder shall not disclose the existence of this letter agreement or any details hereof or the possibility of the Business Combination being effected or any terms or conditions or other information concerning the Business Combination and any possible acquisition of the Securityholder's Distinction Securities to any person other than: (a) the Securityholder's advisors (provided that the Securityholder's advisors shall be required to comply with the foregoing disclosure obligations and the Securityholder agrees to be responsible for any breach of such disclosure obligations by any of the Securityholder's advisors); and (b) Distinction and its directors, officers and advisors, without the prior written consent of KRC. Notwithstanding anything else to the contrary, the Securityholder is permitted to make disclosure of the existence and terms and conditions of this letter agreement to the extent required by applicable law, stock exchange rules or policies of regulatory authorities having jurisdiction upon reasonable notice to KRC, to the extent permitted under such law, stock exchange rule or policy. Any disclosure by the Securityholder after the first public disclosure of the existence and terms and conditions of this letter agreement by KRC or Distinction shall be permitted only to the extent that any such information disclosed by the Securityholder has already been publicly disclosed by one of these parties other than the Securityholder. Notwithstanding anything contained herein or elsewhere, the existence and terms and conditions of this letter agreement may be disclosed by Distinction and KRC in any press release issued in connection with the execution of the Business Combination Agreement or to the extent required by applicable law, provided that the Securityholder shall be given a reasonable opportunity to review and comment on any press release to be issued by KRC that names the Securityholder.

## **9. Notices**

All notices to be given to a party hereunder shall be in writing and delivered personally, by overnight courier or email transmission, addressed, in the case of the Securityholder, to the address set forth in the execution page of this letter agreement, and in the case of KRC at the following address:



Kiwetinothk Resources Corp.  
Suite 1900, 250 – 2<sup>nd</sup> Street SW  
Calgary, Alberta T2P 0C1

Attention: Lisa Wong, VP Business Systems  
Email: **REDACTED**

with a copy to:

Stikeman Elliott LLP  
4300 Bankers Hall West  
888 - 3<sup>rd</sup> Street S.W.  
Calgary, Alberta T2P 5C5

Attention: Ben Hudy  
Email: **REDACTED**

#### **10. Further Assurances**

The Securityholder shall from time to time and at all times hereafter at the request of KRC but without further consideration, do and perform all such further acts, matters and things and execute and deliver all such further documents, deeds, assignments, agreements, notices and writings and give such further assurances as shall be reasonably required for the purpose of giving effect to this letter agreement.

#### **11. Enurement**

This letter agreement will be binding upon and enure to the benefit of KRC, the Securityholder and their respective executors, administrators, successors and permitted assigns.

#### **12. Applicable Law**

This letter agreement shall be governed and construed in accordance with the laws of the Province of Alberta and the federal laws of Canada applicable therein and each of the parties hereto irrevocably attorns to the jurisdiction of the courts of the Province of Alberta.

#### **13. Severability**

If any provision of this letter agreement is determined to be void or unenforceable, in whole or in part, it shall be severable from all other provisions hereof and shall be deemed not to affect or impair the validity of any other provision hereof and each such provision is deemed to be separate and distinct.

#### **14. Enforcement**

The parties hereto agree that irreparable damage would occur in the event that any of the provisions of this letter agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties hereto shall be entitled to an injunction or injunctions without the need for posting of security to prevent breaches of this letter agreement and to enforce specifically the terms and provisions hereof in any court of the Province of Alberta having jurisdiction, this being in addition to any other remedy to which such party is entitled at law or in equity.

**15. No Limit on Fiduciary Duty**

KRC hereby acknowledges and agrees that the Securityholder is bound hereunder solely in his or her capacity as a securityholder of Distinction. Nothing contained in this letter agreement will restrict, limit or prohibit the Securityholder or the Securityholder's representatives, as applicable, in his or her capacity as a director or officer (if applicable), from exercising his or her fiduciary duties to Distinction under applicable law or require the Securityholder or the Securityholder's representatives, as applicable, in his or her capacity as a director or officer (if applicable) of Distinction, to take any action in contravention of, or omit to take any action pursuant to, or otherwise take or refrain from taking any actions which are inconsistent with, instructions or directions of the Distinction Board undertaken in the exercise of its fiduciary duties, in compliance with Section 7.1 of the Business Combination Agreement, provided that nothing in this Section 15 will be deemed to relieve the Securityholder from the Securityholder's obligations under any other provision of this letter agreement.

**16. Entire Agreement**

This letter agreement supersedes all prior agreements between the parties hereto with respect to the subject matter hereof and contains the entire agreement among the parties with respect to the subject matter hereof. This letter agreement may not be modified or waived, except expressly by an instrument in writing signed by all the parties hereto. No waiver of any provision hereof by any party hereto shall be deemed a waiver by any other party nor shall any such waiver be deemed a continuing waiver of any matter by such party.

**17. Counterparts**

This letter agreement may be signed in counterparts which together shall be deemed to constitute one valid and binding agreement and delivery of such counterparts may be effected by means of facsimile, e-mail or other electronic transmission.

This letter agreement shall be effective and enforceable in accordance with its terms effective as of the date the Business Combination Agreement is executed by the parties thereto.

*[Remainder of page intentionally left blank]*

If you are in agreement with the foregoing, please indicate your acceptance thereof by signing and returning this letter to KRC.

Yours truly,

**KIWETINOHK RESOURCES CORP.**

Per: \_\_\_\_\_  
Name:  
Title:

\_\_\_\_\_  
Signature of Securityholder

\_\_\_\_\_  
Name of Securityholder (please print)

\_\_\_\_\_  
Address of Securityholder

\_\_\_\_\_  
Email of Securityholder

\_\_\_\_\_  
Number of Distinction Shares beneficially owned by  
Securityholder, or over which Securityholder exercises control or  
direction over

\_\_\_\_\_  
Number of Distinction Special Warrants held by Securityholder

\_\_\_\_\_  
Number of Distinction Options held by Securityholder

\_\_\_\_\_  
Number of Distinction RSUs held by Securityholder

## FORM OF KIWETINOHK SUPPORT AGREEMENT

\_\_\_\_\_, 2021

To the Undersigned Securityholder of Kiwetinohk Resources Corp.

Dear Sir / Madame:

**Re:     *Agreement respecting the Business Combination of Kiwetinohk Resources Corp. and Distinction Energy Corp.***

Reference is made to the business combination agreement dated on or about \_\_\_\_\_, 2021 (the "**Business Combination Agreement**") between Kiwetinohk Resources Corp. ("**KRC**") and Distinction Energy Corp. ("**Distinction**") pursuant to which, among other things, KRC has agreed to directly or indirectly purchase all of the issued and outstanding class A common shares in the capital of Distinction that KRC does not already own for the consideration set out in the Business Combination Agreement (the "**Business Combination**").

Common shares in the capital of KRC are referred to herein as the "**KRC Shares**". Capitalized words and phrases used but not defined herein shall have the meaning ascribed to them in the Business Combination Agreement.

We understand that you (the "**Securityholder**") beneficially own or exercise control or direction over, directly or indirectly, the number of KRC Shares set forth on the execution page of this letter agreement (the "**Securityholder's KRC Shares**"). Any references in this letter agreement to the Securityholder's KRC Shares shall be deemed to include: (a) KRC Shares owned by the Securityholder as at the date hereof; (b) where the context requires, all KRC Shares issued to the Securityholder after the date hereof; and (c) any and all other KRC Shares hereafter acquired or controlled by the Securityholder in his, her or its personal capacity either directly or indirectly before the record date of the Meeting.

This letter agreement sets forth the agreement between Distinction and the Securityholder that the Securityholder agrees to vote the Securityholder's KRC Shares in favour of the Business Combination (and in favour of any actions or resolutions required in furtherance of completing the Business Combination) at any meeting of the KRC securityholders, however called, for the purpose of approving the Business Combination and any adjournment or postponement thereof (the "**Meeting**") and to otherwise support the Business Combination, subject to the terms and conditions of this letter agreement.

The Securityholder acknowledges and agrees that the completion of the Business Combination is subject to various conditions as set forth in the Business Combination Agreement, which conditions are for the exclusive benefit of Distinction and/or KRC, which Distinction and/or KRC has the right, in its sole discretion, to waive in whole or in part, or to rely on in connection with the termination of the Business Combination Agreement and this letter agreement and their respective obligations to complete the Business Combination. Further, the Securityholder acknowledges and agrees that the Business Combination Agreement may be amended or amended and restated and any such amendment or amendment and restatement shall not in any way affect the obligations of the Securityholder hereunder except as provided in Section 5 hereof. By executing this letter agreement, the Securityholder understands and acknowledges that Distinction is entering into the Business Combination Agreement in reliance on the Securityholder's execution and delivery of this letter agreement and the terms contained herein, and in consideration for Distinction entering into the Business Combination Agreement with KRC, each of Distinction and the Securityholder hereby agrees to be bound by the terms set forth herein.

## 1. Covenants of the Securityholder

For good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and subject to the terms and conditions hereof, from the date hereof until the termination of this letter agreement in accordance with Section 5 hereof, the Securityholder hereby covenants and agrees, as follows:

- (a) to vote (or cause to be voted), and provide evidence thereof, including if voting by proxy, to Distinction within five days prior to the Meeting all of the Securityholder's KRC Shares in favour of the KRC Transaction Resolutions, and any actions required in furtherance of the actions contemplated thereby at the Meeting and not withdraw any proxies or change the vote thereof;
- (b) to vote (or to cause to be voted) all of the Securityholder's KRC Shares at any meeting of securityholders of KRC against any resolution or transaction which would in any manner, impede, interfere with, frustrate, prevent, delay or nullify the Business Combination or any of the other transactions contemplated by the Business Combination Agreement;
- (c) except to the extent permitted hereunder, not take or omit to take any action of any kind which would cause any of its representations or warranties in this letter agreement to become untrue in any material respect or which would adversely affect in any material respect the success of the Business Combination, the completion of the Business Combination or the purchase of any Distinction Shares;
- (d) promptly notify Distinction upon any of the Securityholder's representations or warranties in this letter agreement becoming untrue or incorrect in any material respect during the period commencing on the date hereof and expiring at the earlier of the Effective Time and the termination of this letter agreement in accordance with Section 5 hereof, and for the purpose of this provision, each representation and warranty shall be deemed to be given at and as of all times during such period (irrespective of any language which suggests that it is only being given as at the date hereof);
- (e) not to grant or agree to grant any proxy or other right to vote any of the Securityholder's KRC Shares (other than as permitted under subsections 1(a) and 1(b) hereof or in respect of any regularly held annual meeting of KRC with respect to matters that do not affect the Business Combination), or enter into any voting trust, vote pooling or other agreement with respect to the right to vote, call meetings of securityholders or give consents or approval of any kind as to any of the Securityholder's KRC Shares (other than in connection with the performance by the Securityholder of its obligations hereunder);
- (f) not to sell, transfer, gift, assign, convey or otherwise dispose of, or enter into any agreement or understanding relating to the sale, transfer, gift, assignment, conveyance or other disposition of, any of the Securityholder's KRC Shares to any person other than to an affiliate or associate of such Securityholder provided that such affiliate or associate first agrees with Distinction to be bound by the terms hereof and that such transfer of the Securityholder's KRC Shares is permitted in accordance with the terms thereof;
- (g) notwithstanding subsection 1(f) hereof, the Securityholder may sell, assign, convey or otherwise transfer or dispose of any or all of the Securityholder's KRC Shares to a Related Person provided that such Related Person enters into an agreement with Distinction on the same terms as this letter agreement, or otherwise agrees with Distinction to be bound by

the provisions hereof or as otherwise consented to by Distinction, which consent may be arbitrarily withheld and that the transfer of the Securityholder's KRC Shares is permitted in accordance with the terms thereof. For the purposes hereof, "**Related Person**" means: (i) a spouse, parent, grandparent, brother, sister or child of the Securityholder; or (ii) a company or family trust if all of the voting securities of such company are held by, or all the beneficiaries of such trust are, one or more of the persons referred to in clause (i);

- (h) not to exercise any Dissent Rights or appraisal rights in respect of any resolution approving the Business Combination and not to exercise any other Securityholder rights or remedies available at common law or pursuant to the ABCA or Applicable Canadian Securities Laws to delay, hinder, upset or challenge the Business Combination; and
- (i) to execute and deliver, or cause to be executed and delivered, such additional or further consents, documents or other instruments as Distinction may reasonably request for the purpose of effectively carrying out the matters contemplated by this letter agreement.

## **2. Non-Solicitation**

The Securityholder agrees that, subject to Section 15 hereof, it will not directly or indirectly:

- (a) solicit, or knowingly assist, initiate, entertain, facilitate or encourage, or take any action to solicit or knowingly assist, initiate, entertain, facilitate or encourage any Acquisition Proposal, or engage in any communication regarding the making of any proposal or offer that constitutes or may constitute or may reasonably be expected to lead to an Acquisition Proposal, including, without limitation, by way of furnishing information or access to properties, facilities or books and records of KRC or any of its subsidiaries; or
- (b) enter into or participate in any discussions or negotiations regarding an Acquisition Proposal, or furnish to any other person any information with respect to the business, properties, operations, or conditions (financial or otherwise) of KRC or any of its subsidiaries in connection with, or performance of an Acquisition Proposal or otherwise cooperate in any way with, or knowingly assist, participate in, facilitate or encourage, any effort or attempt of any other person to do or seek to do any of the foregoing.

## **3. Representations and Warranties**

The Securityholder represents and warrants to Distinction that:

- (a) the Securityholder is duly authorized and has the authority to execute and deliver this letter agreement and to carry out the transactions contemplated hereby and this letter agreement is a valid and binding agreement enforceable against the Securityholder in accordance with its terms, subject to the qualification that such enforceability may be limited by bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other applicable laws of general application relating to or affecting rights of creditors and that equitable remedies, including specific performance, are discretionary and may not be ordered;
- (b) neither the execution of this letter agreement by the Securityholder nor the completion by the Securityholder of the transactions contemplated hereby will constitute a violation of or default under, or conflict with, any contract, commitment, agreement, understanding,



arrangement or restriction of any kind to which the Securityholder will be a party or by which it will be bound at the time of completion of such transactions;

- (c) (i) the Securityholder is the beneficial owner of or exercises control and direction, directly or indirectly, over the number of KRC Shares set forth on the execution page of this letter agreement; and (ii) as at the date hereof, the foregoing KRC Shares as set forth on the execution page hereof are the only KRC Shares beneficially owned by the Securityholder or over which he, she or it, directly or indirectly, exercises control or direction over;
- (d) the Securityholder is either (i) the legal and beneficial owner of record, or (ii) the beneficial owner exercising control and direction over (but not the holder of record of), the KRC Shares listed on the execution page of this letter agreement, in each case, with good and marketable title thereto, free and clear of any and all mortgages, liens, charges, restrictions, security interests, adverse claims, pledges, encumbrances and demands or rights of others of any nature or kind whatsoever;
- (e) other than pursuant to this letter agreement and the KRC USA, the KRC Shares owned or controlled by the Securityholder are not subject to any securityholder agreements, voting trust or similar agreements or any right or privilege (whether by law, pre-emptive or contractual) capable of becoming a securityholders' agreement, voting trust or other agreement affecting such KRC Shares or any interest therein or right thereto, including, without limitation, the voting of any such securities;
- (f) other than pursuant to this letter agreement, the Securityholder has not previously granted or agreed to grant any proxy or any other right to vote any of the Securityholder's KRC Shares in respect of any meeting of shareholders of KRC that is currently in force, and has not entered into a voting trust, vote pooling or other agreement with respect to his, her or its right to vote, call meetings of shareholders of KRC or give consents or approvals of any kind as to the Securityholder's KRC Shares;
- (g) there are no legal proceedings currently in progress or pending before any Governmental Authority or, to the Securityholder's knowledge, threatened against the Securityholder or any of such Securityholder's affiliates that would materially adversely affect in any manner the ability of the Securityholder to enter into this letter agreement and to perform its obligations hereunder or the title of the Securityholder to any of the Securityholder's KRC Shares, and there is no current and enforceable judgment, decree or order against the Securityholder that would adversely affect in any manner the ability of the Securityholder to enter into this letter agreement and to perform its obligations hereunder or the title of the Securityholder to any of the Securityholder's KRC Shares; and
- (h) no authorization, consent or approval from, or filing, registration, declaration or qualification with, or before, or giving notice to, any person is required to be obtained, given or made in connection with the execution and delivery by the Securityholder of this letter agreement, the performance of the terms hereof by the Securityholder or the consummation of the transactions contemplated hereby by the Securityholder, except for those which have been (or will be with respect to consummation of the Business Combination) duly and unconditionally obtained and are (or will be with respect to consummation of the Business Combination) in full force and effect.

#### **4. Expenses**

Distinction and the Securityholder agree to pay their respective expenses incurred in connection with this letter agreement.

#### **5. Termination**

It is understood and agreed that the respective rights and obligations hereunder of Distinction and the Securityholder shall cease and this letter agreement shall terminate on the earlier of: (a) the Effective Time; (b) the date on which this letter agreement is terminated by the mutual written agreement of the parties hereto; (c) the close of business on the date of the Meeting at which a vote of the Distinction Shareholders in respect of the Distinction Transaction Resolution is taken and is not approved by the requisite majority of Distinction Shareholders; (d) the date of the meeting at which a vote of the KRC Shareholders in respect of the KRC Transaction Resolutions is taken and is not approved by the requisite approvals of KRC Shareholders; and (e) the date on which the Business Combination Agreement is terminated in accordance with its terms.

In the event of termination of this letter agreement, this letter agreement shall forthwith be of no further force and effect, except for Sections 4, 7, 8, 11, 12 and 14 hereof and this Section 5, which provisions shall survive the termination of this letter agreement and there shall be no liability on the part of either the Securityholder or Distinction or any of its affiliates or associates, except to the extent that either such party is in default of its obligations herein contained.

#### **6. Future Amendments**

To the extent that the Business Combination Agreement is amended, modified, restated, replaced or superseded from time to time, all references herein to the Business Combination Agreement shall be to the Business Combination Agreement as amended, modified or restated from time to time or to the agreement which has replaced or superseded it from time to time, and all references to particular sections of the Business Combination Agreement shall be deemed to be references to the analogous provision in the Business Combination Agreement as amended, modified or restated from time to time or to the agreement which has replaced or superseded it from time to time.

#### **7. Assignment**

Except as expressly set forth herein, no party to this letter agreement may assign any of its rights or obligations under this letter agreement without the prior written consent of the other party except that either party may assign its rights and obligations under this letter agreement to any of its affiliates, provided such affiliate executes and delivers a counterpart to this letter agreement pursuant to which, in the case of Distinction, it agrees to be bound by the terms of this letter agreement as if it were the acquired entity pursuant to the Business Combination, but no such assignment shall relieve such party of its obligations hereunder.

#### **8. Disclosure**

Prior to the first public disclosure of the existence and terms and conditions of this letter agreement by Distinction or KRC, the Securityholder shall not disclose the existence of this letter agreement or any details hereof or the possibility of the Business Combination being effected or any terms or conditions or other information concerning the Business Combination and any possible acquisition of the Securityholder's Distinction Securities to any person other than: (a) the Securityholder's advisors (provided that the

Securityholder's advisors shall be required to comply with the foregoing disclosure obligations and the Securityholder agrees to be responsible for any breach of such disclosure obligations by any of the Securityholder's advisors); and (b) KRC and its directors, officers and advisors, without the prior written consent of Distinction. Notwithstanding anything else to the contrary, the Securityholder is permitted to make disclosure of the existence and terms and conditions of this letter agreement to the extent required by applicable law, stock exchange rules or policies of regulatory authorities having jurisdiction upon reasonable notice to Distinction, to the extent permitted under such law, stock exchange rule or policy. Any disclosure by the Securityholder after the first public disclosure of the existence and terms and conditions of this letter agreement by KRC or Distinction shall be permitted only to the extent that any such information disclosed by the Securityholder has already been publicly disclosed by one of these parties other than the Securityholder. Notwithstanding anything contained herein or elsewhere, the existence and terms and conditions of this letter agreement may be disclosed by Distinction and KRC in any press release issued in connection with the execution of the Business Combination Agreement or to the extent required by applicable law, provided that the Securityholder shall be given a reasonable opportunity to review and comment on any press release to be issued by Distinction that names the Securityholder.

## **9. Notices**

All notices to be given to a party hereunder shall be in writing and delivered personally, by overnight courier or email transmission, addressed, in the case of the Securityholder, to the address set forth in the execution page of this letter agreement, and in the case of Distinction at the following address:

Distinction Energy Corp.  
333 – 7<sup>th</sup> Avenue SW, #2300  
Calgary, Alberta T2P 2Z1

Attention: Jakub Brogowski, Chief Financial Officer  
Email: **REDACTED**

with a copy to:

Cassels Brock & Blackwell LLP  
Suite 3810, Bankers Hall West, 888 3rd Street SW  
Calgary, Alberta T2P 5C5

Attention: Josef W. Hoher  
Email: **REDACTED**

## **10. Further Assurances**

The Securityholder shall from time to time and at all times hereafter at the request of Distinction but without further consideration, do and perform all such further acts, matters and things and execute and deliver all such further documents, deeds, assignments, agreements, notices and writings and give such further assurances as shall be reasonably required for the purpose of giving effect to this letter agreement.

## **11. Enurement**

This letter agreement will be binding upon and enure to the benefit of Distinction, the Securityholder and their respective executors, administrators, successors and permitted assigns.

## **12. Applicable Law**

This letter agreement shall be governed and construed in accordance with the laws of the Province of Alberta and the federal laws of Canada applicable therein and each of the parties hereto irrevocably attorns to the jurisdiction of the courts of the Province of Alberta.

## **13. Severability**

If any provision of this letter agreement is determined to be void or unenforceable, in whole or in part, it shall be severable from all other provisions hereof and shall be deemed not to affect or impair the validity of any other provision hereof and each such provision is deemed to be separate and distinct.

## **14. Enforcement**

The parties hereto agree that irreparable damage would occur in the event that any of the provisions of this letter agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties hereto shall be entitled to an injunction or injunctions without the need for posting of security to prevent breaches of this letter agreement and to enforce specifically the terms and provisions hereof in any court of the Province of Alberta having jurisdiction, this being in addition to any other remedy to which such party is entitled at law or in equity.

## **15. No Limit on Fiduciary Duty**

Distinction hereby acknowledges and agrees that the Securityholder is bound hereunder solely in his or her capacity as a securityholder of KRC. Nothing contained in this letter agreement will restrict, limit or prohibit the Securityholder or the Securityholder's representatives, as applicable, in his or her capacity as a director or officer (if applicable), from exercising his or her fiduciary duties to KRC under applicable law or require the Securityholder or the Securityholder's representatives, as applicable, in his or her capacity as a director or officer (if applicable) of Distinction, to take any action in contravention of, or omit to take any action pursuant to, or otherwise take or refrain from taking any actions which are inconsistent with, instructions or directions of the Distinction Board undertaken in the exercise of its fiduciary duties, provided that nothing in this Section 15 will be deemed to relieve the Securityholder from the Securityholder's obligations under any other provision of this letter agreement.

## **16. Entire Agreement**

This letter agreement supersedes all prior agreements between the parties hereto with respect to the subject matter hereof and contains the entire agreement among the parties with respect to the subject matter hereof. This letter agreement may not be modified or waived, except expressly by an instrument in writing signed by all the parties hereto. No waiver of any provision hereof by any party hereto shall be deemed a waiver by any other party nor shall any such waiver be deemed a continuing waiver of any matter by such party.

## **17. Counterparts**

This letter agreement may be signed in counterparts which together shall be deemed to constitute one valid and binding agreement and delivery of such counterparts may be effected by means of facsimile, e-mail or other electronic transmission.

This letter agreement shall be effective and enforceable in accordance with its terms effective as of the date the Business Combination Agreement is executed by the parties thereto.

*[Remainder of page intentionally left blank]*

If you are in agreement with the foregoing, please indicate your acceptance thereof by signing and returning this letter to Distinction.

Yours truly,

**DISTINCTION ENERGY CORP.**

Per: \_\_\_\_\_  
Name:  
Title:

\_\_\_\_\_  
Signature of Securityholder

\_\_\_\_\_  
Name of Securityholder (please print)

\_\_\_\_\_  
Address of Securityholder

\_\_\_\_\_  
Email of Securityholder

\_\_\_\_\_  
Number of KRC Shares beneficially owned by Securityholder,  
or over which Securityholder exercises control or direction over



**APPENDIX D**  
**INTERIM ORDER**

COURT FILE NO.: 2101-08962

COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

MATTER IN THE MATTER OF SECTION 192 OF THE  
*CANADA BUSINESS CORPORATIONS ACT*,  
R.S.C. 1985, C. C-44, AS AMENDED

Clerk's Stamp

Filed on  
July 23, 2021

AND IN THE MATTER OF A PROPOSED  
ARRANGEMENT INVOLVING DISTINCTION  
ENERGY CORP., KIWETINOHK  
RESOURCES CORP. AND THE  
SHAREHOLDERS OF DISTINCTION  
ENERGY CORP.

APPLICANT DISTINCTION ENERGY CORP.

RESPONDENT NOT APPLICABLE

DOCUMENT **INTERIM ORDER**

ADDRESS FOR  
SERVICE AND  
CONTACT  
INFORMATION  
OF PARTY  
FILING THIS  
DOCUMENT

Cassels Brock & Blackwell LLP  
Suite 3810, Bankers Hall West  
888 3<sup>rd</sup> Street SW  
Calgary, Alberta, T2P 5C5  
Telephone: (403) 351-2920  
Facsimile: (403) 648-1151  
Email: joliver@cassels.com / dmarechal@cassels.com  
File No.: 55068-6

**Attention: Jeffrey Oliver / Danielle Marechal**

**Date on which Order was pronounced:** July 23, 2021

**Name of Judge who made this Order:** The Honourable Justice J.J. Gill

**Location of Hearing:** Edmonton, Alberta – Via WebEx

**UPON** the Originating Application (the “**Originating Application**”) of Distinction Energy Corp. (“**Distinction**” or the “**Applicant**”); **AND UPON** reading the Originating Application, the Affidavit of Steven Sinclair, sworn July 20, 2021, the Affidavit of Mary-Lee Green, sworn July 22, 2021 (the “**Affidavit**”), and the documents referred to therein; **AND UPON** being advised that notice of the Originating Application

has been given to the Director (the "**Director**") appointed under section 260 of the *Canada Business Corporations Act*, RSC 1985, c C-44, as amended (the "**CBCA**") and that the Director does not consider it necessary to appear; **AND UPON HEARING** counsel for the Applicant;

**FOR THE PURPOSES OF THIS ORDER:**

1. The capitalized terms not defined in this Order (the "**Order**") shall have the meanings attributed to them in the notice of special meetings and joint management information circular (the "**Information Circular**") of the Applicant and Kiwetinohk Resources Corp. ("**KRC**"), which is attached as Exhibit "A" to the Affidavit.
2. All references to "**Arrangement**" used herein mean the arrangement as set forth in the plan of arrangement attached as Schedule "A" to the business combination agreement (the "**Business Combination Agreement**"), which Business Combination Agreement is attached as Appendix "C" of the Information Circular.

**IT IS HEREBY ORDERED THAT:**

**General**

3. The Applicant shall seek approval of the Arrangement as described in the Information Circular by the holders (the "**Shareholders**") of class A common shares of Distinction (the "**Shares**"), in the manner set forth below.

**The Meeting**

4. The Applicant shall call and conduct a special meeting (the "**Meeting**") of Shareholders on or about August 30, 2021. Notwithstanding anything contained in the articles or the by-laws of Distinction, in light of the COVID-19 pandemic, Distinction shall be authorized, provided it has first complied with Section 18 of this Order, to: (a) hold the Meeting (as defined herein), by means of telephonic, electronic or other communication facility that permits all participants to communicate adequately with each other during the Meeting; and (b) change the location or method of holding the Meeting (including by holding a physical, virtual or hybrid Meeting), in each case if required by public health measures related to the COVID-19 pandemic in force or expected to be in force at the time of the Meeting. If a virtual or hybrid Meeting is held, all references to "in person" or "present" in respect of the Meeting shall be read as providing for attendance of such persons through the Applicant's chosen virtual meeting platform.
5. At the Meeting, the Shareholders will consider and vote upon a resolution to approve the Arrangement substantially in the form attached as Appendix "A" to the Information Circular (the

**"Arrangement Resolution")** and such other business as may properly be brought before the Meeting or any adjournment or postponement thereof, all as more particularly described in the Information Circular.

6. A quorum at the Meeting shall be two persons present and holding or representing by proxy at least 25% of the Shares entitled to vote at the Meeting.
7. If within 30 minutes from the time appointed for the Meeting, a quorum is not present, the Meeting shall stand adjourned to a date not less than two (2) and not more than 30 days later, as may be determined by the Chair of the Meeting. No notice of the adjourned meeting shall be required and, if at such adjourned meeting a quorum is not present, the Shareholders present at the adjourned meeting in person or represented by proxy shall constitute a quorum for all purposes.
8. Each Share entitled to be voted at the Meeting will entitle the holder to one vote at the Meeting in respect of the Arrangement Resolution and any other matters to be considered at the Meeting.
9. The record date for Shareholders entitled to receive notice of and vote at the Meeting shall be the close of business on July 23, 2021 (the **"Record Date"**). Only Shareholders whose names have been entered on the register of Distinction as at the close of business on the Record Date will be entitled to receive notice of and to vote at the Meeting.
10. The Chair of the Meeting shall be the Chair of the Independent Committee. If no such person is present at the Meeting, the Chair of the Meeting shall be determined in accordance with the applicable provisions of the by-laws of the Applicant.

#### **Conduct of the Meeting**

11. The Meeting shall be called, held and conducted in accordance with the applicable provisions of the CBCA, the articles and by-laws of the Applicant in effect at the relevant time, the Information Circular, the rulings and directions of the Chair of the Meeting, this Order and any further Order of this Court. To the extent that there is any inconsistency or discrepancy between this Order and the CBCA or the articles or by-laws of the Applicant, the terms of this Order shall govern.
12. The only persons entitled to attend the Meeting shall be:
  - (a) Shareholders as at the Record Date or their authorized proxy holders, and their respective advisors;
  - (b) the scrutineer and its representatives for that purpose;
  - (c) the Applicant's directors, officers, legal counsel, advisors and auditors;

- (d) the Director;
  - (e) KRC and its legal counsel, financial advisors and representatives;
  - (f) representatives and legal counsel of persons subject to the Arrangement;
  - (g) the Supporting Distinction Securityholders and their respective advisors; and
  - (h) such other persons who may be permitted to attend by the Chair of the Meeting.
13. The number of votes required to pass the Arrangement Resolution shall be:
- (a) not less than 66 $\frac{2}{3}$ % of the votes cast by Shareholders present in person or represented by proxy at the Meeting, in the manner set forth in the Circular; and
  - (b) a simple majority of the votes cast on the Arrangement Resolution by the Shareholders present in person or represented by proxy at the Distinction Meeting after excluding the votes cast by those persons whose votes are required to be excluded in accordance with Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions.
14. To be valid, a proxy must be deposited with Distinction's transfer agent and registrar, Computershare Trust Company of Canada in the manner described in the Information Circular.
15. The accidental omission to: (i) give notice of the Meeting; or (ii) to distribute the Meeting Materials (as defined below), or the non-receipt of the notice or the Meeting Materials shall not invalidate any resolution passed or proceedings taken at the Meeting.
16. The Applicant is authorized to adjourn or postpone the Meeting on one or more occasions (whether or not a quorum is present) and for such period or periods of time as the Applicant deems advisable, without the necessity of first convening the Meeting or first obtaining any vote of the Shareholders in respect of the adjournment or postponement, provided that such adjournment or postponement is made in compliance with the Business Combination Agreement. Notice of such adjournment or postponement may be given by such method as the Applicant determines is appropriate in the circumstances. If the Meeting is adjourned or postponed in accordance with this Order, the references to the Meeting in this Order shall be deemed to be the Meeting as adjourned or postponed, as the context allows. No adjournment or postponement of the Meeting shall have the effect of modifying the Record Date for persons entitled to receive notice of or vote at the Distinction Meeting.

### **Amendments to the Arrangement**

17. The Applicant and KRC are authorized to make such amendments, revisions or supplements to the Arrangement as they may together determine necessary or desirable, provided that such amendments, revisions or supplements are made in accordance with and in the manner contemplated by the Arrangement and the Business Combination Agreement. The Arrangement so amended, revised or supplemented shall be deemed to be the Arrangement submitted to the Meeting and the subject of the Arrangement Resolution, without need to return to this Court to amend this Order.

### **Amendments to Meeting Materials**

18. The Applicant is authorized to make such amendments, revisions or supplements ("**Additional Information**") to the Information Circular, form of proxy ("**Proxy**"), notice of the Meeting ("**Notice of Meeting**"), form of letter of transmittal ("**Letter of Transmittal**") and notice of Originating Application ("**Notice of Originating Application**") as it may determine, provided such amendments, revisions or supplements are made in accordance with the Business Combination Agreement, including to change the venue of the Meeting to a virtual-only or hybrid format if required by public health measures related to the COVID-19 pandemic in force or expected to be in force at the time of the Meeting, and the Applicant may disclose such Additional Information, including material changes, by the method and in the time most reasonably practicable in the circumstances as determined by the Applicant. Without limiting the generality of the foregoing, if any material change or material fact arises between the date of this Order and the date of the Meeting, which change or fact, if known prior to mailing of the Information Circular, would have been disclosed in the Information Circular, then:
  - (a) the Applicant shall advise the Shareholders of the material change or material fact by disseminating a news release (a "**News Release**") in accordance with applicable securities laws; and
  - (b) provided that the News Release describes the applicable material change or material fact in reasonable detail, the Applicant shall not be required to deliver an amendment to the Information Circular to the Shareholders or otherwise give notice to the Shareholders of the material change or material fact other than dissemination and filing of the News Release as aforesaid.

### **Dissent Rights**

19. Registered Shareholders (each, a "**Registered Distinction Shareholder**") are, subject to the provisions of this Order and the Arrangement, accorded the right to dissent under section 190 of



the CBCA with respect to the Arrangement Resolution and the right be entitled to be paid the fair value of their Shares by KRC in respect of which such right to dissent was validly exercised and has not been withdrawn or deemed to have been withdrawn (the "**Dissent Entitlement**").

20. In order for a dissenting Registered Distinction Shareholder (a "**Dissenting Shareholder**") to exercise such right to dissent under section 190 of the CBCA:

- (a) the Dissenting Shareholder's written objection to the Arrangement Resolution must be received by the Applicant, care of its solicitors Cassels Brock & Blackwell LLP, not later than 5:00 p.m. (Calgary time) on the day that is two business days immediately preceding the date that the Meeting, or any adjournment or postponement of the Meeting, is reconvened or held, as the case may be;
- (b) a Dissenting Shareholder shall, no later than the date on which it delivers its objection as contemplated by paragraph 20(a) herein, send the certificates representing the Shares in respect of which the Dissenting Shareholder dissents to the Applicant or its transfer agent;
- (c) a vote against the Arrangement Resolution, whether in person or by proxy, shall not constitute a written objection to the Arrangement Resolution as required under clause 20(a) herein;
- (d) a Dissenting Shareholder shall not have voted his or her Shares at the Meeting, either by proxy or in person, in favour of the Arrangement Resolution;
- (e) a Dissenting Shareholder may dissent only with respect to all of the Shares held by such Dissenting Shareholder, or on behalf of any one beneficial owner and registered in the Dissenting Shareholder's name and, except in respect of a dissent of all of the Shares held in respect of a beneficial owner, a Dissenting Shareholder shall not exercise the right of dissent in respect of only a portion of the Dissenting Shareholder's Shares; and
- (f) the exercise of such right to dissent must otherwise comply with the requirements of section 190 of the CBCA, as modified and supplemented by this Order and the Arrangement.

21. The fair value of the consideration to which a Dissenting Shareholder is entitled under the Dissent Entitlement shall be determined as of the close of business on the last business day before the day on which the Arrangement Resolution is approved by the Shareholders and provided that the Arrangement is completed in respect of the Shareholders. The Dissent Entitlement shall be dealt with as contemplated by the Arrangement and this Order.

22. Dissenting Shareholders who validly exercise their right to dissent, as set out in paragraphs 19 and 20 above, and who:
- (a) are determined to be entitled to be paid the fair value of their Shares, shall be deemed to have transferred such Shares as of the completion of the transfer under section 3.1(a) of the Arrangement (the “**Dissent Effective Time**”), without any further act or formality and free and clear of all liens, claims and Encumbrances to KRC in exchange for the Dissent Entitlement; or
  - (b) are, for any reason (including, for clarity, any withdrawal or deemed withdrawal by any Dissenting Shareholder of their dissent) determined not to be entitled to be paid the fair value for their Shares shall be deemed to have participated in the Arrangement on the same basis as a non-dissenting Shareholder and such Shares will be deemed to be exchanged for the consideration under the Arrangement,
- but in no event shall the Applicant, KRC or any other person be required to recognize such Shareholders as holders of Shares after the Dissent Effective Time, and the names of such Shareholders shall be removed from the register of Shares.
23. Subject to further order of this Court, the rights available to Shareholders under the CBCA and the Arrangement to dissent from the Arrangement Resolution shall constitute full and sufficient dissent rights for the Shareholders with respect to the Arrangement Resolution.
24. Notice to the Shareholders of their right to dissent with respect to the Arrangement Resolution and to receive, subject to the provisions of the CBCA and the Arrangement, the fair value of the consideration to which a Dissenting Shareholder is entitled pursuant to the Arrangement shall be sufficiently given by including information with respect to this right as set forth in the Information Circular which is to be sent to Shareholders in accordance with paragraph 25 of this Order.

#### **Notice**

25. The Information Circular, substantially in the form attached as Exhibit "A" to the Affidavit, with such amendments thereto as counsel to the Applicant may determine necessary or desirable (provided such amendments are not inconsistent with the terms of this Order), and including the Notice of the Meeting, the Proxy, the Notice of Originating Application, the Originating Application and this Order, together with any other communications or documents determined by the Applicant to be necessary or advisable, including the Letter of Transmittal (collectively, the “**Meeting Materials**”), shall be sent to those Shareholders who hold Shares, as of the Record Date, the directors of the Applicant, the auditors of the Applicant, and the Director by one or more of the following methods:

- (a) in the case of registered Shareholders, by pre-paid first class or ordinary mail, by courier or by delivery in person, addressed to each such holder at his, her or its address, as shown on the books and records of the Applicant as of the Record Date not later than 21 days prior to the Meeting;
  - (b) in the case of non-registered Shareholders, by providing sufficient copies of the Meeting Materials to intermediaries (or their agents), in accordance with National Instrument 54 - 101 - Communication With Beneficial Owners of Securities of a Reporting Issuer;
  - (c) in the case of the directors and auditors of the Applicant, by email, pre-paid first class or ordinary mail, by courier or by delivery in person, addressed to the individual directors or firm of auditors, as applicable, not later than 21 days prior to the date of the Meeting; and
  - (d) in the case of the Director, by facsimile, electronic mail or other electronic means, by courier or by delivery in person, addressed to the Director not later than 21 days prior to the date of the Meeting.
26. Delivery of the Meeting Materials in the manner directed by this Order shall be deemed to be good and sufficient service upon the Shareholders, the directors and auditors of the Applicant and the Director of every document contained in the Meeting Materials.

#### **Final Application**

27. Subject to further order of this Court, and provided that the conditions precedent in the Business Combination Agreement have been satisfied or waived, Shareholders have approved the Arrangement in the manner directed by this Court and the directors of the Applicant and the directors of KRC have not revoked their approval, the Applicant may proceed with an application for a final Order of the Court approving the Arrangement (the "**Final Order**") on August 31, 2021 at 10:00 a.m. (Calgary time) or so soon thereafter as counsel may be heard. Subject to the Final Order, the issuance of the certificate of arrangement, the Applicant, all Shareholders and all other persons affected will be bound by the Arrangement in accordance with its terms.
28. Any Shareholder or other interested party (each an "**Interested Party**") desiring to appear and make submissions at the application for the Final Order is required to file with this Court and serve upon the Applicant, on or before 10:00 a.m. (Calgary time) on August 24, 2021, a notice of intention to appear ("**Notice of Intention to Appear**") including the Interested Party's address for service (or alternatively, a facsimile number for service by facsimile or an email address for service by electronic mail), indicating whether such Interested Party intends to support or oppose the application or make submissions at the application, together with a summary of the position such Interested Party intends to advocate before the Court, and any evidence or materials which

are to be presented to the Court. Service of this notice on the Applicant shall be effected by service upon the solicitors for the Applicant, Cassels Brock & Blackwell LLP, by e-mail or registered mail as follows:

Cassels Brock & Blackwell LLP  
Suite 3810, Bankers Hall West, 888 3rd Street SW  
Calgary, AB T2P 5C5 Canada

Attention: Jeffrey Oliver  
Email: joliver@cassels.com

29. In the event that the application for the Final Order is adjourned, only those parties appearing before this Court for the Final Order, and those Interested Parties serving a Notice of Intention to Appear in accordance with paragraph 28 of this Order, shall have notice of the adjourned date.

**Leave to Vary Interim Order**

30. The Applicant is entitled at any time to seek leave to vary this Order upon such terms and the giving of such notice as this Court may direct.

(signed) *"The Honourable Justice J.J. Gill"*

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Justice of the Court of Queen's Bench of Alberta

**APPENDIX E**  
**ATB FAIRNESS OPINION**

June 16, 2021

Special Committee of the Board of Directors  
Distinction Energy Corp.  
Suite 2300, 333 7 – Ave SW  
Calgary, Alberta  
T2P 2Z1

To the Special Committee of the Board of Directors of Distinction Energy Corp. (the "Special Committee"):

ATB Capital Markets Inc. ("ATBCM"), a wholly-owned subsidiary of ATB Financial Corp. understands that Distinction Energy Corp. ("Distinction") is considering entering into an arrangement agreement (the "Business Combination Agreement") with Kiwetinohk Resources Corp. ("KRC" and together with Distinction, the "Entities") pursuant to which KRC will acquire all of the issued and outstanding class A common shares of Distinction (the "Distinction Shares"), other than the Distinction Shares held by KRC, pursuant to a plan of arrangement under Section 192 of the *Canada Business Corporations Act* (the "Arrangement"). ATBCM understands that Distinction is majority owned by KRC, and KRC is majority owned by ARC Financial Corporation.

Under the Business Combination Agreement, the holders of Distinction Shares (the "Shareholders"), other than KRC, will receive 20.00 common shares in the capital of KRC (each, a "KRC Share") for each Distinction Share held (the "Exchange Ratio"), subject to the terms and conditions set forth in the Business Combination Agreement.

The above description is summary in nature. The specific terms and conditions of the Arrangement are more fully described in the Business Combination Agreement and other documents, including a joint management information circular and proxy statement of Distinction and KRC, to be provided to the Shareholders and the shareholders of KRC in connection with a special meeting of Shareholders to consider and, if deemed advisable, approve the Arrangement and a special meeting of shareholders of KRC with respect to the consideration of certain corporate transactions and matters required to effect the Arrangement.

ATBCM further understands that the Special Committee wishes to consider and evaluate the Arrangement and has retained ATBCM to provide independent advice and assistance in, among other things, evaluating the Arrangement, including the preparation and delivery to the Special Committee of ATBCM's opinion as to the fairness, from a financial point of view, of the Exchange Ratio to the Shareholders, other than KRC, pursuant to the Arrangement (the "Fairness Opinion").



## ENGAGEMENT OF ATB CAPITAL MARKETS BY DISTINCTION

ATBCM was formally engaged by Distinction regarding a financial advisory assignment pursuant to an engagement agreement dated April 1, 2021 (the “Engagement Agreement”). Under the terms of the Engagement Agreement, ATBCM agreed to provide the Special Committee with various advisory services including, if requested by the Special Committee, the provision of this Fairness Opinion.

The Engagement Agreement provides that ATBCM will receive a fixed advisory fee for rendering the Fairness Opinion, which is payable on delivery of the Fairness Opinion regardless of the conclusions reached. The Engagement Agreement also provides that Distinction will reimburse ATBCM for its reasonable out-of-pocket expenses and will, in certain circumstances, indemnify ATBCM against certain expenses, losses, damages and liabilities incurred in connection with the provision of its advisory services.

Subject to the terms of the Engagement Agreement, ATBCM consents to the distribution of this Fairness Opinion to the Shareholders in a form acceptable to ATBCM. This Fairness Opinion may not be summarized, published, reproduced, disseminated, quoted from or referred to without the express written consent of ATBCM.

## CREDENTIALS OF ATB CAPITAL MARKETS

ATBCM is a Canadian investment banking firm with operations in a broad range of investment banking activities, including corporate finance, mergers and acquisitions, equity sales and trading, and investment research. ATBCM and its senior investment banking professionals have participated in a significant number of transactions involving public and private companies and have extensive experience in preparing valuations and fairness opinions.

This Fairness Opinion is the opinion of ATBCM and its form and content have been approved by a committee of senior investment banking professionals of ATBCM, each of whom is experienced in merger, acquisition, divestiture, valuation and fairness opinion matters.

## INDEPENDENCE OF ATB CAPITAL MARKETS

Neither ATBCM, nor any of its affiliates or associates is an insider, associate or affiliate (as those terms are defined in the *Securities Act* (Alberta)) of Distinction or KRC, or any of their respective associates, affiliates and or controlling entities (collectively, the “Interested Parties”). Neither ATBCM nor any of its affiliates or associates is an advisor to any Interested Party in respect of the Arrangement, other than to the Special Committee pursuant to the Engagement Agreement. ATB Financial, the parent company of ATBCM, is a corporate lender to both Distinction and KRC. ATBCM has, in the past 24 months, provided certain ordinary course advisory and/or investment banking services to Distinction, including acting as the: (i) sole agent in connection with its brokered private placement of special warrants completed in February, 2021, (ii) financial advisor to Distinction with respect to its acquisition of assets in the Simonette area of Alberta in February 2021, and (iii) agent and financial advisor to Distinction in connection with its recapitalization transaction completed in November 2019.

Other than as set forth above, or that may arise as a result of the Engagement Agreement, there are no understandings or agreements between ATBCM and any of the Interested Parties with respect to future financial advisory or investment banking business. ATBCM may in the future, in the ordinary course of its business, perform financial advisory or investment banking services for any of the Interested Parties. ATB Financial may provide, in the future, in the ordinary course of business, banking services including loans to the Entities or any other Interested Party.

ATBCM acts as a trader and dealer, both as principal and agent, in major financial markets and, as such, may have and may in the future have positions in the securities of one or more of the Interested Parties and, from time to time, may have executed or may execute transactions on behalf of one or more of the Interested Parties or other clients for which it may have received or may receive compensation. As an investment dealer, ATBCM conducts research on securities and may, in the ordinary course of its business, provide research reports and investment advice to its clients on investment matters, including matters with respect to the Arrangement, or any of the Interested Parties.

The fees payable to ATBCM in connection with the foregoing, and including the Engagement Agreement and this Fairness Opinion, are not financially material to ATBCM.

## SCOPE OF REVIEW

In considering the fairness, from a financial point of view, of the Exchange Ratio to Shareholders (other than KRC), ATBCM principally considered and relied upon the following approaches: (i) respective development models provided by management of both Entities, (ii) reserve analysis and net asset value analysis of each Entity; (iii) selected relevant peer trading comparisons, (iv) selected relevant precedent transactions, and (v) other quantitative and qualitative measures expected to benefit the pro forma entity, including relative contribution of Distinction and KRC across a number of financial measures.

In connection with this Fairness Opinion, ATBCM has reviewed and relied upon (without attempting to independently verify the completeness or accuracy of) or carried out, among other things, the following:

- a) The most recent draft of the Business Combination Agreement,
- b) Certain financial, operating, corporate and other non-public information prepared by, or provided on behalf of, both Entities,
- c) Certain publicly available information relating to the business, operations and financial condition of the Entities and select public companies ATBCM considered relevant,
- d) Certain summaries of oil and gas reserves effective December 31, 2020 prepared in accordance with National Instrument 51-101 - *Standards of Disclosure for Oil and Gas Activities* for each of the Entities by their respective independent qualified reserve evaluators,

- e) Additional internal operating and financial modeling, forecasts, projections, estimates and budgets prepared by, or provided on behalf of, the Entities,
- f) Audited consolidated financial statements of each Entity and related management discussion and analysis for Distinction for the year ended December 31, 2020,
- g) Unaudited interim financial statements for the Entities and related management discussion and analysis of each of the Entities for the financial quarter ended March 31, 2021,
- h) Distinction's annual information form for the year ended December 31, 2020,
- i) Distinction's information circular and proxy statement dated July 29, 2020 with respect to its meeting of certain creditors to consider a plan of compromise and arrangement under the *Companies' Creditors and Arrangement Act* (Canada) and the *Canada Business Corporations Act*,
- j) Distinction's information circular and proxy statement dated October 11, 2019 with respect to its meeting of holders of 10% senior secured notes and special meeting of shareholders to consider a plan of arrangement under the *Canada Business Corporations Act*,
- k) Discussions with senior management of Distinction and the Board of Directors of Distinction with respect to the information referred to above, Distinction's current stand-alone business plan, financial condition and prospects, and other information considered relevant,
- l) Discussions with Distinction's legal counsel,
- m) Various representations contained in a certificate dated June 16, 2021 hereof from senior officers of KRC and a Director and officer of Distinction as to the completeness and accuracy of the information upon which this Fairness Opinion is based,
- n) Selected relevant reports published by equity research analysts and industry sources regarding comparable oil and gas producer companies,
- o) Certain pro forma financial, operational, corporate and other information concerning KRC following completion of the Arrangement, that was prepared or provided by the management of KRC and Distinction, including internal operating and financial projections,
- p) Public information with respect to certain other transactions of a comparable nature considered relevant,
- q) Public information regarding the Canadian oil and gas industry, and
- r) Such other corporate, industry, and financial market information, investigations and analysis as ATBCM considered necessary or appropriate in the circumstances.

ATBCM has not, to the best of our knowledge, been denied access by the Entities to any information requested by ATBCM. ATBCM did not meet with the auditors of the Entities and has assumed the accuracy, completeness and fair presentation of and has relied upon, without independent

verification, the audited financial statements of the Entities and the reports of the auditors thereon. Further, ATBCM did not meet with the independent reserve evaluators of Distinction or KRC and has assumed the accuracy and fair presentation of the reserve summaries of the Entities.

## **ASSUMPTIONS, LIMITATIONS AND QUALIFICATIONS**

This Fairness Opinion is subject to the assumptions, limitations and qualifications set out below.

With the Special Committee's acknowledgement and agreement as provided for in the Engagement Agreement, ATBCM relied upon the accuracy, completeness and fair presentation of all data and other information obtained by it from public sources, provided to it by or on behalf of the Entities, or otherwise obtained by ATBCM, and this Fairness Opinion is conditional upon the accuracy, completeness and fair presentation of such information. Subject to the exercise of professional judgment, and except as expressly described herein, ATBCM has not attempted to verify independently the accuracy, completeness or fair presentation of any of such information. Senior officers of KRC and Directors of Distinction have represented to ATBCM, in certificates delivered as at June 16, 2021, among other things, that the information, data, budgets, company generated reports, evaluations, representations and other material, financial or otherwise, verbal or written, (collectively, the "Information") provided to ATBCM by or on behalf of such Entity was true and correct, in all material respects, as at the date the Information was so provided and that, since the date the Information was provided, there has been no material change, financial or otherwise, in the financial position, assets, liabilities (contingent or otherwise), business, operations or prospects of the applicable Entity or any of its subsidiaries, and there has been no change of any material fact, or omission to state a material fact, so as to render the Information, taken as a whole, untrue or misleading in any material respect.

With respect to the budgets, forecasts, projections or estimates of the Entities provided to ATBCM and used in its analyses, ATBCM notes that projected future results are inherently subject to uncertainty. ATBCM has assumed, however, that such budgets, forecasts, projections and estimates were prepared using the assumptions identified therein which ATBCM has been advised are (or were at the time of preparation and continue to be), in the opinion of the senior officers of each of the Entities, as applicable, reasonable in the circumstances. ATBCM expresses no independent view as to the reasonableness of such budgets, forecasts, projections and estimates or the assumptions upon which they are based.

In preparing this Fairness Opinion, ATBCM has made several assumptions, including that all final or executed versions of documents will conform in all material respects to the drafts provided to ATBCM, all conditions to the Arrangement can and will be satisfied in due course, all consents, permissions, exemptions or orders of relevant regulatory authorities or third parties will be obtained, without adverse conditions or qualifications, the procedures being followed to implement the Arrangement are valid and effective and comply in all material respects with all applicable laws. An information circular will be distributed to the Shareholders in accordance with all applicable laws, and the disclosure in the information circular will be accurate, in all material respects, and will comply, in all material respects, with the requirements of all applicable laws. In its analysis in connection with the

preparation of this Fairness Opinion, ATBCM made numerous assumptions with respect to industry performance, general business and economic conditions, and other matters, many of which are beyond the control of the Entities, or their respective affiliates. Among other things, ATBCM has assumed the accuracy, completeness and fair presentation of and has relied upon, without independent verification, the financial statements forming part of the Information.

In rendering this Fairness Opinion, ATBCM expresses no view as to the likelihood that the conditions respecting the Arrangement will be satisfied or waived or that the Arrangement will be implemented within the time frame anticipated by the Entities. ATBCM has also assumed that all of the representations and warranties contained in the Business Combination Agreement are true and correct, in all material respects, as of the date hereof.

ATBCM was not asked to prepare, and has not prepared, a formal valuation or appraisal of the securities or assets of Distinction or any of its affiliates, or of KRC, and the Fairness Opinion should not be construed as such. This Fairness Opinion has been provided for the use of the Special Committee and is not intended to be, and does not constitute, a recommendation that any Shareholder should vote in favour or otherwise approve of matters related to the Arrangement, or that any holder of securities convertible or exercisable into Distinction Shares should convert or exercise such securities. This Fairness Opinion may not be used or relied upon by any other person or for any other purpose without the express written consent of ATBCM. This Fairness Opinion does not address the relative merits of the Arrangement as compared to other transactions or business strategies that might be available to Distinction, nor does it address the underlying Distinction business decision to enter into the Business Combination Agreement. In considering the fairness, from a financial point of view of the Exchange Ratio to Shareholders, ATBCM considered the Arrangement from the perspective of Shareholders, other than KRC, generally and did not consider the specific circumstances of any particular Shareholder, including with regard to income tax considerations. Furthermore, this Fairness Opinion is not, and should not be construed as, advice as to the price at which the securities of any of the Entities, including KRC may trade or their potential value at any future date.

ATBCM was not engaged to review any legal, tax or regulatory aspects of the Arrangement or the implementation thereof, and this Fairness Opinion does not address such matters. ATBCM has relied upon, without independent verification, the assessment by Distinction and its legal advisors with respect to such matters.

This Fairness Opinion is rendered as the date noted above on the basis of securities markets, economic and general business and financial conditions prevailing on that date and the condition and prospects, financial and otherwise, of the Entities, as they were reflected in the Information provided or otherwise available to ATBCM. Any changes therein may affect this Fairness Opinion and, although ATBCM reserves the right to update, change, supplement or withdraw this Fairness Opinion in such event, it disclaims any and all undertaking or obligation to advise any person of any such change that may come to its attention, or to change, supplement or withdraw this Fairness Opinion after the date hereof.

The preparation of a fairness opinion is a complex process and is not necessarily amenable to partial analysis or summary description. ATBCM believes that its analyses must be considered in totality and that selecting portions of the analyses or the factors considered by it, without considering all factors and analyses together as a whole, could create an incomplete view of the process underlying this Fairness Opinion. Accordingly, this Fairness Opinion should be read in its entirety.

#### **FAIRNESS OPINION CONCLUSION**

Based upon and subject to the foregoing, ATBCM is of the opinion that, as of the date hereof, the Exchange Ratio is fair, from a financial point of view, to the Shareholders (other than KRC).

This Fairness Opinion may be relied upon by the Special Committee for the purposes of considering the Arrangement, but may not be used or relied upon by any other person, or for any other purpose, without the express prior written consent of ATBCM, except as otherwise provided herein.

Yours very truly,

*ATB Capital Markets Inc.*

ATB CAPITAL MARKETS INC.



**APPENDIX F**  
**PETERS & CO. FAIRNESS OPINION**



2300 Jamieson Place  
308 Fourth Avenue SW  
Calgary, AB T2P 0H7  
Tel: (403) 261 - 4850  
www.petersco.com

June 17, 2021

Kiwetinothk Resources Corp.  
250 2 Street SW  
Calgary, Alberta T2P 0C1

**Attention: The Board of Directors of Kiwetinothk Resources Corp.**

Dear Mesdames / Sirs:

Peters & Co. Limited ("**Peters & Co.**", "**we**", "**our**" or "**us**") understands that Kiwetinothk Resources Corp. ("**Kiwetinothk**") and Distinction Energy Corp. ("**Distinction**") propose to enter into an agreement to be dated on or about June 28, 2021 (the "**Business Combination Agreement**"). The Business Combination Agreement contemplates, among other things, the acquisition by Kiwetinothk of all of the issued and outstanding common shares of Distinction ("**Distinction Shares**") that Kiwetinothk does not already own in exchange for common shares of Kiwetinothk ("**Kiwetinothk Shares**"), by way of plan of arrangement of Distinction under the provisions of the *Canada Business Corporations Act* (Canada) (the "**Arrangement**").

Peters & Co. understands that, pursuant to the Arrangement, holders of Distinction Shares (other than Kiwetinothk) will receive, for each Distinction Share held, 20.0 Kiwetinothk Shares (the "**Exchange Ratio**"). The Arrangement is subject to the terms and conditions of the Business Combination Agreement, including receipt of all applicable approvals. The terms and conditions of the Arrangement will be more fully described and summarized in the joint management information circular of Kiwetinothk and Distinction to which this Fairness Opinion (defined below) will be appended. Capitalized terms not otherwise defined herein shall have the meaning ascribed thereto in the Business Combination Agreement.

Peters & Co. understands that all directors and senior officers of both Kiwetinothk and Distinction who hold Kiwetinothk Shares or Distinction Shares, as applicable, as well as certain shareholders, have agreed to enter into support agreements (collectively, the "**Support Agreements**") pursuant to which they will agree to, among other things, vote the Kiwetinothk Shares and Distinction Shares, as applicable, beneficially owned or controlled by them in favour of the Arrangement.

**Engagement of Peters & Co.**

Peters & Co. was formally engaged by Kiwetinothk pursuant to an engagement agreement dated April 1, 2021 (the "**Engagement Agreement**") to provide certain financial advisory services, including, but not limited to, the potential preparation and provision of a fairness opinion to the board of directors of Kiwetinothk (the "**Board**") concerning the possible transaction between Kiwetinothk and Distinction. This opinion (the "**Fairness Opinion**") as to the fairness, from a financial point of view, of the Exchange Ratio pursuant to the Arrangement is provided pursuant to the Engagement Agreement.

Pursuant to the terms of the Engagement Agreement, Peters & Co. has not been engaged to prepare a formal valuation of any of the shares, options, performance warrants, capital warrants, assets, liabilities, business divisions or other securities involved in the Arrangement and this Fairness Opinion should not be construed as such. However, Peters & Co. has performed financial analyses which we considered to be appropriate and necessary in the circumstances and such analyses support the conclusions reached in this Fairness Opinion. The terms of the Engagement Agreement provide that Peters & Co. is to be paid fees for its services as financial advisor, including: (i) a fixed fee that is payable for this Fairness Opinion that is not

conditional on completion of the Arrangement; and (ii) a fee that is payable upon the successful completion of the Arrangement. Kiwetinohk has also agreed to reimburse Peters & Co. for certain out-of-pocket expenses and to indemnify Peters & Co. in respect of certain liabilities which may be incurred by it in connection with the use of this Fairness Opinion by Kiwetinohk and the Board.

### **Qualifications of Peters & Co.**

Peters & Co. is an independent, fully-integrated investment dealer headquartered in Calgary, Alberta, Canada. The firm specializes in investments in the Canadian energy industry. Peters & Co. was founded in 1971 and is a participating member of the Toronto Stock Exchange, the TSX Venture Exchange, the Canadian Securities Exchange, the Investment Industry Regulatory Organization of Canada, the Investment Industry Association of Canada and the Canadian Investor Protection Fund. Peters & Co. Equities Inc., a wholly-owned subsidiary of Peters & Co., is a member of the Financial Industry Regulatory Authority, the Securities Investor Protection Corporation and the Securities Industry and Financial Markets Association in the United States.

Peters & Co. provides investment services to institutional investors and individual private clients; employs its own sales and trading group; conducts specialized and comprehensive investment research on the energy industry; and is an active underwriter for, and financial advisor to, companies active in the Canadian and international energy industry. Peters & Co. and its principals have participated in a significant number of transactions involving energy companies in Canada and internationally and have acted as financial advisor in a significant number of transactions involving evaluations of, and opinions for, private and publicly-traded companies.

The opinion expressed herein is the opinion of Peters & Co. as a firm. This Fairness Opinion has been reviewed and approved for release by certain senior corporate finance principals of Peters & Co., all of whom are experienced in merger, acquisition, divestiture, valuation and fairness opinion matters.

### **Relationship of Peters & Co. with Interested Parties**

Neither Peters & Co. nor any of its affiliates or associates is an insider, associate or affiliate (as those terms are defined in the *Securities Act* (Alberta)) of Kiwetinohk or Distinction. Neither Peters & Co. nor any of its affiliates is acting as an advisor to Kiwetinohk or Distinction in connection with any matter, other than acting as a financial advisor to Kiwetinohk pursuant to the Engagement Agreement and the advisory mandate detailed below.

Peters & Co. acts as a trader and dealer, both as principal and as agent, in major financial markets and as such has had, or may have, positions in the securities of Kiwetinohk and/or Distinction from time to time and has executed, or may execute, transactions in the securities of Kiwetinohk and/or Distinction for which it receives compensation. In addition, as an investment dealer, Peters & Co. conducts research on securities and may, in the ordinary course of its business, be expected to provide investment advice to its clients on investment matters, including in respect of the Kiwetinohk Shares, Distinction Shares and/or the Arrangement. There are no understandings, agreements or commitments between Peters & Co. and either Kiwetinohk or Distinction with respect to future business dealings other than detailed below. In the course of the past two years prior to delivery of this Fairness Opinion, Peters & Co. has, with respect to Kiwetinohk:

- i. acted as advisor in a private placement of subscription receipts and common shares completed in May 2021; and
- ii. has been engaged as an advisor in respect of a confidential advisory mandate pursuant to an engagement agreement dated November 30, 2020.

## Scope of Review

In connection with rendering this Fairness Opinion, Peters & Co. has reviewed and relied upon, among other things, the following:

- (i) the most recent draft Business Combination Agreement and Plan of Arrangement;
- (ii) the most recent draft of the Support Agreements;
- (iii) historical audited financial statements of Kiwetinohk and accompanying management's discussion and analysis for the years ended December 31, 2019 and 2020;
- (iv) the unaudited interim report, financial statements and management's discussion and analysis of Kiwetinohk for the quarter ended March 31, 2021;
- (v) historical audited financial statements of Distinction and accompanying management's discussion and analysis for the years ended December 31, 2019 and 2020;
- (vi) the unaudited interim report, financial statements and management's discussion and analysis of Distinction for the quarter ended March 31, 2021;
- (vii) the reports prepared by McDaniel & Associates Consultants Ltd. ("McDaniel") evaluating the oil, natural gas and natural gas liquids reserves of Kiwetinohk as at December 31, 2020;
- (viii) the reports prepared by GLJ Petroleum Consultants Ltd. ("GLJ") and McDaniel evaluating the oil, natural gas and natural gas liquids reserves of Distinction as at December 31, 2020;
- (ix) certain public disclosure by Distinction as filed on the System for Electronic Document Analysis and Retrieval to the date hereof;
- (x) certain internal financial and reserves information and forecasts for Kiwetinohk and Distinction, prepared by the management teams of Kiwetinohk and Distinction;
- (xi) discussions with senior management and directors of Kiwetinohk and Distinction relating to Kiwetinohk and Distinction's current business, plans, financial condition and prospects;
- (xii) information obtained in various due diligence discussions with the senior management and certain other employees of Kiwetinohk and Distinction; and
- (xiii) certain confidential financial, operational, legal, corporate and other information prepared by or provided by the senior management of Kiwetinohk and Distinction that was requested by Peters & Co. and/or Kiwetinohk and/or Distinction (including legal and financial advisors of Kiwetinohk and Distinction).

In addition to the information detailed above, Peters & Co. has:

- (i) reviewed certain publicly available information pertaining to current and expected future oil and natural gas prices, energy services activity levels and other economic factors;
- (ii) reviewed and considered capital market conditions, both current and expected, for the energy industry in general, for selected energy companies operating in similar jurisdictions, and for Kiwetinohk and Distinction specifically;
- (iii) reviewed public information with respect to other transactions of a comparable nature considered by Peters & Co. to be relevant;
- (iv) reviewed the operating and financial performance and business characteristics of Kiwetinohk and Distinction relative to the performance and characteristics of select energy companies operating in similar jurisdictions;
- (v) received representations contained in certificates addressed to us from certain senior officers and directors of Kiwetinohk and Distinction as to the completeness and accuracy of the information upon which this Fairness Opinion is based; and
- (vi) reviewed other financial, trading, securities market and industry information and carried out such other analyses and investigations as Peters & Co. considered necessary and appropriate in the circumstances.

Peters & Co. was granted access by Kiwetinohk to its senior management, the Board and legal advisors, was granted access by Distinction to their respective senior management teams and was, to the best of our knowledge, provided with all material information related to Kiwetinohk and Distinction.

### **Assumptions and Limitations**

This Fairness Opinion is rendered on the basis of securities market, economic and general business and financial conditions prevailing as at the date hereof and the condition and prospects, financial and otherwise, of Kiwetinohk and Distinction as reflected in the information and documents reviewed by us and as represented to us in our discussions with the senior management of Kiwetinohk and Distinction. In our analyses, numerous assumptions were made with respect to industry performance, general business and economic conditions and other matters, many of which are beyond the control of any party involved.

Peters & Co. has assumed and relied upon the accuracy, completeness and fair presentation of all of the financial and other information, data, advice, other materials, representations and opinions (the “**Disclosure**”) obtained by us from public sources or received from Kiwetinohk and Distinction or their respective consultants or advisors or otherwise pursuant to our engagement, and this Fairness Opinion is conditional upon such completeness, accuracy and fairness. Peters & Co. has not attempted to verify independently the accuracy or completeness of any such Disclosure.

The Arrangement is subject to a number of conditions outside the control of Kiwetinohk and Distinction and we have assumed that all conditions precedent to the completion of the Arrangement can be satisfied in due course and in a reasonable amount of time and all consents, permissions, exemptions or orders of regulatory authorities will be obtained, without adverse conditions or qualifications. In rendering this Fairness Opinion, we express no views as to the likelihood that the conditions with respect to the Arrangement will be satisfied or waived or that the Arrangement will be implemented within the timeframe

indicated in the Business Combination Agreement. This Fairness Opinion does not constitute a recommendation as to whether any holders of Kiwetinohk Shares should vote in favour of the Arrangement.

Certain senior officers and directors of Kiwetinohk and Distinction have represented to us in certificates dated the date hereof that, among other things, the information, data, budgets, company generated reports, evaluations, representations and other material, financial or otherwise (collectively, the “**Information**”) provided to us on behalf of Kiwetinohk and Distinction, as applicable, is true and correct in all material respects when taken together at either the date of such Information or the date such Information was provided, and that since the date of the provision of such Information, there has been no material change, financial or otherwise, in the financial condition, assets, liabilities (contingent or otherwise), business, operations or prospects of Kiwetinohk and Distinction or any of Kiwetinohk and Distinction’s subsidiaries (taken as a whole), as applicable, and there has been no change of any material fact which is of a nature so as to render such Information, taken as a whole, untrue or misleading in any material respect. With respect to any forecasts and projections included in the Information provided to Peters & Co. and used in our analyses, we have assumed that they have been reasonably prepared and reflect the best currently available estimates and judgments of the senior management of Kiwetinohk and Distinction as to the matters covered thereby, and in rendering the Fairness Opinion, we express no view as to the reasonableness of such forecasts or projections or the assumptions on which they are based.

### **Fairness Opinion and Reliance**

Based upon and subject to all of the foregoing, Peters & Co. is of the opinion that, as of the date hereof, and subject to the assumptions, qualifications and limitations contained herein, the Exchange Ratio is fair, from a financial point of view, to Kiwetinohk.

This Fairness Opinion may be relied upon by the Board solely for the purposes of considering the Arrangement and its recommendation to the holders of Kiwetinohk Shares with respect to the Arrangement and may not be published, reproduced, disseminated, quoted from, or referred to, in whole or in part, or be used or relied upon by any person, or for any other purpose, without our express prior written consent, except that a copy of this letter, in its entirety, together with a summary of the opinion in a form acceptable to Peters & Co., may be included in the documents prepared and delivered to the holders of Kiwetinohk Shares in connection with the Arrangement.

Yours truly,

(signed) “*Peters & Co. Limited*”

**PETERS & CO. LIMITED**

## APPENDIX G INFORMATION CONCERNING DISTINCTION ENERGY CORP.

### Notice to Reader

Unless the context indicates otherwise, capitalized terms which are used in this Appendix G and not otherwise defined in this Appendix G have the respective meanings given to such terms under the heading "*Glossary of Terms*" in this Information Circular.

### Forward-Looking Statements

Certain statements contained in this Appendix G, and in certain documents incorporated by reference in this Appendix G, constitute forward-looking statements or information (collectively, "**forward-looking statements**") within the meaning of Applicable Canadian Securities Laws. Such forward-looking statements relate to future events or Distinction's future performance. See "*Forward-Looking Statements*" in this Information Circular. Readers should also carefully consider the matters and cautionary statements discussed under the heading "*Risk Factors*" in this Appendix G, the Distinction AIF and the Distinction Annual MD&A.

### General

Distinction was formed on November 15, 2019 by articles of incorporation under the CBCA as "Delphi Energy Corp." On December 22, 2020 Distinction changed its name to "Distinction Energy Corp.". Pursuant to the implementation on October 16, 2020 of Distinction's plan of compromise and arrangement pursuant to the CCAA and the CBCA, Distinction amended its articles to, among other things, create its class of class A common shares and to provide that until such time as the shares of Distinction are listed on an exchange approved by the Distinction Board, no shares may be transferred without the approval of the Distinction Board. On November 26, 2019, pursuant to a recapitalization transaction agreement with Luminus and voting support agreements with all of Distinction's officers and directors, Distinction amended its articles to consolidate its common shares on a fifteen to one basis pursuant to a plan of arrangement under the CBCA. Prior to the implementation of such plan of arrangement, on November 15, 2019, Distinction was continued under the CBCA from the ABCA and adopted new by-laws consistent with the provisions of the CBCA. Prior thereto, Distinction was formed under the ABCA through the amalgamation of DT Energy Ltd. and Rise Energy Ltd. on June 19, 2003 pursuant to a plan of arrangement under the ABCA. On January 1, 2004, Distinction amalgamated with its wholly-owned subsidiaries, Murias Energy Corporation and Fish Creek Resources Inc., which it had acquired in 2003. On February 1, 2005, Distinction amalgamated with its wholly-owned subsidiary, Tercero Energy Inc., which it had acquired in 2004. On December 31, 2009, Distinction amalgamated with its wholly-owned subsidiary, Fairmount Energy Inc., and subsequently with its wholly-owned subsidiaries, FMTSK Energy Inc. and FMT Energy VI Inc., which had been acquired as part of Distinction's acquisition of Fairmount Energy Inc. in 2009.

Distinction is an oil and natural gas company based in Calgary, Alberta, focused on commercializing, developing and producing crude oil, natural gas and natural gas liquids from properties in the Fox Creek region of Alberta. Distinction's corporate office is in Calgary, Alberta, and its core properties are within the liquids rich gas regions of the Duvernay and Montney.

Distinction has one material wholly-owned subsidiary, Distinction Energy (Alberta) Ltd. (previously named Delphi Energy (Alberta) Ltd.), a corporation incorporated under the ABCA. Distinction and Distinction Energy (Alberta) Ltd. are the partners of Distinction Energy Partnership (previously named Delphi Energy Partnership), established on December 30, 2005 under the laws of the Province of Alberta.

The head office of Distinction is located at Suite 2300, 333 - 7<sup>th</sup> Avenue SW Calgary, Alberta, T2P 2Z1 and the registered and records office of Distinction is located at Suite 3810, Bankers Hall West, 888 - 3<sup>rd</sup> Street S.W., Calgary, Alberta, T2P 5C5.

### Recent Developments

#### *Business Combination Agreement*

On June 28, 2021, Distinction entered into the Business Combination Agreement with KRC, pursuant to which KRC proposes to, among other things, acquire all of the issued and outstanding Distinction Shares that KRC does not already own in exchange for KRC Shares by way of a plan of arrangement under section 192 of the CBCA. For a full description of the Business Combination and the Business Combination Agreement, see "*The Business Combination*" and "*Effect of the Business Combination*" in this Information Circular. Also see Appendix H – "*Information Concerning Kiwetinohk Resources Corp. and the Combined Company*".



### *Simonette Acquisition*

On April 28, 2021, Distinction closed, together with KRC, the \$335 million Simonette Acquisition (including \$15 million in potential contingent payments based on future commodity prices), comprised of certain interests in the Simonette area of northwest Alberta. The Simonette Acquisition consists of certain multi-zone, oil and liquids-rich natural gas producing assets in the Simonette area of Northwest Alberta, including associated infrastructure and additional assets in the Willesden Green, Ferrier and other areas of Alberta.

The purchase price was shared equally between Distinction and KRC, with each acquiring a 50% interest in the assets. Distinction's portion of the Simonette Acquisition was financed with cash on hand and the Distinction Credit Agreement, which is a relatively new \$127.5 million credit facility from a syndicate of lenders. The Distinction Credit Agreement amended and restated Distinction's existing credit facility in its entirety and included, among other amendments, the addition of a syndicated facility, the removal of the accordion feature and an extension of the maturity date to May 31, 2022. ATB acted as financial advisor to Distinction on the Simonette Acquisition. McDaniel acted as a strategic advisor to KRC on the Simonette Acquisition.

In connection with the closing of the Simonette Acquisition, and pursuant to the Settlement Agreement (as defined in the Distinction AIF):

- (a) Messrs. P. Eric Gallie and Shawn Singh resigned from the Distinction Board and were replaced with Messrs. Glenn Koach and Steven Sinclair;
- (b) 1266580 B.C. Ltd. (an affiliate of Luminus), KRC and Distinction entered into a participation agreement termination agreement, terminating the participation agreement entered into by such parties on October 16, 2020 in respect of the area of mutual interest described therein;
- (c) KRC, Distinction and Distinction Energy Partnership entered into the further amended and restated Distinction Management Services Agreement providing for the following amendments: (i) the timing of when fees are paid to KRC (in its capacity as manager) in respect of management assistance services was amended from commencing on the receipt of conditional approval for the listing and posting for trading of the Distinction Shares on a recognized exchange as is approved by the Distinction Board to the date of the amended and restated Distinction Management Services Agreement; and (ii) the term of the Distinction Management Services Agreement was increased to a period of five years from the date of the amended and restated Distinction Management Services Agreement, subject to earlier termination in certain circumstances and Distinction's ability to terminate such agreement was removed;
- (d) Luminus, KRC and Distinction entered into the further amended and restated Distinction Investor Agreement providing for the following amendments: (i) Luminus became entitled to select one director nominee to serve on the Distinction Board, who was initially Timothy Schneider, KRC became entitled to select two director nominees, who were initially Kevin Brown and Patrick Carlson, and Luminus and KRC agreed upon two independent directors, who were Messrs. Glenn Koach and Steven Sinclair, to serve in that capacity until the next meeting of the Distinction Shareholders at which directors of Distinction were to be elected (which occurred on June 10, 2021), and thereafter, the Distinction Board was reconstituted to be comprised of eight members consisting of three director nominees of KRC, who were initially Kevin Brown, Patrick Carlson, and Leland Corbett, two director nominees of Luminus, who were initially Timothy Schneider and P. Eric Gallie, and three independent directors selected by Luminus and KRC (being Beth Reimer-Heck, Steven Sinclair and Glenn Koach), which director nomination entitlements may be reduced if KRC or Luminus holds less than 20% of the then issued and outstanding Distinction Shares; (ii) the Distinction Board established a listing committee for the purposes of pursuing and completing the listing on a recognized exchange by the later of September 30, 2021 or the date unanimously determined by the listing committee (or failing unanimity, as determined by the Distinction Board); (iii) the officers of Distinction were those proposed by KRC's director nominees; (iv) certain consent rights of Luminus over fundamental actions of Distinction were removed such that Distinction will only require the prior consent of Luminus with respect to changing the composition of or the powers delegated to the listing committee, issuing additional securities or incurring any indebtedness other than indebtedness to be drawn down under the new credit facility; and (5) the provisions relating to the area of mutual interest, the restrictions on non-arm's length transactions and the reimbursement of certain expenses of KRC were removed; and
- (e) 1266580 B.C. Ltd. received an aggregate net \$10 million payment from Distinction (as to \$5.75 million) and KRC in connection with closing the transactions contemplated in the Settlement Agreement.

## Documents Incorporated by Reference

**Information has been incorporated by reference in this Information Circular, including this Appendix G, from documents filed with securities commissions or similar authorities in Canada.** Copies of the documents incorporated in this Information Circular by reference may be obtained from Distinction's website at [www.distinctionenergy.ca](http://www.distinctionenergy.ca) or without charge by request to Distinction Energy Corp., Suite 2300, 333 - 7<sup>th</sup> Avenue S.W., Calgary, Alberta, T2P 2Z1, attention: Chief Financial Officer. In addition, copies of the documents incorporated by reference herein may be obtained by accessing the disclosure documents available through the Internet on the SEDAR website at [www.sedar.com](http://www.sedar.com).

The following documents of Distinction are filed with the various securities commissions or similar authorities in the provinces of Canada and are specifically incorporated by reference in and form an integral part of this Information Circular:

- (a) the Distinction AIF;
- (b) the Distinction Financial Statements;
- (c) the Distinction Annual MD&A;
- (d) the Distinction Interim MD&A;
- (e) the Distinction AGM Circular;
- (f) the Statement of Reserves Data and Other Oil and Gas Information (Form 51-101F1) of Distinction filed on Distinction's SEDAR profile at [www.sedar.com](http://www.sedar.com) on April 16, 2021; and
- (g) the material change report of Distinction dated July 5, 2021 relating to the Business Combination.

Any documents of the type required by National Instrument 41-101 – *Short Form Prospectus Distributions* to be incorporated by reference in a short form prospectus, including any material change reports (excluding confidential reports), comparative interim financial statements, comparative annual financial statements and the auditor's report thereon, management's discussion and analysis of financial condition and results of operations, information circulars, annual information forms, marketing materials and business acquisition reports filed by Distinction with the securities commissions or similar authorities in Canada subsequent to the date of this Information Circular and before the Effective Date, are deemed to be incorporated by reference in this Information Circular, including this Appendix G.

**Any statement contained 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 Information Circular 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 Information Circular.**

## Consolidated Capitalization

There have been no material changes in the share and debt capital of Distinction on a consolidated basis since March 31, 2021 other than the issue of 265,331 Distinction Shares on June 14, 2021 and the separate issuance of 265,331 Distinction Shares on June 25, 2021 resulting from the conversion of an aggregate of 265,331 previously issued special warrants on a 1:1 basis as described elsewhere in this Information Circular.

See the Distinction Annual Financial Statements, the Distinction Annual MD&A and the Distinction Interim MD&A incorporated by reference in this Information Circular for additional information with respect to Distinction's consolidated capitalization.

## Description of Share Capital

Distinction is authorized to issue an unlimited number of Distinction Shares, and unlimited number of common shares and an unlimited number of preferred shares issuable in series. As of December 31, 2020, there were 6,088,724 Distinction Shares issued and outstanding. There are currently no issued and outstanding common shares or preferred shares of any series. As at the Distinction Record Date, there were 9,968,185 Distinction Shares issued and outstanding. The Distinction Shares have the following rights, privileges, restrictions and conditions:

**Voting Rights:** Distinction Shareholders are entitled to receive notice of, to attend and to vote at all meetings of shareholders and are entitled to one vote per Distinction Share held at such meetings.

**Dividends:** Distinction Shareholders are entitled to receive if, as and when declared by the Distinction Board, such dividends or other distributions as may be declared thereon by the Distinction Board from time to time.

**Ranking:** In the event of any voluntary or involuntary liquidation, dissolution or winding-up of Distinction or any other distribution of Distinction's assets among its shareholders for the purpose of winding-up its affairs, Distinction Shareholders are entitled to receive, on a pro rata basis the net assets of Distinction after payment of debts and other liabilities, in each case subject to the rights, privileges, restrictions and conditions attaching to any other series or class of shares ranking senior in priority to or on a pro rata basis with the holders of Distinction Shares with respect to dividends or liquidation.

**Subdivision, Consolidation, etc.:** If the Distinction Shares or common shares or preferred shares are at any time subdivided, consolidated, converted or exchanged for a greater or lesser number of shares of the same or another class, appropriate adjustment will be made in the rights and conditions attached to the Distinction Shares so as to maintain and preserve the relative rights of the Distinction Shareholders.

See "Description of Capital Structure" in the Distinction AIF, which is incorporated by reference in this Information Circular.

## Prior Sales

There have been no sales of Distinction Shares or securities convertible into Distinction Shares since the date of Distinction's AIF other than (i) the issue of 265,331 Distinction Shares at a price of \$15.00 per share on June 14, 2021, (ii) the issue of 265,331 Distinction Shares on June 25, 2021 resulting from the conversion of an aggregate of 265,331 previously issued special warrants on a 1:1 basis, and (iii) the issue of Distinction RSUs to its directors and officers in the ordinary course.

## Market for Securities

Distinction Shares are not currently traded or listed on a Canadian or foreign marketplace. They were previously listed and posted for trading on the TSX under the trading symbol "DEE". As a result of the commencement of Distinction's CCAA proceedings (described above), effective at close of trading on April 14, 2020, the TSX suspended Distinction's securities from trading and, after reviewing Distinction's eligibility for continued listing on the TSX of the securities of Distinction pursuant to Part VII of the TSX Company Manual, the TSX delisted Distinction's securities on May 21, 2020. The following table sets forth the market price ranges and the aggregate volume of trading of Distinction's shares (prior to cancellation pursuant to the CCAA Plan) on the TSX for the periods indicated:

Date	Price Range		Volume
	High (\$)	Low (\$)	
<b>2020</b>			
January	0.74	0.60	203,282
February	0.85	0.57	799,337
March	0.73	0.18	1,392,952
April	0.56	0.22	454,554

## Risk Factors

An investment in the securities of Distinction is subject to certain risks. Distinction Shareholders should carefully review and consider all other information contained in this Information Circular, including the risk factors described under the heading "Risk Factors". In addition, Distinction Shareholders should carefully consider the risk factors and cautionary statements contained in the Distinction AIF, the Distinction Annual MD&A and the Distinction Interim MD&A, each of which is incorporated by

reference herein. If any of the identified risks were to materialize, Distinction's business, financial position, results and/or future operations may be materially affected.

### Material Contracts

Other than as disclosed below and elsewhere in this Information Circular, during the 12 months prior to the date of this Information Circular, Distinction has not entered into any contracts, nor are there any contracts still in effect, that are material to Distinction's business, other than Contracts entered into in the ordinary course of business or that are listed in the Distinction AIF. See "*Material Contracts*" in the Distinction AIF, which is incorporated by reference in this Information Circular.

Additionally, the contracts that can reasonably be regarded as presently material to Distinction are the following:

- (a) the gas purchase agreement dated April 28, 2021 between KRC and Distinction; and
- (b) the liquids purchase agreement (Pembina Pipeline) dated April 28, 2021 between KRC and Distinction,

copies of which are filed in Distinction's SEDAR profile at [www.sedar.com](http://www.sedar.com).

### Auditors, Transfer Agent and Registrar

KPMG LLP, Distinction's auditor, is independent with respect to Distinction within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Alberta.

Computershare Trust Company of Canada, at its principal offices in Calgary, Alberta and Toronto, Ontario, is the transfer agent and registrar of the Distinction Shares.

### Interest of Informed Persons in Material Transactions

Except as otherwise disclosed in this Information Circular, there were no material interests, direct or indirect, of Distinction directors or executive officers, or any person who beneficially owns, directly or indirectly, or exercises control or direction over, more than 10% of the voting rights attached to the Distinction Shares, or any other Informed Person (as defined in National Instrument 51-102 – *Continuous Disclosure Obligations*) or any known associate or affiliate of such Persons, in any transaction since January 1, 2021, or in any proposed transaction, which has materially affected or would materially affect Distinction. See "*Interests of Certain Persons or Companies in the Business Combination – Distinction*" in this Information Circular.

### Ownership of Distinction Incentives

The table below sets forth the number of Distinction Incentives beneficially owned or controlled, directly or indirectly, as of July 14, 2021 by each of the executive officers of Distinction.

Name and Position	Number of Distinction Incentives held at July 14, 2021
Patrick Carlson President and Chief Executive Officer	1,912 Distinction RSUs <sup>(1)</sup>
Jakub Brogowski Chief Financial Officer	--
Sue Kuethe Executive Vice President, Land and Community Relations	--
Mike Hantzsch Senior Vice President, Midstream and Market Development	--
Glen Nevokshonoff Chief Operating Officer	--
Lisa Wong Vice President, Business Systems	--
Farid Shirkavand Vice President, Drilling	--
Mike Carlson Vice President, Completions	--

Tim Alberts  
Vice President, Production  
  
Morteza Nobakht  
Vice President, Development

--  
  
10,351 Distinction RSUs  
26,182 Distinction Options

**Note:**

- (1) The Distinction RSUs will be assigned to KRC. This and all other compensation received by Patrick Carlson for services provided to Distinction is directed to KRC.

**Interest of Experts**

The following persons, firms and companies are named as having prepared or certified a statement, report, valuation or opinion described or included herein directly or in a document incorporated by reference herein and whose profession or business gives authority to the statement, report, valuation or opinion, in each case with respect to Distinction:

- (a) KPMG LLP;
- (b) ATB;
- (c) GLJ; and
- (d) Cassels.

To the knowledge of Distinction, as of the date of this Information Circular, each of ATB, GLJ and Cassels owns beneficially, directly or indirectly, less than 1% of the outstanding securities of each class of securities of Distinction, KRC or any associate or affiliate of Distinction or KRC, as applicable.

**Additional Information**

Additional information relating to Distinction can be found on the SEDAR website at [www.sedar.com](http://www.sedar.com). Additional financial information is provided in the Distinction Annual Financial Statements, the Distinction Annual MD&A and the Distinction Interim MD&A, which are incorporated by reference in this Information Circular, including this Appendix G. See "*Documents Incorporated by Reference*" in this Appendix G.

Information contained in or otherwise accessible through Distinction's website does not form a part of this Information Circular and is not incorporated by reference in this Information Circular.

**Directors Approval**

The contents and distribution of this Information Circular have been approved by the Distinction Board.

**APPENDIX H**  
**INFORMATION CONCERNING KIWETINOHK RESOURCES CORP. AND THE COMBINED COMPANY**

## TABLE OF CONTENTS

<b>1. NOTICE TO READER .....</b>	<b>5</b>
<b>2. FORWARD-LOOKING STATEMENTS.....</b>	<b>5</b>
<b>3. CORPORATE STRUCTURE .....</b>	<b>5</b>
Name, Address and Incorporation.....	5
Corporate Structure.....	5
<b>4. DESCRIPTION OF THE BUSINESS.....</b>	<b>6</b>
Company Overview .....	6
Other Business Information .....	13
Three Year History .....	16
<b>5. RESERVES INFORMATION OF THE COMBINED COMPANY .....</b>	<b>17</b>
Disclosure of Reserves Data .....	17
KRC 2021 Pro Forma Reserves Report .....	18
Summary of Reserves (Forecast Prices and Costs) .....	18
Pricing Assumptions .....	21
Reserves Reconciliation.....	21
Additional Information Relating to Reserves Data .....	22
Other Oil and Natural Gas Information.....	25
<b>6. STATEMENT OF KRC RESERVES DATA .....</b>	<b>28</b>
Disclosure of Reserves Data .....	28
KRC 2020 Reserves Report .....	29
Summary of Reserves (Forecast Prices and Costs) .....	29
Pricing Assumptions.....	31
Reserves Reconciliation.....	32
Additional Information Relating to Reserves Data .....	32
Other Oil and Natural Gas Information.....	35
<b>7. SIGNIFICANT ACQUISITIONS.....</b>	<b>39</b>
Distinction Investments .....	39
Simonette Acquisition.....	39
Effect of Distinction Investments and Simonette Acquisition .....	40
<b>8. MANAGEMENT'S DISCUSSION AND ANALYSIS .....</b>	<b>40</b>
<b>9. SELECTED HISTORICAL FINANCIAL AND OPERATING INFORMATION.....</b>	<b>40</b>
<b>10. SELECTED <i>PRO FORMA</i> FINANCIAL INFORMATION .....</b>	<b>40</b>
<b>11. DIVIDENDS.....</b>	<b>41</b>
<b>12. DESCRIPTION OF CAPITAL STRUCTURE .....</b>	<b>42</b>
<b>13. CONSOLIDATED CAPITALIZATION .....</b>	<b>42</b>
<b>14. OPTIONS AND OTHER RIGHTS TO PURCHASE SECURITIES.....</b>	<b>43</b>
<b>15. PRIOR SALES.....</b>	<b>44</b>
<b>16. ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER.....</b>	<b>44</b>
<b>17. PRINCIPAL SECURITYHOLDERS .....</b>	<b>45</b>
<b>18. DIRECTORS AND EXECUTIVE OFFICERS.....</b>	<b>45</b>
Corporate Cease Trade Orders or Bankruptcies .....	48
Penalties or Sanctions .....	48
Conflicts of Interest .....	49



<b>19. EXECUTIVE COMPENSATION .....</b>	<b>49</b>
Compensation Discussion and Analysis .....	49
Incentive Plan Awards .....	54
Equity Compensation Plan Information.....	56
Termination and Change of Control Benefits .....	59
Director Compensation .....	60
Indemnity Agreements for Directors and Officers.....	62
Compensation Governance .....	62
<b>20. INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS.....</b>	<b>62</b>
Non-Arm's Length Party Transactions.....	63
<b>21. CORPORATE GOVERNANCE .....</b>	<b>63</b>
Board of Directors .....	63
KRC Board Mandate.....	64
Meeting Attendances .....	64
KRC Board Committees .....	64
Audit Committee.....	64
Reserves Committee .....	64
Compensation Committee.....	64
Future Committees.....	64
Orientation and Continuing Education.....	65
Ethical Business Conduct .....	65
Nomination of Directors .....	65
Compensation .....	65
KRC Board Assessments .....	66
Position Descriptions .....	66
Director Term Limits and Other Mechanisms of Board Renewal.....	66
Policies Regarding the Representation of Women on the Board .....	66
Consideration of the Representation of Women in the Director Identification and Selection Process.....	66
Consideration Given to the Representation of Women in Executive Officer Appointments .....	66
Issuer's Targets Regarding the Representation of Women on the Board and in Executive Officer Positions.....	67
Number of Women on the Board and in Executive Officer Positions.....	67
<b>22. AUDIT COMMITTEE .....</b>	<b>67</b>
Audit Committee Mandate.....	67
Composition of the Audit Committee and Relevant Education and Experience.....	67
Pre-Approval Policies and Procedures for the Engagement of Non-Audit Services .....	67
External Audit Service Fees.....	67
<b>23. INDUSTRY CONDITIONS .....</b>	<b>68</b>
Industry Overview .....	68
Environmental, Social and Governance Matters are a High Priority for Investor Universe.....	69
Consolidation Trend in Upstream Energy Being Driven by Demand for Scale.....	70
Focus on Balance Sheet Strength and Pivot to a Returns Focused Business Model .....	71
General Description of Legal and Regulatory Framework .....	71
<b>24. RISK FACTORS.....</b>	<b>72</b>
Global Economic and Financial Conditions.....	72
Coronavirus (COVID-19).....	72
Market Constraints and Access to Services and Equipment .....	72
Poor Performance of Properties .....	73
Adaptation and Extension of Existing Technology.....	73
Possible Shortage of Fresh Water and Surface and Groundwater Licenses .....	73
Exploration, Development and Production Risks .....	73
Significant Factors or Uncertainties Affecting Reserves Data.....	74
Drilling Risks Associated with Unconventional Oil and Gas .....	74
Historical Liabilities .....	75
Hydraulic Fracturing and Earthquakes.....	75
Impaired Oil and Gas Operating or Social License.....	75
Regulatory Non-Compliance .....	75

Crown Land Tenure Obligations, Interpretations and Freehold Offset Royalty Obligations .....	76
Unforeseen Title Defects .....	76
Drilling Failure or Loss of Control of a Well.....	76
Insurance Coverage.....	76
Carbon Taxes.....	76
Access to Capital Markets and Ability to Sell and Recover Capital .....	77
Access to Credit Facilities .....	77
Need to Differentiate in a Well-Established Industry .....	77
Competition .....	77
Retention of Key Personnel .....	77
Acquisitions .....	77
Indigenous Land Claims and Other Community Opposition .....	78
Seasonality.....	78
Extreme Weather Conditions.....	78
Wildfires .....	78
Government Regulation.....	79
Environmental, Health and Safety Requirements .....	79
Unforeseen Liabilities and Circumstances.....	80
Restrictions on Drilling Activities to Protect Wildlife.....	80
Reduction, Elimination or Expiration of Government Subsidies .....	80
Uncertainty of Development and Construction Projects .....	80
Project Risks .....	81
Transportation and Processing Commitments.....	81
Drilling Activities May Encounter Sour Gas .....	81
Risk Management Contracts .....	81
Hedging .....	81
Unanticipated Capital Costs.....	82
Capital Resources .....	82
Negative Public Perception.....	82
Climate Change.....	82
Growth Management .....	82
Estimates May Vary from Actual Production .....	82
Abandonment and Reclamation .....	83
Third Party Claims.....	83
Changing Demand for Petroleum Products.....	83
Reduced Demand for Electrical or Clean Energy .....	83
Third-Party Credit Risk.....	83
Limited Number of Shareholders.....	84
Loss of Information and Computer Systems.....	84
Litigation .....	84
Insufficiency of Internal Controls .....	84
Cyber Security Risks .....	84
Inability to Dispose of Non-Strategic Assets .....	84
Security Deposits Under Provincial Liability Management Programs.....	85
Breach of Third-Party Confidentiality Obligations.....	86
Future Expansions May Change Risk Exposure .....	86
Competitive Pressures to Adopt New Technologies .....	86
<b>25. LEGAL PROCEEDINGS AND REGULATORY ACTIONS .....</b>	<b>86</b>
Legal Proceedings.....	86
Regulatory Actions .....	86
<b>26. INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS .....</b>	<b>86</b>
<b>27. AUDITORS, TRANSFER AGENT AND REGISTRAR.....</b>	<b>87</b>
<b>28. EXPERTS.....</b>	<b>87</b>
<b>29. MATERIAL CONTRACTS.....</b>	<b>87</b>
<b>30. OTHER MATERIAL FACTS .....</b>	<b>88</b>

### 1. Notice to Reader

Unless the context indicates otherwise, capitalized terms which are used in this Appendix H and not otherwise defined in this Appendix H have the meanings given to such terms under the heading "*Glossary of Terms*" in this Information Circular.

### 2. Forward-Looking Statements

Certain statements contained in this Appendix H constitute forward-looking statements or information (collectively, "**forward-looking statements**") within the meaning of Applicable Canadian Securities Laws. Such forward-looking statements relate to future events or KRC's future performance. See "*Forward-Looking Statements*" in this Information Circular. Readers should also carefully consider the matters and cautionary statements discussed under the heading "*Risk Factors*" in the body of this Information Circular and this Appendix H.

### 3. Corporate Structure

#### Name, Address and Incorporation

KRC was formed on February 12, 2018 by articles of incorporation under the ABCA as "2090763 Alberta Ltd.". On August 10, 2018, KRC amended its articles to change its name to "Kiwetinohek Resources Corp."

KRC's principal office is located at Suite 1900, 250 - 2<sup>nd</sup> Street SW, Calgary, Alberta, T2P 0C1 and its registered office is located at 3700 Devon Tower, 400 - 3<sup>rd</sup> Avenue S.W., Calgary, Alberta, T2P 4H2.

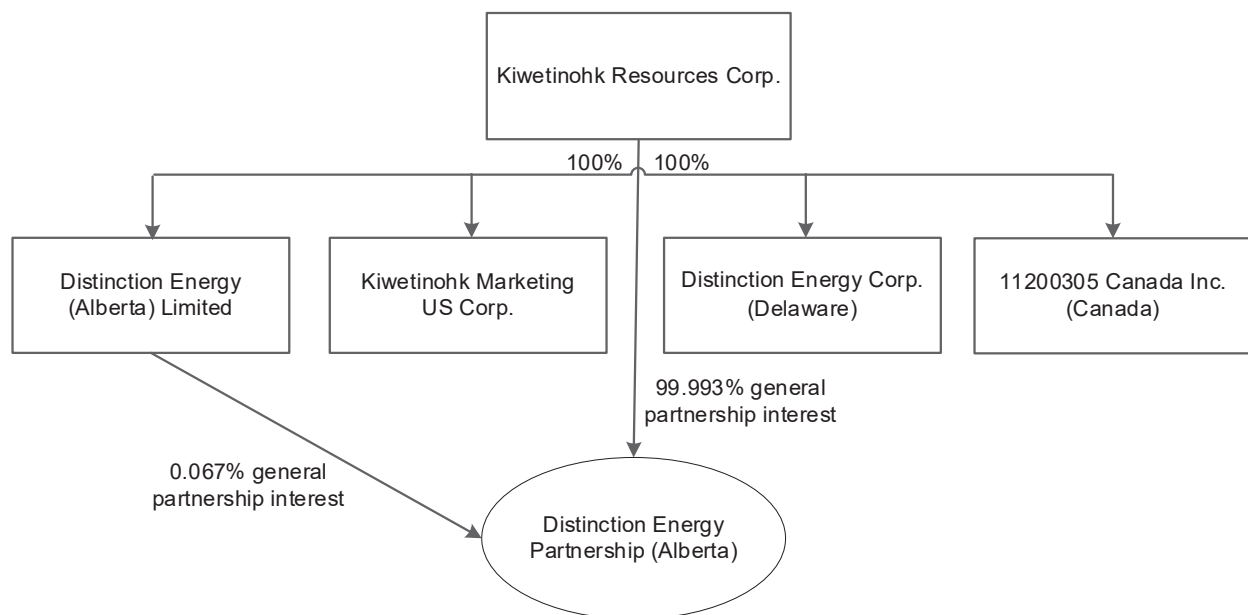
KRC's articles were amended on May 24, 2019 to remove the restriction on the number of holders of securities of KRC.

KRC will be continued to the CBCA immediately prior to giving effect to the Business Combination. Thereafter, pursuant to the Business Combination, KRC and Distinction will be amalgamated and continue as "Kiwetinohek Resources Corp."

#### Corporate Structure

KRC's only subsidiary is Kiwetinohek Marketing US Corp., a corporation incorporated under the laws of the State of Delaware on February 19, 2021. KRC owns 100% of the issued and outstanding shares of Kiwetinohek Marketing US Corp.

The following diagram illustrates, after giving effect to the Business Combination, the intercorporate relationships among the Combined Company.



Following completion of the Business Combination, KRC may elect to wind-up Distinction's existing subsidiaries. If this occurs, the only subsidiary of the Combined Company will be Kiwetinohk Marketing US Corp.

#### **4. Description of The Business**

##### **Company Overview**

KRC views itself as an integrated energy transition company focused on production of low carbon/carbon free energy incorporating all facets of the energy spectrum through alignment of hydrocarbons and green energy solutions that will collectively be required to service future energy demand.

The KRC Board may adapt the scope of the Combined Company's business as it sees fit from time to time but it is anticipated that initially, KRC will be primarily engaged in the following activities:

- (a) Consolidating oil and gas assets targeted to provide KRC with low-risk, low-development cost, low feedstock cost for integrated operations and high operating netback production. Although KRC may acquire other assets as part of an acquisition package or to provide specific business attributes (such as development of Clearwater heavy oil to moderate the steep decline associated with development of deep, high pressure shales on total corporate production) the main acquisition thrust will be to acquire gas resources that can be developed to profitably maintain gas production levels through all but the most severe depressions in commodity price cycles. At present KRC and Distinction have assembled oil and gas production and development property in the Fox Creek region of Alberta, focused on the Duvernay and Montney formations, in the Thorhild region of Alberta, focused on the Clearwater formation and in the West Central Alberta region, focused on the Duvernay formation. Reserves and production attributable to these properties are described elsewhere in this Appendix H. It is expected that the focus for further consolidation will be an extension of the Montney and Duvernay positions in the Fox Creek region and the Clearwater position as well as deep basin gas in the West Central Alberta region.
- (b) Developing its resource assets in pursuit of realization of maximum shareholder value while targeting to match production with owned plus contracted midstream and market capacity. These development activities may include a degree of technology extension to identify better equipment and methods that have the potential to increase the rate of return of the assets and improve the quality of the development in the perception of stakeholders such as local Indigenous and other communities, environmental organizations and regulators. The process of technology extension can also identify new acquisition opportunities made more economically viable through the use of new technology. In the short term, it is expected that KRC will focus on development of the Duvernay formation in the Fox Creek region and advancing delineation and commercialization of the Clearwater formation in the Thorhild region. KRC will also focus on evaluating options for gathering processing, marketing and shipping of production from resource assets seeking to maximize economic returns for shareholders with sensitivity to the need for environmental protection in all its operating areas, in particular while developing the Montney formation in the Fox Creek area.
- (c) In the short-to-medium term, KRC will gather, process, market and transport products from its oil and gas resource assets to the most suitable markets available. As a medium-to-long-term target, KRC is targeting the integration of its natural gas production with power, hydrogen and/or chemical generation/production assets owned and operated by KRC. KRC will also seek to implement carbon capture and sequestration operations with its downstream facilities to eliminate most of the associated carbon dioxide production. This integrated and carbon-advantaged strategy will enable KRC to upgrade its produced natural gas into higher value products in Alberta while benefiting from the avoidance of carbon taxes and potential sale of carbon credits to enhance corporate return on invested capital and create a more sustainable energy platform. These power generation, hydrogen and chemical markets may be markets within the control of KRC or they may be in the control of others who are contracted to buy and use KRC's gas production in a way that limits carbon dioxide emissions. In addition to providing these gathering, processing, marketing and transport services for its own products, KRC will look for profitable opportunities to provide these services for others or for opportunities to buy natural gas from others along the value chain and deliver this third party-sourced natural gas to markets in a similar manner as KRC's own natural gas. As KRC executes on plans to build facilities to generate power, produce hydrogen and/or chemicals and sequester carbon dioxide, it expects to build out its current oil, gas and natural gas liquids marketing capacity to include other commodities relevant to KRC's business such as electricity, carbon dioxide, carbon credits and hydrogen.

- (d) Identifying and developing opportunities to build new or acquire profitable renewable energy opportunities, mainly but not exclusively in Alberta. Current focus activities are on solar and wind projects in Alberta. The constituent activities currently include:
- (i) matching established technologies to places where the captured energy can be delivered into the Alberta electric power grid efficiently and at an appropriate scale;
  - (ii) acquiring options to lease surface land conversions to lease land contingent on receiving all required approvals and financing for the renewable energy projects;
  - (iii) overseeing appropriate environmental surveys for the projects;
  - (iv) overseeing the grid connection and regulatory approval processes for the projects;
  - (v) overseeing the Front End Engineering and Design ("FEED") for the projects;
  - (vi) securing project financing for the construction of the projects;
  - (vii) securing power purchase agreements for the projects; and
  - (viii) overseeing project construction and power grid connection and commercial operation.

At this time, KRC has secured options to lease surface land sufficient for its first solar photovoltaic, grid-connected project and other steps within the above process are underway. Several other solar projects are in the stage of securing land options. KRC is also evaluating wind energy and geothermal energy capture opportunities but, at this time, no specific project development opportunities have been identified.

- (e) Identifying and developing opportunities to build new, profitable natural gas-fired electricity generation projects, mainly but not exclusively in Alberta. Current focus activities are on two types of projects: projects that use the natural gas combined cycle process ("NGCC") and projects that use efficient natural gas fired internal combustion engines ("IC"). Each of the two processes offer advantages over the other. The NGCC operates at high thermal efficiency (up to approximately 60% without carbon capture/53% with carbon capture, in each case assuming 100% output) meaning that it is capable of generating more electricity and emitting less carbon dioxide for a set amount of gas than other common natural gas-fired power generation processes. The NGCC plants are ideal for large, consistent supplies of electricity to meet steady base load demand. The IC power plants operate with lower efficiency (up to approximately 48% without carbon capture/up to approximately 45% with carbon capture, in each case assuming 100% output) but their output can be adjusted very rapidly over a broad range while maintaining efficient operations. The IC is ideal to provide power to fill the volatile gap between supply and demand as each fluctuate. The operating efficiencies for each type of plant are estimates only. Actual realized efficiency is subject to a number of factors, including operating conditions and plant design.

Fluctuation in electricity supply to the power grid may be exacerbated if a larger portion of grid power is sourced from solar and wind, which are inherently intermittent supplies due to natural cycles. In both cases, NGCC and IC, KRC intends to adapt carbon capture processes to capture most of the carbon dioxide that results from combustion of the gas. The constituent activities currently include:

- (i) identifying locations where natural gas is available preferably from KRC's own operations or from the existing natural gas distribution system with minimal additional capital investment, with nearby connectivity to the power transmission grid with ample available capacity to accept the power generated by the project and with nearby depleted underground reservoirs to provide opportunities to store captured carbon dioxide;
- (ii) acquiring options to lease surface land, with conversion to lease being contingent on receiving all required approvals and financing for the natural gas-fired power projects;
- (iii) overseeing appropriate environmental surveys for the projects;
- (iv) overseeing the grid connection and regulatory approval processes for the projects;

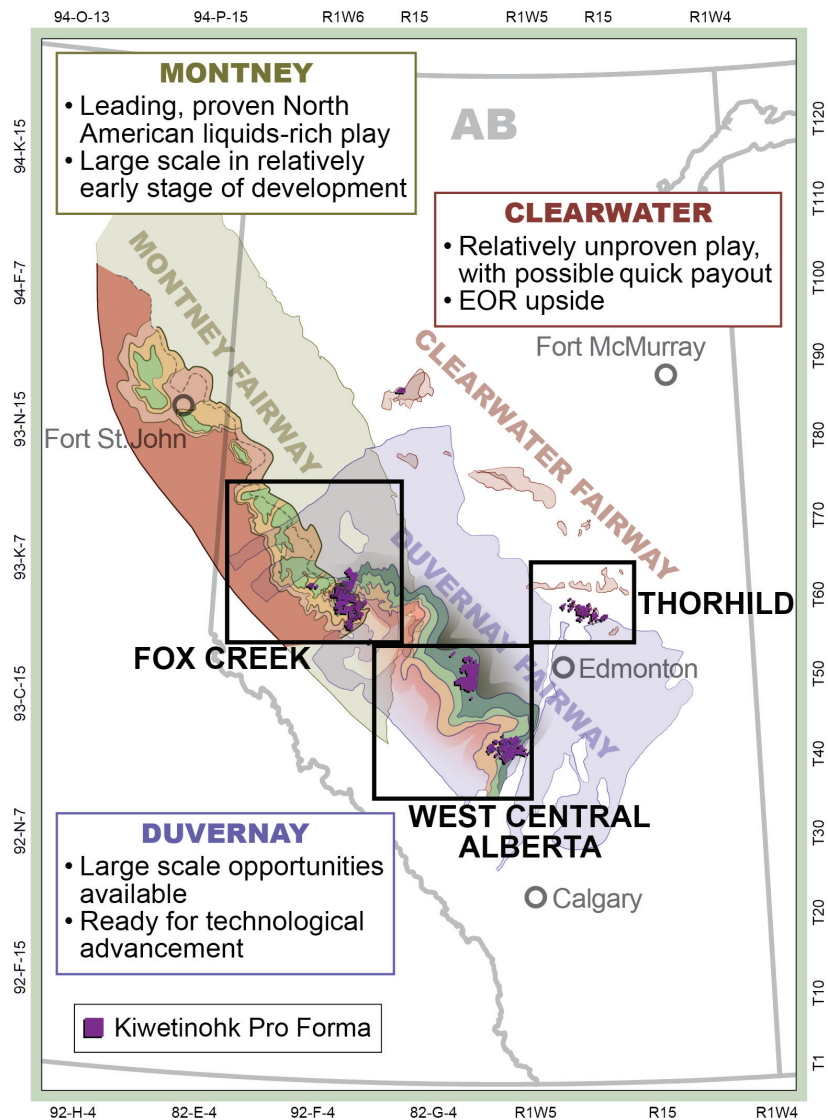
- (v) overseeing the FEED for the projects;
- (vi) securing project financing for the construction of the projects;
- (vii) securing power purchase agreements for the projects; and
- (viii) overseeing project construction and power grid connection and commercial operation.

At this time, KRC has progressed planning of two natural gas combined cycle projects and one internal combustion engine power project. Along with those power projects and also separately, KRC is searching for opportunities to profitably produce blue hydrogen from natural gas.

- (f) Identifying and capturing suitable assets and implementing carbon dioxide sequestration projects, including both long term underground storage and carbon dioxide enhanced oil recovery projects.

### ***Principal Oil & Gas Properties***

The main regions in which the Combined Company conducts oil and gas activities are shown below:



The following describes KRC's major oil and gas properties both currently and after giving effect to the Business Combination. The estimates of reserves and future net revenue for individual properties may not reflect the same confidence level as estimates of reserves and future net revenue for all properties, due to the effects of aggregation. The property descriptions contain references to Proved plus Probable reserves as assigned in the KRC 2020 Reserves Report or KRC 2021 Pro Forma Reserves Report (both as defined below), as applicable.

KRC's principal oil and gas properties are located in the Fox Creek, Thorhild and the West Central regions of Alberta. Distinction's principal oil and gas properties are located in the Fox Creek and West Central regions of Alberta. The principal attributes of the Combined Company's oil and gas properties are as follows:

Company	Property	Working Interest Production (First quarter 2021 calendar daily average)				Working Interest Reserves <sup>(1)</sup>					
							Proved Developed Producing				NPV10 \$mm
		Gas mmcf/d	NGL bbl/d	Oil bbl/d	Condensate bbl/d	Gas bcf	NGL mmbbl	Oil mmbbl	Condensate mmbbl		
DISTINCTION											
Fox Creek Region <sup>(2)</sup>		39	1,101	312	3,207	76.9	3.3	--	6.9	254.6	
Bigstone – Placid		23	839	--	1,781	40.2	1.5	--	2.5	78.2	
Simonette		16	262	312	1,426	36.6	1.8	--	4.4	176.4	
West Central Alberta Region		--	--	--	--	0.4	--	--	--	0.8	
Misc.		--	--	--	--	--	--	--	--	--	
KIWETINOHK											
Fox Creek Region <sup>(2)</sup>		16	262	312	1,426	36.6	1.8	--	4.4	176.4	
Simonette		16	262	312	1,426	36.6	1.8	--	4.4	176.4	
West Simonette		--	--	--	--	--	--	--	--	--	
Thorhild Region		--	--	33	--	--	--	0.1	--	2.9	
West Central Alberta Region		1	92	344	77	1.4	0.1	0.4	--	13.1	
Misc.		--	--	--	--	0.4	--	--	--	0.8	
TOTAL <sup>(2)</sup>		56	1,455	1,001	4,710	115.7	5.2	0.5	11.4	448.6	

Note:

(1) See "Description of the Business – Company Overview – Principal Oil & Gas Properties – Thorhild".

Company	Property	Working Interest Reserves									
		Total Proved					Total Proved plus Probable				
		Gas bcf	NGL mmbbl	Oil mmbbl	Condensate mmbbl	NPV10 \$mm	Gas bcf	NGL mmbbl	Oil mmbbl	Condensate mmbbl	NPV10 \$mm
DISTINCTION											
Fox Creek Region <sup>(2)</sup>		180.7	8.6	--	21.4	559.2	292.0	14.2	--	32.2	797.0
Bigstone – Placid		64.6	2.5	--	5.4	111.4	105.0	4.0	--	9.7	197.3
Simonette		116.1	6.1	--	16.0	447.8	186.5	10.2	--	22.5	599.7
West Central Alberta Region		0.5	--	--	0.1	0.9	0.6	--	--	--	1.2
Misc.		--	--	--	--	--	--	--	--	--	--
KIWETINOHK											
Fox Creek Region <sup>(2)</sup>		164.3	7.1	--	19.9	513.6	283.1	12.2	--	30.3	751.5
Simonette		116.1	6.1	--	16.0	447.8	186.5	10.2	--	22.5	599.7
West Simonette		48.2	1.0	--	3.9	65.8	96.6	2.0	--	7.8	151.8
Thorhild Region		--	--	0.2	--	4.2	--	--	0.9	--	13.7
West Central Alberta Region		1.4	0.1	0.4	--	13.0	1.8	0.1	0.6	--	14.7
Misc.		0.5	--	--	--	0.9	0.6	--	--	--	1.2
TOTAL <sup>(2)</sup>		347.3	15.8	0.6	41.3	1,091.9	578.1	26.6	1.5	62.6	1,579.2

Note:

(1) See "Reserves Information of the Combined Company". All reserves estimates are from the KRC 2021 Pro Forma Reserves Report with an effective date of July 1, 2021.

(2) Numbers may not add due to rounding.



Company	Significant Property	Working Interest Land <sup>(1)</sup>		Working Interest Asset Retirement Obligations <sup>(2)(3)</sup>		
		Undeveloped	Developed	Inactive	Active	Future
		Net Acres	Net Acres	Undiscounted \$mm	Undiscounted \$mm	Undiscounted \$mm
DISTINCTION						
Fox Creek Region <sup>(4)</sup>		99,464	56,549	9.9	39.2	108.1
Bigstone - Placid		41,304	44,629	7.7	24.7	58.1
Simonette		58,160	11,920	2.1	14.4	50.0
West Central Alberta Region		12,080	3,200	3.5	1.4	0.6
Misc.		34,920	13,584	9.2	0.9	-
KIWETINOHK						
Fox Creek Region <sup>(4)</sup>		65,840	11,920	2.2	14.4	54.4
Simonette		58,160	11,920	2.1	14.4	50.0
West Simonette		7,680	--	0.1	--	4.4
Thorhild Region		53,536	480	1.2	0.1	0.6
West Central Alberta Region		177,100	5,600	3.6	2.4	1.2
Misc.		34,723	695	--	--	1.8
TOTAL <sup>(4)</sup>		477,663	92,028	29.5	58.4	166.7

**Notes:**

- (1) Working interests shown above are net working interest acres in the Montney, Duvernay and/or Clearwater formations, among others. Acreage position is expressed as at June 30, 2021. Acreage is counted as developed when a well is located within a unit or traditional well spacing unit. In the case of unconventional wells lacking traditional spacing units, acreage has been counted as developed for each quarter section through which a wellbore passes in the case of an oil well, and each section through which a wellbore passes in the case of a gas well. All other acreage is counted as undeveloped. Where prospective formations overlap on the same leases (Duvernay and Montney lands do overlap in the Simonette block), the acreage has not been double counted. A significant portion of the misc. undeveloped acreage will be expiring over the next year.
- (2) "Asset Retirement Obligations" is generally defined as costs associated with the clean up and restoration of the physical environment with respect to activities either inherited or undertaken by KRC. These include but are not limited to well, facility and pipeline abandonment, remediation of spills and other negative environmental effects and the final restoration of sites associated with the Combined Company's activities, including leases, oilfield waste sites, camps, roads, ponds and other physical assets.
- (3) In connection with its operations, KRC will incur abandonment, dismantling, reclamation and remediation costs for surface leases, wells, facilities and pipelines. KRC budgets for and recognizes as a liability the estimated present value of the future decommissioning liabilities associated with its oil and gas assets. KRC uses guidance from the Alberta Energy Regulator and consultation with an independent third-party engineering firm to validate the estimates of such liabilities. Approximately 66% of KRC's decommissioning liabilities on its financial statements are associated with active properties that have production and attributable reserves. There is approximately \$29 million of net inactive abandonment and reclamation costs associated with operated and non-operated inactive wells, facilities and pipelines where there is no active operations or attributed reserves. KRC is currently working on an abandonment program to proactively manage and reduce the inactive decommissioning liabilities over the next five to six years.
- (4) Numbers may not add due to rounding.

**Bigstone – Placid**

The main formation in Distinction's Bigstone – Placid property is the Montney. The Montney ranges in thickness from 80m to 125m, thinning generally West to East. Depth ranges from 2,500m to 3,200m West to East and resource initial pressure ranges from 20 MPa to 34 MPa West to East. Initial condensate to gas ratios field conditions range from 25 bbl/mmcft in the Southern to greater than 500 bbl/mmcft in the Northern portion of Distinction's land. Distinction's management estimates that the resource body contains three separate developable units in the West portion of Distinction's land and one developable unit in the East portion of Distinction's land. The tendency of hydraulic fractures to remain confined or to break out thereby connecting multiple units remains undetermined at this time. Hydrocarbon bearing portions of Distinction lands have average porosity ranging from 4% to 6% and initial hydrocarbon saturation ranging from 65% to 85%. The three most recent development wells (brought on to production in H1 2020) demonstrated initial production (sales) in the first 90 producing days of approximately 2.8 mmcf/d of gas and 684 bbl/d of condensate. These three wells generally out-performed prior wells drilled by Distinction on its lands. The improved performance is attributed to the Westerly, high-pressure location and to the drilling and completion methods that Distinction deployed. McDaniel assigns 32 remaining drilling locations with Total Proved plus Probable status.

The Distinction property is for the most part held jointly with other developers. The associated gathering and processing infrastructure is also jointly owned. Working interests are not generally consistent between lands, wells and facilities. This situation creates an administrative challenge for Distinction which generally has the largest working interest in any of its lands. At this time, Distinction's access to the hydrogen sulfide extraction and concentration capacity of the existing facilities is inadequate and it imposes a ceiling on the production rate achievable. There are numerous gas plants in the region that are fed by

a vast network of sweet and sour gathering lines. Distinction is presently engaged in dialogue with regional plant owners and evaluation of alternatives to increase its available hydrogen sulfide handling capacity.

#### Jointly Owned Simonette

The most appealing Southern portion of the Montney formation of the jointly owned (50% Distinction/50% KRC) Simonette property abuts the Distinction Bigstone-Placid property. Although the Montney is sparsely drilled on the joint lands, McDaniel assigned Total Proved plus Probable reserves to approximately 20% of 78,720 acres of Montney rights. Prediction of resource properties and well performance is impaired by the dearth of wells, but management's best estimate is that the lands, being proximal to the most recent Distinction wells, will have similar characteristics and yield similar well results.

The Duvernay formation at Simonette has 67 producing wells. The previous owner developed the land by adding multiwell pads to a continuous orderly development. The previous owner evolved the well design over years of development by changing parameters such as well spacing, fracture spacing, fracture size (as measured by tonnes of proppant), etc. In some areas, wells have remained unbounded on at least one side for a few years. In general, these wells demonstrate higher recovery and higher projected ultimate recovery than their confined neighbors. This suggests that the Combined Company will benefit from continuing to experiment with well design and that an obvious test is wider well spacing.

The Duvernay in the Combined Company's Simonette property ranges from 5m to 50m thick with an average porosity of 5% and an average hydrocarbon saturation of 80%. Initial (first 90 producing days) condensate to gas ratio as measured in the (field) ranges from 25 bbl/mmcft to greater than 500 bbl/mmcft. Initial resource pressures range from 60 MPa to greater than 80 MPa. In the Total Proved plus Probable evaluation, McDaniel assigned 61 additional Duvernay drilling locations remaining.

The Combined Company has a 100% working interest in extensive, well-designed and well-maintained surface facilities associated with the Simonette property. There is an extensive gas gathering system converging on two gas plants with a combined sales gas capacity of 96.5 mmcf/d and a combined natural gas liquids (excluding condensate) capacity of 3,650 bbl/d. A condensate stabilization plant adds 14,350 bbl/d of condensate capacity. There is also a fresh water distribution and storage system connected to Combined Company-owned water source wells and a competitor owned intake on the Little Smoky River. The gas plants are currently connected to the Alliance Pipeline and the Combined Company has a take or pay contract for 90.3 mmcf/d capacity of rich gas from Simonette on the Alliance system (in addition to 29.7 mmcf/d capacity on Alliance from the Bigstone-Placid area). Access to alternate transmission pipelines (TCPL) is also available in the region.

#### West Simonette

KRC's West Simonette property consists of twelve sections of Crown land Montney rights that had been delineated but not production tested by a previous owner. KRC was able to acquire the delineation well which is cased and suitable to add a producing lateral. McDaniel attributes 16 drilling locations to the lands in its Total Proved plus Probable valuation.

#### Thorhild

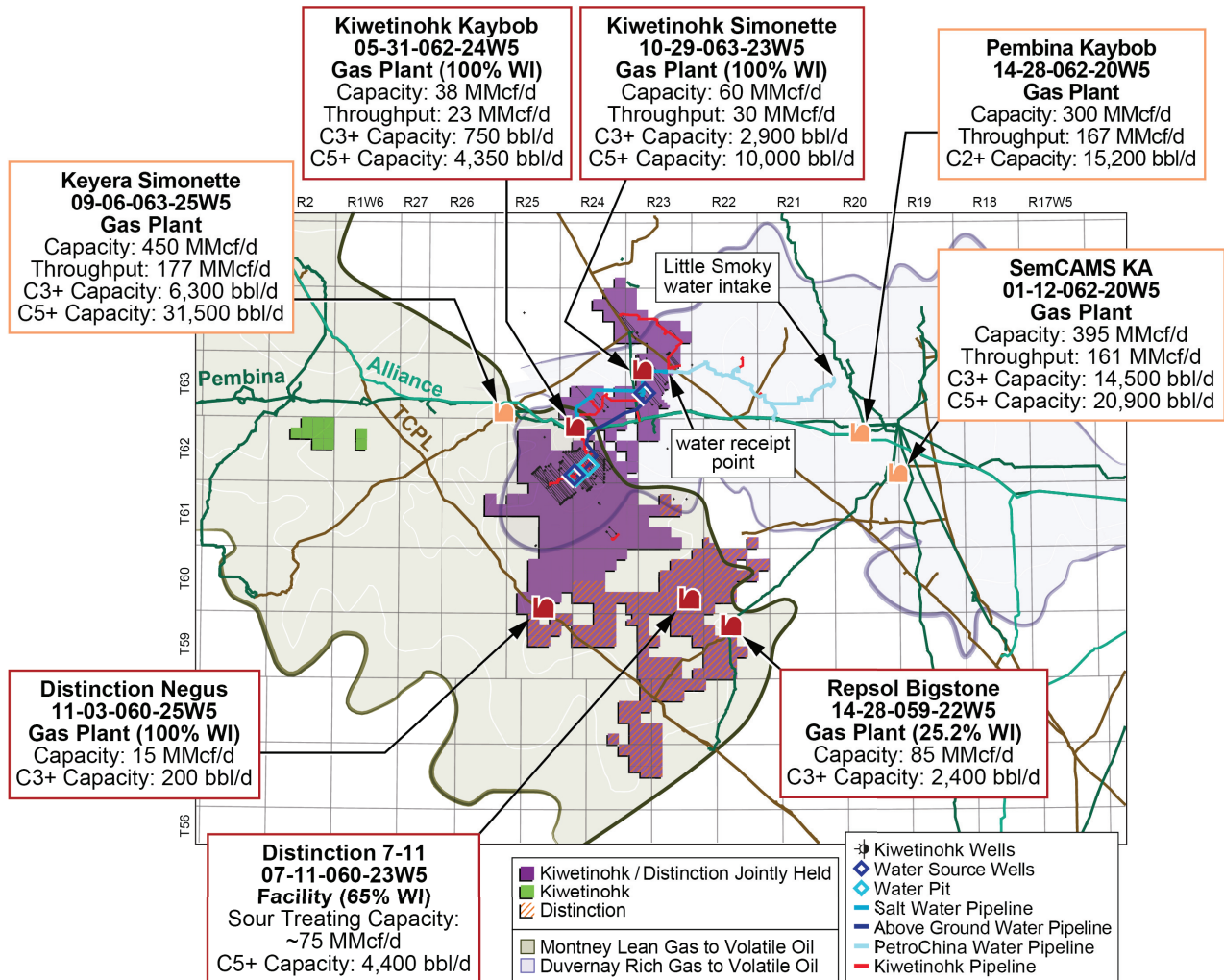
Thorhild includes 84.5 net sections of acreage in the Clearwater fairway that forms a southern extension in the central portion of the extensive horizontal-well, primary and polymer flood, heavy oil play. Approximately 46 sections of land have been internally mapped to indicate Clearwater drilling potential. KRC assembled its land position by a variety of means, including direct purchase in Crown land sales and acquisition from a competitor, which included one producing well confirming the region contains productive oil from the Manville formation. KRC recently drilled its first well in the area and put it on to production in June 2021. McDaniel attributes seven drilling locations to the lands in its Total Proved plus Probable valuation. To date, the well drilled by KRC has not produced at expected levels and it remains uncertain whether this is a result of technical issues, reservoir characteristics or both. While KRC's optimism with respect to the Thorhild region is diminished, it anticipates that the Combined Company will continue to experiment with well designs and potentially other geological zones in the area.

#### West Central Alberta

Along with the joint acquisition of the Simonette property, KRC and Distinction additionally acquired Duvernay-prone lands in the West Central Alberta region adjacent to lands that KRC already held. As at July 1, 2021, the Combined Company has 738 boe/d of production from its sparsely drilled land holdings. KRC has development experience with the Duvernay in the region and while it considers the West Central Alberta Duvernay to be a vast and barely exploited resource with significant economic potential, at current commodity prices, economics favor consolidation and development in the Fox Creek region and continued experimentation with well designs and geological zones in the Thorhild region. For the short to medium term the Combined Company expects to focus most of its efforts in these regions.

### Midstream, Marketing and Transportation Arrangements

KRC's and Distinction's assets are located near strategic transportation and processing infrastructure for both liquids and natural gas. The significant owned infrastructure with ample spare capacity and midstream, marketing and transportation arrangements provide more than sufficient capacity for the future growth of production, and are described below.



### Alliance Pipeline

The Alliance Pipeline is a transcontinental pipeline network that carries liquids-rich natural gas from British Columbia and Alberta to Chicago, Illinois, where liquids contained therein are extracted, fractionated and sold into the Midwest U.S. Petroleum Administration for Defense District 2 refining and petrochemical market, and remaining natural gas is sold into the Chicago area marketplace and interconnecting markets. The Alliance Pipeline is connected to KRC and Distinction's Simonette 10-29 gas plant and Simonette 5-31 gas plant via Alliance meters AB67 Tony Tower and AB66 Tony Creek, respectively. KRC and Distinction collectively acquired 90.3 mmcf/d of firm Alliance Pipeline transportation service to Chicago beginning in May 1, 2021, and this contract expires on October 31, 2025. KRC has the option to renew all or a portion of its transportation capacity, collectively on its own behalf and on behalf of Distinction, on the Alliance Pipeline for an unlimited number of renewal terms, provided that each renewal term is for a minimum of one year.

Distinction has a separate independent transportation agreement with Alliance to deliver up to 29.7 mmcf/d of natural gas volumes until October 31, 2025 from the Bigstone region to Chicago, Illinois.

### Aux Sable

Aux Sable owns and operates one of the largest NGL extraction and fractionation facilities in North America, located in Channahon, Illinois, at the terminus of the Alliance Pipeline. The KRC and Distinction natural gas marketing contracts associated with the Alliance Pipeline Simonette transportation contracts currently include a rich gas premium agreement with Aux Sable. The rich gas premium agreement provides KRC and Distinction with deep cut NGL revenues based on liquids recovered by Aux Sable at the NGL extraction and fractionation facilities operated by Aux Sable located near Channahon, Illinois at values based on the Conway, Kansas market.

### TC Energy

The Nova Gas Transmission Ltd. ("NGTL") system receives, transports and delivers natural gas within Alberta and connects with the 14,114 km (8,770 mile) pipeline system that is owned and operated by TC Energy Corporation and its affiliates, which carries natural gas from the Western Canadian Sedimentary Basin to Ontario and beyond, the Foothills pipeline system and other third-party pipelines. KRC and Distinction acquired 0.3 mmcf/d of NGTL FT-R service May 1, 2021, which expires mid-2023.

In addition, Distinction has a separate and independent NGTL contract for 20.1 mmcf/d associated with its Bigstone assets expiring in March 31, 2026.

### Pembina

The pipeline system and related facilities that deliver light crude oil, condensate, propane mix (C3+) and ethane mix (C2+) from northeastern British Columbia and northwestern Alberta to Edmonton, Alberta and to Fort Saskatchewan, Alberta that is owned and operated by Pembina (the "**Pembina Peace Pipeline**") delivers crude oil, condensate, propane mix and ethane mix from Northeastern British Columbia and Northwestern Alberta to local markets in Alberta. The Pembina Peace Pipeline is connected via direct sales at both KRC and Distinction's Simonette 10-29 and Simonette 5-31 plants, as well as via other third party operated plants where Distinction liquids are produced. KRC has agreements with Pembina for transportation of oil, condensate and NGLs on the Pembina Peace Pipeline with delivery points to Fort Saskatchewan for further processing (propane plus, C3+) and sale, or to Edmonton (condensate, C5+) for sale. These agreements allow KRC to transport all existing production of condensate and NGLs with the potential to increase capacity if necessary.

### Field Condensate Handling

Distinction has an agreement with a midstream company who has built a condensate pipeline from Distinction's Montney assets to a full-service terminal at Fox Creek where the fluids are sold onto the Pembina pipeline system. No take or pay commitments are associated with the pipeline project, but Distinction has a production dedication area for the project.

## **Other Business Information**

### ***Specialized Skill and Knowledge***

KRC employs individuals with a range of professional skills in the course of pursuing and executing its business plan. These professional skills include, but are not limited to, geology, petrophysics, geomechanics, reservoir engineering, drilling engineering, environmental science and engineering, petroleum completions, workover and abandonment engineering, petroleum production engineering, facility design engineering, construction project management, power generation engineering, chemical process engineering, oil and gas marketing, project planning, capital budgeting, financial analysis and forecasting, asset and corporate valuation, accounting and business development. In addition, KRC has available to it various specialized consultants to assist it in areas where it does not need full time employees. KRC also deploys consultants in areas in which consultants are deemed to be more effective.

### ***Competitive Conditions***

The facets of the North American energy business that KRC participates in are mostly open to new entrants. In most of these facets KRC faces many competitors from new entrants to long-established companies, while in others, the business entry is more controlled or regulated. These include access to the electrical power gathering and distribution grid and large transmission pipeline systems. In comparison, for the oil and gas producing and development business there are limited entry points and often multiple companies competing to acquire available entry points. Climate change concerns have motivated governments to intervene in the economy to motivate and accelerate the transition of energy to lower greenhouse gas ("**GHG**") emissions. Government interventions in the energy industry affecting the Alberta petroleum business have included subsidies, penalties,

taxes on carbon emissions, ceilings, project approval denials and delays that tilt the business environment in the favor of some companies over others, affecting profitability and the reliability of market forecasts.

### ***Cyclical Nature of Business***

The volatility of oil and natural gas prices has a significant impact on KRC's financial performance. In general, natural gas prices in Canada are seasonal in nature, with higher prices existing in the winter months (November to March) and lower prices in the summer months (April to October). Natural gas prices are also affected by the amount of gas in local and North America-wide storage, or inventory within the market. These seasonal variations provide an overprinting influence on larger, longer-term economic trends. For example, large supply changes have occurred such as the large increase in North American supply that resulted from the application and commercialization of horizontal well, multi-stage hydraulic fracture technology to very low permeability resources such as gas shales that occurred in the last two decades. The rapid evolution of technology affected the competitiveness of companies and resource bodies and the technology is still evolving. In recent years, companies in plays such as Alberta's Montney and Duvernay formations have experimented with such development design parameters as well lateral length, well lateral spacing, hydraulic fracture spacing, hydraulic fracture size and fracture fluid.

KRC's operations are also impacted by seasonality, including road closures to heavy loads occurring in the spring months, which can delay access to drilling locations, and seasonal environmental protection requirements such as protected caribou habitat. There are often periods of extreme hot and cold weather events that can cause the shut-down of some operations. See "*Risk Factors – Seasonality*" and "*Risk Factors – Restrictions on Drilling Activities to Protect Wildlife*".

### ***Environmental Protection***

The oil and natural gas industry is currently subject to environmental regulations pursuant to a variety of provincial and federal legislation. The regulations are evolving and in recent years have exposed a requirement for significant change to KRC's industry, which are expected to continue during and throughout this energy transition. Compliance with such legislation may require significant expenditures or result in operational restrictions. Breach of such requirements may result in suspension or revocation of necessary licenses and authorizations, civil liability for pollution damage and the imposition of material fines and penalties, all of which might have a significant negative impact on reputation, earnings and overall competitiveness of KRC.

KRC believes that it is in material compliance with applicable environmental laws at this time. KRC is committed to meeting its responsibilities to protect the environment in all jurisdictions in which it operates, and will continue to take steps in this regard. Following Distinction's emergence from the CCAA process, it was determined by KRC management that Distinction was not in full compliance with applicable environmental regulations and a written voluntary self-disclosure report identifying the shortfalls was submitted to the Alberta Energy Regulator (the "AER"), who is cooperating with Distinction to become fully compliant. KRC, who currently provides management services to Distinction, believes a fully compliant status can be achieved in the third quarter of 2021.

For a description of the financial and operational effects of environmental protection requirements on the capital expenditures, earnings and competitive position of KRC see "*Industry Conditions*" and "*Risk Factors – Environmental, Health and Safety Requirements*".

### ***Indigenous Community Engagement***

KRC's approach to Indigenous community engagement is based on mutual respect, relationship building and trust while trying to learn and respect the unique priorities and needs of each impacted Indigenous community. KRC is focused on working collaboratively with stakeholders and each community to develop mutually acceptable plans. KRC recognizes the diversity and uniqueness of each Indigenous community, the importance of the natural environment and the imperative of building relationships based on mutual trust. KRC believes trusting relationships can be built through learning about, understanding and respecting the uniqueness of each community, including their priorities and needs, while at the same time sharing KRC's corporate goals with each community. KRC looks to work with and develop long-term relationships with each stakeholder and Indigenous community that KRC works with and endeavours to become the resource developer and industrial neighbor of choice. KRC emphasizes continuous improvement in navigating the multitude of environmental, social and economic issues that are important to the communities that it impacts, with a focus on measuring performance against objective measures in each area of stakeholder and community engagement.



## ***Employees***

As at June 30, 2021, KRC engaged the staff complement indicated in the table below.

<b>Employees of KRC Engaged in Full-Time Service to Distinction and KRC through KRC</b>	<b>Number</b>
Calgary Office	33
Drayton Valley Field Office	1
Grande Prairie Field Office	2
Simonette Property	17
<b>Consultants Engaged in Full-Time Service to Distinction and KRC through KRC</b>	
Calgary Office	10
Drayton Valley Field Office	1
Thorhild Region	1
<b>Employees of Distinction Engaged in Full-Time Service to Distinction Only</b>	
Calgary Office	4
<b>Full Time Employees of Distinction on Work Transition Arrangements<sup>(1)</sup></b>	
Calgary Office	6
<b>Consultants Engaged in Full-Time Service to Distinction</b>	
Calgary Office	1
Bigstone – Placid Property	15

**Note:**

- (1) Five of these full-time employees will cease being employed by Distinction on July 31, 2021 and the remaining one employee will cease being employed by Distinction on October 31, 2021.

## ***Environmental, Health and Safety Policies***

KRC supports and promotes: (i) the protection of the health and safety of all persons associated with KRC's operations, including employees, contractors and service providers; (ii) the protection of the biophysical environment; and (iii) the relationship of KRC with the communities nearest to its operations through the implementation and communication of KRC's health, safety, environmental protection and community engagement programs, policies and procedures.

KRC has established guidelines and management systems to promote compliance with health, safety and environmental laws. KRC endeavors to ensure that on an ongoing basis, it is in material compliance with health, safety and environmental regulations. Stakeholder awareness and responsiveness to stakeholder expectations is a key component of the duties of all personnel in the service of KRC. KRC has contracted the services of an external consultant to provide it with expert advice on health, safety, environmental and regulatory compliance issues and to help it ensure that appropriate safety precautions are implemented. In addition, KRC may consult with government and other stakeholders from time to time, either as an individual company or through industry groups, as appropriate, to influence the development of the environmental regulatory framework applicable to KRC's business so that KRC and the industries in which it is engaged serve their stakeholders more effectively.

## ***Bankruptcy and Similar Procedures of the Combined Company***

On April 14, 2020, in the face of a breach of the adjusted debt to EBITDA financial covenant under its credit facility, Distinction obtained an initial order from the Court under the CCAA. On July 6, 2020, Distinction announced a recapitalization and financing transaction, to be implemented as a plan of compromise and arrangement under the CCAA and the CBCA, to allow Distinction to substantially reduce its debt and associated interest costs, while improving available liquidity and injecting new capital to fund future operations.

See Appendix G – "Information Concerning Distinction Energy Corp." to this Information Circular, the Distinction Annual Financial Statements, the Distinction Annual MD&A and the Distinction Interim MD&A incorporated by reference in this Information Circular for additional information with respect to Distinction's CCAA proceedings.

## Three Year History

### 2018

On August 20, 2018, KRC entered into various subscription agreements with management, directors and ARC, a private equity investor. Pursuant to KRC's subscription agreement with ARC, ARC received the option to invest up to \$250 million at \$1.00 per KRC Share, subject to approval of both ARC and the KRC Board (the "**ARC Equity Commitment**") and ARC signed an initial subscription agreement for \$100 million. At this time, KRC and ARC entered into the KRC USA.

On August 29, 2018, KRC entered into a farm-in and option agreement with Journey Energy Inc. to jointly develop the Gilby Area in Central Alberta and established a position in the West Central Alberta Duvernay (the "**Journey JV**").

At December 31, 2018, KRC had drilled the first two commitment wells and re-entered the first well of the option phase in the Journey JV. KRC also acquired 167.5 gross (167.5 net) sections of land in the Drayton Valley region of West Central Alberta.

### 2019

On April 29, 2019, KRC entered into a subscription agreement with ARC for an additional \$100 million at \$1.00 per KRC Share, bringing the aggregate ARC subscription amount to \$200 million in KRC Shares at \$1.00 per KRC Share.

By July 2019, pursuant to other subscription agreements, KRC received a further equity commitment of \$23.2 million from employees, founders, friends and family at \$1.00 per KRC Share.

At September 30, 2019, KRC had drilled and completed its second well of the option phase in the Journey JV and had a total of four wells tied-in and on production.

At December 31, 2019, ARC had invested \$115 million, and had committed through subscription agreements a further investment of \$85 million, subject to the KRC Board calling and ARC approving, such investment amounts.

At December 31, 2019, KRC had entered into subscription agreements totaling \$225.4 million in KRC Shares at \$1.00 per KRC Share from ARC and employees, founders, friends and family, including an additional small private placement, with ARC having a further option to invest \$50 million for up to \$275.4 million in total aggregate equity proceeds.

### 2020

On April 5, 2020, as a result of the challenging economic conditions due to the failure of the Organization of the Petroleum Exporting Countries ("**OPEC**") and Russia to reach an agreement on oil production cuts and outbreak of the COVID-19 virus, KRC shut in production on its four wells.

On June 8, 2020, KRC resumed production on three of its four wells from the Journey JV that had been shut in on April 5, 2020.

On July 5, 2020, KRC entered into a capital investment agreement with Distinction (then known as Delphi Energy Corp.) whereby KRC agreed to make a \$22.9 million investment in Delphi concurrent with the successful implementation of the restructuring plan by Distinction to restructure and exit from CCAA. KRC also entered into the Distinction Management Services Agreement, which resulted in KRC providing management services to Distinction in exchange for a monthly fee payable to KRC upon closing of the investment.

On July 17, 2020, KRC acquired complementary oil and gas properties in the Thorhild region in North Central Alberta for \$2.5 million which included one producing well. Concurrent with this transaction, KRC swapped 7.75 sections of land with another small producer in the area and retained a 5% gross overriding royalty on future production on those 7.75 sections.

On September 8, 2020, KRC completed the purchase out of receivership of complementary oil and gas properties in the Thorhild region in North Central Alberta for \$935,000, with the assumption of approximately \$800,000 in existing environmental liabilities.

On October 16, 2020, KRC made \$22.9 million Initial Distinction Investment as per a capital investment agreement for a 25% ownership interest and entered into a participation agreement with respect to an area of mutual interest. The Initial Distinction Investment included Distinction Warrants.



At December 31, 2020, ARC had invested \$130.5 million in KRC pursuant to the ARC Equity Commitment and had committed a further \$69.5 million, subject to the KRC Board calling and ARC approving such investment amounts.

### ***Recent Developments***

On January 15, 2021, KRC exercised its Distinction Warrants for \$40 million (including working capital adjustments). Upon executing this transaction, KRC's equity ownership in Distinction increased to 50% plus one additional Distinction Share (the "**Subsequent Distinction Investment**" and, together with the Initial Distinction Investment, collectively, the "**Distinction Investments**").

On February 17, 2021, Distinction and KRC entered into an acquisition opportunity agreement in respect of Distinction's commitment to participate with KRC as to 50% of a \$335 million acquisition, including \$15 million in potential contingent payments based on future commodity prices, entered into by KRC for certain oil and gas interests in the Simonette and other areas of Northwest Alberta, whereby the parties agreed, among other things, that the Simonette Acquisition and the purchase price (subject to adjustments) would be shared equally between them. The Simonette Acquisition closed on April 28, 2021.

Additionally, on February 17, 2021, Luminus, 1266590 B.C. Ltd. (an affiliate of Luminus), KRC, Distinction and Distinction Energy Partnership entered into a settlement agreement providing for, upon closing of the Simonette Acquisition, among other things, the termination of the participation agreement entered into among them on October 16, 2020 with respect to the area of mutual interest described therein, the amendments to the Distinction Investor Agreement and the Distinction Management Services Agreement and the establishment of a listing committee of the Distinction Board to facilitate the listing of the Distinction Shares on a recognized exchange.

On March 6, 2021, KRC completed an equity line of credit cash call of \$9.5 million. In addition, ARC finalized share subscription agreements for the optional \$50 million equity investment, resulting in the full satisfaction of the ARC Equity Commitment. Furthermore, in preparation for the closing of the Simonette acquisition, ARC finalized additional share subscription agreements for an optional \$25 million equity investment in KRC increasing the ARC Equity Commitment to \$275 million. See "*Principal Securityholders*" and "*Consolidated Capitalization*".

On April 28, 2021, in connection with the Simonette Acquisition, KRC closed an equity private placement for net proceeds of \$104 million representing the remainder of all outstanding subscription agreements with ARC, founders, management, friends and family.

On April 28, 2021, KRC entered into the \$97.5 million KRC Credit Agreement with a syndicate of banks and made an initial draw of \$33 million, bringing the total equity capitalization to \$334.4 million.

By May 24, 2021, KRC had closed on \$33.3 million of new equity private placement proceeds in connection with the Simonette Acquisition.

On June 28, 2021, Distinction and KRC entered into the Business Combination Agreement.

## **5. Reserves Information of the Combined Company**

Set forth below is a summary of the Combined Company's conventional natural gas, shale gas, NGLs, tight oil and heavy oil, as evaluated in the report prepared by McDaniel and dated July 1, 2021 evaluating the reserves attributable to KRC following completion of the Business Combination assuming an effective date of July 1, 2021 ("**KRC 2021 Pro Forma Reserves Report**"). The KRC 2021 Pro Forma Reserves Report also reflects adjustments in KRC's reserves subsequent to year end 2020 to account for KRC's prioritization of developing the Simonette Assets (as defined below) and corresponding schedule of development changes for other assets. The Report on Reserves Data by Independent Qualified Reserves Evaluator or Auditor in respect of the KRC 2021 Pro Forma Reserves Report and the Report of Management and Directors on Oil and Gas Disclosure for the KRC 2021 Pro Forma Reserves Report are attached as Schedules E and F to this Appendix H, respectively.

### **Disclosure of Reserves Data**

The reserves data set forth below are based upon the KRC 2021 Pro Forma Reserves Report prepared in accordance with NI 51-101. The reserves data summarizes the conventional natural gas, shale gas, NGLs, tight oil and heavy oil of the Combined Company and the net present values of future net revenue for the reserves using forecast prices and costs, not including the impact of any price risk management activities. The KRC 2021 Pro Forma Reserves Report has been prepared in accordance with the standards contained in COGEH and the reserves definitions contained in NI 51-101 and CSA Staff Notice 51-324 – *Revised*

*Glossary to NI 51-101 ("CSA 51-324")*. KRC engaged McDaniel to provide an evaluation of its Proved and Proved plus Probable reserves. All of the Combined Company's reserves are located in the Provinces of Alberta and British Columbia.

The present value of future net revenue before and after income taxes has been estimated by McDaniel. The estimates of the after income tax value of future net revenue have been prepared based on before income tax reserves information and includes assumptions and estimates of tax pools provided by management of KRC and the sequences of claims and rates of claim thereon. The values shown may not be representative of future income tax obligations, applicable tax horizon or after tax valuation. The after tax net present value of the Combined Company's oil and natural gas properties following completion of the Business Combination reflects the tax burden of its properties on a stand-alone basis. It does not provide an estimate of the value of the Combined Company as a business entity, which may be significantly different.

All evaluations of future net revenue contained in the KRC 2021 Pro Forma Reserves Report are after the deduction of royalties, development costs, production costs and abandonment and reclamation costs but before consideration of indirect costs such as administrative, overhead and other miscellaneous expenses. It should not be assumed that the undiscounted or discounted net present value of future net revenue attributable to reserves estimated by McDaniel represent the fair market value of those reserves. There is no assurance that the forecast price and cost assumptions contained in the KRC 2021 Pro Forma Reserves Report will be attained and variations could be material. Other assumptions and qualifications relating to costs and other matters are summarized herein. Readers should review the relevant definitions and information that is contained in "*Advisory Regarding Oil and Gas Information*", "*Glossary of Terms*" and "*Abbreviations*" in this Information Circular in conjunction with the following tables and notes. The recovery and reserves estimates described herein are estimates only. The actual reserves associated with the Combined Company's properties following completion of the Business Combination may be greater or less than those calculated. See "*Risk Factors*".

The historical production information used by McDaniel came from KRC after receipt by KRC and Distinction of historical data provided by the major oil and gas production company that was the vendor of the Simonette Assets. KRC and Distinction also provided McDaniel with other required information, such as operating statements, land data, logs from recently drilled wells and field development plans. McDaniel incorporated all this data into its analysis in accordance with standards set out in the COGEH. The standards in the COGEH require McDaniel to plan and perform an assessment of KRC's reserves data in order to obtain reasonable assurance as to whether such reserves data are free of material misstatement.

## KRC 2021 Pro Forma Reserves Report

The tables below summarize the data contained in the KRC 2021 Pro Forma Reserves Report and, as a result, may contain slightly different numbers than such report due to rounding. Due to rounding, certain columns may not add exactly. Except as otherwise indicated, net present values and future net revenues are based on McDaniel's forecast prices, as set forth below.

### Summary of Reserves (Forecast Prices and Costs)

#### Summary of Reserves

As of July 1, 2021 — Forecast Prices and Costs

Reserves Category	Light and Medium Crude Oil		Heavy Oil		Tight Oil	
	Gross <sup>(1)</sup>	Net <sup>(2)</sup>	Gross <sup>(1)</sup>	Net <sup>(2)</sup>	Gross <sup>(1)</sup>	Net <sup>(2)</sup>
	(mbbl)	(mbbl)	(mbbl)	(mbbl)	(mbbl)	(mbbl)
Proved:						
Developed Producing	-	-	94.8	85.4	427.4	370.3
Developed Non-Producing	-	-	-	-	-	-
Undeveloped	-	-	135.6	120.7	-	-
Total Proved <sup>(1)</sup>	-	-	230.5	206.1	427.4	370.3
Total Probable	-	-	650.8	567.6	138.6	113.0
Total Proved plus Probable <sup>(4)</sup>	-	-	881.2	773.7	565.9	483.2

Reserves Category	Conventional Natural Gas		Shale Gas		NGLs <sup>(3)</sup>	
	Gross <sup>(1)</sup>	Net <sup>(2)</sup>	Gross <sup>(1)</sup>	Net <sup>(2)</sup>	Gross <sup>(1)</sup>	Net <sup>(2)</sup>
	(mmcf)	(mmcf)	(mmcf)	(mmcf)	(mbbl)	(mbbl)
Proved:						
Developed Producing	4,422.1	3,852.3	111,286.6	103,699.0	16,636.3	13,694.6
Developed Non-Producing	179.8	153.9	4,771.7	4,533.0	741.6	584.8

Reserves Category	Conventional Natural Gas		Shale Gas		NGLs <sup>(3)</sup>	
	Gross <sup>(1)</sup>	Net <sup>(2)</sup>	Gross <sup>(1)</sup>	Net <sup>(2)</sup>	Gross <sup>(1)</sup>	Net <sup>(2)</sup>
	(mmcf)	(mmcf)	(mmcf)	(mmcf)	(mdbl)	(mdbl)
Undeveloped	-	-	226,624.3	213,859.4	39,661.8	34,818.4
Total Proved <sup>(1)</sup>	4,601.9	4,006.2	342,682.6	322,091.4	57,039.7	49,097.8
Total Probable	1,412.9	1,262.6	229,415.9	213,712.9	32,211.5	25,750.4
Total Proved plus Probable <sup>(4)</sup>	6,014.8	5,268.8	572,098.5	535,804.3	89,251.3	74,848.3
Reserves Category	Total					
	Gross <sup>(1)</sup>	Net <sup>(2)</sup>				
	(mboe)	(mboe)				
Proved:						
Developed Producing	36,443.3	32,075.5				
Developed Non-Producing	1,566.9	1,366.0				
Undeveloped	77,568.1	70,582.3				
Total Proved <sup>(1)</sup>	115,578.3	104,023.8				
Total Probable	71,472.3	62,260.2				
Total Proved plus Probable <sup>(4)</sup>	187,050.6	166,283.9				

**Notes:**

- (1) Gross reserves are working interest reserves before royalty deductions.
- (2) Net reserves are working interest reserves after royalty deductions plus royalty interest reserves.
- (3) Figures include NGLs for both conventional and unconventional reservoirs, including condensate, pentane plus, propane, butane and ethane. Condensate is expected to be extracted in the field and sold separately from other NGLs or sold with other NGLs delivered to fractionation facilities. Other NGLs (propane, butane and ethane) are expected to be extracted in the field by KRC. Condensate and pentanes plus represent 63% and 7% of the NGLs reflected in the Total Proved and Total Proved Plus Probable categories, respectively.
- (4) These figures are derived from volumes that are arithmetic sums of multiple estimates of reserves categories or sub-categories, which statistical principles indicate may be misleading as to volumes that may actually be recovered. Readers should review the estimates of individual classes of reserves and appreciate the differing probabilities of recovery associated with each class as explained under the headings "Advisory Regarding Oil and Gas Information", "Glossary of Terms" and "Abbreviations" in this Information Circular.

**Net Present Values of Future Net Revenue  
Before Income Taxes Discounted At (%/Year)  
As of July 1, 2021  
Forecast Prices and Costs<sup>(1)</sup>**

Reserves Category	0%	5%	10%	15%	20%	Unit Value Discounted at 10% per Year \$/boe <sup>(3)</sup>
	(\$mm)	(\$mm)	(\$mm)	(\$mm)	(\$mm)	
Proved:						
Developed Producing	631.4	536.5	448.0	385.3	340.6	13.97
Developed Non-Producing	27.7	21.1	17.0	14.2	12.3	12.43
Undeveloped	1,381.3	905.3	626.4	449.2	329.3	8.87
Total Proved <sup>(2)</sup>	2,040.4	1,462.8	1,091.3	848.7	682.2	10.49
Total Probable	1,489.1	797.7	487.8	326.4	232.5	7.84
Total Proved plus Probable <sup>(2)</sup>	3,529.5	2,260.5	1,579.2	1,175.1	914.7	9.50

**Notes:**

- (1) Estimates of future net revenue do not represent fair market value.
- (2) These figures are derived from volumes that are arithmetic sums of multiple estimates of reserves categories or sub-categories, which statistical principles indicate may be misleading as to volumes that may actually be recovered. Readers should review the estimates of individual classes of reserves and appreciate the differing probabilities of recovery associated with each class as explained under the headings "Advisory Regarding Oil and Gas Information", "Glossary of Terms" and "Abbreviations" in this Information Circular.
- (3) The unit values are based on net reserve volumes.

**Net Present Values of Future Net Revenue  
After Income Taxes Discounted At (%/Year)  
As of July 1, 2021 — Forecast Prices and Costs<sup>(1)</sup>**

<b>Reserves Category</b>	<b>0%</b>	<b>5%</b>	<b>10%</b>	<b>15%</b>	<b>20%</b>
	<i>(\$mm)</i>	<i>(\$mm)</i>	<i>(\$mm)</i>	<i>(\$mm)</i>	<i>(\$mm)</i>
Proved:					
Developed Producing	629.1	535.5	447.5	385.1	340.5
Developed Non-Producing	21.2	18.1	15.5	13.5	11.9
Undeveloped	1,064.0	689.9	470.3	330.8	236.7
Total Proved <sup>(2)</sup>	1,714.2	1,243.4	933.3	729.4	589.1
Total Probable	1,149.9	609.8	369.1	244.7	173.1
Total Proved plus Probable <sup>(2)</sup>	2,864.1	1,853.3	1,302.4	974.1	762.2

**Notes:**

- (1) Estimates of future net revenue do not represent fair market value.
- (2) These figures are derived from volumes that are arithmetic sums of multiple estimates of reserves categories or sub-categories, which statistical principles indicate may be misleading as to volumes that may actually be recovered. Readers should review the estimates of individual classes of reserves and appreciate the differing probabilities of recovery associated with each class as explained under the headings "Advisory Regarding Oil and Gas Information", "Glossary of Terms" and "Abbreviations" in this Information Circular.

**Total Future Net Revenue (Undiscounted)  
As of July 1, 2021 Forecast Prices and Costs**

<b>Reserves Category</b>	<b>Revenue<sup>(1)</sup></b>	<b>Royalties<sup>(2)</sup></b>	<b>Operating Costs</b>	<b>Development Costs</b>	<b>Abandonment and Reclamation Costs<sup>(3)</sup></b>	<b>Future Net Revenue Before Income Taxes<sup>(4)</sup></b>	<b>Income Taxes</b>	<b>Future Net Revenue After Income Taxes<sup>(4)</sup></b>
	<i>(\$mm)</i>	<i>(\$mm)</i>	<i>(\$mm)</i>	<i>(\$mm)</i>	<i>(\$mm)</i>	<i>(\$mm)</i>	<i>(\$mm)</i>	<i>(\$mm)</i>
Total Proved <sup>(5)</sup>	4,883.7	602.3	1,135.2	955.1	150.7	2,040.4	326.2	1,714.2
Total Proved plus Probable <sup>(5)</sup>	8,018.4	1,152.8	1,852.4	1,317.0	166.7	3,529.5	665.4	2,864.1

**Notes:**

- (1) Total revenue includes revenue before royalties and includes other income.
- (2) Royalties include Crown, freehold and overriding royalties, mineral tax and net profit interest payments.
- (3) Abandonment and reclamation costs are defined by NI 51-101 as all costs associated with the process of restoring KRC's properties that have been disturbed by oil and gas activities to a standard imposed by applicable government or regulatory authorities.
- (4) Estimates of future net revenue do not represent fair market value.
- (5) These figures are derived from volumes that are arithmetic sums of multiple estimates of reserve categories or sub-categories, which statistical principles indicate may be misleading as to volumes that may actually be recovered. Readers should review the estimates of individual classes of reserves and appreciate the differing probabilities of recovery associated with each class as explained under the headings "Advisory Regarding Oil and Gas Information", "Glossary of Terms" and "Abbreviations" in this Information Circular.

**Future Net Revenue by Production Group  
As of July 1, 2021 Forecast Prices and Costs**

<b>Reserves Category</b>	<b>Product Type</b>	<b>Future Net Revenue Before Income Taxes (discounted at 10%/year)<sup>(1)(2)</sup></b>	<b>Unit Value<sup>(2)(3)</sup></b>
		<i>(\$mm)</i>	<i>(\$/mcf) (\$/bbl)</i>
Total Proved <sup>(4)</sup>	Heavy Oil (Including Solution Gas and By-products)	4.2	20.3
	Tight Oil (Including Solution Gas and By-products)	13.0	35.2
	Conventional Natural Gas (Including By-products)	2.4	0.6
	Shale Gas (Including By-products)	1,071.7	3.3
	<b>Total</b>	<b>1,091.3</b>	
Proved plus Probable	Heavy Oil (Including Solution Gas and By-products)	13.7	17.7
	Tight Oil (Including Solution Gas and By-products)	15.3	31.6
	Conventional Natural Gas (Including By-products)	3.4	0.7
	Shale Gas (Including By-products)	1,546.8	2.9
	<b>Total</b>	<b>1,579.2</b>	

**Notes:**

- (1) The before tax future net revenue discounted at 10% for shale gas includes all by-product revenue streams from ethane, propane, butane and pentanes plus.
- (2) Estimates of future net revenue do not represent fair market value. May not sum due to rounding.
- (3) Unit values are based on KRC's net reserves. Values shown for light and medium crude oil are expressed as \$/bbl and values shown for conventional natural gas and shale gas are expressed as \$/mcf.
- (4) These figures are derived from volumes that are arithmetic sums of multiple estimates of reserves categories or sub-categories, which statistical principles indicate may be misleading as to volumes that may actually be recovered. Readers should review the estimates of individual classes of reserves and appreciate the differing probabilities of recovery associated with each class as explained above under the headings "Advisory Regarding Oil and Gas Information", "Glossary of Terms" and "Abbreviations" in this Information Circular.

**Pricing Assumptions**

The forecast of prices, inflation and exchange rates provided in the table below were computed using the forecasts prepared by McDaniel, effective July 1, 2021. McDaniel's forecasts are available on its website at [www.mcdan.com](http://www.mcdan.com). McDaniel's forecasts were utilized in the KRC 2021 Pro Forma Reserves Report and the summary of McDaniel's evaluation that is reflected herein.

**Summary of Pricing and Inflation Rate Assumptions  
As of July 1, 2021 Forecast Prices and Costs**

Year	CRUDE OIL				NATURAL GAS		NGLs				INFLATION RATE <sup>(1)</sup> %/Year	EXCHANGE RATE <sup>(2)</sup> (US\$/Cdn\$)
	WTI Cushing Oklahoma	Edmonton Par Price 40° API	Hardisty Heavy 12° API	Cromer Medium 29° API	AECO Gas Price	U.S. Henry Hub Gas Price US\$	Edmonton Ethane	Edmonton Propane	Edmonton Butane	Edmonton Pentane		
	(US\$/bbl)	(\$/bbl)	(\$/bbl)	(\$/bbl)	(\$/MMBtu)	(US\$/MMBtu)	(\$/bbl)	(\$/bbl)	(\$/bbl)	(\$/bbl)		
2021 (six months)	72.00	83.75	72.86	81.24	3.40	3.40	12.80	35.59	37.69	87.75	0.0	0.80
2022	66.30	76.94	64.63	73.09	3.06	3.16	11.42	32.70	38.47	81.02	2.0	0.80
2023	62.42	71.97	58.30	68.38	2.65	2.86	9.78	30.59	41.38	76.14	2.0	0.80
2024	61.02	70.10	56.78	66.59	2.71	2.92	9.98	29.79	40.31	74.34	2.0	0.80
2025	62.24	71.50	57.91	67.92	2.76	2.98	10.17	30.39	41.11	75.83	2.0	0.80
2026	63.48	72.93	59.07	69.28	2.82	3.04	10.38	30.99	41.93	77.35	2.0	0.80
Thereafter			Escalated at 2.0%								2.0	0.80

**Notes:**

- (1) Inflation rates for forecasting prices and costs.
- (2) Exchange rates used to generate the benchmark reference prices in this table.

Weighted average historical prices realized (before hedging and marketing income) by the Combined Company for the period from April 1, 2020 to March 31, 2021, were \$48.26/bbl for condensate, \$17.17/bbl for other NGLs (excluding condensate and pentane extracted from the gas stream), \$4.57/mcf for natural gas, \$47.23/bbl for light and medium oil and \$39.34/bbl for heavy oil.

**Reserves Reconciliation**
**Reconciliation of Gross Reserves by Product Type  
Forecast Prices and Costs**

	Conventional Natural Gas			Shale Gas		
	Gross Proved (mmcf)	Gross Probable (mmcf)	Gross Proved plus Probable (mmcf)	Gross Proved (mmcf)	Gross Probable (mmcf)	Gross Proved plus Probable (mmcf)
<b>January 1, 2021</b>	16,097.3	20,315.6	36,412.9	77,162.1	19,488.8	96,650.9
Discoveries	-	-	-	-	-	-
Extensions and Improved Recovery	-	-	-	-	-	-
Technical Revisions	(16,122.3)	(20,383.3)	(36,505.6)	(27,826.0)	29,339.7	1,513.7
Acquisitions	5,206.9	1,413.2	6,620.1	302,286.4	180,612.7	482,899.1
Dispositions	-	-	-	-	-	-
Economic Factors <sup>(1)</sup>	25.0	67.7	92.7	546.4	(14.5)	531.9
Production	(604.9)	(0.4)	(605.3)	(9,486.2)	(10.9)	(9,497.1)
<b>July 1, 2021</b>	4,602.0	1,412.8	6,014.8	342,682.7	229,415.8	572,098.5

	NGLs <sup>(2)</sup>			Light and Medium Crude Oil		
	Gross Proved	Gross Probable	Gross Proved plus Probable	Gross Proved	Gross Probable	Gross Proved plus Probable
	(mmbbl)	(mmbbl)	(mmbbl)	(mmbbl)	(mmbbl)	(mmbbl)
<b>January 1, 2021</b>	8,781.4	3,175.5	11,956.9	5,980.4	7,592.7	13,573.1
Discoveries	-	-	-	-	-	-
Extensions and Improved Recovery	-	-	-	-	-	-
Technical Revisions	(3,835.4)	1,803.6	(2,031.8)	(5,991.8)	(7,615.7)	(13,607.5)
Acquisitions	53,297.4	27,231.3	80,528.7	-	-	-
Dispositions	-	-	-	-	-	-
Economic Factors <sup>(1)</sup>	56.3	2.8	59.1	11.4	23.0	34.4
Production	(1,259.9)	(1.6)	(1,261.5)	-	-	-
<b>July 1, 2021</b>	57,039.8	32,211.6	89,251.4	-	-	-
	Tight Oil			Heavy Oil		
	Gross Proved	Gross Probable	Gross Proved plus Probable	Gross Proved	Gross Probable	Gross Proved plus Probable
	(mmbbl)	(mmbbl)	(mmbbl)	(mmbbl)	(mboe)	(mboe)
<b>January 1, 2021</b>	-	-	-	150.2	289.1	439.3
Discoveries	-	-	-	-	-	-
Extensions and Improved Recovery	-	-	-	79.0	353.9	432.9
Technical Revisions	502.1	138.6	640.7	2.3	(1.9)	0.4
Acquisitions	-	-	-	-	-	-
Dispositions	-	-	-	-	-	-
Economic Factors <sup>(1)</sup>	-	-	-	4.5	9.7	14.2
Production	(74.7)	(0.1)	(74.8)	(5.5)	(0.1)	(5.6)
<b>July 1, 2021</b>	427.4	138.5	565.9	230.5	650.7	881.2
	Total BOE					
	Gross Proved	Gross Probable	Gross Proved plus Probable			
	(mboe)	(mboe)	(mboe)			
<b>January 1, 2021</b>	30,455.2	17,691.4	48,146.6			
Discoveries	-	-	-			
Extensions and Improved Recovery	79.0	353.9	432.9			
Technical Revisions	(16,647.5)	(4,182.7)	(20,830.2)			
Acquisitions	104,546.3	57,569.0	162,115.2			
Dispositions	-	-	-			
Economic Factors <sup>(2)</sup>	167.4	44.4	211.8			
Production	(3,022.0)	(3.7)	(3,025.6)			
<b>July 1, 2021</b>	115,578.5	71,472.2	187,050.7			

**Notes:**

- (1) Economic factors reflect the change in forecasted commodity prices year-over-year.
- (2) Figures include NGLs for both conventional and unconventional reservoirs, including condensate, pentanes plus, propane, butane and ethane. Condensate is expected to be extracted in the field and sold separately from other NGLs or sold with other NGLs delivered to fractionation facilities. Other NGLs (propane, butane and ethane) are expected to be extracted in the field by KRC. Condensate and pentanes plus represent 63% and 7% of the NGLs reflected in the Gross Proved and Gross Proved plus Probable categories, respectively, as at July 1, 2021.
- (3) Technical revisions include reclassification of reserves from light medium oil to tight oil, conventional gas to shale gas as well as revised development plans shifting capital to more economic assets.

**Additional Information Relating to Reserves Data**

**Undeveloped Reserves**

Proved undeveloped reserves are those reserves that can be estimated with a high degree of certainty to be recoverable where significant expenditure (e.g., when compared to the cost of drilling a well) is required to render them capable of production. Probable undeveloped reserves are those additional reserves that are less certain to be recovered than Proved reserves where significant expenditure is required to render them capable of production. The KRC 2021 Pro Forma Reserves Report contains Proved and Probable undeveloped reserves that have been estimated in accordance with the procedures and standards contained in the COGEH.

As of July 1, 2021, undeveloped reserves represented approximately 67% of total gross Proved reserves and approximately 79% of gross Proved plus Probable reserves. The timing of Proved undeveloped reserve and Probable undeveloped reserve

development beyond two years is due to the large land base, a well-defined drilling inventory supported by offset production, the Combined Company's scheduled pace of commercial development, and the timing of planned and current infrastructure construction.

The pace of development of these reserves is influenced by several factors including, but not limited to, the outcomes of drilling and reservoir evaluations, changes in commodity pricing, changes in capital allocations, changing technical conditions, access to markets, regulatory changes and impact of future acquisitions and dispositions. These reserves are reviewed and development plans are revised accordingly as new information becomes available.

The following tables set forth the Combined Company's gross Proved undeveloped reserves and the gross Probable undeveloped reserves, each by product type for the period from January 1, 2021 to June 30, 2021, January 1, 2020 to December 31, 2020 and January 1, 2019 to December 31, 2019, based on forecast prices and costs.

### ***Proved Undeveloped Reserves***

Year	Conventional Natural Gas		Shale Gas	
	First Attributed	Cumulative at Period End	First Attributed	Cumulative at Period End
	(mmcf)		(mmcf)	
Jan 1, 2019 - Dec 31, 2019	12,593.0	12,593.0	-	-
Jan 1, 2020 - Dec 31, 2020	-	14,510.5	77,162.1	77,162.1
Jan 1, 2021 - June 30, 2021	-	-	178,385.6	226,624.3
	NGLs <sup>(1)</sup>		Light and Medium Crude Oil	
Year	First Attributed	Cumulative at Period End	First Attributed	Cumulative at Period End
	(mbbl)		(mbbl)	
Jan 1, 2019 - Dec 31, 2019	703.7	703.7	5,796.3	5,796.3
Jan 1, 2020 - Dec 31, 2020	7,853.0	8,690.0	-	5,448.9
Jan 1, 2021 - June 30, 2021	34,752.4	39,661.8	-	-
	Heavy Oil		Tight Oil	
Year	First Attributed	Cumulative at Period End	First Attributed	Cumulative at Period End
	(mbbl)		(mbbl)	
Jan 1, 2019 - Dec 31, 2019	-	-	-	-
Jan 1, 2020 - Dec 31, 2020	132.2	132.2	-	-
Jan 1, 2021 - June 30, 2021	-	135.6	-	-

### ***Probable Undeveloped Reserves***

Year	Conventional Natural Gas		Shale Gas	
	First Attributed	Cumulative at Period End	First Attributed	Cumulative at Period End
	(mmcf)		(mmcf)	
Jan 1, 2019 - Dec 31, 2019	17,034.9	17,034.9	-	-
Jan 1, 2020 - Dec 31, 2020	-	19,815.2	19,488.8	19,488.8
Jan 1, 2021 - June 30, 2021	-	-	149,437.8	197,843.9
	NGLs <sup>(1)</sup>		Light and Medium Crude Oil	
Year	First Attributed	Cumulative at Period End	First Attributed	Cumulative at Period End
	(mbbl)		(mbbl)	
Jan 1, 2019 - Dec 31, 2019	962.4	962.4	7,837.0	7,837.0
Jan 1, 2020 - Dec 31, 2020	2,015.2	3,146.0	-	7,424.1
Jan 1, 2021 - June 30, 2021	22,405.3	27,363.5	-	-
	Heavy Oil		Tight Oil	
Year	First Attributed	Cumulative at Period End	First Attributed	Cumulative at Period End
	(mbbl)		(mbbl)	
Jan 1, 2019 - Dec 31, 2019	-	-	-	-
Jan 1, 2020 - Dec 31, 2020	281.0	281.0	-	-
Jan 1, 2021 - June 30, 2021	324.6	615.6	-	-



**Note:**

- (1) Figures include NGLs for both conventional and unconventional reservoirs, including condensate, pentanes plus, propane, butane and ethane. Condensate is expected to be extracted in the field and sold separately from other NGLs or sold with other NGLs delivered to fractionation facilities. Other NGLs (propane, butane and ethane) are expected to be extracted in the field by KRC. Condensate and pentanes plus represent 63% and 7% of the NGLs reflected in the Gross Proved and Gross Proved plus Probable categories, respectively, as at December 31, 2020.

***Significant Factors or Uncertainties Affecting Reserves Data***

The process of evaluating reserves is inherently complex. It requires significant judgment and decision-making on the basis of the available geological, geophysical, engineering and economic data. These estimates may change substantially as additional data from ongoing development activities and production performance become available and as economic conditions impacting oil and gas prices and costs change. The reserves estimates contained herein are based on production expectations, forecast prices and economic conditions as at July 1, 2021. Factors and assumptions that affect these reserves estimates include, among other things: (a) historical production in the area compared with production rates from analogous producing areas; (b) initial production rates; (c) production decline rates; (d) ultimate recovery of reserves; (e) success of future development activities; (f) marketability of production; (g) effects of government regulations; and (h) government levies imposed over the life of the reserves.

As circumstances change and additional data become available, reserves estimates may also change. Estimates are reviewed and revised, either upward or downward, as warranted by the new information. Revisions are often required due to changes in well and reservoir performance, geological conditions, production, prices, changes in corporate strategy, economic conditions and governmental restrictions. These revisions can be either positive or negative.

In connection with its operations, the Combined Company will incur abandonment, dismantling, reclamation and remediation costs for surface leases, wells, facilities and pipelines. The Combined Company will budget for and recognize as a liability the estimated present value of the future decommissioning liabilities associated with its oil and gas assets. The Combined Company will retain an independent third-party engineering firm to validate the estimates of such liabilities. There are no unusually significant abandonment and reclamation costs associated with the Combined Company's reserves properties or to properties with no attributed reserves.

The evaluated oil and gas properties of the Combined Company have no material extraordinary risks or uncertainties beyond those that are inherent in unconventional oil and gas exploration and production operations. See "*Risk Factors*".

***Future Development Costs***

The following table sets forth development costs deducted in the estimation of the Combined Company's future net revenue attributable to the reserves categories noted below.

Year	ANNUAL DEVELOPMENT COSTS	
	Total Proved	Total Proved plus Probable
	(\$mm)	(\$mm)
2021 (remaining)	37.7	39.1
2022	192.1	197.7
2023	222.6	222.6
2024	235.3	235.3
2025	239.9	239.9
Thereafter	27.6	382.4
<b>Total (Undiscounted)<sup>(1)</sup></b>	<b>955.1</b>	<b>1,317.0</b>
<b>Total (Discounted at 10%)</b>	<b>743.5</b>	<b>951.3</b>

**Note:**

- (1) Numbers may not add due to rounding.

The Combined Company expects to fund the development costs of its reserves through current working capital, cash flow from operations, borrowings under its credit facilities and by accessing the global capital markets. There can be no guarantee that funds will be available or that the Combined Company Board will allocate funding to develop all of the reserves attributed in the KRC 2021 Pro Forma Reserves Report. Failure to develop those reserves could have a negative impact on the Combined Company's future net revenue relative to the estimates provided herein.

Interest or other costs of external funding are not included in the Combined Company's reserves and future net revenue estimates and would reduce reserves and future net revenue to some degree depending upon the funding sources utilized. The Combined Company does not anticipate that interest or other funding costs would make development of any of its properties uneconomic.

The future development costs set forth above do not include costs associated with abandonment and reclamation obligations.

## Other Oil and Natural Gas Information

### Oil and Natural Gas Wells

The following table sets forth the number and status of wells in which the Combined Company had a working interest as at June 30, 2021, all of which are located in Alberta.

Natural Gas Wells				Oil Wells			
Producing <sup>(1)</sup>		Non-Producing <sup>(1)</sup>		Producing <sup>(1)</sup>		Non-Producing <sup>(1)</sup>	
Gross	Net	Gross	Net	Gross	Net	Gross	Net
200.0	173.8	247.0	126.4	22.0	15.6	50.0	32.8

**Note:**

- (1) Producing wells are wells that are actively producing as of the respective date. Non-producing wells are wells that are not actively producing, and for which a reclamation certificate has not been granted, as of the respective date.

### Properties with No Attributed Reserves

The following table sets forth the Combined Company's properties with no reserves assigned as at June 30, 2021:

Unproved (Acres)	Gross	Net
Alberta	488,745	417,091
British Columbia	28,128	12,407
<b>Total</b>	<b>516,873</b>	<b>429,498</b>

The Combined Company will continually review the economic viability and ranking of these unproved properties on the basis of product pricing, capital availability, the anticipated cost to re-acquire, and the allocation and level of infrastructure development in any specific area. From this process, some properties are scheduled for economic development activities while others are temporarily held inactive, sold, swapped or allowed to expire. There is no guarantee that commercial reserves will be discovered or developed on these properties.

When determining acreage, totals are adjusted to remove overlapping acreage under applicable petroleum and natural gas agreements.

From the period commencing July 1, 2021 and ending June 30, 2022, approximately 112,000 net acres of the Combined Company will come up for expiry, however KRC believes that, subject to Crown approval approximately 15% of these lands will be continued.

None of these properties are subject to any work commitments.

### Significant Factors or Uncertainties Relevant to Properties with no Attributed Reserves

There are several economic factors and significant uncertainties that will affect the Combined Company's anticipated development of its properties to which no reserves are attributed. The Combined Company will be required to make substantial capital expenditures in order to prove, exploit, develop and produce oil, natural gas and NGLs from these properties in the future. If cash flow from operations is not sufficient to satisfy its capital expenditure requirements, there can be no assurance that additional debt or equity financing will be available to meet these requirements or, if available, on terms acceptable to the Combined Company. Failure to obtain such financing on a timely basis could cause the Combined Company to forfeit its interest in certain properties, miss certain opportunities and reduce or terminate its operations on such properties. The inability of the Combined Company to access sufficient capital for its exploration and development purposes could have a material adverse effect on its ability to execute its business strategy to develop these prospects. See "Risk Factors". The primary economic factors that affect the development of the properties to which no reserves have been attributed are future commodity prices for oil, natural gas and NGLs (and the Combined Company's outlook relating to such prices) and the future costs of drilling, completing,

tying-in and operating wells at the time that such activities are considered. The Combined Company would also need to secure adequate transportation capacity on acceptable terms for its incremental future production. The primary uncertainties that affect the development of such lands are the future drilling and completion results achieved in the development activities, drilling and completion results achieved by others on lands in close proximity to these lands, and future changes to applicable regulatory or royalty regimes that affect timing or economics of proposed development activities. All of these uncertainties have the potential to delay the development of such lands. Conversely, uncertainty as to the timing and nature of the evolution or development of better exploration, drilling, completion and production technologies have the potential to accelerate development activities and enhance the economics relating to such properties.

McDaniel has estimated undiscounted and inflated abandonment and reclamation costs of approximately \$166.7 million in respect of its evaluation of the Combined Company's Proved plus Probable reserves. The Combined Company does not expect that these abandonment or reclamation costs will materially affect the anticipated development or production activities on its properties with no attributed reserves.

### ***Production Estimates***

The following table sets out for each product type the gross volume of production estimated for the six month period ending December 31, 2021 in the estimates contained in the KRC 2021 Pro Forma Reserves Report for gross Proved reserves and gross Probable reserves. Actual results may differ significantly from the information below. See "*Forward-Looking Statements*" and "*Risk Factors*".

### ***Production Estimate For The Six Month Period Ending December 31, 2021***

	Conventional Natural Gas	Shale Gas	NGLs <sup>(1)</sup>	Light and Medium Crude Oil	Heavy Oil	Condensate <sup>(2)</sup>	Total
	(mmcf)	(mmcf)	(mmbbl)	(mmbbl)	(mmbbl)	(mmbbl)	(mboe)
<b>Reserve Category</b>							
Proved	588	9,039	212	56	32	62	1,967
Probable	6	208	18	1	10	2	67
Total Proved plus Probable	594	9,247	230	57	42	64	2,033

#### **Notes:**

- (1) Figures include NGLs for both conventional and unconventional reservoirs, including pentanes plus, propane, butane and ethane. Other NGLs (propane, butane and ethane) are expected to be extracted in the field by KRC.
- (2) Comprised of the condensate that is extracted in the field or that is otherwise sold separately from other NGLs in Alberta and some condensate entrained in the NGLs delivered to fractionation facilities.

### ***Production History***

The following tables summarize certain information in respect of the production, product prices received, royalties paid, operating expenses and resulting netback for the periods indicated below.

	Quarter Ended			
	June 30, 2020	September 30, 2020	December 31, 2020	March 31, 2021
<b>Average Gross Daily Production<sup>(1)</sup></b>				
Conventional Natural Gas (mmcf/d)	42.2	41.6	38.1	36.1
Shale Gas (mmcf/d)	18.4	19.1	19.5	19.2
Natural Gas Liquids (bbl/d)				
Condensate <sup>(2)</sup>	6,229	5,897	5,251	4,710
Other NGLs	1,706	1,590	1,590	1,456
Total NGLs	7,935	7,487	6,841	6,166
Light and Medium Crude Oil <sup>(3)</sup> (bbl/d)	1,090	1,075	1,045	967
Heavy Oil <sup>(3)</sup> (bbl/d)	-	15	43	33
Combined (boe/d)	19,113	18,692	17,536	16,382

	Quarter Ended			
	June 30, 2020	September 30, 2020	December 31, 2020	March 31, 2021
<b>Average Production Prices Received</b>				
Conventional Natural Gas (\$/mcf) <sup>(6)</sup>	3.06	3.30	3.96	8.50
Shale Gas (\$/mcf)	2.08	2.41	2.91	4.41
Natural Gas Liquids (\$/bbl)				
Condensate <sup>(2)</sup>	26.81	49.35	52.66	70.55
Other NGLs	9.14	15.66	16.56	29.06
Total NGLs	23.01	42.20	44.26	60.75
Light and Medium Crude Oil(\$/bbl)	23.90	46.69	52.98	68.06
Heavy Oil(\$/bbl)	-	31.06	35.58	48.28
Combined (\$/boe)	19.67	29.42	32.36	50.87
<b>Royalties Paid</b>				
Conventional Natural Gas (\$/mcf)	0.05	(0.05)	(0.12)	(0.08)
Shale Gas (\$/mcf)	0.02	(0.08)	(0.22)	0.17
Natural Gas Liquids (\$/bbl)				
Condensate <sup>(2)(5)</sup>	(1.15)	(2.64)	(2.75)	(7.97)
Other NGLs	(1.08)	(2.27)	(1.87)	(5.02)
Total NGLs <sup>(5)</sup>	(1.14)	(2.56)	(2.55)	(7.28)
Light and Medium Crude Oil(\$/bbl)	(2.01)	(3.71)	(3.68)	(4.09)
Heavy Oil(\$/bbl)	-	(3.12)	(4.75)	(4.94)
Combined (\$/boe)	(0.47)	(1.44)	(1.73)	(2.96)
<b>Production Costs<sup>(3)</sup></b>				
Conventional Natural Gas (\$/mcf)	(0.73)	(0.55)	(0.57)	(0.95)
Shale Gas (\$/mcf)	(1.03)	(0.61)	(0.90)	(1.05)
Natural Gas Liquids (\$/bbl)				
Condensate <sup>(2)</sup>	(8.09)	(9.44)	(10.27)	(10.75)
Other NGLs	(3.69)	(3.51)	(4.28)	(6.01)
Total NGLs	(7.14)	(8.18)	(8.88)	(9.63)
Light and Medium Crude Oil (\$/bbl)	(6.29)	(9.45)	(9.61)	(8.85)
Heavy Oil (\$/bbl)	-	(8.60)	(9.60)	(8.66)
Combined (\$/boe)	(5.93)	(5.67)	(6.30)	(7.48)
<b>Transportation Costs</b>				
Conventional Natural Gas (\$/mcf)	(1.13)	(0.81)	(0.47)	(1.20)
Shale Gas (\$/mcf)	(0.80)	(0.80)	(0.91)	(0.78)
Natural Gas Liquids (\$/bbl)				
Condensate <sup>(2)</sup>	(9.67)	(9.62)	(5.66)	(7.95)
Other NGLs	(1.22)	(1.27)	(0.56)	(0.92)
Total NGLs	(7.85)	(7.84)	(4.48)	(6.29)
Light and Medium Crude Oil (\$/bbl)	(2.06)	(8.20)	(4.81)	(7.17)
Heavy Oil (\$/bbl)	-	(0.81)	(1.23)	-
Combined (\$/boe)	(6.65)	(6.24)	(4.06)	(6.35)
<b>Netback Received<sup>(4)(7)</sup></b>				
Conventional Natural Gas (\$/mcf)	1.24	1.89	2.81	6.27
Shale Gas (\$/mcf)	0.27	0.92	0.88	2.75
Natural Gas Liquids (\$/bbl)	-	-	-	-
Condensate <sup>(2)(5)</sup>	7.90	27.66	33.97	43.87
Other NGLs	3.15	8.61	9.84	17.10
Total NGLs <sup>(5)</sup>	6.88	23.61	28.36	37.55
Light and Medium Crude Oil (\$/bbl)	13.54	25.33	34.88	47.97
Heavy Oil (\$/bbl)	-	18.52	19.99	34.68
Combined (\$/boe)	6.63	16.07	20.28	34.08

**Notes:**

- (1) Before the deduction of royalties.
- (2) Comprised of the condensate that is extracted in the field or that is otherwise sold separately from other NGLs in Alberta and some condensate entrained in the NGLs delivered to fractionation facilities.
- (3) Production costs are composed of direct costs incurred to operate wells that produce any one or more of the product types that are shown. Costs have been allocated to production by product on a pro-rata basis.
- (4) Calculated by management by subtracting royalties, operating and transportation costs from sales revenue. These figures have not been adjusted for hedging gains or losses or processing and third-party income. As natural gas liquids are produced concurrently with shale gas and conventional natural gas using shared infrastructure, the netback of any individual product should not be evaluated in isolation. Netback does not have any standardized meaning and should not be used for the purposes of drawing comparisons among KRC and other companies.
- (5) During the fourth quarter of 2020, the reclassification of a Crown royalty on one well that was recorded in 2020 resulted in a refund in prior period Crown royalties of \$300,000, net of the annual gas cost allowances estimate.
- (6) During the first quarter of 2021, natural gas saw a surge in pricing as a result of a severe winter storm in the Southern United States resulting in the temporary shut down of several U.S. refineries.
- (7) Numbers may not add due to rounding.

The following table indicates the average gross daily production from each of the important fields, aggregated by area, for the twelve-month period ended December 31, 2020.

	Conventional Natural Gas (mmcf/d)	Shale Gas (mmcf/d)	Other NGLs (bbl/d)	Light and Medium Crude Oil (bbl/d)	Heavy Oil (bbl/d)	Condensate <sup>(1)</sup> (bbl/d)	Total (boe/d)
<b>DISTINCTION</b>							
<b>Fox Creek Region<sup>(2)</sup></b>	22	20	1,332	411	--	3,990	12,615
Bigstone – Placid	3	20	854	6	--	2,097	6,675
Simonette	19	--	478	405	--	1,893	5,940
<b>West Central Alberta Region</b>	--	--	--	--	--	--	--
<b>Misc.</b>	--	--	--	--	--	--	--
<b>KIWETINOHK</b>							
<b>Fox Creek Region<sup>(2)</sup></b>	19	--	478	405	--	1,893	5,940
Simonette	19	--	478	405	--	1,893	5,940
West Simonette	--	--	--	--	--	--	--
<b>Thorhild Region</b>	--	--	--	--	15	--	15
<b>West Central Alberta Region</b>	1	--	64	429	--	35	756
<b>Misc.</b>	--	--	--	--	--	--	--
<b>TOTAL<sup>(2)</sup></b>	<b>42</b>	<b>20</b>	<b>1,874</b>	<b>1,245</b>	<b>15</b>	<b>5,918</b>	<b>19,326</b>

**Note:**

- (1) Comprised of the condensate that is extracted in the field or that is otherwise sold separately from other NGLs in Alberta and some condensate entrained in the NGLs delivered to fractionation facilities.
- (2) Numbers may not add due to rounding.

## 6. Statement of KRC Reserves Data

Set forth below is a summary of KRC's light and medium crude oil, heavy oil, NGL, conventional natural gas and shale gas reserves, as evaluated in the report prepared by McDaniel and dated January 21, 2021 evaluating the reserves attributable to certain of the assets of KRC and its subsidiaries as at December 31, 2020 ("**KRC 2020 Reserves Report**"). The Report on Reserves Data by Independent Qualified Reserves Evaluator or Auditor in respect of the KRC 2020 Reserves Report and the Report of Management and Directors on Oil and Gas Disclosure for the KRC 2020 Reserves Report are attached as Schedules G and H to this Appendix H, respectively.

### Disclosure of Reserves Data

The reserves data set forth below are based upon the KRC 2020 Reserves Report prepared in accordance with NI 51-101. The KRC 2020 Reserves Report, from which the data set forth below are derived, is dated January 21, 2021 and evaluated KRC's reserves as of December 31, 2020. The reserves data summarizes the light and medium crude oil, NGL, conventional natural gas and shale gas reserves of KRC and the net present values of future net revenue for the reserves using forecast prices and costs, not including the impact of any price risk management activities. The KRC 2020 Reserves Report has been prepared in accordance with COGEH and the reserves definitions contained in NI 51-101 and CSA 51-324. KRC engaged McDaniel to provide an evaluation of its Proved and Proved plus Probable reserves. All of KRC's reserves are in the Province of Alberta.

The present value of future net revenue before and after income taxes has been estimated by McDaniel. The estimates of the after income tax value of future net revenue have been prepared based on before income tax reserves information and includes assumptions and estimates of KRC's tax pools provided by management of KRC and the sequences of claims and rates of claim thereon. The values shown may not be representative of future income tax obligations, applicable tax horizon or after tax valuation. The after tax net present value of KRC's oil and natural gas properties reflects the tax burden of its properties on a stand-alone basis. It does not provide an estimate of the value of KRC as a business entity, which may be significantly different.

All evaluations of future net revenue contained in the KRC 2020 Reserves Report are after the deduction of royalties, development costs, production costs and abandonment and reclamation costs but before consideration of indirect costs such as administrative, overhead and other miscellaneous expenses. It should not be assumed that the undiscounted or discounted net present value of future net revenue attributable to reserves estimated by McDaniel represent the fair market value of those reserves. There is no assurance that the forecast price and cost assumptions contained in the KRC 2020 Reserves Report will be attained and variations could be material. Other assumptions and qualifications relating to costs and other matters are summarized herein. Readers should review the relevant definitions and information that is contained in "*Advisory Regarding Oil and Gas Information*", "*Glossary of Terms*" and "*Abbreviations*" in this Information Circular in conjunction with the following tables and

notes. The recovery and reserves estimates described herein are estimates only. The actual reserves associated with KRC's properties may be greater or less than those calculated. See "Risk Factors".

The historical production information used by McDaniel came from KRC. KRC also provided McDaniel with other required information, such as operating statements, land data, logs from recently drilled wells and field development plans. McDaniel incorporated all this data into its analysis in accordance with standards set out in the COGEH. The standards in the COGEH require McDaniel to plan and perform an assessment of KRC's reserves data in order to obtain reasonable assurance as to whether such reserves data are free of material misstatement.

## KRC 2020 Reserves Report

The tables below summarize the data contained in the KRC 2020 Reserves Report and, as a result, may contain slightly different numbers than such report due to rounding. Due to rounding, certain columns may not add exactly. Except as otherwise indicated, net present values and future net revenues are based on McDaniel's forecast prices, as set forth below.

### Summary of Reserves (Forecast Prices and Costs)

#### Summary of Reserves

As of December 31, 2020 — Forecast Prices and Costs

Reserves Category	Conventional Natural Gas		Shale Gas <sup>(2)</sup>		NGLs <sup>(3)</sup>	
	Gross (mmcf)	Net (mmcf)	Gross (mmcf)	Net (mmcf)	Gross (mbbl)	Net (mbbl)
Proved:						
Developed Producing	1,586.8	1,477.6	-	-	91.4	78.8
Developed Non-Producing	-	-	-	-	-	-
Undeveloped	14,510.5	13,908.5	77,162.1	72,834.5	8,690.0	7,481.7
Total Proved <sup>(1)</sup>	16,097.3	15,386.1	77,162.1	72,834.5	8,781.4	7,560.5
Total Probable	20,315.7	19,401.4	19,488.8	18,171.2	3,175.5	2,588.9
Total Proved plus Probable <sup>(1)</sup>	36,412.9	34,787.5	96,650.9	91,005.7	11,956.9	10,149.4
Reserves Category	Light and Medium Crude Oil		Heavy Oil		Total	
	Gross (mbbl)	Net (mbbl)	Gross (mbbl)	Net (mbbl)	Gross (mboe)	Net (mboe)
Proved:						
Developed Producing	531.5	472.7	18.0	16.0	905.4	813.8
Developed Non-Producing	-	-	-	-	-	-
Undeveloped	5,448.9	5,161.9	132.2	117.7	29,549.9	27,218.5
Total Proved <sup>(1)</sup>	5,980.4	5,634.6	150.2	133.7	30,455.2	28,032.2
Total Probable	7,592.7	6,986.4	289.1	255.9	17,815.5	16,203.7
Total Proved plus Probable <sup>(1)</sup>	13,573.1	12,621.0	439.3	389.5	48,146.5	44,125.4

#### Notes:

- (1) These figures are derived from volumes that are arithmetic sums of multiple estimates of reserves categories or sub-categories, which statistical principles indicate may be misleading as to volumes that may actually be recovered. Readers should review the estimates of individual classes of reserves and appreciate the differing probabilities of recovery associated with each class as explained under the headings "Advisory Regarding Oil and Gas Information", "Glossary of Terms" and "Abbreviations" in this Information Circular.
- (2) On July 1, 2021, 20 quarter sections of land with attributed reserves were surrendered to another industry participant.
- (3) Figures include NGLs for both conventional and unconventional reservoirs, including condensate, pentane plus, propane, butane and ethane. Condensate is expected to be extracted in the field and sold separately from other NGLs or sold with other NGLs delivered to fractionation facilities.

**Net Present Values of Future Net Revenue  
Before Income Taxes Discounted At (%/Year)  
As of December 31, 2020  
Forecast Prices and Costs<sup>(1)</sup>**

Reserves Category	0%	5%	10%	15%	20%	Unit Value Discounted at 10% per Year \$/boe <sup>(3)</sup>
	(\$mm)	(\$mm)	(\$mm)	(\$mm)	(\$mm)	
Proved:						
Developed Producing	20.5	17.7	15.7	14.1	12.8	19.2
Developed Non-Producing	-	-	-	-	-	-
Undeveloped	391.9	244.5	156.2	100.4	63.2	5.7
Total Proved <sup>(2)</sup>	412.3	262.2	171.9	114.4	76.1	6.1
Total Probable	398.0	219.7	133.4	85.5	59.5	8.3
Total Proved plus Probable <sup>(2)</sup>	810.4	481.9	305.3	200.0	135.6	6.9

**Notes:**

- (1) Estimates of future net revenue do not represent fair market value.
- (2) These figures are derived from volumes that are arithmetic sums of multiple estimates of reserves categories or sub-categories, which statistical principles indicate may be misleading as to volumes that may actually be recovered. Readers should review the estimates of individual classes of reserves and appreciate the differing probabilities of recovery associated with each class as explained under the headings "Advisory Regarding Oil and Gas Information", "Glossary of Terms" and "Abbreviations" in this Information Circular.
- (3) The unit values are based on net reserve volumes.

**Net Present Values of Future Net Revenue  
After Income Taxes Discounted At (%/Year)  
As of December 31, 2020 — Forecast Prices and Costs<sup>(1)</sup>**

Reserves Category	0%	5%	10%	15%	20%
	(\$mm)	(\$mm)	(\$mm)	(\$mm)	(\$mm)
Proved:					
Developed Producing	20.5	17.7	15.7	14.1	12.8
Developed Non-Producing	-	-	-	-	-
Undeveloped	391.9	197.6	123.7	76.7	45.4
Total Proved <sup>(2)</sup>	340.4	215.4	139.4	90.7	58.2
Total Probable	305.8	166.8	99.4	63.4	42.5
Total Proved plus Probable <sup>(2)</sup>	646.2	382.2	238.8	154.1	100.7

**Notes:**

- (1) Estimates of future net revenue do not represent fair market value.
- (2) These figures are derived from volumes that are arithmetic sums of multiple estimates of reserves categories or sub-categories, which statistical principles indicate may be misleading as to volumes that may actually be recovered. Readers should review the estimates of individual classes of reserves and appreciate the differing probabilities of recovery associated with each class as explained under the headings "Advisory Regarding Oil and Gas Information", "Glossary of Terms" and "Abbreviations" in this Information Circular.

**Total Future Net Revenue (Undiscounted)  
As of December 31, 2020 Forecast Prices and Costs**

Reserves Category	Revenue <sup>(1)</sup>	Royalties <sup>(2)</sup>	Operating Costs	Development Costs	Abandonment and Reclamation Costs <sup>(3)</sup>	Future Net Revenue Before Income Taxes <sup>(4)</sup>	Future Income Tax Expenses	Future Net Revenue After Income Taxes <sup>(4)</sup>
	(\$mm)	(\$mm)	(\$mm)	(\$mm)	(\$mm)	(\$mm)	(\$mm)	(\$mm)
Total Proved <sup>(5)</sup>	1,239.1	121.6	363.3	333.6	8.3	412.3	71.9	340.4
Total Proved plus Probable <sup>(5)</sup>	2,152.4	225.1	616.9	486.9	13.1	810.4	164.2	646.2

**Notes:**

- (1) Total revenue includes revenue before royalties and includes other income.
- (2) Royalties include Crown, freehold and overriding royalties, mineral tax and net profit interest payments.
- (3) Abandonment and reclamation costs are defined by NI 51-101 as all costs associated with the process of restoring KRC's properties that have been disturbed by oil and gas activities to a standard imposed by applicable government or regulatory authorities.
- (4) Estimates of future net revenue do not represent fair market value.



- (5) These figures are derived from volumes that are arithmetic sums of multiple estimates of reserve categories or sub-categories, which statistical principles indicate may be misleading as to volumes that may actually be recovered. Readers should review the estimates of individual classes of reserves and appreciate the differing probabilities of recovery associated with each class as explained under the headings "Advisory Regarding Oil and Gas Information", "Glossary of Terms" and "Abbreviations" in this Information Circular.

**Future Net Revenue by Production Group**  
**As of December 31, 2020 Forecast Prices and Costs**

Reserves Category	Product Type <sup>(1)</sup>	Future Net Revenue Before Income Tax (discounted at 10%/year) <sup>(1)(2)</sup> (\$mm)	Unit Value Before Income Tax (discounted at 10%/year) <sup>(2)(3)</sup> (\$/mcf) (\$/bbl)
Proved <sup>(4)</sup>	Light and Medium Oil (including Solution Gas and By-products)	41.2	7.31
	Heavy Oil (Including Solution Gas and By-products)	0.4	3.29
	Shale Gas (Including By-products)	130.3	1.79
	<b>Total</b>	<b>171.9</b>	
Proved plus Probable <sup>(4)</sup>	Light and Medium Oil (including Solution Gas and By-products)	119.2	9.44
	Heavy Oil (Including Solution Gas and By-products)	3.5	9.10
	Shale Gas (Including By-products)	182.5	2.01
	<b>Total</b>	<b>305.2</b>	

**Notes:**

- (1) The before tax future net revenue discounted at 10% for shale gas includes all by-product revenue streams from ethane, propane, butane and pentanes plus.
- (2) Estimates of future net revenue do not represent fair market value. May not sum due to rounding.
- (3) Unit values are based on KRC's net reserves. Values shown for light and medium crude oil are expressed as \$/bbl and values shown for conventional natural gas and shale gas are expressed as \$/mcf.
- (4) These figures are derived from volumes that are arithmetic sums of multiple estimates of reserves categories or sub-categories, which statistical principles indicate may be misleading as to volumes that may actually be recovered. Readers should review the estimates of individual classes of reserves and appreciate the differing probabilities of recovery associated with each class as explained above under the headings "Advisory Regarding Oil and Gas Information", "Glossary of Terms" and "Abbreviations" in this Information Circular.

**Pricing Assumptions**

The forecast of prices, inflation and exchange rates provided in the table below were computed using the forecasts prepared by McDaniel, effective January 1, 2021. McDaniel's forecasts are available on its website at [www.mcdan.com](http://www.mcdan.com). McDaniel's forecasts were utilized in the KRC 2020 Reserves Report and the summary of McDaniel's evaluation that is reflected herein.

**Summary of Pricing and Inflation Rate Assumptions**  
**As of January 1, 2021 Forecast Prices and Costs**

Year	Natural Gas		NGLs <sup>(1)</sup>				Crude Oil			Inflation Rate <sup>(2)</sup>	Exchange Rate <sup>(3)</sup>
	AECO Gas Price	U.S. Henry Hub Gas Price US\$	Edmonton Ethane	Edmonton Propane	Edmonton Butane	Edmonton Cond. & Natural Gasolines	WTI Cushing Oklahoma	Edmonton Par Price 40° API	Hardisty Heavy 12° API		
	(\$/mmBtu)	(US\$/mmBtu)	(\$/bbl)	(\$/bbl)	(\$/bbl)	(\$/bbl)	(US\$/bbl)	(\$/bbl)	(\$/bbl)	%/Year	(US\$/US\$)
2021	2.75	2.75	10.20	15.74	21.46	61.24	47.50	57.24	46.36	0.00	0.76
2022	2.65	2.81	9.79	20.06	27.78	65.82	51.00	61.74	50.01	2.00	0.76
2023	2.55	2.86	9.36	23.61	36.21	67.13	52.02	62.97	51.01	2.00	0.76
2024	2.60	2.92	9.55	24.09	36.93	68.48	53.06	64.23	52.03	2.00	0.76
2025	2.65	2.98	9.74	24.57	37.67	69.85	54.12	65.52	53.07	2.00	0.76
2026	2.70	3.04	9.94	25.06	38.42	71.24	55.20	66.83	54.13	2.00	0.76
Thereafter		Escalated at 2.0%/yr								2.00	0.76

**Notes:**

- (1) Figures include NGLs for both conventional and unconventional reservoirs, including condensate, pentane plus, propane, butane and ethane. Condensate is expected to be extracted in the field and sold separately from other NGLs or sold with other NGLs delivered to fractionation facilities.
- (2) Inflation rates for forecasting prices and costs.
- (3) Exchange rates used to generate the benchmark reference prices in this table.

Weighted average historical prices realized (before hedging and marketing income) by KRC for the period from January 1, 2020 to December 31, 2020, were \$55.47/bbl for condensate, \$7.09/bbl for other NGLs (excluding condensate and pentane extracted from the gas stream), \$2.28/mcf for natural gas, \$48.13/bbl for light and medium oil and \$34.40/bbl for heavy oil.

## Reserves Reconciliation

### Reconciliation of Gross Reserves by Product Type Forecast Prices and Costs

	Conventional Natural Gas			Shale Gas		
	Gross Proved (mmcf)	Gross Probable (mmcf)	Gross Proved plus Probable (mmcf)	Gross Proved (mmcf)	Gross Probable (mmcf)	Gross Proved plus Probable (mmcf)
<b>January 1, 2020</b>	14,769.8	17,785.2	32,555.0	-	-	-
Discoveries	-	-	-	-	-	-
Extensions and Improved Recovery	1,829.7	2,530.5	4,360.2	77,162.1	19,488.8	96,650.9
Technical Revisions	-	-	-	-	-	-
Acquisitions	-	-	-	-	-	-
Dispositions	-	-	-	-	-	-
Economic Factors <sup>(2)</sup>	-	-	-	-	-	-
Production	(502.2)	(0.1)	(502.3)	-	-	-
<b>December 31, 2020</b>	16,097.3	20,315.6	36,412.9	77,162.1	19,488.8	96,650.9
	NGLs <sup>(1)</sup>			Light and Medium Crude Oil		
	Gross Proved (mbbl)	Gross Probable (mbbl)	Gross Proved plus Probable (mbbl)	Gross Proved (mbbl)	Gross Probable (mbbl)	Gross Proved plus Probable (mbbl)
<b>January 1, 2020</b>	824.3	1,002.4	1,826.7	6,478.0	8,042.2	14,520.2
Discoveries	-	-	-	-	-	-
Extensions and Improved Recovery	7,853.0	2,015.2	9,868.2	-	-	-
Technical Revisions	130.6	157.9	288.5	(335.0)	(449.5)	(784.5)
Acquisitions	-	-	-	-	-	-
Dispositions	-	-	-	-	-	-
Economic Factors <sup>(2)</sup>	-	-	-	-	-	-
Production	(26.5)	-	(26.5)	(162.6)	(0.1)	(162.7)
<b>December 31, 2020</b>	8,781.4	3,175.5	11,956.9	5,980.4	7,592.7	13,573.1
	Heavy Oil			Total BOE		
	Gross Proved (mbbl)	Gross Probable (mbbl)	Gross Proved plus Probable (mbbl)	Gross Proved (mboe)	Gross Probable (mboe)	Gross Proved plus Probable (mboe)
<b>January 1, 2020</b>	-	-	-	9,763.9	12,008.8	21,772.7
Discoveries	-	-	-	-	-	-
Extensions and Improved Recovery	132.2	-	413.2	21,150.5	5,685.1	27,116.6
Technical Revisions	-	-	-	(204.4)	(291.6)	(496.0)
Acquisitions	30.3	-	38.5	30.3	-	38.5
Dispositions	-	-	-	-	-	-
Economic Factors <sup>(2)</sup>	-	-	-	-	-	-
Production	(12.3)	-	(12.4)	(285.1)	(0.1)	(285.3)
<b>December 31, 2020</b>	150.2	289.1	439.3	30,455.2	17,691.4	48,146.6

#### Notes:

- (1) Figures include NGLs for both conventional and unconventional reservoirs, including condensate, pentanes plus, propane, butane and ethane. Condensate is expected to be extracted in the field and sold separately from other NGLs or sold with other NGLs delivered to fractionation facilities.
- (2) Economic factors reflect the change in forecasted commodity prices year-over-year.

## Additional Information Relating to Reserves Data

### Undeveloped Reserves

Proved undeveloped reserves are those reserves that can be estimated with a high degree of certainty to be recoverable where significant expenditure (e.g., when compared to the cost of drilling a well) is required to render them capable of production. Probable undeveloped reserves are those additional reserves that are less certain to be recovered than Proved reserves where

significant expenditure is required to render them capable of production. The KRC 2020 Reserves Report contains Proved and Probable undeveloped reserves that have been estimated in accordance with the procedures and standards contained in the COGEH.

As of December 31, 2020, undeveloped reserves represented approximately 91% of total gross Proved reserves and approximately 96% of gross Proved plus Probable reserves. The timing of proved undeveloped reserve and probable undeveloped reserve development beyond two years is due to the large land base, a well-defined drilling inventory supported by offset production, KRC's scheduled pace of commercial development, and the timing of planned and current infrastructure construction.

The pace of development of these reserves is influenced by several factors including, but not limited to, the outcomes of drilling and reservoir evaluations, changes in commodity pricing, changes in capital allocations, changing technical conditions, access to markets, regulatory changes and impact of future acquisitions and dispositions. These reserves are reviewed and development plans are revised accordingly as new information becomes available.

The following tables set forth the gross Proved undeveloped reserves and the gross Probable undeveloped reserves, each by product type, attributed to KRC for the period from January 1, 2020 to December 31, 2020, January 1, 2019 to December 31, 2019 and January 1, 2018 to December 31, 2018, based on forecast prices and costs.

### *Proved Undeveloped Reserves*

Year	Conventional Natural Gas		Shale Gas	
	First Attributed	Cumulative at Year End	First Attributed	Cumulative at Year End
	(mmcf)		(mmcf)	
Jan. 1, 2018 - Dec. 31, 2018	-	-	-	-
Jan. 1, 2019 - Dec. 31, 2019	12,593.0	12,593.0	-	-
Jan. 1, 2020 - Dec. 31, 2020	-	14,510.5	77,162.1	77,162.1
	NGLs <sup>(1)</sup>		Light and Medium Crude Oil	
Year	First Attributed	Cumulative at Year End	First Attributed	Cumulative at Year End
	(mmbbl)		(mmbbl)	
Jan. 1, 2018 - Dec. 31, 2018	-	-	-	-
Jan. 1, 2019 - Dec. 31, 2019	703.7	703.7	5,796.3	5,796.3
Jan. 1, 2020 - Dec. 31, 2020	7,853.0	8,690.0	-	5,448.9
	Heavy Oil		Tight Oil	
Year	First Attributed	Cumulative at Period End	First Attributed	Cumulative at Period End
	(mmbbl)		(mmbbl)	
Jan 1, 2019 - Dec 31, 2019	-	-	-	-
Jan 1, 2020 - Dec 31, 2020	-	-	-	-
Jan 1, 2021 - June 30, 2021	132.2	132.2	-	-

### *Probable Undeveloped Reserves*

Year	Conventional Natural Gas		Shale Gas	
	First Attributed	Cumulative at Year End	First Attributed	Cumulative at Year End
	(mmcf)		(mmcf)	
Jan. 1, 2018 - Dec. 31, 2018	-	-	-	-
Jan. 1, 2019 - Dec. 31, 2019	17,034.9	17,034.9	-	-
Jan. 1, 2020 - Dec. 31, 2020	-	19,815.2	19,488.8	19,488.8
	NGLs <sup>(1)</sup>		Light and Medium Crude Oil	
Year	First Attributed	Cumulative at Year End	First Attributed	Cumulative at Year End
	(mmcf)		(mmcf)	
Jan. 1, 2018 - Dec. 31, 2018	-	-	-	-
Jan. 1, 2019 - Dec. 31, 2019	962.4	962.4	8,042.2	8,042.2
Jan. 1, 2020 - Dec. 31, 2020	2,015.2	3,146.0	(449.5)	7,592.7

Year	Heavy Oil		Tight Oil	
	First Attributed	Cumulative at Period End	First Attributed	Cumulative at Period End
	(mbbl)		(mbbl)	
Jan 1, 2019 - Dec 31, 2019	-	-	-	-
Jan 1, 2020 - Dec 31, 2020	-	-	-	-
Jan 1, 2021 - June 30, 2021	281	281	-	-

**Note:**

- (1) Figures include NGLs for both conventional and unconventional reservoirs, including pentanes plus, propane, butane and ethane. Other NGLs (propane, butane and ethane) are expected to be extracted in the field by KRC. Condensate is expected to be extracted in the field and sold separately from other NGLs or sold with other NGLs delivered to fractionation facilities. Other NGLs (propane, butane and ethane) are expected to be extracted in the field by KRC.

**Significant Factors or Uncertainties Affecting Reserves Data**

The process of evaluating reserves is inherently complex. It requires significant judgment and decision-making on the basis of the available geological, geophysical, engineering and economic data. These estimates may change substantially as additional data from ongoing development activities and production performance become available and as economic conditions impacting oil and gas prices and costs change. The reserves estimates contained herein are based on production expectations, forecast prices and economic conditions as at December 31, 2020. Factors and assumptions that affect these reserves estimates include, among other things: (a) historical production in the area compared with production rates from analogous producing areas; (b) initial production rates; (c) production decline rates; (d) ultimate recovery of reserves; (e) success of future development activities; (f) marketability of production; (g) effects of government regulations; and (h) government levies imposed over the life of the reserves.

As circumstances change and additional data become available, reserves estimates may also change. Estimates are reviewed and revised, either upward or downward, as warranted by the new information. Revisions are often required due to changes in well and reservoir performance, geological conditions, production, prices, changes in corporate strategy, economic conditions and governmental restrictions. These revisions can be either positive or negative.

In connection with its operations, KRC will incur abandonment, dismantling, reclamation and remediation costs for surface leases, wells, facilities and pipelines. KRC budgets for and recognizes as a liability the estimated present value of the future decommissioning liabilities associated with its oil and gas assets. KRC uses guidance from the Alberta Energy Regulator and consultation with an independent third-party engineering firm to validate the estimates of such liabilities. Approximately 80% of KRC's decommissioning liabilities on its financial statements are associated with active properties that have production and attributable reserves. There is approximately \$28 million of inactive abandonment and reclamation costs associated with inactive wells or facilities where there is no active operations or attributed reserves. KRC is currently working on an abandonment program to proactively manage and reduce the inactive decommissioning liabilities over the next three to five years. There are no unusually significant abandonment and reclamation costs associated with its reserves properties or to properties with no attributed reserves.

The evaluated oil and gas properties of KRC have no material extraordinary risks or uncertainties beyond those that are inherent in unconventional oil and gas exploration and production operations. See "*Risk Factors*".

**Future Development Costs**

The following table sets forth development costs deducted in the estimation of KRC's future net revenue attributable to the reserves categories noted below.

Year	Annual Development Costs	
	Total Proved	Total Proved plus Probable
	(\$mm)	(\$mm)
2021	41.9	41.9
2022	80.8	83.6
2023	103.3	103.3
2024	85.7	110.2
2025	16.9	88.2
Thereafter	5.0	59.7

Year	Annual Development Costs	
	Total Proved	Total Proved plus Probable
	(\$mm)	(\$mm)
<b>Total (Undiscounted)</b>	<b>333.6</b>	<b>486.9</b>
<b>Total (Discounted at 10%)</b>	<b>265.5</b>	<b>364.1</b>

KRC expects to fund the development costs of its reserves through current working capital, cash flow from operations, borrowings under its credit facilities and by accessing the global capital markets. There can be no guarantee that funds will be available or that the KRC Board will allocate funding to develop all of the reserves attributed in the KRC 2020 Reserves Report. Failure to develop those reserves could have a negative impact on KRC's future net revenue relative to the estimates provided herein.

Interest or other costs of external funding are not included in KRC's reserves and future net revenue estimates and would reduce reserves and future net revenue to some degree depending upon the funding sources utilized. KRC does not anticipate that interest or other funding costs would make development of any of its properties uneconomic.

The future development costs set forth above do not include costs associated with abandonment and reclamation obligations.

## Other Oil and Natural Gas Information

### Oil and Natural Gas Wells

The following table sets forth the number and status of wells in which KRC had a working interest as at December 31, 2020, all of which are located in Alberta.

Natural Gas Wells				Oil Wells			
Producing <sup>(1)</sup>		Non-Producing <sup>(1)</sup>		Producing <sup>(1)</sup>		Non-Producing <sup>(1)</sup>	
Gross	Net	Gross	Net	Gross	Net	Gross	Net
--	--	14	11	4	4	--	--

**Note:**

- (1) Producing wells are wells that are actively producing as of the respective date. Non-producing wells are wells that are not actively producing, and for which a reclamation certificate has not been granted, as of the respective date.

### Properties with No Attributed Reserves

As at December 31, 2020, KRC had 240,320 gross acres (217,911 net acres) to which no reserves had been attributed.

KRC continually reviews the economic viability and ranking of these unproved properties on the basis of product pricing, capital availability, the anticipated cost to re-acquire, and the allocation and level of infrastructure development in any specific area. From this process, some properties are scheduled for economic development activities while others are temporarily held inactive, sold, swapped or allowed to expire. There is no guarantee that commercial reserves will be discovered or developed on these properties.

During 2021 approximately 10,000 net acres of the corporation have expired or will likely expire, however KRC expects that, subject to Crown approval, approximately 45% of these lands will be continued.

None of these properties are subject to any work commitments.

When determining acreage, totals are adjusted to remove overlapping acreage under applicable petroleum and natural gas agreements.

### Significant Factors or Uncertainties Relevant to Properties with no Attributed Reserves

There are several economic factors and significant uncertainties that affect KRC's anticipated development of its properties to which no reserves are attributed. KRC will be required to make substantial capital expenditures in order to prove, exploit, develop and produce oil, natural gas and NGLs from these properties in the future. If cash flow from operations is not sufficient to satisfy its capital expenditure requirements, there can be no assurance that additional debt or equity financing will be available to meet these requirements or, if available, on terms acceptable to KRC. Failure to obtain such financing on a timely basis could

cause KRC to forfeit its interest in certain properties, miss certain opportunities and reduce or terminate its operations on such properties. The inability of KRC to access sufficient capital for its exploration and development purposes could have a material adverse effect on KRC's ability to execute its business strategy to develop these prospects. See "*Risk Factors*". The primary economic factors that affect the development of the properties to which no reserves have been attributed are future commodity prices for oil, natural gas and NGLs (and KRC's outlook relating to such prices) and the future costs of drilling, completing, tying-in and operating wells at the time that such activities are considered. KRC would also need to secure adequate transportation capacity on acceptable terms for its incremental future production. The primary uncertainties that affect the development of such lands are the future drilling and completion results achieved in the development activities, drilling and completion results achieved by others on lands in close proximity to these lands, and future changes to applicable regulatory or royalty regimes that affect timing or economics of proposed development activities. All of these uncertainties have the potential to delay the development of such lands. Conversely, uncertainty as to the timing and nature of the evolution or development of better exploration, drilling, completion and production technologies have the potential to accelerate development activities and enhance the economics relating to such properties.

McDaniel has estimated undiscounted and inflated abandonment and reclamation costs of approximately \$13.1 million in respect of its evaluation of KRC's Proved plus Probable Reserves. KRC does not expect that these abandonment or reclamation costs will materially affect the anticipated development or production activities on its properties with no attributed reserves.

### ***Forward Contracts and Transportation Obligations***

KRC uses risk management contracts in order to reduce its exposure to fluctuations in commodity prices. These instruments are not used for trading or speculative purposes. All of the contracts through which KRC has fixed the price of future production, outstanding as at December 31, 2020, are available at Schedule B – "*Financial Statements and Management's Discussion and Analysis*".

As part of normal business operations, KRC enters into long-term commitments to transport and fractionate (as applicable) its oil, natural gas, condensate and other NGL production volumes. Transportation and fractionation of NGLs are interdependent. The commitments are entered to secure capacity to market and sell these commodities, considering future growth plans, capacity constraints within the area and expectations for future transportation and fractionation costs. Accordingly, capacity deficits may arise when comparing future reserve production estimates against such commitments. See "*Commitments*" in the management's discussion and analysis of KRC for the three months ended March 31, 2021 attached hereto as Schedule B – "*Financial Statements and Management's Discussion and Analysis*".

The shortfall relative to the commitments described above reflects the future production of KRC's Proved Reserves development plan. KRC believes that holding these transportation commitments is an asset and envisions a number of ways in which the indicated impacts can be partially or wholly reduced. For example, KRC is able to accelerate development at its discretion, depending on, among other factors, financial capacity related to prevailing commodity prices and existing field processing capacity, and KRC mitigates a portion of its unused take-or-pay capacity through marketing transactions. KRC is of the view that holding transportation commitments sized only to Proved Reserves would be insufficient relative to the production potential of its assets. KRC believes that the transportation commitments are more accurately sized to the potential recognized within Proved plus Probable Reserves.

### ***Tax Horizon***

As at December 31, 2020, KRC had accumulated tax pools and loss carry forwards of approximately \$108 million, including approximately \$49 million in tax pools available for immediate deduction against any future taxable income. Based on anticipated capital investment, which augments the tax pools, KRC does not expect to pay material Canadian income tax for approximately three years (based on McDaniel's forecast, see "*Pricing Assumptions*"). This estimate will be impacted by, among other factors, production volumes, commodity prices, foreign exchange rates, operating costs, interest rates, changes in tax laws and KRC's other business activities. Changes in these factors from estimates used by KRC could result in KRC paying income taxes earlier than expected.

## Costs Incurred

The following table summarizes the costs incurred by KRC for the twelve months ended December 31, 2020.

	12 months ended December 31, 2020
	(\$mm)
Property acquisition costs:	
Proved properties	-
Unproved properties	5.5
Exploration costs	0.7
Development costs	-
Other	0.1
<b>Total</b>	<b>6.3</b>

## Exploration and Development Activities

The oil and gas industry faced very challenging economic conditions during 2020 due to the outbreak of the COVID-19 pandemic and resulting lock downs of national economies coupled with the additional shock of the failure of OPEC and Russia to come to an agreement in the first half of 2020 to curtail oil production. As a result, KRC shifted its capital focus during the year to pursuing acquisitions of producing oil and gas assets and/or companies and made a strategic decision to not allocate capital to drilling new wells. Accordingly, KRC did not participate in any gross or net exploratory and development wells in the twelve months ended December 31, 2020 (based on rig release date).

## Production Estimates

The following table sets out for each product type the gross volume (before royalties) of working interest production estimated for the year ending December 31, 2021 in the estimates contained in the KRC 2020 Reserves Report for gross Proved reserves and gross Probable reserves. Actual results may differ significantly from the information below. See "Forward-Looking Statements" and "Risk Factors".

### Production Estimate For The Year Ending December 31, 2021

Reserve Category	Conventional Natural Gas	Shale Gas	NGLs <sup>(1)</sup>	Light and Medium Crude Oil	Heavy Oil	Condensate <sup>(2)</sup>	Total
	(mmcf)	(mmcf)	(mbbl)	(mbbl)	(mbbl)	(mbbl)	(mboe)
Proved	1,015	-	37	139	47	65	458
Probable	10	-	-	5	7	5	17
Total Proved plus Probable	1,025	-	37	144	54	70	475

#### Notes:

- (1) Figures include NGLs for both conventional and unconventional reservoirs, including pentanes plus, propane, butane and ethane. Other NGLs (propane, butane and ethane) are expected to be extracted in the field by KRC.
- (2) Comprised of the condensate that is extracted in the field or that is otherwise sold separately from other NGLs in Alberta and some condensate entrained in the NGLs delivered by KRC to fractionation facilities.

## Production History

The following tables summarize certain information in respect of the production, product prices received, royalties paid, operating expenses and resulting netback for the periods indicated below.

	Quarter Ended				Twelve Months Ended
	Mar. 31, 2020	Jun. 30, 2020	Sept. 30, 2020	Dec. 31, 2020	Dec. 31, 2020
<b>Average Gross Daily Production<sup>(1)</sup></b>					
Conventional Natural Gas (mmcf/d)	2.2	0.7	1.6	1.0	1.4
Shale Gas (mmcf/d)	-	-	-	-	-
Natural Gas Liquids (bbl/d)					
Condensate <sup>(2)</sup>	96	13	18	13	35



	Quarter Ended				Twelve Months Ended
	Mar. 31, 2020	Jun. 30, 2020	Sept. 30, 2020	Dec. 31, 2020	Dec. 31, 2020
Other NGLs	126	25	64	41	64
Total NGLs	222	38	82	54	99
Light and Medium Crude Oil (bbl/d)	620	288	435	374	429
Heavy Oil (bbl/d)	-	-	15	43	15
Combined (boe/d)	1,204	443	793	645	771
<b>Average Production Prices Received</b>					
Conventional Natural Gas (\$/mcf)	2.11	2.00	2.38	2.66	2.28
Shale Gas (\$/mcf)	-	-	-	-	-
Natural Gas Liquids (\$/bbl)					
Condensate <sup>(2)</sup>	60.63	34.32	43.02	55.56	55.47
Other NGLs	1.73	11.97	11.15	14.04	7.09
Total NGLs	27.26	19.46	18.21	23.87	24.16
Light and Medium Crude Oil (\$/bbl)	51.63	42.37	46.59	48.57	48.13
Heavy Oil (\$/bbl)	-	-	31.06	35.58	34.40
Combined (\$/boe)	35.42	32.44	32.74	36.83	34.60
<b>Royalties Paid</b>					
Conventional Natural Gas (\$/mcf)	(0.29)	3.99	(0.10)	(2.08)	(0.04)
Shale Gas (\$/mcf)	-	-	-	-	-
Natural Gas Liquids (\$/bbl)					
Condensate <sup>(2)(5)</sup>	(22.03)	17.44	(5.47)	407.48	23.41
Other NGLs	(0.93)	(0.20)	(1.92)	5.52	(0.06)
Total NGLs <sup>(5)</sup>	(10.08)	5.72	(2.70)	100.72	8.22
Light and Medium Crude Oil (\$/bbl)	(6.00)	(4.44)	(5.37)	(5.52)	(5.48)
Heavy Oil (\$/bbl)	-	-	(3.12)	(4.75)	(4.33)
Combined (\$/boe)	(5.46)	3.88	(3.48)	1.57	(2.14)
<b>Production Costs<sup>(3)</sup></b>					
Conventional Natural Gas (\$/mcf)	(0.59)	(0.60)	(0.66)	(0.72)	(0.64)
Shale Gas (\$/mcf)	-	-	-	-	-
Natural Gas Liquids (\$/bbl)					
Condensate <sup>(2)</sup>	(16.88)	(10.29)	(11.91)	(15.00)	(15.47)
Other NGLs	(0.48)	(3.58)	(3.09)	(3.79)	(1.98)
Total NGLs	(7.59)	(5.83)	(5.04)	(6.44)	(6.74)
Light and Medium Crude Oil (\$/bbl)	(14.38)	(12.69)	(12.90)	(13.11)	(13.43)
Heavy Oil (\$/bbl)	-	-	(8.60)	(9.60)	(9.34)
Combined (\$/boe)	(9.86)	(9.72)	(9.07)	(9.94)	(9.65)
<b>Transportation Costs</b>					
Conventional Natural Gas (\$/mcf)	-	-	-	-	-
Shale Gas (\$/mcf)	-	-	-	-	-
Natural Gas Liquids (\$/bbl)	-	-	-	-	-
Condensate <sup>(2)</sup>	-	-	-	-	-
Other NGLs	-	-	-	-	-
Total NGLs	-	-	-	-	-
Light and Medium Crude Oil (\$/bbl)	(1.41)	(1.29)	(1.22)	(1.68)	(1.40)
Heavy Oil (\$/bbl)	-	-	(0.81)	(1.23)	(1.12)
Combined (\$/boe)	(0.73)	(0.84)	(0.68)	(1.06)	(0.81)
<b>Netback Received<sup>(4)(6)</sup></b>					
Conventional Natural Gas (\$/mcf)	1.24	5.39	1.62	(0.13)	1.61
Shale Gas (\$/mcf)	-	-	-	-	-
Natural Gas Liquids (\$/bbl)					
Condensate <sup>(2)(5)</sup>	21.72	41.49	25.64	448.04	63.41
Other NGLs	0.32	8.17	6.15	15.76	5.05
Total NGLs <sup>(5)</sup>	9.59	19.35	10.46	118.15	25.64
Light and Medium Crude Oil (\$/bbl)	29.84	23.95	27.10	28.25	27.82
Heavy Oil (\$/bbl)	-	-	18.52	19.99	19.61
Combined (\$/boe)	19.37	25.76	19.51	27.40	22.00

**Notes:**

- (1) Before the deduction of royalties.
- (2) Comprised of the condensate that is extracted in the field or that is otherwise sold separately from other NGLs in Alberta and some condensate entrained in the NGLs delivered by KRC to fractionation facilities.
- (3) Production costs are composed of direct costs incurred to operate wells that produce any one or more of the product types that are shown. Costs have been allocated to production by product on a pro-rata basis.
- (4) Calculated by management by subtracting royalties, operating and transportation costs from sales revenue. These figures have not been adjusted for hedging gains or losses or processing and third-party income. As natural gas liquids are produced concurrently with shale gas and conventional natural gas using shared infrastructure, the netback of any individual product should not be evaluated in

isolation. Netback does not have any standardized meaning and should not be used for the purposes of drawing comparisons among KRC and other companies.

- (5) During the fourth quarter of 2020, the reclassification of a Crown royalty on one well that was recorded in 2020 resulted in a refund in prior period Crown royalties of \$300,000, net of the annual gas cost allowances estimate.
- (6) Due to rounding, certain rows may not add exactly.

The following table indicates the average gross daily production from each of the important fields, aggregated by area, for the twelve month period ended December 31, 2020.

	<b>Conventional Natural Gas</b>	<b>Shale Gas</b>	<b>Other NGLs</b>	<b>Light and Medium Crude Oil</b>	<b>Heavy Oil</b>	<b>Condensate<sup>(1)</sup></b>	<b>Total</b>
	<i>(mmcf/d)</i>	<i>(mmcf/d)</i>	<i>(bbl/d)</i>	<i>(bbl/d)</i>	<i>(bbl/d)</i>	<i>(bbl/d)</i>	<i>(boe/d)</i>
Thorhild Region	--	--	--	--	15	--	15
West Central Alberta Region	1	--	64	429	--	35	756
Total	1	--	64	429	15	35	771

**Note:**

- (1) Comprised of the condensate that is extracted in the field or that is otherwise sold separately from other NGLs in Alberta and some condensate entrained in the NGLs delivered by KRC to fractionation facilities.

## 7. Significant Acquisitions

The Distinction Investments and the Simonette Acquisition may be considered a "significant acquisition" of a "related businesses" for the purposes of Part 8 of National Instrument 51-102 – *Continuous Disclosure Obligations*.

See the KRC Financial Statements attached as Schedule B – "*Financial Statements and Management's Discussion and Analysis*" to this Appendix H, the Distinction Financial Statements, which are incorporated by reference herein, and the audited operating statement containing gross sales, royalties, production costs and operating income for the Simonette Assets for the years ended December 31, 2020, 2019 and 2018 and the Three Months Ended March 31, 2021 attached as Schedule D – "*Operating Statements*" to this Appendix H.

### Distinction Investments

On October 16, 2020, KRC completed the Initial Distinction Investment. On January 15, 2021, KRC completed the Subsequent Distinction Investment.

KRC considered a wide range of factors including market conditions, historic prices paid for assets in the area, estimated cash flows and multiples paid in the market for comparable cash flowing assets, reserves and estimated recoverable resources, discounted cash flow analysis for producing reserves and various future development scenarios and current plus future abandonment liabilities in assessing the purchase price under the Distinction Investments. The ultimate purchase price for the Distinction Investments was determined through arm's length negotiation between KRC and Distinction.

### Simonette Acquisition

On February 17, 2021, KRC and Distinction entered into an acquisition opportunity agreement in respect of Distinction's commitment to participate with KRC as to 50% of a \$335 million acquisition, including \$15 million (\$7.5 million for KRC's share) in potential contingent payments based on future commodity prices, entered into by KRC for certain oil and gas interests in the Simonette and other areas of Northwest Alberta (collectively, the "**Simonette Assets**"), whereby the parties agreed, among other things, that the Simonette Acquisition and the purchase price (subject to adjustments) would be shared equally between KRC and Distinction. KRC funded its \$160 million (\$145.7 million net of interim closing adjustments) share of the purchase price through its remaining \$79 million equity line of credit, issued an additional \$25 million of equity financing and drew \$33 million on a \$97.5 million senior secured extendible revolving credit facility per the KRC Credit Agreement.

The Simonette Acquisition has an effective date of January 1, 2021 and closed on April 28, 2021.

KRC considered a wide range of factors including market conditions, historic prices paid for assets in the area, estimated cash flows and multiples paid in the market for comparable cash flowing assets, reserves and estimated recoverable resources, discounted cash flow analysis for producing reserves and various future development scenarios and current plus future abandonment liabilities in assessing the value of the Simonette Assets. The ultimate purchase price for the Simonette Assets being acquired pursuant to the Simonette Acquisition was determined through arm's length negotiation between KRC, Distinction and the vendor.

## Effect of Distinction Investments and Simonette Acquisition

This Appendix H contains, as Schedule C – "Unaudited Consolidated Pro Forma Financial Statements of the Combined Company". The *pro forma* consolidated balance sheet gives effect to the Business Combination and the Simonette Acquisition as if they had occurred on March 31, 2021 and the *pro forma* consolidated statement of operations gives effect to such transactions and assumptions as if they had occurred on January 1, 2020. The *pro forma* consolidated financial statements may not be indicative of the results that actually would have occurred if the events reflected therein had been in effect on the dates indicated or of the results which may be obtained in the future.

### 8. Management's Discussion and Analysis

Management's discussion and analysis of KRC for the year ended December 31, 2020 and the three months ended March 31, 2021 are attached hereto as Schedule B – "Financial Statements and Management's Discussion and Analysis".

### 9. Selected Historical Financial and Operating Information

The following table sets out selected historical financial and operating information as and for the periods indicated. The selected historical financial and operating information below should be read in conjunction with KRC's management discussion and analysis, KRC's audited and unaudited financial statements and the accompanying notes included under Schedule B – "Financial Statements and Management's Discussion and Analysis".

	Three months ended March 31 <sup>(1)</sup>		Year ended December 31 <sup>(1)</sup>		
	2021	2020	2020	2019	2018
	(unaudited)				
<b>Financial (\$000)</b>					
Petroleum and natural gas revenue	3,242	3,879	9,758	18,895	-
Net loss	(46,267)	(7,795)	(4,869)	(19,474)	(4,630)
Cash flow from operating activities	(3,579)	493	(1,660)	4,221	(3,524)
Capital investments, net of disposition	318	753	6,294	61,167	39,816
Total assets	140,216	106,526	172,993	114,796	82,616
Working capital <sup>(2)</sup>	12,467	26,759	54,400	27,512	37,861
Debt <sup>(3)</sup>	-	-	-	-	-
<b>Operating</b>					
Production					
Oil and natural gas liquids (bbl/d)	546	842	543	977	-
Natural gas (mcf/d)	1,169	2,170	1,367	1,591	-
Oil equivalent (boe/d)	741	1,204	771	1,242	-
Realized price					-
Oil and natural gas liquids (\$/bbl)	59.12	45.19	43.39	60.39	-
Natural gas (\$/mcf)	3.19	2.11	2.28	1.71	-
Oil equivalent (\$/boe)	48.62	35.42	34.60	49.71	-
Operating netback (\$/boe)					-
Oil and natural gas revenue	48.62	35.42	34.60	49.71	-
Royalties	(3.19)	(5.46)	(2.14)	(5.01)	-
Operating expenses	(8.72)	(9.86)	(9.65)	(7.67)	-
Transportation expenses	(0.79)	(0.73)	(0.81)	(1.27)	-
Operating netback	35.92	19.37	22.00	35.76	-

#### Notes:

- (1) Balance sheet numbers are as of end of period. Income statement numbers are for the year ended December 31, 2020 and 2019 and for the initial period ended December 31, 2018.
- (2) Working capital is comprised of current assets less current liabilities.
- (3) KRC entered into a senior secured extendible revolving credit facility with a total commitment of \$97.5 million on April 28, 2021 and made an initial draw of \$33 million to fund the Simonette Acquisition, which amount was substantially repaid in May 2021.

### 10. Selected Pro Forma Financial Information

The following is a summary of selected unaudited *pro forma* consolidated financial information of the Combined Company before and after giving effect to the completion of the Business Combination for the dates and periods indicated. The *pro forma* adjustments are based upon available information and certain assumptions that KRC believes are reasonable under the circumstances. The unaudited *pro forma* consolidated financial information set forth below and the unaudited *pro forma* consolidated financial statements of KRC attached to this Appendix H as Schedule C – "Unaudited Consolidated Pro Forma Financial Statements of the Combined Company" are presented for illustrative purposes only and are not necessarily indicative of

either the financial position or the results of operations that would have occurred as at or for such dates or periods had the Business Combination been effective as of March 31, 2021 or the financial position or results of operations for the Combined Company in future years if the Business Combination is completed. The actual adjustments will differ from those reflected in such unaudited *pro forma* consolidated financial statements and such differences may be material.

Three Months Ended March 31, 2021						
	KRC	Distinction	Simonette Assets	Presentation Adjustments	Pro Forma Adjustments	KRC Consolidated Pro Forma
<b>Revenue</b>						
Petroleum and natural gas	3,242	21,665	50,099	-	-	75,006
Marketing revenue	-	2,112	-	-	-	2,112
Royalties	(213)	(1,531)	(2,622)	-	-	(4,366)
Revenue, net of royalties	3,029	22,246	47,477	-	-	72,752
<b>Other income</b>						
Share in earnings and excess fair value of associate	9,029	-	-	-	(9,029)	-
Loss on risk management contracts	(1,748)	(1,795)	-	-	-	(3,543)
Interest income	56	38	-	-	-	94
Management fees	642	-	-	(642)	-	-
Total revenue and other income	11,008	20,489	47,477	(642)	(9,029)	69,303
<b>Expenses</b>						
Operating	634	5,147	5,305	(58)	-	11,028
Transportation	-	2,081	7,230	58	-	9,369
Marketing	-	1,899	-	-	-	1,899
Exploration and evaluation and impairment	50,576	5,816	-	-	-	56,392
General and administrative	2,006	2,316	-	(642)	-	3,680
Finance costs	19	364	-	-	198	1,441
					752	-
					108	-
Depreciation	110	5,598	-	-	7,655	13,363
Share-based compensation	3,930	1,575	-	-	-	5,505
Restructuring costs	-	868	-	-	-	868
Total expenses	57,275	25,664	12,535	(642)	8,713	103,545
Net income (loss) before income taxes	(46,267)	(5,175)	34,942	-	(17,742)	(34,242)
<b>Income taxes</b>						
Current	-	-	-	-	-	-
Deferred	-	-	-	-	-	-
Total income taxes	-	-	-	-	-	-
<b>Net income (loss) and comprehensive loss</b>	<u>(46,267)</u>	<u>(5,175)</u>	<u>34,942</u>	<u>-</u>	<u>(17,742)</u>	<u>(34,242)</u>
<b>Net loss per share</b>						
Basic and diluted	(0.24)					(0.81)

See Schedule C – "Unaudited Consolidated Pro Forma Financial Statements of the Combined Company" for further information and important details regarding the foregoing. Reference should also be made to the Distinction Annual Financial Statements incorporated by reference herein.

## 11. Dividends

KRC has not historically paid any dividends on the KRC Shares but may, at the discretion of the Combined Company Board, pay dividends on the KRC Shares in the foreseeable future. The future payment of dividends will be dependent upon the financial requirements of the Combined Company to fund future growth, the financial condition of the Combined Company and other factors the Combined Company Board may consider appropriate in the circumstances.

Future capital allocation decisions will be determined solely by the Combined Company Board, within the latitude afforded by: (i) requirements to fund sustaining capital costs required to maintain a base level of business operations; (ii) opportunities to deploy growth capital to be used for organic and/or inorganic opportunities which present compelling returns on invested capital; (iii) disciplined maintenance of a robust balance sheet through targeted debt to cash flow metrics; and (iv) share repurchases

and/or dividend payments to shareholders. The Combined Company Board will develop and modify from time to time, at its discretion, objectives for deployment of capital, raising of debt and equity and paying of dividends or buying back shares taking into account shareholder feedback.

Under KRC's Credit Agreement, KRC shall be permitted to pay dividends or any other distributions provided that: (i) prior to and after giving effect to such distributions, KRC shall have at least 50% undrawn on the KRC Credit Agreement; (ii) prior to and after giving effect to such distributions, KRC shall have a debt to EBITDA ratio (as defined in the KRC Credit Agreement) of not greater than 1.0 to 1.0 (calculated on a consolidated basis with debt on such date and EBITDA on a twelve month rolling basis for the applicable period ending on the last day of the then most recently completed fiscal quarter); and (iii) there is no existing default or event of default that would occur as a result of such dividend or distribution.

The payment of dividends by a corporation is also governed by the liquidity and insolvency tests that are described in the CBCA. Pursuant to the CBCA, after the payment of a dividend, the company must be able to pay its liabilities as they become due and the realizable value of its assets must be greater than its liabilities and the legal stated capital of its outstanding securities.

## 12. Description of Capital Structure

KRC is, and following completion of the Business Combination, will be authorized to issue an unlimited number of KRC Shares. As at July 14, 2021, there were approximately 334,369,401 KRC Shares issued and outstanding on a pre-consolidation basis. Immediately prior to the completion of the Business Combination, KRC will consolidate the outstanding KRC Shares on a 10 to 1 basis. Upon completion of the Business Combination, assuming there are no Dissenting Shareholders and that no Distinction Shares or KRC Shares are issued pursuant to any outstanding Distinction Incentives or KRC Incentives, as applicable, or entitlements or other rights to acquire Distinction Shares or KRC Shares between the Agreement Date and the Effective Date, there will be approximately 43,728,974 post-consolidated KRC Shares issued and outstanding, of which existing holders of Distinction Shares and KRC Shares will collectively own approximately 24% and 76% of the Combined Company on a non-diluted basis, respectively.

## 13. Consolidated Capitalization

The following table sets forth the consolidated capitalization of KRC as at the dates indicated. Upon completion of the Business Combination, all of the Distinction Shares will be acquired by KRC and immediately thereafter KRC and Distinction shall be amalgamated to form the Combined Company.

	As at March 31, 2021, before giving effect to the Business Combination (unaudited)	As at March 31, 2021, after giving effect to the Business Combination (unaudited)
Long-Term Debt:		
Credit Facilities	\$nil <sup>(1)</sup>	\$63,300,000 <sup>(2)</sup>
Shareholder Capital:		
Common Shares (unlimited)	196,966,333 <sup>(3)</sup>	43,728,974 <sup>(4)(5)</sup>
Convertible Securities:		
KRC Stock Options	18,809,187	2,489,791 <sup>(6)(7)</sup>
KRC Performance Warrants	37,623,490	3,762,349 <sup>(8)(9)</sup>
KRC Capital Warrants	20,073,300	2,007,330 <sup>(10)</sup>

### Notes:

- (1) KRC entered into a senior secured extendible revolving credit facility with a total commitment of \$97.5 million on April 28, 2021 and made an initial draw of \$33 million to fund the Simonette Acquisition, which amount was substantially repaid in May 2021. Advances under the KRC Credit Agreement are available by way of prime loans, U.S. base rate loans, benchmark loans and bankers' acceptances. Advances are also available under the operating facility by way of letters of credit. KRC is in compliance with the terms of the KRC Credit Agreement as of the date hereof.
- (2) KRC anticipates assuming the outstanding indebtedness of Distinction upon giving effect to the Business Combination. Pursuant to the Distinction Credit Agreement, Distinction currently has a senior secured extendible revolving credit facility with a total commitment of \$127.5 million. As of March 31, 2021, approximately \$63.3 million was drawn on the credit facility. Advances under the Distinction Credit Agreement are available by way of prime loans, U.S. base rate loans, benchmark loans and bankers' acceptances. Distinction is in compliance with the terms of the Distinction Credit Agreement as of the date hereof.
- (3) Reflects pre-consolidation KRC Shares.
- (4) Reflects post-consolidated KRC Shares. As at July 14, 2021 there were 9,968,185 Distinction Shares and 334,369,401 KRC Shares outstanding (in each case, on a non-diluted basis). Immediately prior to the completion of the Business Combination and pursuant to the Plan of Arrangement, KRC will consolidate the outstanding KRC Shares on a 10 to 1 basis. Upon completion of the Business Combination, assuming there are no Dissenting Shareholders and that no Distinction Shares or KRC Shares are issued pursuant to any outstanding Distinction Incentives or KRC Incentives, as applicable, or entitlements or other rights to acquire Distinction Shares or KRC Shares between the Agreement Date and the Effective Date, there will be approximately 43,728,974 post-consolidated KRC Shares issued and outstanding, of which existing holders of KRC Shares and Distinction Shares will collectively own approximately

76% and 24% of the Combined Company on a non-diluted basis, respectively. Based on the Distinction Shares outstanding as at July 14, 2021, KRC will issue approximately 102,920,340 KRC Shares to the Distinction Shareholders (other than KRC) to acquire all of the currently outstanding Distinction Shares that KRC does not already own pursuant to the Business Combination.

- (5) An additional aggregate of 137,403,068 KRC Shares were issued subsequent to March 31, 2021.
- (6) An additional aggregate of 7,005,028 KRC Stock Options were issued subsequent to March 31, 2021.
- (7) Reflects post-consolidated KRC Stock Options. Pursuant to the Business Combination Agreement, KRC has agreed, subject to certain conditions, to assume the Distinction Stock Options upon completion of the Business Combination.
- (8) An additional aggregate of 37,996,410 KRC Performance Warrants were issued subsequent to March 31, 2021.
- (9) Reflects post-consolidated KRC Performance Warrants.
- (10) Reflects post-consolidated KRC Capital Warrants.

#### 14. Options and Other Rights to Purchase Securities

The following table sets forth certain information in respect of KRC Stock Options that are outstanding as of the date hereof. See also "Executive Compensation".

Group (Number in Group)	KRC Shares Under KRC Stock Option <sup>(1)</sup> (#)	Exercise Price per KRC Share \$(weighted average)	Market Value of KRC Shares Under KRC Stock Option \$( <sup>(2)</sup> )	Expiration Date <sup>(3)</sup>
Current and former executive officers of KRC ("Executives") (9 persons)	12,695,070	1.00	12,695,070	October 3, 2025 – June 28, 2028
Current and former directors of KRC, excluding Executives (5 persons)	2,548,125 <sup>(4)</sup>	1.00	2,548,125	October 3, 2025 – June 28, 2028
Current and former employees of KRC (23 persons)	9,436,270	1.00	9,436,270	October 3, 2025 – June 28, 2028
<b>Total</b>	<b>24,679,465</b>		<b>24,679,465</b>	

##### Notes:

- (1) All figures presented on a pre-share consolidation basis.
- (2) The market value of the KRC Shares underlying these KRC Stock Options on both the date of grant and the date specified above is not readily ascertainable given that the KRC Shares are not and have never been publicly traded. The value presented is based on an assumed price of \$1.00 per KRC Share, which is supported by reference to KRC's recent financing activities. See "Prior Sales".
- (3) KRC Stock Options were granted on October 3, 2018, on January 4, 2021 and June 28, 2021 in each case with seven year exercise periods.
- (4) Includes KRC Stock Options granted to an anticipated member of the Combined Company Board that currently serves as an observer on the KRC Board.

The following table sets forth certain information in respect of KRC Performance Warrants that are outstanding as of the date hereof. See also "Executive Compensation".

Group (Number in Group)	KRC Shares Under KRC Performance Warrant <sup>(1)</sup> (#)	Exercise Price per KRC Share <sup>(2)</sup> \$(weighted average)	Market Value of KRC Shares Under KRC Performance Warrant \$( <sup>(3)</sup> )	Expiration Date <sup>(4)</sup>
Current and former Executives (9 persons)	38,532,900	1.50 – 2.50 (2.00)	38,532,900	October 3, 2025 – January 4, 2028
Current and former directors of KRC, excluding Executives (5 persons)	6,941,200 <sup>(5)</sup>	1.50 – 2.50 (2.00)	6,941,200	October 3, 2025 – January 4, 2028
Current and former employees of KRC (23 persons)	27,936,300	1.50 – 2.50 (2.00)	27,936,300	October 3, 2025 – January 4, 2028
<b>Total</b>	<b>73,410,400</b>		<b>73,410,400</b>	

##### Notes:

- (1) All figures presented on a pre-share consolidation basis.
- (2) Reflects the range of applicable exercise prices per KRC Share.
- (3) The market value of the KRC Shares underlying these KRC Performance Warrants on both the date of grant and the date specified above is not readily ascertainable given that the KRC shares are not and have never been publicly traded. The value presented is based on an assumed price of \$1.00 per KRC Share, which is supported by reference to KRC's recent financing activities. See "Prior Sales".
- (4) KRC Performance Warrants were granted on October 3, 2018 and on January 4, 2021 in each case with seven year exercise periods. KRC Performance Warrants were also granted on June 28, 2021 with five year exercise periods.
- (5) Includes KRC Performance Warrants granted to an anticipated member of the Combined Company Board that currently serves as an observer on the KRC Board.



The following table sets forth certain information in respect of KRC Capital Warrants that are outstanding as of the date hereof. See also "Executive Compensation".

Group (Number in Group)	KRC Shares Under KRC Capital Warrant <sup>(1)</sup> (#)	Exercise Price per KRC Share <sup>(2)</sup> \$(weighted average)	Market Value of KRC Shares Under KRC Capital Warrant <sup>(3)</sup> (\$)	Expiration Date <sup>(4)</sup>
Current and former Executives (8 persons)	16,035,500	1.00 + <sup>(2)</sup>	16,035,500	August 20, 2025
Current and former directors of KRC, excluding Executives (2 persons)	1,690,000	1.00 + <sup>(2)</sup>	1,690,000	August 20, 2025
Current and former employees of KRC (15 persons)	2,113,800	1.00 + <sup>(2)</sup>	2,113,800	August 20, 2025
Consultants to KRC (5 persons)	234,000	1.00 + <sup>(2)</sup>	234,000	August 20, 2025
<b>Total</b>	<b>20,073,300</b>		<b>20,073,300</b>	

**Notes:**

- (1) All figures presented on a pre-share consolidation basis.
- (2) The exercise price of KRC Capital Warrants is \$1.00 plus 2/3 of the excess of a liquidity or initial public offering price per KRC Share above \$1.50.
- (3) Capital warrants are designed to effectively reduce the cost base of shares purchased by founding investors retroactively if the share selling price exceeds \$1.50 upon certain liquidity events.
- (4) Depending on the terms of any future listing of KRC Shares and unless there is satisfaction of a Liquidity Event or Qualified IPO (both as defined in the applicable KRC Capital Warrant Certificate), the KRC Capital Warrants are expected to expire.

## 15. Prior Sales

The following table summarizes the issuances of KRC Shares or securities convertible into KRC Shares in the 12-month period prior to the date hereof.

Date of Issuance	Number and Type of Securities	Issue Price per Security (\$)	Aggregate Funds Received (\$)
September 2, 2020	16,936,292 KRC Shares <sup>(1)</sup>	1.00	16,936,292
September 30, 2020	376,960 KRC Shares <sup>(2)</sup>	1.00	376,960
December 16, 2020	42,067,564 KRC Shares <sup>(1)</sup>	1.00	42,067,564
January 4, 2021	5,926,288 KRC Stock Options <sup>(3)</sup>	N/A	N/A
January 4, 2021	11,838,560 KRC Performance Warrants <sup>(4)</sup>	N/A	N/A
January 16, 2021	222,980 KRC Shares <sup>(5)</sup>	1.00	N/A
March 8, 2021	9,506,177 KRC Shares <sup>(1)</sup>	1.00	9,506,177
April 23, 2021	30,850,000 subscription receipts for KRC Shares <sup>(6)</sup>	1.00	30,850,000
April 28, 2021	28,999,607 KRC Shares <sup>(1)</sup>	1.00	28,999,607
April 29, 2021	75,000,000 KRC Shares converted from promissory note <sup>(7)</sup>	1.00	75,000,000
May 19, 2021	2,000,000 KRC Shares <sup>(8)</sup>	1.00	2,000,000
May 24, 2021	488,978 KRC Shares <sup>(8)</sup>	1.00	488,978
June 10, 2021	64,483 KRC Shares <sup>(9)</sup>	1.00	64,483
June 28, 2021	7,005,028 KRC Stock Options <sup>(3)</sup>	N/A	N/A
June 28, 2021	37,996,410 KRC Performance Warrants <sup>(4)</sup>	N/A	N/A

**Notes:**

- (1) Issued pursuant to an equity call.
- (2) Contractors paid in KRC Shares.
- (3) The KRC Stock Options have an exercise price of \$1.00 per KRC Share.
- (4) The KRC Performance Warrants have exercise prices in tranches ranging from \$1.50 to \$2.50 per KRC Share, with a weighted average exercise price of \$2.00 per KRC Share.
- (5) Consultant paid in KRC Shares.
- (6) Issued pursuant to subscription receipts that were converted to KRC Shares on April 28, 2021.
- (7) Issued pursuant to a promissory note that was converted to KRC Shares on April 28, 2021.
- (8) Issued pursuant to a private placement of KRC Shares.
- (9) Contractor bonus pool paid in KRC Shares.

See "Three Year History".

## 16. Escrowed Securities and Securities Subject to Contractual Restriction on Transfer

The only transfer restrictions that currently exist with respect to the KRC Shares are those in the KRC USA, which apply to 100% of the KRC Shares and will terminate on the Effective Date.



## 17. Principal Securityholders

To the knowledge of the directors and officers of KRC, as of July 14, 2021, no person or company beneficially owns, or exercises control or direction over, directly or indirectly, more than 10% of the voting rights attached to all of the outstanding KRC Shares, other than as set forth below:

Name	Number of KRC Shares	Percentage of KRC Shares
ARC	275,000,000 <sup>(1)</sup>	82% <sup>(2)</sup>

### Notes:

- (1) Shown on a pre-consolidation basis.  
(2) Approximately 63% following completion of the Business Combination.

## 18. Directors and Executive Officers

The name, city, province and country of residence, principal occupation during the last five years, and percentage of voting securities held (on a pre-consolidation basis), of each of the directors and executive officers of KRC, as of the date of this Information Circular, are set forth in the following table. Each director elected will hold office until the next annual general meeting of KRC Shareholders or until his successor is duly elected, unless his office is earlier vacated in accordance with the by-laws of KRC or the provisions of the ABCA to which KRC is subject.

Name, Province and Country of Residence	Position Held	Principal Occupation for the Last Five Years	Director Since	Number and Percentage of KRC Shares Held <sup>(16)</sup>
Kevin Brown <sup>(1)(10)</sup> Calgary, AB Canada	Director (Chairman)	Kevin Brown is the Executive Chairman and Director of ARC Financial Corp. He has been with ARC Financial Corp. since 1989.	December 2018	-- <sup>(15)</sup>
Patrick Carlson <sup>(3)(5)(8)(9)</sup> Calgary, AB Canada	Chief Executive Officer and Director	Patrick Carlson has been the Chief Executive Officer of KRC since February 12, 2018 and President and Chief Executive Officer of Distinction since April 2021. Prior to founding KRC, he was the Chief Executive Officer and a director of Seven Generations Energy Ltd. until his retirement as CEO in June 2017 and his resignation from the board in May 2018.	February 2018	10,000,000 <sup>(11)</sup> (2.99%)
William (Bill) Slavin <sup>(2)(5)(7)</sup> Calgary, AB Canada	Director	Bill Slavin is a Managing Director of ARC Financial Corp. He has been with ARC Financial Corp. since 1993.	August 2018	-- <sup>(15)</sup>
Leland Corbett <sup>(1)(4)(9)</sup> Calgary, AB Canada	Director	Leland Corbett is a partner at Stikeman Elliott LLP. He has been at Stikeman Elliott LLP since 1994.	August 2018	300,000 (0.09%)
Kaush Rakhit <sup>(6)(7)</sup> Calgary, AB Canada	Director	Kaush Rakhit is the Chief Executive Officer of Canadian Discovery Ltd. He founded Rakhit Petroleum Consulting Ltd. in 1989, which purchased and merged with Canadian Discovery Ltd. in 2005.	August 2018	1,000,000 (0.30%)

<b>Name, Province and Country of Residence</b>	<b>Position Held</b>	<b>Principal Occupation for the Last Five Years</b>	<b>Director Since</b>	<b>Number and Percentage of KRC Shares Held<sup>(16)</sup></b>
Jakub Brogowski Calgary, AB Canada	Chief Financial Officer	Jakub Brogowski has been the Chief Financial Officer of KRC since December 2018 and Chief Financial Officer of Distinction since April 2021. Prior thereto, he spent over 15 years in various roles across the oil and gas industry, including an executive role, consulting and investment banking and energy advisory in Canada and the UK.	N/A	100,000 <sup>(12)</sup> (0.03%)
Sue Kuethe Calgary, AB Canada	Executive Vice President, Land and Community Relations	Sue Kuethe has been the Executive Vice President, Land and Community Relations of KRC since March 2018. Prior thereto, she was Advisor in Aboriginal Relations to the Social License Consortium. Prior thereto, Sue served as VP Land and Community Affairs at Koch Oil Sands Operating ULC and Koch Exploration Company LLC.	N/A	200,000 <sup>(13)</sup> (0.06%)
Kurt Molnar Calgary, AB Canada	Senior Vice President, Business Development	Kurt Molnar has been the Senior Vice President, Business Development of KRC since October 2019. Prior thereto, he was a top-rated E&P equities analyst at Raymond James Financial.	N/A	222,980 (0.07%)
Mike Hantzsch Calgary, AB Canada	Senior Vice President, Midstream and Market Development	Mike Hantzsch has been the Senior Vice President, Midstream and Market Development of KRC since February 2020. Prior thereto, he was Chief Operating Officer, LNG of KRC since May 2018. Prior thereto, he was Senior Vice President, Canada of Meritage Midstream ULC from May 2016 to February 2017.	N/A	350,000 <sup>(14)</sup> (0.10%)
Lisa Wong Calgary, AB Canada	Vice President, Business Systems	Lisa Wong has been the Vice President, Business Systems of KRC since February 2018. Prior thereto, she was Coordinator of Business Systems with Seven Generations Energy Ltd.	N/A	1,000,000 (0.30%)
Farid Shirkavand Calgary, AB Canada	Vice President, Drilling	Farid Shirkavand has been the Vice President, Drilling of KRC since February 2018. Prior thereto, he was Director, Drilling with Seven	N/A	85,000 (0.03%)

<b>Name, Province and Country of Residence</b>	<b>Position Held</b>	<b>Principal Occupation for the Last Five Years</b>	<b>Director Since</b>	<b>Number and Percentage of KRC Shares Held<sup>(16)</sup></b>
Mike Carlson Calgary, AB Canada	Vice President, Completions	Generations Energy Ltd. Mike Carlson has been the Vice President, Completions of KRC since October 2018. Prior thereto, he was Director, Completions of Seven Generations Energy Ltd.	N/A	500,000 (0.15%)
Tim Alberts Drayton Valley, AB Canada	Vice President, Production	Tim Alberts has been the Vice President, Production of KRC since December 2018. Prior thereto, he was Director, Production Operations of Seven Generations Energy Ltd.	N/A	100,000 (0.03%)

**Notes:**

- (1) Member of the Audit Committee.
- (2) Chair of the Audit Committee.
- (3) Member of the Compensation Committee.
- (4) Chair of the Compensation Committee.
- (5) Member of the Reserves Committee.
- (6) Chair of the Reserves Committee.
- (7) Anticipated Member of the Sustainability Committee.
- (8) Anticipated Chair of the Sustainability Committee.
- (9) Anticipated Member of the Governance and Nominating Committee.
- (10) Anticipated Chair of the Governance and Nominating Committee.
- (11) Patrick Carlson's wife, Darlene Constance Carlson, who is a part-time employee of KRC, holds 5,000,000 KRC Shares. Patrick Carlson holds the other 5,000,000 KRC Shares.
- (12) Jakub Brogowski's wife, Claudia Huynh, holds the 100,000 KRC Shares in her name.
- (13) Sue Kuethe's husband, David Stelck, holds 100,000 KRC Shares in his name. Sue Kuethe holds the other 100,000 KRC Shares.
- (14) Mike Hantzsch's wife, Petronella Hantzsch, holds 175,000 KRC Shares in her name. Mike Hantzsch holds the other 175,000 KRC Shares.
- (15) Mr. Brown and Mr. Slavin are officers and/or employees of ARC Financial Corp. ARC Energy Fund 8 and ARC Energy Fund 9, each of which is managed by an affiliate of ARC Financial Corp., collectively hold 275,000,000 KRC Shares.
- (16) Reflects pre-consolidation KRC Shares.

The name, city, province and country of residence, principal occupation during the last five years, and percentage of voting securities held, of each of the anticipated directors of the Combined Company, not already listed above, are set forth in the following table. Each director elected will hold office until the next annual general meeting of KRC Shareholders or until his or her successor is duly elected, unless his or her office is earlier vacated in accordance with the by-laws of the Combined Company or the provisions of the CBCA to which the Combined Company will be subject.

<b>Name, Province and Country of Residence</b>	<b>Position Held</b>	<b>Principal Occupation for the Last Five Years</b>	<b>Director Since</b>	<b>Number and Percentage of KRC Shares Held</b>
Nancy Lever <sup>(1)</sup> Calgary, AB Canada	Director	Nancy Lever is an Advisor at ARC Financial Corp. She has been with ARC Financial Corp. since 1993.	N/A	--
Steve Sinclair Calgary, AB Canada	Director	Steve Sinclair is retired. He is a Director and Audit Chair of TransGlobe Energy Corporation and of Deltastream Energy Corp.	N/A	-- <sup>(2)</sup>
Timothy Schneider Houston, Texas USA	Director	Timothy Schneider is an energy sector professional having managed investments in both public and private markets. He	N/A	-- <sup>(3)</sup>

Name, Province and Country of Residence	Position Held	Principal Occupation for the Last Five Years	Director Since	Number and Percentage of KRC Shares Held
		has experience as an industry executive and member of public and private boards. Previous experience includes Lehman, Trilantic Capital, SAC Capital, Citadel/Surveyor and Luminus. He is currently the CIO of LE Capital and the Chairman of Distinction.		
Beth Reimer-Heck Calgary, AB Canada	Director	Beth Reimer-Heck has been senior counsel at BLG LLP from 2009 to present.	N/A	--(4)

**Note:**

- (1) Anticipated Member of the Compensation Committee.
- (2) Mr. Sinclair holds 1,000 Distinction Shares and 849 Distinction RSUs. Upon completion of the Business Combination, Mr. Sinclair will hold 3,698 KRC Shares (on a post-consolidated basis), approximately 0.008% of the KRC Shares.
- (3) Mr. Schneider holds 1,000 Distinction Shares and 88,277 Distinction RSUs. Upon completion of the Business Combination, Mr. Schneider will hold 178,554 KRC Shares (on a post-consolidated basis), approximately 0.41% of the KRC Shares.
- (4) Ms. Reimer-Heck holds 614 Distinction RSUs. Upon completion of the Business Combination, Ms. Reimer-Heck will hold 1,228 KRC Shares (on a post-consolidated basis), approximately 0.003% of the KRC Shares.

**Corporate Cease Trade Orders or Bankruptcies**

Other than as disclosed below, to the knowledge of KRC, no director of KRC or anticipated director of the Combined Company is, as at the date hereof, or has been, within ten years before the date hereof, a director or officer of any corporation (including KRC or Distinction) that while that person was acting in that capacity:

- (a) was the subject of a cease trade or similar order or an order that denied the relevant corporation access to any exemption under securities legislation, for a period of more than 30 consecutive days; or
- (b) was subject to an order that was issued after the director ceased to be a director or officer and which resulted from an event that occurred while that person was acting in the capacity as director or officer.

Other than as disclosed below, to the knowledge of KRC, no director of KRC or anticipated director of the Combined Company:

- (a) is, as at the date hereof, or has been within the ten years before the date hereof, a director or executive officer of any company (including KRC or Distinction) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (b) has, within the ten years before the hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

Kaush Rahkit served as a director of Kinwest 2008 Energy Inc. at the time that it entered into bankruptcy proceedings on May 12, 2016.

Timothy Schneider was President and Chief Executive Officer of Distinction (formerly Delphi Energy Corp.) from October 2020 to April 2021 and served in such positions during Distinction's court-supervised CCAA proceedings that resulted in the restructuring of Distinction on October 16, 2020 pursuant to the CCAA Plan.

**Penalties or Sanctions**

To the knowledge of KRC, no director of KRC has been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

## **Conflicts of Interest**

Certain officers and directors of KRC are also officers and/or directors of other companies engaged in the oil and gas business generally, including Distinction. As a result, situations may arise where the interest of such directors and officers conflict with their interests as directors and officers of other companies. The resolution of such conflicts is governed by applicable corporate laws, which require that directors act honestly, in good faith and with a view to the best interests of KRC. Conflicts of the Combined Company, if any, will be handled in a manner consistent with the procedures and remedies set forth in the CBCA. The CBCA provides that in the event that a director has an interest in a material contract or material transaction, whether made or proposed, the director shall disclose his interest in such contract or transaction to KRC and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided by the CBCA.

Certain directors of KRC have existing business relationships with KRC. While such business relationships are not considered to be material to KRC, they could be perceived as giving rise to a conflict of interest. Related party transactions are further described in KRC's audited and unaudited financial statements and the accompanying notes included under Schedule B – *"Financial Statements and Management's Discussion and Analysis"*.

## **19. Executive Compensation**

### **Compensation Discussion and Analysis**

#### ***Compensation Philosophy***

KRC acknowledges that social license to operate is critical to an expectation of shareholder value performance over the long term. The KRC Board looks to the Chief Executive Officer ("CEO") to advance KRC's business in accordance with KRC's Code of Conduct. The Code of Conduct prescribes the expectations KRC has of those in its service with respect to communicating with and satisfying stakeholders. KRC's directors, who have a duty in law to serve the shareholders, believe that differentiated (relative to peers) performance for investors is most probable if KRC also differentiates in the service of groups of people who have the capacity to aid or impair KRC in its pursuit of its business objectives. KRC refers to these groups of people as stakeholders. Among KRC's stakeholders are:

- the environment and those who have taken on a duty to protect it;
- governments and regulators who, faced with the challenges presented by climate change seek to evolve regulation so that our industry can better serve society;
- all communities most impacted by KRC's activities but, especially, Indigenous communities that have special rights respecting lands where it operates;
- industry partners who expect KRC to honor its arrangements and reasonably accommodate change and adaptation;
- customers who want KRC to reliably deliver its products at the specifications and in the amounts that it forecasts;
- suppliers and service providers who want an opportunity to compete for KRC's business, to be paid promptly and fairly and to learn marketable skills as they contribute to the evolution of KRC's business;
- employees who want an energizing, inclusive, happy work environment where everyone is treated with dignity and respect, to be compensated fairly and to have a safe and healthy workplace; and
- capital providers who want strong returns on their investment, effective communication and management of risks: financial, environmental and reputational.

The role of KRC's CEO is to lead the employees in developing and implementing a balance of practices and policies which the needs of all our stakeholders. In measuring the CEO's performance, the KRC Board looks to gauge KRC's relationships with its stakeholders.

The CEO leads the management team in identifying and assessing alternative business strategies. These assessments guide the KRC Board to adoption and revision of strategies that are designed to differentiate KRC in the eyes of its stakeholders, as demanded by KRC's Code of Conduct. The CEO oversees the management team to implement strategies. Key performance indicators include measurement of performance by gauges most important to each stakeholder. For example, shareholders want to see cash returns and/or share price growth and strong performance in the factors underlying shareholder value (including reserves volumes and value, production rate, unit operating costs and capital investment performance metrics). Communities want to know what is going on in their area, to contribute to strategies and plans and to participate in operations as employees or contractors. Individuals tasked with environmental protection, non-governmental environmental organizations and the broader community want, to varying degrees, to see conservation of natural habitat, protection of the land, water and atmosphere from releases of pollutants including greenhouse gases, and restoration of lands when KRC is no longer using them for value generation. Governments and regulators want KRC to comply with all laws and regulations, to build good relationships with its other stakeholders and to help them understand, in the rapidly evolving energy transition world, how they, also, can better serve society.

Within the foregoing context, the purposes of KRC's compensation policy are: (i) to attract and retain individuals that have the training, experience, required certifications and track records of excellent performance to serve as executive officers and employees of KRC; (ii) to motivate and/or reward performance in proportion to level of achievement; and (iii) to align the interests of executive officers and employees of KRC with the long-term interest of KRC Shareholders. As KRC evolves into a more widely held company as a result of the April 2021 equity financing and the Business Combination, compensation for all executive officers will be reviewed against a comparator group of similarly sized oil and gas and power generation companies and will be considered in the context of KRC's performance relative to performance goals and relative to the performance of its peers.

KRC's executive compensation philosophy reflects the following principles:

- ***Compensation levels should be competitive*** — A competitive compensation program is vital to KRC's ability to attract and retain executives and employees that can do all that is required to position KRC among the leaders of its peer group.
- ***Compensation should be related to performance*** — A significant portion of the compensation of the executive officers should be based on corporate and individual performance. During periods when performance meets or exceeds expectations, executive officers should receive compensation at levels that are above market. When performance is below expectations, incentive award payments, if any, and compensation generally should be lower.
- ***Compensation at risk should represent a significant percentage of an executive officer's total compensation*** — A significant percentage of compensation should be paid in the form of short-term and long-term incentives, calculated and paid based on performance for KRC's stakeholders. Executive officers' incentives must be aligned with stakeholder satisfaction with special consideration to shareholder value realization.
- ***Incentive compensation should balance short-term and long-term performance*** — Executive officers receive both short-term and long-term incentives. Short-term incentives focus on achievements for the current year, while equity-based compensation creates a focus on increasing long-term shareholder value.

### ***Oversight of Executive Compensation***

The Compensation Committee oversees the compensation of the NEOs (as defined below). See "*Executive Compensation – Compensation Discussion and Analysis – Named Executive Officers*" for a list of KRC's NEOs for 2020. As a closely held private company, KRC has to date constituted its Compensation Committee with Mr. Carlson, the CEO of KRC, Nancy Lever, a representative of ARC who has been an observer on the KRC Board, and Leland Corbett, an independent director of KRC. Following completion of the Business Combination, the Compensation Committee will be reconstituted to consist of independent directors of KRC.

The Compensation Committee monitors the compensation practices of KRC to ensure that its compensation practices allow KRC to attract and retain high performing executive officers and employees. The Compensation Committee can engage the services of consulting compensation experts.

Historically, until the final draw of optional investment funds in conjunction with the Simonette Acquisition, KRC has been in its start-up phase, investing the initial optional investment amount allocated to its majority shareholder, in accordance with the original financing agreements. During this period, KRC was not expected to fund its activities from a combination of cash flow, debt and equity capital raises from investment outside of the original financing agreement. During this phase of the business, the CEO was compensated:

- \$1.00 per year salary;
- participation in KRC's benefit plan;
- KRC Stock Options to buy shares at \$1.00 per share, which was the issue price of all of the funds invested in accordance with the initial financing of KRC;
- KRC Performance Warrants to buy shares which have strike prices of \$1.50, \$1.75, \$2.00, \$2.25 and \$2.50 (20% of the total amount of warrants in each grant vest at each of the prices); and
- performance of his own investment (Mr. and Mrs. Carlson, who is also a part time KRC employee, have each invested \$5,000,000 in accordance with the initial ARC optional financing) including associated KRC Capital Warrants.

In offering and reviewing compensation for other employees, historically, the Compensation Committee has relied on various external sources of information, including industry compensation surveys which provide market data on executive and non-executive compensation. The Compensation Committee took into account survey information and other factors in determining executive and non-executive base salaries for 2020. No bonuses or salary increases were awarded to the NEOs in 2020. KRC rewarded its employees and some of the full-time consulting staff by purchasing for them 100 Distinction special warrants in early 2021 and providing an additional \$1,000 dollars to partially or fully cover the income tax burden imposed by the warrant gift.

The Compensation Committee reviews, on an annual basis, compensation of each executive officer. In each case, the Compensation Committee takes into account the scope of responsibilities, experience and contribution and performance of the executive officer, as well as the achievements of KRC, and balances these against competitive compensation levels considering peer data.

In connection with this annual review by the Compensation Committee, the CEO presents to the Compensation Committee management's evaluation of KRC's performance relative to its peer group, his evaluation of each executive officer, which includes a review of each executive officer's contribution and performance over the past year, strengths, weaknesses, development plans and succession potential. The Compensation Committee members also have the opportunity to interface with the executive officers during the year.

### ***Comparator Group***

Until recently, KRC was a tightly held private company. As such, KRC awarded compensation to its officers and other employees in a manner consistent with the foregoing principles and in reliance on industry compensation surveys and other external data, but without a rigorous comparison to the specific compensation practices of its publicly traded peers. With the completion of an equity financing in April 2021 and the Business Combination, KRC intends to develop a new comparator group, taking into account direct competitors for talent, especially for industry specific roles. The comparator group will be comprised of Canadian organizations that are direct business competitors in the energy and power generation sectors and which range in size (based on a primary screen using asset size, which reflects the capital intensive nature of KRC's business) of approximately one third of to three times KRC's assets. Revenue will be used as a secondary screen. KRC intends to position itself at approximately the median of the comparator group in terms of assets.

### ***Pay Positioning***

KRC generally positions pay competitive to the median of a broad comparator group as defined in industry compensation surveys when performance is median, among the upper third of the comparator group when performance is among the highest third and among the lower third of the comparator group when performance is among the lower third. More generally, pay can be well above median when performance is exceptional and is expected to be below median when performance is below expectations.



### ***Named Executive Officers***

In 2020 KRC's named executive officers ("NEOs") were:

- Patrick Carlson, CEO;
- Jakub Brogowski, Chief Financial Officer ("CFO");
- Sue Kuethe, Executive Vice President, Land and Community Relations;
- Kurt Molnar, Senior Vice President, Business Development; and
- Mike Hantzsch, Senior Vice President, Midstream and Market Development.

### ***Compensation Components***

The components of KRC's executive compensation program are base salary, annual incentive, long-term incentive and benefits as described below.

The components of compensation KRC will use to recruit and maintain a workforce include:

- (a) Cash compensation including salary and bonuses
- (b) Stock-based compensation
- (c) Health and life insurance
- (d) Pension and savings
- (e) Lifestyle support

Aside from the above, KRC expects its culture, standards and reputation will also provide a basis for employer competitiveness.

### ***Cash Compensation***

As to cash compensation, KRC will target salary at about the industry median for people with the skill set required. Bonuses will be used to top up total cash compensation to provide a high total cash income for strong performance of the individual and the company, median total cash income for median performance of the individual and the company and weak total cash income for weak performance of the individual and the company.

### ***Long-Term Incentives***

KRC's current long-term incentives include a mix of KRC Stock Options and KRC Performance Warrants both of which are designed to strengthen the alignment between compensation and the long-term interests of KRC Shareholders. In addition, employees and others who participated in the initial financing of KRC were granted KRC Capital Warrants in proportion to the amount of their investment. While KRC Capital Warrants were not granted as an element of employee compensation (and some holders of KRC Capital Warrants were not KRC employees), we have included details of the KRC Capital Warrants in this discussion to provide the reader with a full picture of the amounts that employees and other KRC personnel may earn in the coming years.

The grant of share-based compensation is determined by the KRC Board on the recommendation of the Compensation Committee, in accordance with the terms of the applicable incentive plan or certificate. Awards are designed to provide KRC Shareholder aligned incentives to KRC's directors, officers, employees and consultants who make material contributions to the successful operation of the business of KRC, to increase their ownership interest in KRC and to allow KRC to attract and retain outstanding talent. The long-term incentives are administered by the Compensation Committee, which, from time to time, recommends to the KRC Board grants to eligible persons after considering their present and potential contributions and other relevant factors.

KRC Stock Options are exercisable for KRC Shares, and vest 1/3 per year on each of the first three anniversaries of the date of grant. KRC Stock Options have a term of seven years.

In addition to KRC Stock Options, ARC and management agreed at the inception of KRC to allocate a pool of KRC Performance Warrants as a gain-sharing arrangement that is commonly used in private companies financed by private equity funds. KRC Performance Warrants are similar in structure to KRC Stock Options, but have escalating strike prices that ensure the employees only begin to share in the appreciation in the KRC share price at substantially higher share prices than that which prevailed at the time of grant. Like KRC Stock Options, KRC Performance Warrants vest 1/3 per year over three years. KRC Performance Warrants have a term of seven years. Post the Agreement Date, any additional KRC Performance Warrants granted will have a term of five years, KRC Performance Warrants may be exercised at or before the expiry of their term, a "liquidity event" (as defined in the applicable KRC Performance Warrant certificate) or upon the completion of a "change of control" (as defined in the applicable KRC Performance Warrant certificate). The termination of KRC Performance Warrants as a result of a liquidity event or a change of control would require an affirmative vote of the Board, as well as a period of time within which the holders of KRC Performance Warrants would have the opportunity to exercise those instruments.

The KRC Capital Warrants are designed to effectively reduce the cost base of the shares retroactively, if the share selling price exceeds \$1.50 upon certain liquidity events. KRC Capital Warrants, when vested, entitle the holder thereof to acquire one KRC Share at an exercise price of \$1.00 plus two-thirds of the excess of a liquidity or initial public offering ("**IPO**") price per KRC Share less \$1.50. KRC Capital Warrants may be exercised subject to certain liquidity events at or before the earlier of August 20, 2025, an IPO or liquidity event (as defined in the applicable KRC Capital Warrant certificate). KRC Capital Warrants are settled by issuing shares of KRC or can be cashless exercised upon a liquidity event.

Actual long-term incentive awards of KRC Stock Options and KRC Performance Warrants have varied based on corporate and individual performance, market conditions, stock price and availability of awards for grant. To date, awards have been determined on an ad hoc basis, generally tied to the achievement of operational milestones.

Previous awards and grants of long-term incentive awards of KRC Stock Options, KRC Performance Warrants and KRC Capital Warrants, whether vested or unvested, have no impact on the current year's awards and grants.

KRC Stock Options have no value unless the fair market value of the KRC Shares or the "market price" (as defined in KRC's stock option plan (the "**Option Plan**")) of the KRC Shares, respectively, increases above the exercise price of the KRC Stock Option. This links a portion of executive compensation directly to KRC Shareholders' interests by providing an incentive to increase the value of the KRC Shares. KRC Performance Warrants have an escalating exercise price, further aligning the interests of executive officers with the interests of KRC Shareholders.

### ***Pension, Benefits and Perquisites***

KRC does not currently have a pension plan or post-employment compensation and benefits in place for any of its employees.

The Compensation Committee annually reviews the benefits provided to executive officers, which are generally the same as those provided to other employees of KRC, to determine if adjustments are appropriate. The executive officers receive minimal perquisites in each case with an aggregate value of less than \$10,000 per executive officer per year and which includes paid parking for Calgary-based officers.

### ***Compensation Mix***

Compensation to date has been entirely by salary with the addition of a 100 Special Warrants of Distinction per employee who chose to participate. Employees have also been granted KRC Stock Options and KRC Performance Warrants, neither of which has any material cash value at this time.

### ***Changes for 2021 and 2022***

KRC issued additional KRC Options and KRC Performance Warrants to employees, including NEOs, on January 4 and June 28 of 2021. See "*Prior Sales*" and "*Options and Other Rights to Purchase Securities*". Following completion of the Business Combination, KRC plans to engage an expert compensation consultant to advise KRC's Compensation Committee and the KRC Board as KRC considers competitive compensation strategies.

## 2020 Compensation Details

The following table sets out the compensation earned by the NEOs for the most recent three years. Annual incentives have historically been considered from time to time. This compensation period has aligned with KRC's historical reserve reporting period and allowed compensation decisions to benefit from the completion of the busy winter drilling season. The annual incentives reported below have been included in the summary compensation table for the year in which they were paid.

Name and Principal Position	Year	Salary (\$)	Share-based Awards (\$)	Option/Warrant-based Awards (\$) <sup>(1)</sup>	Non-equity incentive plan compensation (\$)			All other Compensation (\$)	Total Compensation (\$)
					Annual Incentive Plans	Long-term Incentive Plans	Pension Value (\$)		
Patrick Carlson CEO	2020	1	-	-	-	-	-	6,600	6,601
	2019	1	-	-	-	-	-	6,600	6,601
	2018	1	-	3,777,343	-	-	-	6,600	3,783,944
Jakub Brogowski CFO	2020	250,000	-	-	-	-	-	6,600	256,600
	2019	250,000	-	-	-	-	-	6,600	256,600
	2018	250,000	-	664,533	-	-	-	6,600	921,133
Sue Kuethe EVP, Land and Community Engagement	2020	235,000	-	-	-	-	-	6,600	241,600
	2019	235,000	-	-	-	-	-	6,600	241,600
	2018	235,000	-	642,148	-	-	-	6,600	619,209
Kurt Molnar SVP, Business Development	2020	154,362	222,980	-	-	-	-	6,600	383,942
	2019	26,325	-	591,784	-	-	-	1,100	619,209
	2018	-	-	-	-	-	-	-	-
Mike Hantzsch SVP, Midstream and Market Development	2020	250,000	-	-	-	-	-	6,600	256,600
	2019	250,000	-	-	-	-	-	6,600	256,600
	2018	250,000	-	683,419	-	-	-	6,600	940,019

### Note:

- (1) The grant date fair value of the Option/Warrant-based awards are calculated using the Black-Scholes option pricing model on the date of grants which is consistent with the fair value determined in accordance with IFRS 2 Share-based Payment. KRC Stock Options granted in 2020, 2019 and 2018 were valued at N/A, \$0.53 and \$0.53 per KRC Stock Option, respectively. The KRC Performance Warrants were valued at N/A, \$0.36 and \$0.36 per KRC Performance Warrant for grants in 2020, 2019 and 2018, respectively. The KRC Capital Warrants were not valued as they have not vested and they are currently out of the money. There were no grants of KRC Capital Warrants in 2020, and no further KRC Capital Warrants will be granted. The key assumptions and estimations for this model include the current market price of the KRC Shares, the exercise price of the Option/Warrant, the expected Option/Warrant term, the risk-free interest rate, the expected annual dividend per KRC Share, the volatility of the price of the KRC Shares and the estimated hold period prior to exercise. The actual value realized pursuant to such Option/Warrant-based awards may be greater or less than the indicated value. The assumptions used to calculate the fair value of the Options/Warrants using the Black-Scholes model for 2020, 2019 and 2018 KRC Stock Option, KRC Performance Warrant and KRC Capital Warrant grants are as follows:

Assumptions	KRC Stock Options			KRC Performance Warrants			KRC Capital Warrants		
	2020	2019	2018	2020	2019	2018	2020	2019	2018
Exercise price (weighted average \$ per KRC Stock Option/ KRC Performance Warrant/ KRC Capital Warrant)	N/A	1.00	1.00	N/A	2.00	2.00	N/A	N/A	N/A
Risk-free interest rate (%)	N/A	2.36	2.36	N/A	2.36	2.36	N/A	N/A	N/A
Expected annual dividend per KRC Share (%)	N/A	-	-	N/A	-	-	N/A	N/A	N/A
Volatility of the KRC Shares (%)	N/A	50	50	N/A	50	50	N/A	N/A	N/A
Estimated hold period prior to exercise (years)	N/A	7	7	N/A	7	7	N/A	N/A	N/A

### Incentive Plan Awards

#### Outstanding Share-Based Awards and Option-Based Awards

The following tables set forth all awards outstanding for each NEO as of December 31, 2020, including awards granted before December 31, 2020.

Option-Based Awards					Share-Based Awards		
Name	Number of KRC Shares Underlying Unexercised Options (#) <sup>(1)</sup>	Options Exercise Price (\$)	Option Expiration Date	Value of Unexercised in-the-money Options (\$) <sup>(2)</sup>	Number of Shares or Units of Shares that have not Vested (#)	Market or Payout	Market or Payout Value of Vested Share-Based Awards not Paid out or Distributed (\$)
						Value of Share-Based Awards that have not Vested (\$)	
Patrick Carlson	3,000,000	1.00	October 3, 2025	-	-	-	-
Jakub Brogowski	527,778	1.00	October 3, 2025	-	-	-	-
Sue Kuethe	510,000	1.00	October 3, 2025	-	-	-	-
Kurt Molnar	470,000	1.00	October 3, 2025	-	-	-	-
Mike Hantzsch	542,778	1.00	October 3, 2025	-	-	-	-

**Notes:**

- (1) Since December 31, 2020, an additional 1,879,980 KRC Stock Options have been issued to Mr. Carlson, an additional 565,362 KRC Stock Options have been issued to Mr. Brogowski, an additional 531,100 KRC Stock Options have been issued to Ms. Kuethe, an additional 486,220 KRC Stock Options have been issued to Mr. Molnar and an additional 464,512 KRC Stock Options have been issued to Mr. Hantzsch.
- (2) Based on the last equity price at which KRC Shares were issued in 2020 on December 16, 2020 at \$1.00 per KRC Share.

Performance Warrant-Based Awards				
Name	Number of KRC Shares Underlying Unexercised Warrants (#) <sup>(1)</sup>	Warrant Exercise Price (\$) <sup>(2)(3)</sup>	Warrant Expiration Date	Value of Unexercised in-the-money Warrants (\$) <sup>(4)</sup>
Patrick Carlson	6,000,000	2.00	October 3, 2025	-
Jakub Brogowski	1,055,556	2.00	October 3, 2025	-
Sue Kuethe	1,020,000	2.00	October 3, 2025	-
Kurt Molnar	940,000	2.00	October 3, 2025	-
Mike Hantzsch	1,085,556	2.00	October 3, 2025	-

**Notes:**

- (1) Since December 31, 2020, an additional 7,420,000 KRC Performance Warrants have been issued to Mr. Carlson, an additional 2,624,144 KRC Performance Warrants have been issued to Mr. Brogowski, an additional 2,448,700 KRC Performance Warrants have been issued to Ms. Kuethe, an additional 2,308,700 KRC Performance Warrants have been issued to Mr. Molnar and an additional 2,177,044 KRC Performance Warrants have been issued to Mr. Hantzsch.
- (2) Reflects exercise price per KRC Share.
- (3) The KRC Performance Warrants have exercise prices in tranches ranging from \$1.50 to \$2.50 per KRC Share, with a weighted average exercise price of \$2.00 per KRC Share.
- (4) Based on the last equity price at which KRC Shares were issued in 2020 on December 16, 2020 at \$1.00 per KRC Share.

Capital Warrant-Based Awards				
Name	Number of KRC Shares Underlying Unexercised Warrants (#)	Warrant Exercise Price (\$) <sup>(1)(2)</sup>	Warrant Expiration Date	Value of Unexercised in-the-money Warrants (\$) <sup>(3)</sup>
Patrick Carlson	13,000,000	\$1.00+	August 20, 2025	-
Jakub Brogowski	130,000	\$1.00+	August 20, 2025	-
Sue Kuethe	260,000	\$1.00+	August 20, 2025	-
Kurt Molnar	-	\$1.00+	August 20, 2025	-
Mike Hantzsch	455,000	\$1.00+	August 20, 2025	-

**Notes:**

- (1) See "Executive Compensation — Compensation Discussion and Analysis — Share-Based Compensation – KRC Capital Warrants" for further information.
- (2) The exercise price of KRC Capital Warrants is \$1.00 plus 2/3 of the excess of a liquidity or initial public offering price per KRC Share above \$1.50.
- (3) Based on the last equity price that KRC Shares were issued in 2020 on December 16, 2020 at \$1.00 per KRC Share.

### ***Incentive Plan Awards — Value Vested or Earned During the Year***

The following table sets forth incentive plan awards for each NEO for value vested or earned during the year ended December 31, 2020.

<b>Name</b>	<b>Option -Based Awards — Value Vested During the Year (\$)</b>	<b>Warrant- Based Awards — Value Vested During the Year (\$)</b>	<b>Share-Based Awards Value Vested During the Year (\$)</b>	<b>Non-Equity Incentive Plan Compensation — Value Earned During the Year (\$)</b>
Patrick Carlson	405,758	436,945	-	-
Jakub Brogowski	71,383	76,870	-	-
Sue Kuethe	68,979	74,281	-	-
Kurt Molnar	63,569	68,455	-	-
Mike Hantzsch	73,412	79,055	-	-

### **Equity Compensation Plan Information**

#### ***Option Plan***

The purposes of the Option Plan are to provide an incentive to the directors, officers, employees, consultants and other personnel of KRC or any of its subsidiaries to achieve the longer-term objectives of KRC; to give suitable recognition to the ability and industry of such persons who contribute materially to the success of KRC; and to attract and retain in the employ of KRC or any of its subsidiaries, persons of experience and ability, by providing them with the opportunity to acquire an increased proprietary interest in KRC.

Pursuant to the Option Plan, KRC may grant KRC Stock Options to directors, officers, employees and service providers of KRC, which are exercisable for one KRC Share per KRC Stock Option. The maximum number of KRC Shares issuable under the Option Plan must not exceed 10% of the aggregate number of outstanding KRC Shares from time to time (calculated on an undiluted basis).

The Option Plan is administered by the KRC Board (or the Compensation Committee). Under the Option Plan, the KRC Board has the authority to determine the terms, limitations, restrictions and conditions, if any, applicable to a KRC Stock Option, provided that:

- the exercise price per KRC Share of each KRC Stock Option shall be the greater of: (i) the market price of the KRC Shares at the time of the grant; and (ii) \$1.00 per KRC Share;
- vested KRC Stock Options held by a holder who ceases to be an eligible participant under the Option Plan for any reason other than death or disability or termination for cause terminate 90 days after the holder ceases to be a director, officer, employee or consultant of KRC or its subsidiaries, and the holder does not continue in at least one of such capacities;
- the KRC Stock Options vest as to 1/3 of the total grant on each of the first three anniversaries of the grant date, or as otherwise determined by the KRC Board;
- unless otherwise determined by the KRC Board, in respect of KRC Stock Options held by a holder who dies or becomes disabled, the KRC Board will have discretion to: (i) leave all vested KRC Stock Options in place under their existing terms; or (ii) cause KRC to repurchase such holder's vested KRC Stock Options for the market price of the KRC Shares issuable upon the exercise of such KRC Stock Options, either in cash or KRC Shares; and
- unless otherwise determined by the KRC Board, the KRC Stock Options of a holder who is terminated for cause terminate immediately.

The Option Plan also contains provisions which allow the KRC Board, acting reasonably, to make such adjustments as it deems appropriate to the number of KRC Shares authorized by the Option Plan and the number of KRC Shares covered by grants made under the Option Plan in the event of a subdivision, redivision, consolidation, reclassification, amalgamation, merger or any other change in the corporate structure of shares of KRC.

At the discretion of the KRC Board, upon the occurrence of a liquidity event, the holder of a KRC Stock Option may elect to surrender the KRC Stock Option in exchange for the issuance of KRC Shares with a value (determined using market price) equal to the number obtained by multiplying the number of KRC Stock Options surrendered by the market price (on the date of surrender) divided the market price (on the date of surrender). KRC Stock Options may not be transferred or assigned except by will or the laws of descent and distribution. KRC may not provide financial assistance to the holder of a KRC Stock Option in connection with the exercise of KRC Stock Options.

The KRC Board may, at any time and from time to time, without the approval of the KRC Shareholders, amend the Option Plan or a KRC Stock Option to conform the Option Plan or a KRC Stock Option to applicable law or regulation or the requirements of the TSX or any relevant regulatory authority; provided that unless grantees holding at least 66<sup>2</sup>/<sub>3</sub>% of the KRC Stock Options then outstanding otherwise consent in writing, the KRC Board may not suspend, discontinue or amend the Option Plan or amend any outstanding KRC Stock Option in a manner that would alter or impair any KRC Stock Option previously granted to a grantee under the Option Plan; and provided that if an amendment to an outstanding KRC Stock Option or the terms of the Option Plan applicable to such KRC Stock Option would disproportionately and adversely affect a grantee relative to other grantees, then such amendment shall solely require the consent of the KRC Stock Option holders holding at least 66<sup>2</sup>/<sub>3</sub>% of the KRC Stock Options that are so disproportionately and adversely affected.

As at December 31, 2020, an aggregate of 12,882,899 KRC Shares, representing approximately 7% of the outstanding KRC Shares, were issuable pursuant to the exercise of KRC Stock Options issued pursuant to the Option Plan. Since December 31, 2020, an additional 12,931,316 KRC Stock Options have been issued in recognition of the achievement of a number of corporate milestones in accordance with the KRC USA.

### ***KRC Performance Warrants***

KRC may grant KRC Performance Warrants to directors, officers, employees and consultants of KRC. Each KRC Performance Warrant evidences a right of the holder to subscribe for and purchase one fully-paid and non-assessable KRC Share, subject to any adjustments set forth in the applicable KRC Performance Warrant certificate. For KRC Performance Warrants granted prior to the Agreement Date, each KRC Performance Warrant may be exercised to purchase KRC Shares at or before the earlier of: (i) if the KRC Shares are listed and posted for trading on the TSX or another exchange acceptable to the KRC Board, the expiry term may be imposed by such stock exchange; (ii) August 20, 2025 for initial KRC Performance Warrant grants or January 4, 2028 for grants in January 2021; and (iii) at the sole discretion of the KRC Board immediately following a liquidity event or a change of control (as defined in the applicable KRC Performance Warrant certificate).

Each KRC Performance Warrant evidences a right of the holder to subscribe for and purchase one fully-paid and non-assessable KRC Share, with the following terms and conditions:

- the KRC Performance Warrants are issuable in series, with an exercise price of \$1.50 for Series 1; \$1.75 for Series 2; \$2.00 for Series 3; \$2.25 for Series 4; and \$2.50 for Series 5 (the foregoing reflects the exercise price per KRC Share);
- all unvested KRC Performance Warrants shall immediately vest upon the occurrence of a liquidity event or upon the completion of a change of control;
- all vested KRC Performance Warrants held by a holder who ceases to be an eligible participant under the Performance Warrant certificate for any reason other than death or disability or termination for cause terminate 90 days after the holder ceases to be a director, officer, employee or consultant of KRC or its subsidiaries, and the holder does not continue in at least one of such capacities;
- KRC Performance Warrants vest as to 1/3 of each series, on each of the first three anniversaries of the grant date;
- unless otherwise determined by the Board, in respect of KRC Performance Warrants held by a holder who dies or becomes disabled, the KRC Board will have discretion to: (i) leave all vested KRC Performance Warrants in place under their existing terms; or (ii) cause KRC to repurchase such holder's vested KRC Performance Warrants for the "market price" (as defined in the applicable KRC Performance Warrant certificate) of the KRC Shares issuable upon the exercise of such KRC Performance Warrants, either in cash or KRC Shares; and
- unless otherwise determined by the KRC Board, the KRC Performance Warrants of a holder who is terminated for cause terminate immediately.

The form of KRC Performance Warrant certificate also contains provisions which allow the KRC Board, acting reasonably, to make such adjustments as it deems appropriate to the number of KRC Shares covered by the KRC Performance Warrants granted



under a certificate in the event of a subdivision, redivision, consolidation, reclassification, amalgamation, merger or any other change in the corporate structure of shares of KRC.

At the discretion of the KRC Board, upon the occurrence of a liquidity event, the holder of a KRC Performance Warrant may elect to surrender the KRC Performance Warrant in exchange for the issuance of KRC Shares with a value (determined using market price) equal to the number obtained by multiplying the number of KRC Performance Warrants surrendered by the market price (on the date of surrender) divided the market price (on the date of surrender). KRC Performance Warrants may not be transferred without the express approval of the KRC Board, except by will or the laws of descent and distribution. KRC may not provide financial assistance to the holder of a KRC Performance Warrant in connection with the exercise of KRC Performance Warrants.

The KRC Board may, at any time and from time to time, without the approval of the KRC Shareholders, amend the terms and conditions of the KRC Performance Warrants to conform the KRC Performance Warrants to applicable law or regulation or the requirements of the TSX or any relevant regulatory authority; provided that unless grantees holding at least 66<sup>2</sup>/<sub>3</sub>% of the KRC Performance Warrants otherwise consent, the KRC Board may not alter, amend or revise the terms and conditions of the KRC Performance Warrants in a manner that may be considered to be adverse to the holders of KRC Performance Warrants; and provided that any amendment or revision that may be considered to be adverse to the holders of KRC Performance Warrants may only be made with the consent the KRC Performance Warrant holders holding at least 66<sup>2</sup>/<sub>3</sub>% of the KRC Performance Warrants that are so disproportionately and adversely affected.

As at December 31, 2020, an aggregate of 25,784,930 KRC Shares, representing 14% of the outstanding KRC Shares, were issuable pursuant to the exercise of KRC Performance Warrants. Since December 31, 2020, an additional 49,834,970 KRC Performance Warrants have been issued in recognition of the achievement of a number of corporate milestones in accordance with the KRC USA. The KRC Board does not intend to issue KRC Performance Warrants in any material quantity following completion of the Business Combination.

### ***KRC Capital Warrants***

KRC granted KRC Capital Warrants to participants in the initial equity financing of KRC, in proportion to their investment in KRC. Those participants included directors, officers, employees and consultants of KRC. Each KRC Capital Warrant evidences a right of the holder to subscribe for and purchase one fully-paid and non-assessable KRC Share at an exercise price of \$1.00 plus two thirds of the excess of a liquidity, or IPO price per common share less \$1.50, subject to any adjustments set forth in the KRC Capital Warrant certificate. The effect the KRC Capital Warrants is to retroactively reduce the cost base of the holder's investment in KRC.

Each KRC Capital Warrant evidences a right of the holder to subscribe for and purchase one fully-paid and non-assessable KRC Share, with the following terms and conditions:

- KRC Capital Warrants are dollar vested provided the holder has funded an amount equal to the holder's maximum commitment to KRC, as set forth in each holder's subscription agreement with KRC;
- the right to purchase KRC Shares under the KRC Capital Warrants may be exercised at or before the earliest of: (i) the consummation of a liquidity event (as defined in the applicable KRC Capital Warrant certificate); (ii) two business days after the consummation of an IPO; (iii) two business days after listing of the KRC Shares on the TSX or another exchange acceptable to the KRC Board; (iv) if the KRC Shares are listed and posted for trading on the TSX or another exchange, the expiry term may be imposed by such stock exchange; (v) immediately following a change of control without the consent of holders of KRC Capital Warrants where the majority of senior officers of KRC are not continuing in substantially similar positions; and (iv) August 20, 2025;
- unless otherwise determined by the Board, in respect of KRC Capital Warrants held by a holder who dies or becomes disabled, the KRC Board will have discretion to: (i) leave all vested KRC Capital Warrants in place under their existing terms; or (ii) cause KRC to repurchase such holder's vested KRC Capital Warrants for the "market price" (as defined in the applicable KRC Capital Warrant certificate) of the KRC Shares issuable upon the exercise of such KRC Capital Warrants, either in cash or KRC Shares; and
- unless otherwise determined by the KRC Board, the KRC Capital Warrants of a holder who resigns or is terminated for cause terminate immediately.

The form of KRC Capital Warrant certificate also contains provisions which allow the KRC Board, acting reasonably, to make such adjustments as it deems appropriate to the number of KRC Shares covered by the KRC Capital Warrants granted under a



certificate in the event of a subdivision, redivision, consolidation, reclassification, amalgamation, merger or any other change in the corporate structure of shares of KRC.

The KRC Board may, at any time and from time to time, without the approval of the KRC Shareholders, amend the terms and conditions of the KRC Capital Warrants to conform the KRC Capital Warrants to applicable law or regulation or the requirements of the TSX or any relevant regulatory authority; provided that unless grantees holding at least 66<sup>2</sup>/<sub>3</sub>% of the KRC Capital Warrants otherwise consent, the KRC Board may not alter, amend or revise the terms and conditions of the KRC Capital Warrants in a manner that may be considered to be adverse to the holders of KRC Capital Warrants; and provided that any amendment or revision that may be considered to be adverse to the holders of KRC Capital Warrants may only be made with the consent the KRC Capital Warrant holders holding at least 66<sup>2</sup>/<sub>3</sub>% of the KRC Capital Warrants that are so disproportionately and adversely affected.

As at December 31, 2020, an aggregate of 20,073,300 KRC Shares, representing 11% of the outstanding KRC Shares, were issuable pursuant to the exercise of KRC Capital Warrants. No further KRC Capital Warrants will be issued. Depending on the terms of any future listing of KRC Shares and unless there is satisfaction of a Liquidity Event or Qualified IPO (both as defined in the applicable KRC Capital Warrant Certificate), the KRC Capital Warrants are expected to expire.

### Termination and Change of Control Benefits

As at the date hereof, KRC had employment agreements with each of its NEOs.

The following table summarizes the incremental payments that would be received by each NEO in each circumstance where the NEO ceases to be employed by KRC. The amounts shown in the table below are calculated based on positions held at December 31, 2020. These amounts do not include KRC Stock Options, KRC Performance Warrants or compensation changes subsequent to the 2020 year-end. For purposes of this table, the termination date of each NEO is assumed to be December 31, 2020. For purposes of calculating the value of the KRC Stock Options and KRC Performance Warrants upon termination, the share price on December 31, 2020 of \$1.00 less the applicable exercise price was utilized.

<b>Name and Principal Position</b>	<b>Termination for Cause</b>	<b>Termination other than for Cause<sup>(1)</sup></b>	<b>Termination upon Change of Control<sup>(1)</sup></b>
<b>Patrick Carlson</b>			
Cash severance	-	250,000	250,000
KRC Stock Options (unvested and accelerated)	-	-	-
KRC Performance Warrants (unvested and accelerated)	-	-	-
KRC Capital Warrants (unvested and accelerated)	-	-	-
<b>Total</b>	-	250,000	250,000
<b>Jakub Brogowski</b>			
Cash severance	-	250,000	-
KRC Stock Options (unvested and accelerated)	-	-	-
KRC Performance Warrants (unvested and accelerated)	-	-	-
KRC Capital Warrants (unvested and accelerated)	-	-	-
<b>Total</b>	-	250,000	-
<b>Sue Kuethe</b>			
Cash severance	-	235,000	-
KRC Stock Options (unvested and accelerated)	-	-	-
KRC Performance Warrants (unvested and accelerated)	-	-	-
KRC Capital Warrants (unvested and accelerated)	-	-	-
<b>Total</b>	-	235,000	-
<b>Kurt Molnar</b>			
Cash severance	-	235,000	-
KRC Stock Options (unvested and accelerated)	-	-	-
KRC Performance Warrants (unvested and accelerated)	-	-	-
KRC Capital Warrants (unvested and accelerated)	-	-	-
<b>Total</b>	-	235,000	-

<b>Name and Principal Position</b>	<b>Termination for Cause</b>	<b>Termination other than for Cause<sup>(1)</sup></b>	<b>Termination upon Change of Control<sup>(1)</sup></b>
<b>Mike Hantzsch</b>			
Cash severance	-	250,000	-
KRC Stock Options (unvested and accelerated)	-	-	-
KRC Performance Warrants (unvested and accelerated)	-	-	-
KRC Capital Warrants (unvested and accelerated)	-	-	-
<b>Total</b>	-	250,000	-

**Note:**

(1) Cash severance calculations based on salary are based on annual salary for the year ended December 31, 2020. KRC Capital Warrants held by an NEO do not automatically terminate in circumstances where the employment of the NEO is terminated without cause.

## **Director Compensation**

### ***Approach to Director Compensation***

KRC pays director compensation to attract and retain directors of the quality and with the skills required to oversee KRC's business, taking into account the complexity of KRC's operations and business. KRC compensates directors for their accountability and risk, responsibility and preparation, on the basis that they devote time and attention to KRC year-round and to reflect their fiduciary oversight and effectiveness. KRC directors oversee KRC's business and affairs on behalf of KRC Shareholders and in the best interests of KRC.

KRC presently has no formal compensation arrangements for its directors. All compensation paid to directors to date has been in the form of KRC Stock Options and KRC Performance Warrants. As with share-based compensation awards to officers and employees, awards of KRC Stock Options and KRC Performance Warrants to directors have been ad hoc in nature and tied to the achievement of broader corporate milestones.

Directors are also reimbursed for transportation and other out-of-pocket expenses reasonably incurred for attendance at KRC Board and committee meetings and in connection with the performance of their duties as directors.

### ***Details of 2020 Director Compensation***

The following table sets forth all amounts of compensation provided to the directors (other than Patrick Carlson who received no compensation in his capacity as a director) for the year ended December 31, 2020.

<b>Name</b>	<b>Fees Earned (\$)</b>	<b>Share-Based Awards (\$)</b>	<b>Option/Warrant-Based Awards (\$)</b>	<b>Non-Equity Incentive Plan Compensation (\$)</b>	<b>Pension Value (\$)</b>	<b>All Other Compensation (\$)</b>	<b>Total (\$)</b>
Kevin Brown	nil	nil	nil	nil	nil	nil	nil
William (Bill) Slavin	nil	nil	nil	nil	nil	nil	nil
Leland Corbett	nil	nil	nil	nil	nil	nil	nil
Kaush Rakhit	nil	nil	nil	nil	nil	nil	nil

### ***Outstanding Share-Based Awards and Option-Based Awards — Directors***

The following tables set forth all awards outstanding for each of the directors (other than Patrick Carlson, who received no awards in his capacity as a director) at the end of December 31, 2020, including awards granted before December 31, 2020.

Name	Option-Based Awards				Share-Based Awards		
	Number of Securities Underlying Unexercised Options (#) <sup>(1)</sup>	Options Exercise Price (\$)	Option Expiration Date	Value of Unexercised in-the-money Options (\$) <sup>(2)</sup>	Number of Shares or Units of Shares that have not Vested (#)	Market or Payout Value of Share-Based Awards that have not Vested (\$)	Market or Payout Value of Vested Share-Based Awards not Paid out or Distributed (\$)
Kevin Brown <sup>(6)</sup>	350,000	\$1.00	October 3, 2025	-	-	-	-
William (Bill) Slavin <sup>(6)</sup>	350,000	\$1.00	October 3, 2025	-	-	-	-
Leland Corbett	350,000	\$1.00	October 3, 2025	-	-	-	-
Kaush Rakhit	350,000	\$1.00	October 3, 2025	-	-	-	-

**KRC Performance Warrant-Based Awards**

Name	Number of Securities Underlying Unexercised Warrants (#) <sup>(1)</sup>	Warrant Exercise Price (\$)	Warrant Expiration Date	Value of Unexercised in-the-money Warrants (\$) <sup>(2)</sup>
Kevin Brown <sup>(6)</sup>	700,000	2.00	October 3, 2025	-
William (Bill) Slavin <sup>(6)</sup>	700,000	2.00	October 3, 2025	-
Leland Corbett	700,000	2.00	October 3, 2025	-
Kaush Rakhit	700,000	2.00	October 3, 2025	-

**KRC Capital Warrant-Based Awards**

Name	Number of Securities Underlying Unexercised Warrants (#)	Warrant Exercise Price (\$) <sup>(3)(4)(5)</sup>	Warrant Expiration Date	Value of Unexercised in-the-money Warrants (\$) <sup>(2)</sup>
Kevin Brown <sup>(6)</sup>	-	1.00 + <sup>(2)</sup>	August 20, 2025	-
William (Bill) Slavin <sup>(6)</sup>	-	1.00 + <sup>(2)</sup>	August 20, 2025	-
Leland Corbett	390,000	1.00 + <sup>(2)</sup>	August 20, 2025	-
Kaush Rakhit	1,300,000	1.00 + <sup>(2)</sup>	August 20, 2025	-

**Notes:**

- (1) Since December 31, 2020, an additional 1,148,125 KRC Stock Options and 4,141,200 KRC Performance Warrants have been granted to the directors of KRC (other than Mr. Carlson, who received no awards in his capacity as a director).
- (2) Based on the last equity price that KRC Shares were issued in 2020 on December 16, 2020 at \$1.00 per KRC Share.
- (3) The exercise price of KRC Capital Warrants is \$1.00 plus 2/3 of the excess of a liquidity or initial public offering price per KRC Share above \$1.50.
- (4) Capital warrants are designed to effectively reduce the cost base of shares purchased by founding investors retroactively if the share selling price exceeds \$1.50 upon certain liquidity events.
- (5) See "Executive Compensation – Compensation Discussion and Analysis – Share-Based Compensation – KRC Capital Warrants" for further information.
- (6) KRC Stock Options, KRC Performance Warrants and KRC Capital Warrants granted to Kevin Brown and William (Bill) Slavin are held by such individuals for the benefit of ARC (or its fund manager or general partner).

**Incentive Plan Awards — Value Vested or Earned During the Year — Directors**

The following table sets forth incentive plan awards for each director for value vested or earned during the year ended December 31, 2020 (other than Patrick Carlson, who received no awards in his capacity as a director).

Name	Option/Warrant-Based Awards — Value Vested During the Year (\$)	Share-Based Awards — Value Vested During the Year (\$)	Non-Equity Incentive Plan Compensation — Value Earned During the Year (\$)
Kevin Brown <sup>(1)</sup>	98,315	-	-
William (Bill) Slavin <sup>(1)</sup>	98,315	-	-
Leland Corbett	98,315	-	-
Kaush Rakhit	98,315	-	-

**Note:**

- (1) KRC Stock Options, KRC Performance Warrants and KRC Capital Warrants granted to Kevin Brown and William (Bill) Slavin are held by such individuals for the benefit of ARC (or its fund manager or general partner).

**Indemnity Agreements for Directors and Officers**

KRC has entered into indemnity agreements with each of the directors and officers pursuant to which KRC has agreed to indemnify such directors and officers from liability arising in connection with the performance of their duties. Such indemnity agreements conform to the provisions of the ABCA.

**Compensation Governance**

***Compensation Related Risk Management***

The KRC Board provides regular oversight of KRC's risk management practices, and delegates to the Compensation Committee the responsibility to provide risk oversight of KRC's compensation policies and practices, and to identify and mitigate compensation policies and practices that could encourage inappropriate or excessive risk taking by members of senior management.

The Compensation Committee and the KRC Board considered the implications of the risks associated with KRC's compensation practices and did not identify any risks from KRC's compensation policies or practices that are likely to have a material adverse effect on KRC.

The Compensation Committee and the KRC Board have concluded that KRC has policies and practices to ensure that employees do not have incentives to take inappropriate or excessive risks.

***Independent Advice***

Based on information which is publicly available, the Compensation Committee exercises its business judgment in setting base salaries and incentive compensation levels for executive officers. This includes an evaluation of each executive officer's qualifications and performance as well as company-wide performance. An executive officer's success in achieving business results and demonstrating leadership are also taken into account when reviewing base salaries.

In prior years, KRC did not award long-term incentive awards based on the fact that the initial awards were intended to compensate employees fairly until all of the initial ARC option to invest was either placed or declined. ARC invested, taking up all of its option to invest (plus additional capital) in conjunction with the closing of the Simonette Acquisition. KRC Stock Options and KRC Performance Warrants were accordingly granted to each employee earlier in 2021. Performance will continue to be a factor in setting long-term incentive award values and, in addition, KRC will determine long-term incentive award levels with a view to delivering an appropriate mix of compensation, weighted to long-term incentives, on a market competitive basis.

***Share Ownership Requirements***

KRC does not currently have share ownership requirements for its directors and officers. Nearly all of the directors and officers, or (in the case of certain directors) their respective employers, have made significant investments in KRC Shares.

**20. Indebtedness of Directors and Executive Officers**

KRC is not aware of any individuals who are either current or former executive officers, directors or employees of KRC, or any of its subsidiaries and who have indebtedness outstanding as at the date hereof (whether entered into in connection with the purchase of securities of KRC or otherwise) that is owing to: (i) KRC or any of its subsidiaries; or (ii) another entity where such indebtedness is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by KRC or any of its subsidiaries.

Except for: (i) indebtedness that has been entirely repaid on or before the date of this Information Circular; and (ii) "routine indebtedness" (as defined in Form 51-102F5 of the Canadian Securities Administrators), KRC is not aware of any individuals who are, or who at any time since inception were, a director or executive officer of KRC, a proposed nominee for election as a director or an associate of any of those directors, executive officers or proposed nominees who are, or have been since the beginning of the most recently completed financial year, indebted to KRC or any of its subsidiaries, or whose indebtedness to another entity is, or at any time since the beginning of the most recently completed financial year has been, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by KRC.

## Non-Arm's Length Party Transactions

Except as disclosed in this Appendix H and this Information Circular, there have not been any acquisitions of assets or services or provisions of assets or services in any transaction completed within 24 months before the date of the Information Circular, or in any proposed transaction, where KRC has obtained or proposes to obtain such assets or services from any director or officer of KRC, a securityholder disclosed in the Information Circular as a principal securityholder, either before or after giving effect to the Business Combination, or an associate or affiliate of any such persons or companies. See "*Description of the Business – Three Year History*".

During the periods noted, KRC incurred the following transactions:

	Three-months ended March 31, 2021	Twelve-months ended December 31, 2020	Twelve-months ended December 31, 2019
Legal services involving a firm where a director is a partner	302,517	521,553	176,286
Upstream evaluation fees where a director is the Chief Executive Officer	77,769	383,121	317,992
Upstream oilfield services where a Vice President is the President	1,533	110,108	885,269
<b>Total</b>	<b>381,819</b>	<b>1,014,782</b>	<b>1,379,547</b>

## 21. Corporate Governance

### Board of Directors

Since funds managed by ARC first invested in KRC in August 2018, KRC has been governed by a small board of directors that meets formally at least quarterly, to consider committee reports and perform general governance functions. The KRC Board holds frequent ad hoc meetings to consider material investments, material commitments and strategy. In addition to five directors, the KRC Board has two observers who are employees of ARC Financial Corp. The observers engage with management assisting with oversight on a day to day basis and report back to the KRC Board on a frequent basis.

There have been no changes to the composition of the KRC Board since December 2018. From that time until now the KRC Board consisted of the following people:

Name of Individual	Status on KRC Board
Patrick Carlson	Director and CEO of KRC; President, CEO and Director of Distinction
Kevin Brown	Director, Chairman of the KRC Board; and Director of Distinction
William (Bill) Slavin	Director, Independent
Kaush Rakhit	Director, Independent
Leland Corbett	Director of KRC; and Director of Distinction
Nancy Lever	Observer
Colin Bergman	Observer

Patrick Carlson, is not considered independent by virtue of his role as CEO of KRC. Kevin Brown was independent until joining the Board of Delphi Energy Corp. (now Distinction) in October 2020 and Leland Corbett was independent until joining the Distinction Board in June 2021.

Upon completion of the Business Combination, it is expected that a majority of the directors on the Combined Company Board will be independent. KRC anticipates that, at the end of or during each Combined Company Board meeting, the members of the Combined Company's management and non-independent directors who are present at such meeting, will leave the meeting in order that the independent directors can discuss any necessary matters without management and the non-independent director being present.

Kevin Brown, the anticipated Chair of the Combined Company Board, will be an independent director. In his role as Chair of the Combined Company Board, Mr. Brown will act in a leadership role facilitating and ensuring the functioning of the Combined Company Board independently of management, presiding at all meetings of the Combined Company Board and shareholders of the Combined Company, annually proposing the leadership and membership of each committee of the Combined Company Board, bringing to the attention of the CEO any issues of independence and conflict, providing independent leadership to the Combined Company Board as required and acting as a contact point for the other independent directors.

## **KRC Board Mandate**

The KRC Board, either directly or through its committees, is responsible for the supervision of management of KRC's business and affairs with the objective of enhancing shareholder value. KRC anticipates codifying its existing practices in a Board Mandate concurrent with completion of the Business Combination.

## **Meeting Attendances**

The KRC Board has held six formal KRC Board meetings to date since January 1, 2021. Each director of KRC attended all of the formal KRC Board meetings.

## **KRC Board Committees**

The KRC Board currently has three committees, the Audit Committee, Chaired by Mr. Slavin and including Mr. Corbett and Mr. Brown, the Reserves Committee, Chaired by Mr. Rahkit and including Mr. Slavin and Mr. Carlson and the Compensation Committee, Chaired by Mr. Corbett and including Ms. Lever.

### **Audit Committee**

See "*Audit Committee*" below.

Areas of oversight charged to the Audit Committee include: finance, accounting, quarterly and annual financial statements, purchasing, treasury, credit, supplier (of goods and services) relationship management, insurance, relationships with capital providers, hedging of commodities, marketing of commodities and power and the nomination and compensation of KRC's auditor.

### **Reserves Committee**

Areas of oversight charged to the Reserves Committee include: classification of the value and magnitude of KRC's reserves and resources and recovery forecasting, valuation for merger and acquisition activity and the nomination and compensation of KRC's independent reserves evaluator.

### **Compensation Committee**

Areas of oversight charged to the Compensation Committee include: determining and recommending to the KRC Board compensation of the CEO, determining and recommending to the KRC Board compensation of directors and observers, determining and recommending to the KRC Board compensation for all other staff and counselling the CEO regarding allocation of aggregate compensation to all other staff and providing a recommendation in this regard to the KRC Board.

### **Future Committees**

Since KRC has been focused on mergers and acquisitions and had only a small amount of field activity until recent months, and since the KRC Board also included two observers in day-to-day contact with management, other duties of oversight have been handled by the KRC Board as a whole. With recent acquisitions and the anticipated completion of the Business Combination with Distinction, it is envisioned that the KRC Board will require two other committees: the Sustainability Committee and the Governance and Nominating Committee. It is envisioned that these committees will have duties as follows.

Areas of oversight that will be charged to the Sustainability Committee include: environmental strategies, community and regulatory engagement, emergency response, business interruption, corporate risk and opportunity analysis, employee diversity, regulatory compliance, sustainability reporting, asset retirement management, greenhouse gas emissions reductions strategies and non-financial reporting.

Areas of oversight that will be charged to the Governance and Nominating Committee include: overall function of the KRC Board, director recruitment, orientation and continuing education, director conduct, director nomination, director skills assessment, corporate strategy/goals setting/determination of key performance indicators and budget and long-term planning.

## **Orientation and Continuing Education**

The Governance and Nominating Committee will be responsible for the orientation and continuing education of the members of the KRC Board. As new directors join the KRC Board, they will be provided with, among other things, corporate policies, historical information about KRC, information on KRC's performance and its strategic plan and an outline of the general duties and responsibilities entailed in carrying out their duties.

KRC encourages and with the approval of the Chairman will cover expenses associated with directors attending, enrolling or participating in courses and/or seminars dealing with financial literacy, corporate governance and related matters. Each director of KRC has the responsibility for ensuring that he or she maintains the skill and knowledge necessary to meet his or her obligations as a director.

## **Ethical Business Conduct**

The KRC Board has adopted a Code of Conduct. The KRC Board looks to the CEO to advance KRC's business in accordance with KRC's Code of Conduct. The Code of Conduct prescribes the expectations KRC has of those in its service with respect to communicating with and satisfying stakeholders.

In accordance with the ABCA (and following completion of the Business Combination, the CBCA), directors of KRC and the Combined Company will be subject to the statutory duties of care and loyalty, the latter of which requires directors to act as a fiduciary in the best interests of the corporation while considering the interests of individual stakeholders (or classes thereof) and treating them equitably and fairly. These duties require directors to make full disclosure of and take active steps to avoid conflicts of interest and mandate that directors, both during their term and after, are precluded from making use of any corporate opportunities, which at all times remain the property of the corporation. KRC expects its directors to comply with these duties at all times.

The KRC Board has also adopted a whistleblower policy which provides employees, service providers and contractors with the ability to report, on a confidential and anonymous basis, any violations within KRC including (but not limited to) criminal conduct, falsification of financial records or unethical conduct. The KRC Board believes that providing a forum for employees, service providers and contractors, officers and directors to raise concerns about ethical conduct and treating all complaints with the appropriate level of seriousness foster a culture of ethical conduct.

## **Nomination of Directors**

Prior to the Business Combination, the KRC Board consisted of four persons from ARC (two directors and two observers), two other independent directors and the CEO. KRC was engaged in investing the initial investment amounts of ARC and other original investors until that full amount was drawn in conjunction with the closing of the Simonette Acquisition. As a small, tightly controlled private company, with infrequent director turnover, there was no need to add additional directors and so all governance matters except those overseen by the Audit Committee, the Reserves Committee and the Compensation Committee, as described earlier in this document, were handled by the KRC Board as a whole.

The Board intends to constitute a Governance and Nominating Committee, which will be responsible for selecting nominees for election to the KRC Board. The Governance and Nominating Committee will be responsible for recommending suitable candidates for nomination for election or appointment as director, and recommending the criteria governing the overall composition of the KRC Board and governing the desirable characteristics for directors. In making such recommendations, the Governance and Nominating Committee is expected to consider: (i) the competence and skills that the KRC Board considers to be necessary for the KRC Board, as a whole, to possess; (ii) the competence and skills that the KRC Board considers to be necessary for each existing director to possess; (iii) the competencies and skills that each new nominee will bring to the KRC Board; and (iv) whether or not each new nominee can devote sufficient time and resources to his or her duties as a member of the KRC Board.

The Governance and Nominating Committee will also review, on a periodic basis, the composition of the KRC Board, and will analyze the needs of the KRC Board and recommend nominees who meet such needs.

## **Compensation**

The Compensation Committee is responsible for determining compensation for the directors. The Compensation Committee is responsible for determining compensation for the CEO and other officers. See "*Executive Compensation – Compensation Discussion and Analysis*".



## **KRC Board Assessments**

The Governance and Nominating Committee will be responsible for assessing the KRC Board, its committees and the individual directors. This will be done through structured interviews with each KRC Board and committee member. The results of these interviews for the KRC Board and each director will be compiled by the Chair of the Governance and Nominating Committee and discussed with the Chair of the KRC Board (if they are different individuals) and then communicated to the entire KRC Board. The results of the individual committee interviews are compiled by the Chair of that committee and discussed with the Chair of the KRC Board after which they are communicated to the entire KRC Board.

The Governance and Nominating Committee, with the participation of the Chair, may recommend changes to enhance KRC Board performance based on these communications as well as based on its review and assessment of the KRC Board structure and individuals in relation to current industry and regulatory expectations.

## **Position Descriptions**

It is anticipated that in connection with the completion of the Business Combination the KRC Board will approve written position descriptions or terms of reference for the Chair of the KRC Board and the Chair of each of the Audit Committee, Reserves Committee and the Compensation Committee. The KRC Board has developed a written position description for the CEO.

## **Director Term Limits and Other Mechanisms of Board Renewal**

KRC has not implemented formal term limits for its directors. KRC values the comprehensive knowledge of the company and its operations that long-serving directors possess and the contribution that this makes to the KRC Board as a whole. The Governance and Nominating Committee, in proposing nominees to the KRC Board, will take into consideration whether any board renewal is necessary.

## **Policies Regarding the Representation of Women on the Board**

KRC has not adopted a policy, written or otherwise, regarding the representation of women on the KRC Board. While KRC does not have a specific policy, KRC considers diversity of race, ethnicity, gender, age, national origin, First Nations status, disability, sexual orientation, visible minority status, cultural background, professional experience and other factors in evaluating candidates for KRC Board membership. The KRC Board acknowledges the importance of diversity, including gender diversity, in the review and consideration of potential director nominees. The KRC Board evaluates potential nominees to the KRC Board by reviewing individual qualifications of prospective members and determining if the candidates' qualifications will meaningfully contribute to the effective functioning of the KRC Board, taking into consideration the then current KRC Board composition or diversity and the anticipated skills required to round out the capabilities of the KRC Board.

## **Consideration of the Representation of Women in the Director Identification and Selection Process**

Embracing and promoting diversity is a value of KRC. The KRC Board considers the level of representation of women on the KRC Board in identifying and nominating KRC Board members. The number of women directors on the KRC Board is a factor that the Governance and Nominating Committee will consider when selecting new nominees for the KRC Board having regard to then current and future KRC Board composition, and the anticipated skills required to round out the capabilities of the KRC Board, including knowledge and diversity of membership. Selection of candidates to the KRC Board will be, in part, dependent upon the pool of such candidates with the necessary skills, knowledge and experience. The ultimate decision will be based on merit and contribution the chosen candidate will bring to the KRC Board.

## **Consideration Given to the Representation of Women in Executive Officer Appointments**

The KRC Board considers the level of representation of women in executive officer positions when making executive officer appointments. KRC is committed to the fundamental principles of equal employment opportunities with a foundation based on treating people fairly, with respect and dignity, and to offering equal employment opportunities based upon an individual's qualifications and performance free from discrimination or harassment because of race, colour, ancestry, place of origin, religion, gender, sexual orientation, age, marital status, family status, physical or mental disability. Furthermore, KRC's employment procedures provide that the primary considerations for selecting candidates would include experience, skill and ability, while giving consideration to the importance of diversity, including gender diversity, when recruiting employees and when appointing executive officers. KRC acknowledges the importance of diversity, including gender diversity, in the workplace.

## **Issuer's Targets Regarding the Representation of Women on the Board and in Executive Officer Positions**

KRC has not adopted a target regarding women on the KRC Board or women in executive officer positions. When filling any vacant or new positions, the focus is on attracting the competencies that best meet the needs of the KRC Board or KRC at the relevant point in time. In reviewing KRC Board composition, the Governance and Nominating Committee will consider all aspects of diversity including, but not limited to, gender. While KRC Board diversity is a key critical consideration, all KRC Board appointments are made on merit, in the context of skills, experience, independence and knowledge which the KRC Board as a whole requires to be effective. For Executive Officer positions, KRC's focus is on attracting the competencies that best meet the needs of KRC at the relevant point in time, with the intention of having women represented at all levels of the organization. KRC takes the approach of continually striving to improve through the creation and implementation of policies and the fostering of a culture that is encouraging and accepting of diversity, rather than setting targets.

## **Number of Women on the Board and in Executive Officer Positions**

As at the date hereof, KRC has no women on the KRC Board, however as noted elsewhere, Ms. Lever and Ms. Reimer-Heck will join the Combined Company Board on completion of the Business Combination.

As at the date hereof, KRC has two executive officers that are women (22%).

## **22. Audit Committee**

### **Audit Committee Mandate**

The KRC Board has adopted a written mandate for the Audit Committee, which sets out the Audit Committee's responsibility for (among other things) reviewing KRC's financial statements and KRC's public disclosure documents containing financial information and reporting on such review to the KRC Board, ensuring KRC's compliance with legal and regulatory requirements, overseeing qualifications, engagement, compensation, performance and independence of KRC's external auditors, and reviewing, evaluating and approving the internal control and risk assessment systems that are implemented and maintained by management. A copy of the Audit Committee mandate is attached to this Appendix H to the Information Circular as Schedule A.

### **Composition of the Audit Committee and Relevant Education and Experience**

The Audit Committee consists of William (Bill) Slavin, Kevin Brown and Leland Corbett. Each of the members of the Audit Committee is considered "financially literate" and "independent" within the meaning of National Instrument 52-110 – *Audit Committees*.

KRC believes that each of the members of the Audit Committee possesses: (a) an understanding of the accounting principles used by KRC to prepare its financial statements; (b) the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and provisions; (c) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by KRC's financial statements, or experience actively supervising one or more individuals engaged in such activities; and (d) an understanding of internal controls and procedures for financial reporting.

For a summary of the education and experience of each member of the Audit Committee that is relevant to the performance of their responsibilities as a member of the Audit Committee, see "*Directors and Executive Officers*".

### **Pre-Approval Policies and Procedures for the Engagement of Non-Audit Services**

The Audit Committee must pre-approve all non-audit services to be provided to KRC by its external auditors, Deloitte LLP. The Audit Committee may delegate such pre-approval authority, if and to the extent permitted by law.

### **External Audit Service Fees**

The following table summarizes the fees paid by KRC to its external auditors, Deloitte LLP, for external audit and other services during the period indicated. The amounts disclosed exclude administrative charges.

	2019	2020
	(\$)	(\$)
Audit Fees <sup>(1)</sup>	60,990	134,820
Audit-Related Fees <sup>(2)</sup>	--	47,329
Tax Fees <sup>(3)</sup>	5,350	5,350
All Other Fees	63,438	--
<b>Total</b>	<b>129,778</b>	<b>187,499</b>

**Notes:**

- (1) Represents the aggregate fees for services related to the audit of annual financial statements and review of quarterly financial statements.
- (2) Represents aggregate fees for services provided in connection with equity and debt financings, including review of offering documents, completion of comfort letters for underwriters and attendance at due diligence meetings.
- (3) Represents the aggregate fees billed for tax compliance, tax advice and tax planning.

## 23. Industry Conditions

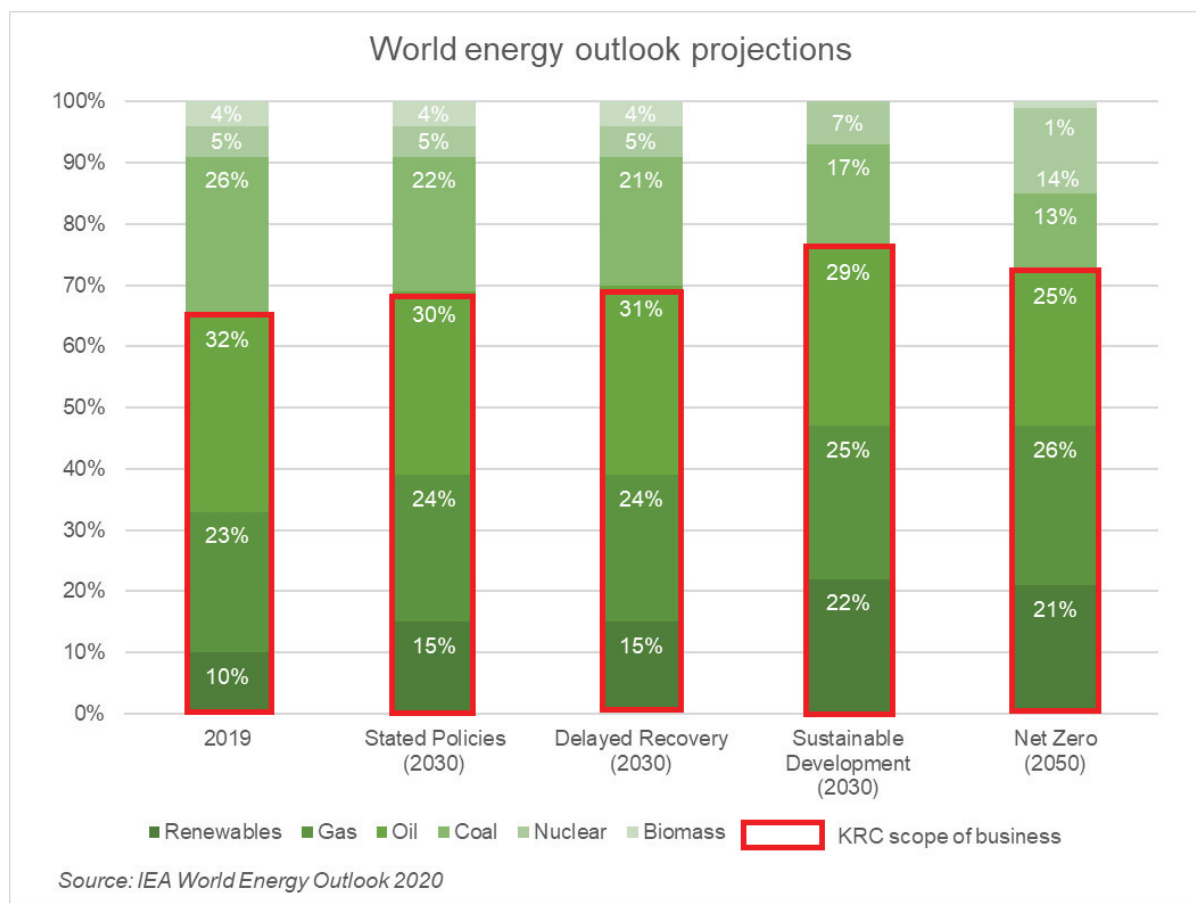
### Industry Overview

Developing affordable energy sources has been fundamental to economic prosperity and societal progress for centuries. As a society, we have been primarily focused on the most efficient and cost-effective extraction, transport and processing of energy sources, mainly fossil fuels known as natural gas, oil and coal. Through the extraction of fossil fuels, we have been able to industrialize, which has rapidly improved the global standard of living. However, a key externality to this societal development has been the corresponding GHG emissions, a byproduct of hydrocarbon consumption. In recognition of this, the Paris Accord, the globally adopted 2015 agreement to address climate change, targets reducing emissions in order to manage global warming to less than 2.0°C and ideally less than 1.5°C – a goal which will require significant time, energy and capital (estimated to be ~US\$3.8 trillion dollars of investment annually through 2050).<sup>1</sup>

The energy transition is a pathway toward the transformation of the global energy sector to net-zero carbon by the second half of this century. The energy transition recognizes the importance of current hydrocarbon development in continuing to improve living standards, while concurrently endeavoring to increase efficiency, reduce emissions and over time decrease the world's reliance on hydrocarbons. Despite this transformation, oil is expected to remain the world's largest source of energy in 2040, representing approximately 25% of global demand.<sup>2</sup> Natural gas is expected to play a meaningful role in the energy transition as a lower carbon energy source with various applications that provide zero carbon energy.

<sup>1</sup> As per IRENA World Energy Transitions Outlook 2021; excluding fossil fuels and nuclear.

<sup>2</sup> As per the 2019 EIA stated policies scenario.



A number of conventional oil and gas producers are beginning to adapt while continuing to provide reliable, cost effective fuels to supply critical energy as the world works through the next decades of energy transition. The world will require significant investment from oil and gas producers through this rapidly changing environment to provide a range of energy products that deliver safe, reliable and cost-effective energy to consumers while continuing to focus on methods to decarbonize that supply over time.

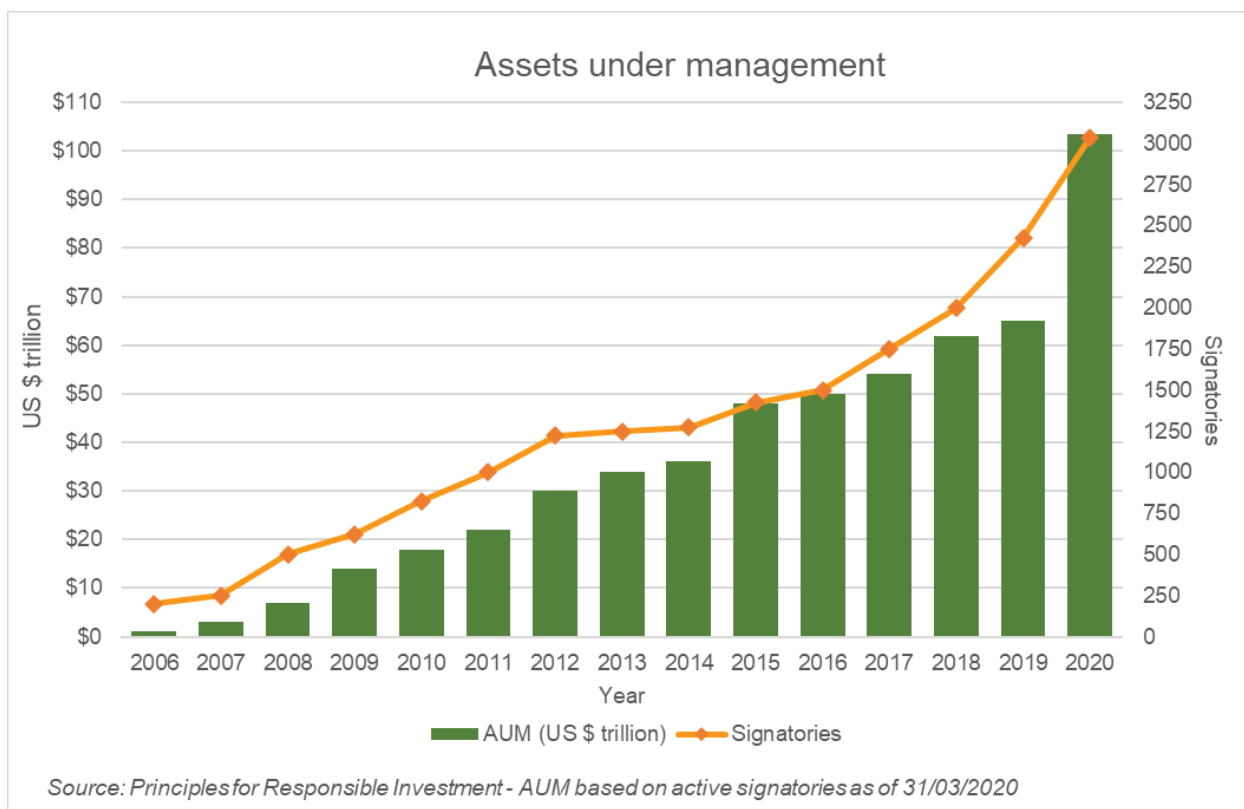
### Environmental, Social and Governance Matters are a High Priority for Investor Universe

Companies and investors, alongside governments and industry organizations, are increasingly focused on addressing key risks related to environmental impacts from climate change, socioeconomic inclusion and ethical governance. Major recent climate and societal events have exposed ESG issues and accelerated the pace of change globally, bringing ESG considerations to the forefront and solidifying the collaborative approach as the best path to move forward. Another key development that has contributed to the ESG momentum is the evolution and availability of quantifiable ESG data. This has provided an opportunity for new ESG reporting standards, market data, and research to come into focus, as well as for index / rating providers and investors to incorporate ESG data into their models and reports.

As a response, investors have prioritized ESG matters and have taken an active stance by incorporating ESG factors into their investment and strategic decision-making processes. For instance, the Principles for Responsible Investment ("PRI") has reached 3000+ signatories, which represents \$103 trillion+ in assets under management ("AUM") and a 15x growth since 2006.<sup>3</sup> Moreover, investors are taking larger steps and making ESG commitments related to measuring and managing their own impact on people, community and the planet as well as applying the same scrutiny to their portfolio and each investee. Research has shown that companies with strong ESG performance are correlated to valuation premium, lower risk rating and lower cost of capital.<sup>4</sup>

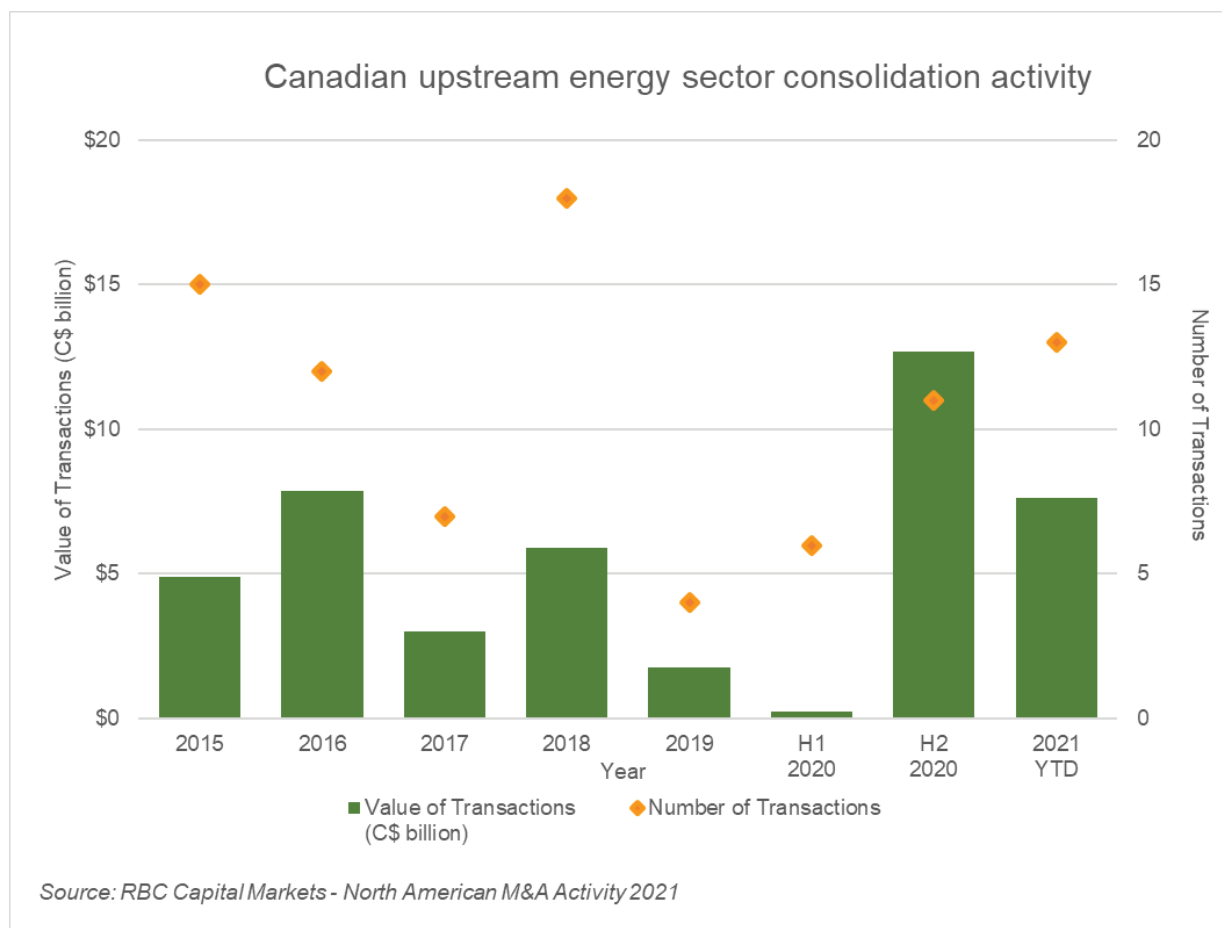
<sup>3</sup> PRI as at May 2021.

<sup>4</sup> RBC ESG Stratify Investment Strategy Research The ESG Scoop, June 2021 and MSCI, ESG and the Cost of Capital, Feb 25,



#### Consolidation Trend in Upstream Energy Being Driven by Demand for Scale

Over the last twelve months there has been significant consolidation activity across the North American upstream oil and gas sector. This activity has largely been driven by a desire for scale to increase capital markets relevancy, improve access and reduce cost of capital, and to achieve synergies. In general, investors have been supportive of on-strategy, accretive acquisitions, that improve the free cash flow profile and return on capital, as well as maintain balance sheet strength.



### Focus on Balance Sheet Strength and Pivot to a Returns Focused Business Model

Investor preferences have shifted to see more conservative leverage metrics driven in large part from the commodity price volatility risk and associated refinancing challenges that were observed over the course of 2020, as a result of the COVID-19 pandemic. Additionally, oil and gas producers are now increasingly focused on total returns, which can be achieved via a combination of modest/sustainable growth, share buybacks, dividends and/or opportunistic mergers and acquisitions.

### General Description of Legal and Regulatory Framework

Companies operating in the Canadian oil and gas and power generation industries are subject to extensive regulation and control of operations (including with respect to land tenure, exploration, development, production, refining and upgrading, transportation, and marketing, greenhouse gas emission and power transmission regulations) as a result of legislation enacted by various levels of government as well as with respect to the pricing and taxation of petroleum and natural gas through legislation enacted by, and agreements among, the federal and provincial governments of Canada, all of which should be carefully considered by investors in the Western Canadian oil and gas industry.

Regulated aspects of the Company's upstream oil and natural gas business include all manner of activities associated with the exploration for and production of oil and natural gas, including, among other matters: (i) permits for the drilling of wells and construction of related infrastructure; (ii) technical drilling and well requirements; (iii) permitted locations and access of operation sites; (iv) operating standards regarding conservation of produced substances and avoidance of waste, such as restricting flaring and venting; (v) minimizing environmental impacts, including by reducing emissions; (vi) storage, injection and disposal of substances associated with production operations; and (vii) the abandonment and reclamation of impacted sites. Compliance in this regard can be costly and a breach of the same may result in fines or other sanctions.

Clean energy and clean energy projects are subject to evolving regulatory requirements. Changes in regulatory requirements may require the Combined Company to incur substantial costs associated with compliance or alter certain aspects of its business plan or may adversely affect government incentives associated with using clean energy and developing clean energy projects. The

Combined Company cannot predict the nature of any future laws, regulations, interpretations or applications towards renewable energy policies, nor can the Combined Company determine what effect additional governmental regulations or administrative policies and procedures, when and if promulgated, could have on the Combined Company. The Combined Company expects that the legislative and regulatory environment in the renewable energy industry globally will continue to positively develop but still be dynamic for the foreseeable future. The Combined Company may suffer if environmental policies change and no longer encourage the development and growth of renewable based technologies. In addition, if current laws and regulations in jurisdictions internationally are not kept in force or if further environmental laws and regulations are not adopted in these jurisdictions as well as in other jurisdictions, demand for clean energy and clean energy projects may diminish. Public opinion can also exert a significant influence over the regulation of the renewable energy industry. A negative shift in the public's perception of the feasibility of clean energy project or clean energy, result in new or substantially modified regulations and/or incentives applicable to the Combined Company.

## **24. Risk Factors**

An investment in the securities of the Combined Company is subject to certain risks. Combined Company shareholders should carefully review and consider all other information contained in this Information Circular, including the matters and cautionary statements discussed under the heading "*Risk Factors*".

All statements regarding the Combined Company, KRC or Distinction's business should be viewed in light of these risk factors. Such information does not purport to be an exhaustive list. If any of the identified risks were to materialize, the Combined Company's business, financial position, results and/or future operations may be materially affected. Additional risks and uncertainties not presently known to the Combined Company, or which the Combined Company currently deems immaterial, may also have an adverse effect upon the Combined Company.

### **Global Economic and Financial Conditions**

Recent market events and conditions, including disruptions in the international credit markets and other financial systems and the deterioration of global economic conditions, have caused significant volatility to commodity prices. The demand for energy including petroleum and natural gas sales is generally linked to economic activities. If there were to be a slowdown in economic growth, an economic downturn or recession, or other adverse economic or political developments in North America or globally, there could be a significant adverse effect on global financial markets which would in turn impact commodity prices and may negatively impact the Combined Company's operations and cash flows.

### **Coronavirus (COVID-19)**

In December 2019, COVID-19 was reported to have surfaced; on January 30, 2020, the World Health Organization ("**WHO**") declared the outbreak a global health emergency; and on March 11, 2020 the WHO declared the outbreak of COVID-19 a global pandemic. The spread of COVID-19 has led to governments and companies to impose quarantines, travel restrictions and other public health safety measures.

At this point, the extent to which COVID-19 may continue to impact the Combined Company is uncertain; however, it is possible that COVID-19 may have a material adverse effect on the Combined Company's business, results of operations and financial condition. If subsequent waves or additional variants of COVID-19 emerge which are more transmissible or cause more severe disease, or if other diseases emerge with similar effects, adverse impacts on the economy could occur.

### **Market Constraints and Access to Services and Equipment**

The Combined Company's financial and operational results can be significantly affected by low product pricing, lack of transportation, shortage of markets for new sources of upstream products from the Western Canadian sedimentary basin, or any combination thereof. These risk factors are a subset of the global and continental energy market risks which are impacted by national and global politics, price wars, conflict, climate change initiatives, war, pandemics, changing political policy in energy producing regions, or other geopolitical events and circumstances. These and other factors can cause an over or under supply of petroleum products dramatically affecting product pricing and the financial results of the Combined Company.

The inability to access midstream equipment and services, or the high costs associated with accessing such equipment or services, poses risks associated with getting the Combined Company's production to market. Further, the services that the Combined Company requires to gather, process and deliver its products to market may be terminated, interrupted or subject to increased costs. The marketability of the Combined Company's oil, NGLs and natural gas production depends in part upon the availability, proximity and capacity of oil, NGLs and natural gas pipeline, trucking and rail systems, as well as processing facilities, some of which are owned by third parties, including the Aux Sable facilities discussed in this Appendix H. If any of the third-party



transportation systems, such as the Alliance Pipeline, become partially or fully unavailable to transport or process the Combined Company's products, or if quality specifications or physical requirements such as compression are altered by such third parties so as to restrict the Combined Company's ability to transport its products on those pipelines or facilities, the Combined Company's revenues could be adversely affected. Oil and natural gas exploration and development activities are dependent on the availability of drilling, completion, transportation and related equipment as well as experienced and competent crews in the particular areas where such activities will be conducted. Demand for equipment or access restrictions may affect the availability of such equipment or crews to the Combined Company and may delay or increase the cost of exploration and development activities. Operating and development costs are affected by a number of factors including price inflation, scheduling delays and access to skilled labour. The difficulties encountered by midstream proponents in Western Canada to obtain the necessary approvals on a timely basis to build pipelines, liquefied natural gas plants and other facilities to provide better access to markets for the oil and natural gas industry has led to additional downward pressure on oil and natural gas prices which has further reduced confidence in the oil and natural gas industry in Western Canada. These factors could result in a material decrease in expected net production revenue and a reduction in oil and natural gas acquisition, development and exploration activities. Any substantial and extended decline in the price of oil and natural gas would have an adverse effect on the Combined Company's ability to carry out its business plan, reduce the value of its assets, and decrease profitability.

Additionally, certain contractual counterparties may have onerous credit requirements that are difficult for the Combined Company to meet, resulting in an inability of the Combined Company to obtain access to midstream equipment and services.

### **Poor Performance of Properties**

The Combined Company may encounter geological hazards which reduce the performance of wells. This includes the wellbore encountering faults or water saturated zones in a geological region that is not as rich in liquids or gas as the optimal range that was targeted. Until further drilling results become available, there remains a material probability that individual well results may perform below expectations, which may negatively impact the results of the Combined Company.

### **Adaptation and Extension of Existing Technology**

The Combined Company's strategy to increase the value from acquired assets includes plans to apply, adapt and extend existing technology. These efforts may, in time, turn out to be economically unattractive and leave the Combined Company with a loss on investment, steering the Combined Company back to present industry practices that represent the best it can achieve. As such, any plans to achieve the full economic potential of a region while managing capital aimed at risked upside has yet to be proven by the Combined Company and contributes a substantial risk to the value of the Combined Company.

### **Possible Shortage of Fresh Water and Surface and Groundwater Licenses**

Drilling and completion operations require a large amount of water. The surface water resources of some of the regions where the Combined Company aspires to operate may be insufficient for the full commercial scale development of the region at a pace matching the industry's ambitions. Thus, limitations on water access may present a ceiling on the allowed pace of development. This ceiling may take the form of a physical ceiling supported by scientific investigation, or it may be a limitation the Combined Company chooses to accept to abate public concerns despite contradicting scientific evidence of the carrying capacity of the surface water resources. As a result, the Combined Company may be required to develop alternatives to freshwater use as a hydraulic fracture fluid. These alternatives may include deep potable or brackish ground water, brine water produced in conjunction with oil and gas in the region, or a foam consisting of roughly 80% compressed methane and 20% fresh water.

Furthermore, there can be no assurance that the Combined Company's governmental licenses to withdraw water will not be rescinded or that additional conditions will not be added to these licenses. Further, there can be no assurance that the Combined Company will not have to pay a fee for the use of water in the future or that any such fees will be reasonable. Finally, new projects or the expansion of existing projects may be dependent on securing licenses for additional water withdrawal, and there can be no assurance that these licenses will be granted on terms favourable to the Combined Company, or at all, or that such additional water will in fact be available to divert under such licenses.

### **Exploration, Development and Production Risks**

Oil and natural gas operations involve many risks that even a combination of experience, knowledge and careful evaluation may not be able to overcome. The long-term commercial success of the Combined Company depends on its ability to find, acquire, develop and commercially produce oil and natural gas reserves. Without the continual addition of new reserves, any existing reserves the Combined Company may have at any particular time and the production therefrom will decline over time as such existing reserves are exploited. A future increase in the Combined Company's reserves will depend not only on its ability to explore and develop any properties it may have from time to time, but also on its ability to select and acquire suitable producing properties or prospects. No assurance can be given that the Combined Company will be able to continue to locate satisfactory

properties for acquisition or participation. Moreover, if such acquisitions or participations are identified, the Combined Company may determine that current markets, terms of acquisition and participation or pricing conditions make such acquisitions or participations uneconomic. There is no assurance that further commercial quantities of oil and natural gas will be discovered or acquired by the Combined Company.

Future oil and natural gas exploration may involve unprofitable efforts, not only from dry wells, but from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. The Combined Company may experience issues with drainage or devaluation of lands by offsetting competitor wells. Certain wells may deteriorate in performance due to offset drainage of the region before extension wells can be drilled. In addition, some of Distinction's past field planning practices may affect third party assessments of the Combined Company's asset value or future profitability. While diligent well supervision and effective maintenance operations can contribute to maximizing production rates over time, production delays and declines from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees.

In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut-ins of connected wells resulting from extreme weather conditions, insufficient storage or transportation capacity or other geological and mechanical conditions. Oil and natural gas exploration, development and production operations are subject to all the risks and hazards typically associated with such operations, including but not limited to hazards such as fire, explosion, blowouts, cratering, liner failures, sour gas releases and spills and other environmental hazards, each of which could result in substantial damage to oil and natural gas wells, production facilities, other property and the environment or in personal injury or fatalities. The Combined Company's operations may cause or initiate environmental damage such as forest fires or damages to roads.

#### **Significant Factors or Uncertainties Affecting Reserves Data**

In the development of any region of any low permeability formation, it has been the industry's experience that the productivity and ultimate recovery of new wells can be adversely affected by the existence and proximity of previous wells. The industry term for this phenomenon is "Parent-Child effects". To the best of KRC and Distinction's knowledge, the industry has struggled to build a reliable, comprehensive mathematical model of the flow of gas, natural gas liquids, oil and water from points in a resource body to hydraulic fractures, the well bore and to surface. Because the physics is too complex to reliably model, forecasting is generally done by statistical comparison. Forecasters seek a prediction by comparing control data from actual production data and ultimate recovery projections derived therefrom for existing wells to the control data for prospective well locations. In these comparisons, forecasters may use:

- natural control data such as petrophysical and geomechanical data derived from well logs and cores and pressure surveys; and
- well and development design control data, including, but not limited, to horizontal well spacing, horizontal lateral length, number of fracturing fluid entry points per pumped fracture, number of fracture stages per well, amount of fluid and amount of proppant per frac and per unit of lateral length, proppant concentration in the fracture slurry, slurry pump rate and total volume.

This method of forecasting includes risks and limitations, such as resource properties varying between locations and the state of the resource at any location being altered by previous activity. The Parent-Child phenomenon is the observation that pre-existing wells, within some unknown and unpredictable spacing sometimes appear to deleteriously affect the production rate and recovery of offsetting wells. In addressing this risk, the Combined Company's plans would generally include using wider than previously used well spacing as well as the pursuit of better performance by rigorous study of the effects of, and experimentation with, adjustment of well and development design and control parameters. Historically, KRC has from time to time and project to project used the services of consultants with advanced data analysis methods to provide independent views on the effect of well and development design and control parameters on recovery, production rate and development economics.

#### **Drilling Risks Associated with Unconventional Oil and Gas**

Drilling for unconventional oil, NGLs and natural gas, stimulating well productivity and production of unconventional oil, NGLs and natural gas resources pose operating risks different from conventional oil, NGLs and natural gas production operating risks, including:

- higher capital costs than similar depth conventional natural gas wells because of necessary alternative drilling or completion techniques, water production, treatment, transportation and disposal costs, additional compression, and other factors;
- relatively long pilot production test times to determine commerciality or optimal practices, as compared to conventional oil and natural gas fields;
- peak production rates, time to reach peak rate, and time that peak rate can be sustained, are subject to substantially greater uncertainty for unconventional oil and natural gas wells than conventional oil and natural gas wells;
- difficulties associated with producing water, including scale formation, corrosion or backpressure caused by inefficient pumping, restrictions on surface facilities capacity, failure of water disposal wells to adequately handle required volumes of produced water and related dewatering;
- difficulties associated with extreme weather conditions including potential freezing;
- more wells per section in some instances than is possible to optimally and cost-effectively develop reserves;
- reduced wellhead pressures needed for production, leading to larger flow lines or additional compression;
- complexity of development of multiple productive zones; and
- failure to realize anticipated benefits from the application of unconventional drilling techniques.

### **Historical Liabilities**

While Distinction's CCAA proceedings were intended to cleanse any historical liabilities relating to the assets of Distinction, there is no guarantee that contractual counterparties will not continue to assert rights or claims that arose prior to such time. If any of the Combined Company's contractual counterparties continue to assert such rights or claims, it could have a material adverse impact on the Combined Company's business reputation affecting its ability to contract services and equipment at competitive prices, financial condition, operating results, cash flow and liquidity. Especially where joint and severable liability exists, some creditors may pursue recovery of their losses through the CCAA process, affecting the Combined Company's business relationship with its partners.

### **Hydraulic Fracturing and Earthquakes**

Occasional minor earthquakes in some of the oil and gas shale development regions have been attributed to hydraulic fracturing operations. The Alberta government has regulations prescribing conditions in which an operator is either free to monitor and continue to fracture or is obligated to suspend operations. While it is unlikely that any earthquake attributed to the Combined Company's operations would be in a location or of an intensity that it would cause significant loss to other parties, it is possible that the Combined Company's value realization aspirations for its undeveloped land holdings in a region could be lost in whole or in part.

### **Impaired Oil and Gas Operating or Social License**

The Combined Company will engage the communities where its assets are located so that community members feel a shared sense of ownership and pride in the success of the Combined Company and its projects. Notwithstanding engagement strategies and local benefits, stakeholder objections can result in delayed surface access and/or regulatory approvals, or the need to select alternative locations. This may be especially true in areas such as the Central Alberta West Duvernay basin where water is not as readily available and housing density is high. Delays could result in land expiring before it can be sufficiently evaluated and developed. Further, certain landowners may elect to not grant surface rights or lease roads or land to the Combined Company, or may only agree to do so at prohibitively high rates.

### **Regulatory Non-Compliance**

The Combined Company could face penalties or other liabilities or sanctions due to past non-compliance with environmental laws including regulatory reporting requirements. Non-compliance with laws or regulations may result in fines, penalties, cancellation or rejection of permits, shutdown of operations and/or litigation. Any such liability with respect to the Combined

Company's production activities could materially adversely affect the Combined Company's reputation and financial condition and results of operations.

### **Crown Land Tenure Obligations, Interpretations and Freehold Offset Royalty Obligations**

There is a risk that the government imposes the strictest interpretation of land tenure regulations and terminates a high percentage of leases on expiry. On the freehold side, as the Combined Company develops an oil quarter, quarter sections or sections of adjacent land without wells would require the payment of an offset royalty in order to continue than land. In addition, drilling of wells adjacent to undrilled freehold leases can trigger an obligation to drill the undrilled lands or pay a royalty on those lands equivalent to what would be expected if a well was operating on those lands, or it is our choice to allow the freehold leases to expire. As such, royalty estimates may significantly change in the future. In addition, many of the oil and gas leases in the West Central Alberta Duvernay have been issued earlier this decade and are coming up for expiry in the near to medium-term. As a result, the Combined Company must drill wells with less information and evaluation time between wells in order to maximize the amount of land that can be retained. However, moving too quickly would possibly expose the Combined Company to an undesirable level of risk. The Combined Company plans to pursue a strategy of acquiring high grade land and drilling the land that appears to have the most favorable geological characteristics, while testing well designs that have the potential to yield substantially improved economics. As a result, the Combined Company may allow less prospective land to expire which would reduce the Combined Company's overall land position.

### **Unforeseen Title Defects**

Ownership of some of the Combined Company's properties could be subject to prior undetected claims or interests. The Combined Company plans to conduct title reviews from time to time according to industry practice prior to the purchase of most of its oil and natural gas producing properties or the commencement of drilling wells. However, title reviews, if conducted, do not guarantee that an unforeseen defect in the chain of title will not arise to defeat a claim by the Combined Company. If any such defect were to arise, the Combined Company's entitlement to the production and reserves associated with such properties could be jeopardized, and could have a material adverse effect on the Combined Company's financial condition, results of operations and the Combined Company's ability to timely execute its business plan. Indigenous peoples have claimed title and rights to portions of Western Canada. KRC and Distinction not aware of any claims that have been made in respect of their respective property and assets; however, if a claim arose and was successful, this could have an adverse effect on the Combined Company and its operations.

### **Drilling Failure or Loss of Control of a Well**

The Central Alberta Duvernay formation is naturally fractured with high formation pore pressure. This degree of pressure poses a containment problem related to any mechanical or equipment failures during drilling and completion operations which may cause the loss of the ability to finish drilling, completing, equipping and producing operations. As a consequence, this may result in a loss of investment. This potential problem is especially a risk should the Combined Company be part way through the frac process at a time in which the well might have the capacity to flow back brine and hydrocarbons.

### **Insurance Coverage**

KRC and Distinction maintain, and the Combined Company will maintain, insurance coverage as part of its risk management program. However, such insurance may not provide comprehensive coverage in all circumstances and not all risks are insurable. KRC and Distinction renew their respective insurance policies on an annual basis and, depending on factors such as market conditions, the premiums, policy limits and/or deductibles for certain insurance policies can vary substantially. In some instances, certain insurance may become unavailable or available only for reduced amounts of coverage. Significantly increased costs could lead the Combined Company to decide to reduce or possibly eliminate certain insurance coverage. In addition, insurance is purchased from a number of third-party insurers, often in layered insurance arrangements, some of whom may discontinue providing insurance coverage for their own policy or strategic reasons. The overall risk exposure and cost of insurance could significantly change in the future if coverage is not available.

### **Carbon Taxes**

The oil and natural gas industry is subject to environmental regulation pursuant to local, provincial and federal legislation. Such legislation may be changed to impose higher standards and potentially more costly obligations to the Combined Company. Policies aimed at reducing emissions of carbon dioxide and methane could become a burden on oil and natural gas commodities relative to other sources of energy in the marketplace. Furthermore, there is no assurance that any such programs or regulatory amendments, if proposed and enacted, may contain emission reduction targets that the Combined Company can meet. Financial penalties or charges could be incurred as a result of the failure to meet such targets.

## **Access to Capital Markets and Ability to Sell and Recover Capital**

Capital and credit markets have experienced volatility and disruption and continue to be unpredictable. The Combined Company's capital expenditures may be financed from future equity issuances. The ability to issue equity is dependent upon, among other factors, the overall state of capital markets and investor appetite for investments in the energy industry, and the Combined Company's differentiated business model, including having superior quality and attractive acquisition opportunities as compared to the rest of the industry. Additionally, oil and gas producers and companies in heavy carbon emitting industries may experience an increased cost of capital due to climate change policies or the size of the Combined Company may impact its cost of capital. To the extent that external sources of capital become limited, unavailable, or available on onerous terms, or the Combined Company cannot exit projects and find a buyer, the Combined Company's ability to make capital investments and develop projects to execute on its business plan may be challenged.

## **Access to Credit Facilities**

The KRC Credit Agreement and the Distinction Credit Agreement impose operating and financial restrictions on the companies as to activities around future acquisitions, dispositions, incurring additional indebtedness, capital expenditures or entering into amalgamations, mergers or take-over bids. If the lenders require repayment of any or all of the amounts outstanding under the KRC Credit Agreement or the Distinction Credit Agreement, there is no certainty that the Combined Company would be in a position to make such repayment. Additionally, oil and gas producers and companies in heavy carbon emitting industries may experience an increased cost of capital due to climate change policies or the size of the Combined Company may impact its cost of capital. If the Combined Company cannot obtain new financing, or it is not available on commercially reasonable terms, the banks may proceed to foreclose or otherwise realize upon their secured debt.

## **Need to Differentiate in a Well-Established Industry**

Barriers to entry within the electrical power industry contribute to both the current attractiveness and the immediate risk of this business. The barriers to entry may work against the Combined Company in the short term and their removal in the mid- to long-term may cause the business to be overwhelmed with competition. With increased competition, the Combined Company may not be able to secure or finance preferred projects at an attractive valuation.

## **Competition**

The oil and natural gas industry is intensely competitive, and the Combined Company competes with other companies that have greater resources. Many of these companies not only explore for and produce oil, NGLs and natural gas, but also carry on midstream and refining operations and market petroleum and other products on a regional, national or worldwide basis. Their competitive advantages may negatively impact the Combined Company's ability to acquire prospective properties, develop reserves, attract and retain quality personnel and raise capital. These competitors may be better positioned to take advantage of industry opportunities and to withstand changes affecting the industry, such as fluctuations in oil, NGLs and natural gas prices and production, the availability of alternative energy sources and the application of government regulation.

## **Retention of Key Personnel**

The successful operation of the Combined Company's business and its ability to expand operations will depend upon the availability of, and competition for, skilled labor. The Combined Company's success depends in large measure on certain key personnel. A loss in any of the key personnel of the Combined Company could delay the completion of certain projects or otherwise have a material adverse effect on operations. As a start-up seeking to differentiate with the skills of specialized experts, the Combined Company may lack redundancy in certain areas of expertise and as a result the Combined Company may suffer greatly from the loss of key personnel. In addition, it is not anticipated that the Combined Company will maintain "key person" life insurance policies on any of its employees. As a result, the Combined Company will not be insured against any losses resulting from the death of its key employees. The competition for qualified personnel in the oil and natural gas industry is intense and there can be no assurance that the Combined Company will be able to continue to attract and retain all personnel necessary for the development and operation of its business.

## **Acquisitions**

The price paid for acquisitions is based on engineering and economic estimates of the potential reserves made by independent engineers modified to reflect the technical views of management. These assessments include a number of material assumptions regarding such factors as recoverability and marketability of oil, natural gas, and NGLs, future prices of oil, natural gas and NGLs, operating costs, future capital expenditures and royalties and other government levies that will be imposed over the producing life of the reserves. Many of these factors are subject to change and are beyond the control of management. Changes in

the prices of, and markets for oil, natural gas, and NGLs from those anticipated at the time of making such assessments will affect the value of the Combined Company's shares. In addition, all such estimates involve a measure of geological and engineering uncertainty that could result in lower production and reserves. Actual reserves and anticipated benefits from acquisitions could vary materially from these estimates. Further, if the various regulatory approvals and conditions to close are not met, the Combined Company will not be able to achieve the anticipated benefits of the acquisition.

### **Indigenous Land Claims and Other Community Opposition**

Indigenous peoples have claimed Indigenous rights and title in portions of Western Canada. Claims and protests of Indigenous peoples may disrupt or delay third-party operations or new development on the Combined Company's properties. Requirements relating to the federal implementation of the United Nations Declaration of Rights for Indigenous Peoples ("UNDRIP"), including the UNDRIP concept of free, prior and informed consent before adopting measures or approving projects that may affect Indigenous peoples, have the potential to adversely affect the Combined Company's ability to obtain permits, leases, licenses and other approvals, or to meet the terms and conditions of those approvals. On June 29, 2021, the British Columbia Supreme Court released its decision in *Yahey v British Columbia*, in which it ruled that the rights of the Blueberry River First Nations ("BRFN") under Treaty 8 in Northeast British Columbia had been infringed by the cumulative impacts of industrial developments within traditional territory, including oil and gas and renewable energy. Depending on the outcome of any appeal, this decision could increase regulatory risks for new infrastructure projects in Northeast British Columbia, and could extend to other areas in Canada where similar claims may be made.

KRC and Distinction are not aware that any claims have been made in respect of their respective assets; however, if a claim arose and was successful this could have an adverse effect on the Combined Company and its operations. Additionally, community opposition may occur from other stakeholders, or there may be an expectation of value beyond historical levels. The process of addressing Indigenous and other stakeholder claims, regardless of the outcome, is expensive and time-consuming and could result in delays which could have a negative effect on the Combined Company's business, financial condition, results of operations and prospects, which negative effect could prove to be material over time.

### **Seasonality**

The level of activity in the Canadian oil and natural gas industry is influenced by seasonal weather patterns. A mild winter or wet spring may make the ground unstable, limit access and, as a result, cause reduced operations or a cessation of operations. Wet weather and spring thaw may make the ground unstable. Consequently, municipalities and provincial transportation departments enforce road bans that restrict the movement of rigs and other heavy equipment, thereby reducing activity levels. Also, certain oil and natural gas producing areas are located in areas that are inaccessible other than during the winter months because the ground surrounding the sites in these areas consists of swampy terrain. In addition, extreme cold weather, heavy snowfall and heavy rainfall may restrict access to the Combined Company's properties and cause operational difficulties including damage to machinery or contribute to personnel injury because of dangerous working conditions. Seasonal factors and unexpected weather patterns may lead to declines in exploration and production activity and also to volatility in commodity prices as the demand for natural gas typically varies during the year depending on weather (higher during the cold winter months and hot summer months). There can be no assurance that these seasonal factors will not adversely affect the timing and scope of the Combined Company's exploration and development activities, which could in turn have a material adverse impact on the Combined Company's business, operations and prospects.

### **Extreme Weather Conditions**

In addition to climate policy risk, the industry faces physical risks attributable to a changing climate. Extreme hot and cold weather, heavy snowfall, heavy rainfall and wildfires may restrict the Combined Company's ability to access the Combined Company's properties and cause operational difficulties, including damage to machinery and facilities. Extreme weather may also increase the risk of personnel injury as a result of dangerous working conditions. Certain of KRC and Distinction's assets are located in locations that are proximate to forests and grasslands, and a wildfire may lead to significant downtime and/or damage to such assets. Moreover, extreme weather conditions may disrupt the Combined Company's ability to transport produced natural gas and NGL as well as goods and services along the supply chain.

### **Wildfires**

Wildfires are an unpredictable risk depending on the unique combination of rain, lightning, and wind each spring, summer, and fall that could damage the Combined Company's infrastructure, limit access and, as a result, also lead to reduced operations or a cessation of operations.



## **Government Regulation**

All phases of the energy business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, provincial and municipal laws. Environmental legislation provides for, among other things, restrictions and prohibitions on the spill, release or emission of various substances produced in association with oil and natural gas industry operations. Compliance with environmental legislation can require significant expenditures and a breach of such legislation may result in the imposition of fines or other penalties, some of which may be material, as well as the responsibility to remedy environmental problems caused by the Combined Company's operations. Any new laws, regulations or permitting requirements regarding oil sands development or fossil fuel activity could lead to operational delays, increased operating costs or third-party or governmental claims, and could also increase the Combined Company's compliance costs and delay the development of the Combined Company's oil, NGLs and natural gas resources. Restrictions on oil sands development and fossil fuel activity could also reduce the amount of oil, NGLs and natural gas that the Combined Company is ultimately able to produce from its reserves.

The Combined Company's operations and activities will emit GHGs, which will require the Combined Company to comply with GHG emissions legislation at the provincial and federal level. Concerns over climate change, production and consumption of fossil fuels, GHG emissions and water and land-use practices is leading to climate change policy that is evolving at regional, national and international levels. In addition, political and economic events may significantly affect the scope and timing of climate change policies that are put in place. Some of the Combined Company's facilities may be subject to future changes to regional, provincial and/or federal climate change regulations to manage GHG emissions which could significantly increase operating and development costs.

Additionally, the renewable energy sector is subject to extensive government regulation. These regulations are subject to change based on the current and future economic or political conditions.

## **Environmental, Health and Safety Requirements**

The Combined Company may incur significant delays, costs and liabilities as a result of federal, provincial and local environmental, health and safety requirements applicable to the Combined Company's exploration, development and production activities. These laws and regulations may require the Combined Company to obtain a variety of permits or other authorizations governing its air emissions, water discharges, earth movement, waste disposal or other environmental impacts associated with drilling, producing and other operations; regulate the sourcing and disposal of water used in the drilling, fracturing and completion processes; limit or prohibit drilling activities in certain areas and on certain lands lying within wilderness, wetlands, frontier and other protected areas; require remedial action to prevent or mitigate pollution from former operations such as plugging abandoned wells or closing earthen pits; and/or impose substantial liabilities for spills, pollution or failure to comply with regulatory obligations. There is no assurance that the Combined Company will be able to obtain all the necessary licenses and permits required. In addition, these laws and regulations may restrict the rate of oil, NGLs or natural gas production. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities and for operations and development activities to offer protection of endangered species. These laws and regulations are complex, change frequently and have tended to become increasingly stringent over time. Failure to comply with laws and regulations may result in the assessment of administrative, regulatory, civil and criminal penalties, imposition of cleanup and site restoration costs and liens, the suspension or revocation of necessary permits, licenses and authorizations, the requirement that additional pollution controls be installed and, in some instances, issuance of orders or injunctions limiting or requiring discontinuation of certain operations.

Under certain environmental laws that impose strict as well as joint and several liability, the Combined Company may be required to remediate contaminated properties currently or formerly operated by the Combined Company or facilities of third parties that received waste generated by the Combined Company's operations regardless of whether such contamination resulted from the conduct of others or from consequences of the Combined Company's own actions that were in compliance with all applicable laws at the time those actions were taken. In addition, claims for damages to persons or property, including natural resources, may result from the environmental, health and safety impacts of the Combined Company's operations. In addition, the risk of accidental spills or releases from the Combined Company's operations could expose it to significant liabilities under environmental laws. Moreover, public interest in the protection of the environment has increased dramatically in recent years. The trend of more expansive and stringent environmental legislation and regulations applied to the crude oil and natural gas industry is likely to continue and may accelerate as a result of concerns related to the impact of climate change, resulting in increased costs of doing business and consequently affecting profitability. To the extent laws are enacted or other governmental action is taken that restricts drilling or imposes more stringent and costly operating, waste handling, disposal and cleanup requirements, the Combined Company's business, prospects, financial condition or results of operations could be materially adversely affected. Although KRC and Distinction believe that they are in material compliance with current applicable environmental regulations, no assurance can be given that environmental laws will not result in a curtailment of production or a material increase in the costs of production, development, or exploration activities, or otherwise have a material adverse effect on the Combined Company's business, financial condition, results of operations and prospects.



Neither KRC nor Distinction have established a separate reserve fund for the purpose of funding their estimated future environmental, including reclamation and abandonment, obligations. As a result, the Combined Company may not be able to satisfy these obligations. Any site reclamation or abandonment costs incurred in the ordinary course in a specific period will be funded out of the Combined Company's cash flow from operations. If the Combined Company is unable to fully fund the cost of remedying an environmental obligation, it might be required to suspend operations or enter into interim compliance measures pending completion of the required remedy, which could have an adverse effect on the Combined Company's financial condition and results of operations.

Oil, NGLs and natural gas companies operating in Alberta are subject to significant regulation with respect to their employees' health and safety. Companies are required to self-report accidents and infractions, and regular and random audits of operations are also part of the regulatory process. Previous violations of the same requirement are taken into account when assessing penalties and subsequent behavior may be subjected to escalating levels of oversight and loss of operating freedom. Non-compliance with regulations may in the future result in suspension or closure of the Combined Company's operations or the imposition of other penalties against the Combined Company.

#### **Unforeseen Liabilities and Circumstances**

The Combined Company may from time to time discover unforeseen circumstances and liabilities. These unforeseen issues may be exacerbated by the Combined Company's novel assets. Potential unforeseen issues may include, but are not limited to, the following: (i) discovery of liabilities; (ii) claims by third parties for equipment or services; (iii) discovery of undisclosed spills, contamination, or non-compliance issues; and (iv) the discovery of non-compliance circumstances that result in a penalty.

The discharge of oil, natural gas, or other pollutants into the air, soil or water may give rise to liabilities to third parties and may require the Combined Company to incur costs to remedy such discharge in the event that they are not covered by the Combined Company's insurance. Although the Combined Company will maintain insurance to industry standards, which in part covers liabilities associated with discharges, it is not certain that such insurance will cover all possible environmental events, foreseeable or otherwise, or whether changing regulatory requirements or emerging jurisprudence may render such insurance of little benefit.

#### **Restrictions on Drilling Activities to Protect Wildlife**

Oil and natural gas operations in the Combined Company's operating areas can be adversely affected by seasonal or permanent restrictions on drilling activities designed to protect various wildlife. Seasonal restrictions may limit the Combined Company's ability to operate in protected areas and can intensify competition for drilling rigs, oilfield equipment, services, supplies and qualified personnel, which may lead to periodic shortages when drilling is allowed. These constraints and the resulting shortages or high costs could delay the Combined Company's operations and materially increase the Combined Company's operating and capital costs. Permanent restrictions imposed to protect endangered species could prohibit drilling in certain areas or require the implementation of expensive mitigation measures. The designation of previously unprotected species in areas where the Combined Company operates as threatened or endangered could cause the Combined Company to incur increased costs arising from species protection measures or could result in limitations on the Combined Company's exploration and production activities that could have an adverse impact on the Combined Company's ability to develop and produce its reserves.

Additionally, some of the Combined Company's producing areas will be located in areas that may become inaccessible due to environmental protection requirements. This includes, but is not limited to, protected caribou habitat on a seasonal basis.

#### **Reduction, Elimination or Expiration of Government Subsidies**

The Combined Company may seek to take advantage of government policies that promote renewable power generation and enhance the economic feasibility of renewable power projects. Renewable power generation sources currently benefit from various incentives in the form of feed-in tariffs, rebates, tax credits and other incentives throughout the markets in which the Combined Company participates or intends to participate. The removal or phasing out of any such policies or laws could adversely affect the viability of certain of the Combined Company's expected growth initiatives, and could adversely affect the Combined Company's results of operations, financial condition and cash flows.

#### **Uncertainty of Development and Construction Projects**

The Combined Company's portfolio includes development and construction projects. As a result, the assumptions and estimates regarding the performance of these projects are and will be made without the benefit of a meaningful operating history. The ability of such projects to perform as expected will also be subject to risks inherent in newly constructed generation and transmission projects, including, but not limited to, equipment performance below the Combined Company's expectations, unexpected component failures and product defects, and generation and transmission system failures and outages. The failure of

some or all of the projects to perform as expected could have a material adverse effect on the Combined Company's business, results of operations, financial condition and cash flows.

### **Project Risks**

The Combined Company will manage a variety of small and large projects. Project delays may delay expected revenues from operations. Significant project cost over-runs could make a project uneconomic. The Combined Company's ability to execute projects and market oil and natural gas depends upon numerous factors beyond the Combined Company's control, such as the effects of inclement weather, availability of equipment and resources, unexpected cost increases, accidental events, changes in regulations, and availability and productivity of skilled labor. Because of these factors, the Combined Company could be unable to execute projects on time, on budget, or at all, and may be unable to market the oil and natural gas that the Combined Company produces. It may be necessary to change the Combined Company's drilling schedule, which could lead to negative reactions from service providers and other stakeholders. The Combined Company may also experience adverse financial impacts related to take-or-pay in certain third party agreements.

A number of other factors related to the development and operation of clean energy projects could adversely affect the Combined Company's business, including the consent and authorization of local utilities or other energy development off-takers to ensure successful interconnection to energy grids to enable power sales. Power grids may become overloaded with solar power during peak sunlight hours resulting in gas-fired power becoming uneconomical during those times or an insufficient market for power projects.

### **Transportation and Processing Commitments**

The Combined Company will from time to time enter into transportation and processing commitments in order to meet and satisfy future requirements from forecast production. If the production forecasts are not realized and the Combined Company cannot satisfy these fixed transportation and processing commitments, there will be an underutilized demand charge which may negatively impact operating cash flows. Additionally, the Combined Company may experience a lack of replacement gas to satisfy transportation commitments.

### **Drilling Activities May Encounter Sour Gas**

A significant portion of the natural gas produced in Alberta originates as sour gas. With the inclusion of wellhead treatment facilities, the Combined Company's infrastructure may, from time to time, encounter concentrations of sour gas. If a well encounters a high concentration of sour gas it would have to be shut-in due to the lack of existing sour gas handling infrastructure. Sour gas leaks or other exposure to sour gas produced from the Combined Company's properties may result in damage to equipment, liability to third parties, adverse effects to humans, animals or the environment, or the shutdown of operations. Special equipment and operating procedures are deployed by the industry for the production of sour gas in accordance with applicable regulatory requirements.

### **Risk Management Contracts**

The Combined Company will from time to time enter into physical or financial agreements around commodity prices, foreign exchange rates or interest rates. Entering into such contracts may create additional financial loss in certain circumstances including inadequate production to cover contracted volumes, widening price-basis differentials on delivery points, counterparty failure to perform under the agreement, or sudden and unexpected impacts to pricing.

### **Hedging**

From time to time, the Combined Company may enter into agreements to receive fixed prices on its oil and natural gas production to offset the risk of revenue losses if commodity prices decline. Similarly, the Combined Company may enter into agreements to fix the differential or discount pricing gap which exists, and may fluctuate between different grades of crude oil, NGL and natural gas and the various market prices received for such products. However, if commodity prices or differentials increase beyond the levels set in such agreements, the Combined Company may be prevented from realizing the full benefits of price increases above the levels of the derivative instruments used to manage price risk and the Combined Company may nevertheless be obligated to pay royalties on such higher prices, even though not received by it, after giving effect to such agreements. In addition, if the Combined Company enters into hedging arrangements, it may be exposed to the risk of financial loss in certain circumstances, including instances in which: production falls short of the hedged volumes or prices fall significantly lower than projected; there is a widening of price-basis differentials between delivery points for production and the delivery point assumed in the hedge arrangement; the counterparties to the hedging arrangements or other price risk management

contracts fail to perform under those arrangements; and/or a sudden unexpected material event impacts crude oil and natural gas prices.

### **Unanticipated Capital Costs**

The Combined Company's actual capital costs, operating costs and economic returns may differ significantly from the estimates contained in this Information Circular, the KRC 2020 Reserves Report, Distinction's reserves reports, the KRC 2021 Pro Forma Reserves Report and other studies or estimates prepared by or for KRC, Distinction or the Combined Company. For example, the Combined Company may not succeed at reducing its well costs in the future, the Combined Company's capital costs to further develop its properties may be significantly higher than anticipated or the ultimate returns from its wells may be significantly lower than expected. There can be no assurance that the Combined Company's actual operating costs will not be higher than currently anticipated. If the Combined Company's actual costs are higher than its current estimates this may adversely affect the Combined Company's financial position, results of operations and cash flows.

### **Capital Resources**

The Combined Company will operate in a capital-intensive industry with medium- to long-term cash cycles. The Combined Company will face lengthy development lead times, as well as risks associated with rising capital costs and timing of project completion because of the availability of resources, permits and other factors beyond its control. The Combined Company's liquidity will primarily depend on its ability to generate cash flows from its operations and to obtain external financing to meet its debt obligations as they become due, as well as the Combined Company's future operating and capital expenditure requirements.

### **Negative Public Perception**

Development of the Alberta oil sands, oil and natural gas development and transportation, hydraulic fracturing and fossil fuels have figured prominently in recent political, media and activist commentary on the subject of climate change, greenhouse gas emissions, water usage and environmental damage. Concerns over heightened greenhouse gas emissions and water and land use practices in oil sands developments may directly or indirectly reduce the profitability of the Combined Company's current projects and/or the viability of all future projects in the Alberta oil sands leading to a reduction in the demand and pricing of the Combined Company's products. The Combined Company's corporate reputation may be negatively affected by the negative public perception and public protests against oil and natural gas development and transportation and hydraulic fracturing.

### **Climate Change**

Public support for climate change action has grown in recent years, as has the impetus to pursue new technologies to mitigate the effects of climate change. Governments in Canada and around the world have responded by adopting ambitious emissions reduction targets and supporting legislation, including measures relating to carbon pricing, clean energy and fuel standards, and alternative energy incentives and mandates. Climate change related risks are typically grouped into two categories: transitional risks and physical risks. Transitional risks are broader and generally describe those risks related to the consequences of a global transition to reduced carbon. Specifically, transitional risks encompass risk of regulatory and policy changes, reputational risks, market risks, technology risks and market risks. Physical risks are those that a change in climate could have on the Combined Company's business (as a result of a fire or flooding, for example). The Combined Company may also be unable to realize carbon sequestration ambitions.

### **Growth Management**

The Combined Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The Combined Company's ability to manage growth effectively will require it to continue to implement and improve its operations and financial systems and to expand, train and manage its employee base. The Combined Company's inability to deal with this growth could have a material adverse impact on its business, operations and prospects.

### **Estimates May Vary from Actual Production**

There are numerous uncertainties associated with estimating quantities of Proved reserves and Probable reserves and in projecting future rates of production and timing of expenditures. The reserves and resources information herein represents estimates prepared by McDaniel and GLJ with respect to certain of KRC and Distinction's oil, NGLs and natural gas properties, respectively. Petroleum engineering is not an exact science. Information relating to oil, NGLs and natural gas reserves and resources is based upon engineering estimates which may ultimately prove to be inaccurate. Estimates of economically recoverable oil, NGLs and natural gas reserves and resources and of future net cash flows necessarily depend upon a number of variable factors and assumptions, such as historical production from the area compared with production from other producing

areas, assumptions concerning commodity prices, the quality, quantity and interpretation of available relevant data, future site restoration and abandonment costs, the assumed effects of regulations by governmental agencies and assumptions concerning future oil, NGLs and natural gas prices, future operating costs, royalties, severance and excise taxes, capital investments and workover and remedial costs, all of which may vary considerably from actual results. For these reasons, estimates of the economically recoverable quantities of oil, NGLs and natural gas attributable to any particular group of properties, classifications of such reserves and resources based on risk of recovery and estimates of the future net cash flows expected therefrom prepared by different evaluators or by the same evaluators at different times may vary substantially. Actual production, revenues and expenses with respect to the Combined Company's reserves and resources will likely vary from estimates, and such variances may be material. In particular, there can be no assurance that the Combined Company will achieve its own or the McDaniel and/or GLJ production estimates in future years. Wells drilled in the same fashion in the same formations in proximity to type-wells that were used in the Combined Company's type-curve forecasts may not deliver similar production results, including liquids yields.

### **Abandonment and Reclamation**

The Combined Company will need to comply with the terms and conditions of environmental and regulatory approvals and all legislation regarding the abandonment of its projects and reclamation of the project lands at the end of their economic life, which may result in substantial abandonment and reclamation costs. Any failure to comply with the terms and conditions of the Combined Company's approvals and legislation may result in the imposition of fines and penalties, which may be material. Generally, abandonment and reclamation costs are substantial and, while the Combined Company accrues a reserve in its financial statements for such costs in accordance with IFRS, no assurance can be given that such accruals will be sufficient. It is not possible at this time to estimate abandonment and reclamation costs reliably since they will, in part, depend on future regulatory requirements. In addition, in the future, the Combined Company may determine it prudent or be required by applicable laws, regulations or regulatory approvals to establish and fund one or more reclamation funds to provide for payment of future abandonment and reclamation costs. If the Combined Company establishes a reclamation fund, its liquidity and cash flow may be adversely affected.

### **Third Party Claims**

Claims made by third parties regarding the Combined Company's rights to use the techniques and equipment that the Combined Company employs could, among other things, delay or prevent the exploration or development of the Combined Company's properties, which in turn could have a material adverse effect on the Combined Company's business, financial condition, results of operations and prospects.

### **Changing Demand for Petroleum Products**

Fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas, and technological advances in fuel economy and energy generation devices could reduce the demand for oil and other liquid hydrocarbons. The Combined Company cannot predict the impact of changing demand for oil and natural gas products, and any major changes may have a material adverse effect on the Combined Company's business, financial condition, results of operations and cash flows.

### **Reduced Demand for Electrical or Clean Energy**

Demand for electrical energy may be affected by the price and availability of other fuels, including, but not limited to, nuclear, coal and oil. The success of clean energy projects largely depends upon the increased use and widespread adoption and demand of clean energy. The timeline for when such widespread adoption will take place is uncertain. Many factors will influence the widespread adoption of renewable energy and demand for renewable energy projects, including: cost-effectiveness of clean energy technologies as compared with conventional and competitive technologies; performance and reliability of clean energy products as compared with conventional and non-renewable products; fluctuations in economic and market conditions that impact the viability of conventional and competitive alternative energy sources; increases or decreases in the prices of feedstock and energy products, such as natural gas; and availability or effectiveness of government subsidies and incentives. To the extent renewable energy becomes less cost-competitive due to reduced or eliminated government renewable energy targets and other tax credits and incentives that favour renewable energy, cheaper alternatives or otherwise, demand for renewable energy could decrease. Slow growth or a long-term reduction in renewable energy demand could have a material adverse effect on the Combined Company's business, results of operations, financial condition and cash flows.

### **Third-Party Credit Risk**

The Combined Company may be exposed to third-party credit risk through its contractual arrangements with its current or future joint interest partners, oil and natural gas customers, counterparties related to derivative financial instruments and other parties. In

the event such entities fail to meet their contractual obligations to the Combined Company, such failures could have a material adverse effect on the Combined Company's business, financial condition, results of operations, cash flows and future prospects.

### **Limited Number of Shareholders**

The shares of the Combined Company will be concentrated in the hands of a limited number of shareholders, which could impact the appeal of an investment in the Combined Company. Accordingly, these shareholders may exercise significant influence over all matters requiring shareholder approval, including the election of a majority of directors to the Combined Company Board and the determination of significant corporate actions.

### **Loss of Information and Computer Systems**

The Combined Company will be dependent on its information systems and computer-based programs, including its well operations information, seismic data, electronic data processing and accounting data. If any of such programs or systems were to fail or create erroneous information in the Combined Company's hardware or software network infrastructure, possible consequences include a loss of communication links, inability to find, produce, process and sell oil, NGLs and natural gas and inability to automatically process commercial transactions or engage in similar automated or computerized business activities. Any such consequence could have a material adverse effect on the Combined Company's business.

### **Litigation**

In the normal course of the Combined Company's operations, it may become involved in, named as a party to, or be the subject of various legal proceedings, including regulatory proceedings, tax proceedings and legal actions, related to personal injuries, property damage, property tax, land rights, the environment and contract disputes. The outcome of outstanding, pending or future proceedings cannot be predicted with certainty and may be determined adversely to the Combined Company and as a result, could have a material adverse effect on its assets, liabilities, business, financial condition and results of operations.

### **Insufficiency of Internal Controls**

Effective internal controls are necessary for the Combined Company to provide reliable financial reports and to help prevent fraud. Although the Combined Company will undertake a number of procedures in order to help ensure the reliability of its financial reports, including those that may be imposed on it under Applicable Canadian Securities Laws, the Combined Company cannot be certain that such measures will ensure that the Combined Company will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Combined Company's results of operations or cause it to fail to meet its reporting obligations. Additionally, implementing and monitoring effective internal controls can be costly. If the Combined Company or its independent auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Combined Company's financial statements.

### **Cyber Security Risks**

The Combined Company will be subject to a variety of information technology and system risks, including potential breakdown, destruction or interruption of the Combined Company's information technology systems caused by third parties or insiders, as well as cyber-attacks, cyber-fraud, viruses or malware infections in emails, websites, or removable media, ransomware, and social engineering activities like phishing and employee impersonation.

Although the Combined Company will have security measures and controls in place that are designed to mitigate these risks, a breach of these security measures or controls could occur as a result of the increased sophistication and volume of attacks and could result in losses of material or confidential information, reputational consequences, financial damages, breaches of privacy laws, higher insurance premiums, plant and utility outages, damage to assets, safety issues, operational downtime or delays and/or production and revenue losses. The significance of any such event is difficult to quantify, but may in certain circumstances be material to the Combined Company and could have adverse effects on the Combined Company's business, financial condition and results of operations.

### **Inability to Dispose of Non-Strategic Assets**

The Combined Company's ability to dispose of non-strategic assets, such as acreage that it does not intend to place on its drilling schedule prior to lease expirations, could be affected by various factors, including the availability of purchasers willing to purchase the non-strategic assets at prices acceptable to the Combined Company. Sellers typically retain certain liabilities or agree to indemnify buyers for certain matters. The magnitude of such retained liability or indemnification obligation may be



difficult to quantify at the time of the transaction and ultimately may be material. Also, as is typical in divestiture transactions, third parties may be unwilling to release the Combined Company from guarantees or other credit support provided prior to the sale of the divested assets. As a result, after a sale, the Combined Company may remain secondarily liable for the obligations guaranteed or supported to the extent that the buyer of the assets fails to perform these obligations.

## **Security Deposits Under Provincial Liability Management Programs**

### ***Alberta***

As discussed in further detail below, the Government of Alberta is currently in the process of amending the liability management framework in Alberta, which leaves oil and gas companies, including the Combined Company, in a "regulatory grey zone" as to how the regulations will be implemented and managed by the AER going forward. While KRC and Distinction believe that prudent management of asset retirement obligations, including filing a closure plan and commitment with provincial regulators, will alleviate some or most of this risk, they cannot be certain how the new framework will affect the Combined Company going forward, including in respect of license transfer and the requirement of security deposits.

The Alberta government has developed liability management programs designed to prevent taxpayers from incurring costs associated with suspension, abandonment, remediation and reclamation of wells, facilities and pipelines in the event that a licensee or permit holder becomes defunct. The program generally involves an assessment of the ratio of a licensee's deemed assets to deemed liabilities. If a licensee's deemed liabilities exceed its deemed assets, a security deposit is required. Although the Combined Company does not have to post security under the existing programs, changes to the ratio of the Combined Company's deemed assets to deemed liabilities or changes to the requirements of liability management programs may result in the requirement for security to be posted in the future.

On June 20, 2016, the AER issued Bulletin 2016-16 Licensee Eligibility - Alberta Energy Regulator Measures to Limit Environmental Impacts Pending Regulatory Changes to Address the Redwater Decision which includes an interim rule that as a condition of transferring existing AER licences, approvals and permits, the AER will require all transferees to demonstrate that they have a liability management ratio of 2.0 or higher immediately following the transfer. On December 6, 2017, the AER released an updated Directive 067: Eligibility Requirements for Acquiring and Holding Energy Licences and Approvals ("**Directive 067**"), which allows the AER greater scrutiny in granting licences to responsible parties and ensuring existing licence holders remain responsible parties. The AER can deny license eligibility if the applicant poses an unreasonable risk, assessed based on a number of factors related to compliance history, corporate structure, financial health and the experience of its officers and directors. The AER will also consider these factors when considering licence transfer applications and may deny an application if it finds that it is not in the public interest. All existing licence or approval holders are also required to meet licence eligibility requirements on an ongoing basis. Bulletin 2016-16 and Directive 067 may impact acquisitions and dispositions by oil and gas companies, including the Combined Company.

In July 2020, after consultation with the AER, industry, and other stakeholders, the Government of Alberta announced a new liability management framework consisting of five new policy components. On April 7, 2021, the AER released a new edition of Directive 067, to require the provision of extensive corporate financial disclosures, insurance coverage, governance and shareholder information, including whether any director and officer was a director or officer of an energy company that has previously left wells in the Orphan Well Association. Further, the proposed amendments broaden the AER's discretion to both withhold or revoke licensees' privileges if they are viewed as posing an "unreasonable risk". Given the recent release of the new edition of Directive 067 and the ongoing public comment period, there is uncertainty about how the new regulations will be implemented and managed by the AER and how the new regulations will impact the Combined Company and its operations.

### ***British Columbia***

Similar to Alberta, the British Columbia Oil and Gas Commission (the "**BCOGC**") oversees a liability management rating program, which is designed to manage public liability exposure related to crude oil and natural gas activities by ensuring that permit holders carry the financial risks and regulatory responsibility of their operations through to regulatory closure. Under such program, the BCOGC determines the required security deposits for permit holders under the *Oil and Gas Activities Act* (British Columbia) (the "**OGAA**"). The liability management rating is the ratio of a permit holder's deemed assets to deemed liabilities. Permit holders whose deemed liabilities exceed their deemed assets (i.e., a rating below 1.0) will be considered at-risk and reviewed for a security deposit. Permit holders that fail to comply with security deposit requirements are deemed non-compliant under the OGAA and enter the compliance and enforcement framework.

In 2019, a liability-based levy paid to the Orphan Site Reclamation Fund ("**OSRF**") replaced the orphan site reclamation fund tax paid by permit holders. The OSRF is an industry-funded program created to address the abandonment and reclamation costs for orphan sites. Permit holders are required to pay their proportionate share of the levy. The OGAA permits the BCOGC to impose more than one levy in a given calendar year.

The *Dormancy and Shutdown Regulation* (the "**Dormancy Regulation**") establishes the first set of legally imposed timelines for the restoration of crude oil and natural gas wells in Western Canada. The Dormancy Regulation classifies different sites based on activity levels associated with each site, with a goal of ensuring that 100% of currently dormant sites are reclaimed by 2036 with additional regulated timelines for sites that become dormant between 2019 and 2023 or become dormant after 2024. A permit holder will have varying reporting, decommissioning, remediation, and reclamation obligations that depend on the classification of its sites. Any permit holder that has a dormant site in its portfolio must develop and submit an annual work plan to the BCOGC, outlining its decommissioning and restoration activities for each calendar year. The permit holder must also prepare and submit a retrospective annual report within 60 days of the end of the calendar year in which it conducted the work outlined in the corresponding annual work plan.

### **Breach of Third-Party Confidentiality Obligations**

While discussing potential business relationships or other transactions with third parties, the Combined Company may disclose confidential information relating to its business, operations or affairs. Although confidentiality agreements are signed by third parties prior to the disclosure of any confidential information, a breach could put the Combined Company at competitive risk and may have a material adverse effect on its business. The harm to the Combined Company's business from a breach of confidentiality cannot presently be quantified, but may be material and may not be compensable in damages. There is no assurance that, in the event of a breach of confidentiality, the Combined Company will be able to obtain equitable remedies, such as injunctive relief, from a court of competent jurisdiction in a timely manner, if at all, in order to prevent or mitigate any damage to its business that such a breach of confidentiality may cause.

### **Future Expansions May Change Risk Exposure**

The Combined Company's operations and the expertise of its management will be focused primarily on oil and natural gas production, exploration and development in the Montney, Duvernay and Clearwater plays. In the future the Combined Company may acquire or move into new industry related activities or new geographical areas, may acquire different energy related assets, and as a result may face unexpected risks or alternatively, significantly increase its exposure to one or more existing risk factors, which may in turn result in the future operational and financial conditions of the Combined Company being adversely affected.

### **Competitive Pressures to Adopt New Technologies**

The oil and natural gas and renewables industries are characterized by rapid and significant technological advancements and introductions of new products and services utilizing new technologies. Other oil and natural gas or renewables companies may have greater financial, technical and personnel resources that allow them to enjoy technological advantages and may in the future allow them to implement new technologies before the Combined Company. There can be no assurance that the Combined Company will be able to respond to such competitive pressures and implement such technologies on a timely basis or at an acceptable cost. One or more of the technologies currently utilized by the Combined Company or implemented in the future may become obsolete. In such case, or if the Combined Company is unable to utilize the most advanced commercially available technology, its business, financial condition and results of operations could be materially adversely affected. The Combined Company may also fail to capture data required to optimize operations.

## **25. Legal Proceedings and Regulatory Actions**

### **Legal Proceedings**

Management of KRC is not aware of any existing or contemplated legal proceedings material to KRC to which KRC is a party or to which any of its properties are subject.

### **Regulatory Actions**

There have been: (i) no penalties or sanctions imposed against KRC by a court relating to provincial or territorial securities legislation or by a securities regulatory authority within the last three years prior to the date hereof; (ii) no other penalties or sanctions imposed by a court or regulatory body against KRC that would likely be considered important to a reasonable investor in making an investment decision; and (iii) no settlement agreements entered into by KRC with a court relating to provincial or territorial securities legislation or with a securities regulatory authority within the last three years prior to the date hereof.

## **26. Interests of Management and Others in Material Transactions**

Except as described below and elsewhere in this Information Circular, management of KRC is not aware of any material interest, direct or indirect, by way of beneficial ownership or otherwise, of any director or executive officer of KRC or anyone who has



held office as such since the beginning of KRC's last financial year or of any associate or affiliate of any of the foregoing in the Business Combination.

<b>Name and Position</b>	<b>Number of Distinction RSUs held at July 14, 2021</b>	<b>Estimated Value of Distinction Incentives (\$)</b>
Patrick Carlson President, CEO and Director	1,912 Distinction RSUs <sup>(1)</sup>	38,240
Kevin Brown Director	1,912 Distinction RSUs <sup>(2)</sup>	38,240
Leland Corbett Director	614 Distinction RSUs	12,280
Beth Reimer-Heck Director	614 Distinction RSUs	12,280

**Notes:**

- (1) The Distinction RSUs will be assigned to KRC. This and all other compensation received by Patrick Carlson for services provided to Distinction is directed to KRC.
- (2) Kevin Brown's Distinction RSUs received as the result of acting as a director are held by such individual for the benefit of ARC (or its fund management or general partner).

## **27. Auditors, Transfer Agent and Registrar**

KRC's auditors are, and following completion of the Business Combination will be, Deloitte LLP, Chartered Professional Accountants, at their offices in Calgary, Alberta. Deloitte LLP is independent with respect to KRC within the meaning of the rules of professional conduct of the Chartered Professional Accountants of Alberta.

PricewaterhouseCoopers LLP has advised that they are independent with respect to Ovintiv Inc. within the meaning of the Chartered Professional Accountants of Alberta CPA Code of Professional Conduct with respect to the audited Simonette Acquisition operating statements.

Following completion of the Business Combination, Computershare Trust Company of Canada will be the transfer agent and registrar for the KRC Shares at its principal offices in Calgary, Alberta and Toronto, Ontario.

## **28. Experts**

The following persons, firms and companies are named as having prepared or certified a statement, report, valuation or opinion described or included herein directly and whose profession or business gives authority to the statement, report, valuation or opinion, in each case with respect to KRC:

- (a) Deloitte LLP;
- (b) PricewaterhouseCoopers LLP;
- (c) Stikeman Elliott;
- (d) Peters & Co.; and
- (e) McDaniel.

To the knowledge of KRC, as of the date of this Information Circular, each of Stikeman Elliott, Peters & Co. and McDaniel owns beneficially, directly or indirectly, less than 1% of the outstanding securities of each class of securities of KRC, Distinction or any associate or affiliate of KRC or Distinction, as applicable.

## **29. Material Contracts**

Except for contracts entered into in the ordinary course of business, the only contracts entered into by KRC prior to the date hereof which can reasonably be regarded as presently material to KRC are the following:

- (a) the KRC USA;

- (b) the KRC Credit Agreement;
- (c) the Distinction Management Services Agreement;
- (d) the Distinction Investor Agreement;
- (e) the gas purchase agreement dated April 28, 2021 between KRC and Distinction (a copy of which is filed on Distinction's SEDAR profile); and
- (f) the liquids purchase agreement (Pembina Pipeline) dated April 28, 2021 between KRC and Distinction (a copy of which is filed on Distinction's SEDAR profile).

**30. Other Material Facts**

Other than as disclosed in the Information Circular (inclusive of the Schedules thereto), there are no material facts related to KRC, the securities of KRC, the Combined Company or the securities of the Combined Company.

**SCHEDULE "A"**

**AUDIT COMMITTEE MANDATE**

**KIWETINOHK RESOURCES CORP.  
AUDIT COMMITTEE CHARTER  
DECEMBER 14, 2018**

**PURPOSE**

The audit committee is established by and among the board of directors for the primary purpose of assisting the board in:

- Overseeing the integrity of the company's financial statements;
- Overseeing the company's compliance with legal and regulatory requirements;
- Overseeing the independent auditor's qualifications;
- Overseeing the performance of the company's independent auditor;
- Overseeing the company's systems of internal controls over financial reporting; and
- Overseeing the company's compliance with ethical standards adopted by the company including the code of conduct.

**AUTHORITY**

The audit committee has authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to:

- Appoint, compensate, and oversee the work of the company's independent auditor;
- Resolve any disagreements between management and the auditor regarding financial reporting;
- Pre-approve all auditing and non-audit services;
- Retain independent counsel, accountants, or others to advise the committee or assist in the conduct of an investigation;
- Seek any information it requires from employees-all of whom are directed to cooperate with the committee's requests-or external parties; and
- Meet with company officers, independent auditors, or outside counsel, as necessary.

**COMPOSITION**

The audit committee will consist of:

- At least three or more members of the board of directors; and
- The board will appoint committee members and the committee chair.

Each audit committee member will be both independent and financially literate.

**MEETINGS**

Audit committee meeting guidelines include:

- To meet at least quarterly, or more frequently as circumstances dictate;
- The audit committee chairman will approve the agenda;
- Briefing materials will be provided to the committee as far in advance of meetings as practicable but no less than 4 full business days before a regularly scheduled meeting; and
- As part of its responsibility to foster open communication, the audit committee may meet periodically with management or the external auditor in separate sessions.

## **RESPONSIBILITIES**

The committee will carry out the following responsibilities:

### Financial Statements

- Review significant accounting and reporting issues, including complex or unusual transactions, highly judgmental areas, related party transactions and recent professional and regulatory pronouncements, and understand their impact on the financial statements;
- Review with management and the independent auditors the results of the audit and any difficulties encountered;
- Review the annual / interim financial statements, and consider whether they are complete, consistent with information known to committee members, and reflect appropriate accounting principles;
- As applicable, review management's discussion & analysis and president's message before release and consider the accuracy and completeness of the information;
- Review analyses prepared by management and the independent auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements; and
- Recommend to the board of directors the approval of the financial statements.

### Internal Control

- Review internal control reports and consider the effectiveness of the company's internal control system and processes;
- Understand the scope of the independent auditors' review of internal control over financial reporting and obtain reports on significant findings and recommendations, together with management's responses.

### External Audit

- Review the independent auditors' proposed audit scope and approach;
- Appoint, compensate, retain, and oversee the work performed by the independent auditor;
- Review and preapprove both audit and non-audit services to be provided by the independent auditor.
- Actively engage in dialogue with the independent auditor with respect to any disclosed relationships or services that may affect the independence and objectivity of the auditor and take appropriate actions to oversee the independence of the independent auditor;
- Review and confirm the independence of the independent auditor;
- Review the performance of the independent auditor; and
- On a regular basis, meet separately with the independent auditors to discuss any matters that the audit committee or auditors believe should be discussed privately.

### Compliance

- Review the findings of any examinations by regulatory agencies, and any auditor observations;
- Review the process for communicating the code of conduct to company personnel, and for monitoring compliance therewith;
- Obtain regular updates from management and company legal counsel regarding compliance matters; and
- Establish and oversee procedures for the receipt, retention, and treatment of complaints regarding accounting, internal accounting controls, or auditing matters, including procedures for confidential, anonymous submissions by company employees regarding questionable accounting or auditing matter.

### Reporting Responsibilities

- Regularly report to the board of directors about committee activities, issues, and related recommendations;
- Provide an open avenue of communication between the independent auditors and the board of directors; and
- Review any other reports the company issues that relate to committee responsibilities.

### Other Responsibilities

- Perform other activities related to this charter as requested by the board of directors;
- Institute and oversee special investigations as needed;
- Review the audit committee charter annually and recommend any necessary amendments to the board of directors; and
- Confirm annually that all responsibilities outlined in this charter have been carried out.

**SCHEDULE "B"**

**FINANCIAL STATEMENTS AND MANAGEMENT'S DISCUSSION AND ANALYSIS**



Financial Statements of

**kîwetinohk resources corp.**

As at and for the year ended  
December 31, 2020

# Independent Auditor's Report

To the Directors of  
Kiwetinohek Resources Corp.

## Opinion

We have audited the financial statements of Kiwetinohek Resources Corp. (the "Company"), which comprise the balance sheet as at December 31, 2020 and 2019, and the statements of net loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the balance sheets of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

## Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Other Information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis ("MD&A").

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the MD&A prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

## Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*Deloitte LLP*

Chartered Professional Accountants

Calgary, Alberta

July 27, 2021

## Balance sheet

As at December 31

(Expressed in Canadian dollars)

	Note	2020	2019
<b>Assets</b>			
<b>Current</b>			
Cash		54,476,238	27,968,147
Accounts receivable		2,806,297	2,379,270
Prepaid expenses and deposits		408,675	345,567
		<b>57,691,210</b>	30,692,984
Exploration & evaluation assets	4	76,296,288	82,932,076
Property, plant and equipment	5	600,451	939,170
Investment in associate	6	36,731,192	-
Funds held in trust	11	1,673,784	231,640
<b>Total assets</b>		<b>172,992,925</b>	114,795,870
<b>Liabilities</b>			
<b>Current</b>			
Accounts payable and accrued liabilities		2,963,275	3,132,391
Right of use lease liability		328,205	48,742
		<b>3,291,480</b>	3,181,133
Long term liability	11	1,673,784	231,640
Right of use lease liability		176,773	800,618
Asset retirement obligations	9	1,597,342	701,402
<b>Total liabilities</b>		<b>6,739,379</b>	4,914,793
<b>Shareholders' equity</b>			
Shareholders' capital	11	187,169,176	128,048,360
Contributed surplus	13	8,056,625	5,936,144
Deficit		(28,972,255)	(24,103,427)
<b>Total shareholders' equity</b>		<b>166,253,546</b>	109,881,077
<b>Total liabilities and shareholders' equity</b>		<b>172,992,925</b>	114,795,870

### Commitments and subsequent events 10, 18

The accompanying notes are an integral part of these financial statements.

#### Approved by the Board of Directors:

(signed) "Kevin Brown"	(signed) "W.H. (Bill) Slavin"
Kevin Brown	W.H. (Bill) Slavin
Chairman of the Board of Directors and Director	Chairman of the Audit Committee and Director

## Statement of Net Loss and Comprehensive Loss

Year ended December 31

(Expressed in Canadian dollars)

	Note	2020	2019
<b>Revenue</b>			
Petroleum and natural gas	7	9,757,909	18,895,049
Royalties		(603,646)	(1,902,716)
Revenue, net of royalties		9,154,263	16,992,333
<b>Other income</b>			
Share in earnings and excess fair value of associate	6	12,877,775	-
Interest income		324,355	713,183
Management fees		387,177	-
Total revenue and other income		22,743,570	17,705,516
<b>Expenses</b>			
Operating		2,948,343	3,397,665
Exploration and evaluation		16,359,336	21,926,257
General and administrative		5,627,641	6,683,867
Depreciation		473,124	455,103
Accretion		83,473	34,336
Share-based compensation	13	2,120,481	4,681,932
Total expenses		27,612,398	37,179,160
Net loss before income taxes		(4,868,828)	(19,473,644)
<b>Income taxes</b>			
Current		-	-
Deferred		-	-
Total income taxes		-	-
<b>Net loss and comprehensive loss</b>		<b>(4,868,828)</b>	<b>(19,473,644)</b>
<b>Net loss per share</b>			
Basic and diluted	8	(0.04)	(0.17)

The accompanying notes are an integral part of these financial statements.

## Statement of Changes in Shareholders' Equity

Year ended December 31

(Expressed in Canadian dollars)

	Note	2020	2019
<b>Shareholders' equity</b>			
<b>Shareholders' capital</b>			
Balance, beginning of year		128,048,360	81,400,000
Issuance of share capital (net of issue costs)	11	59,120,816	46,388,360
Shares to be issued		-	260,000
Balance, end of year		187,169,176	128,048,360
<b>Contributed surplus</b>			
Balance, beginning of year		5,936,144	1,254,212
Share-based compensation	13	2,120,481	4,681,932
Balance, end of year		8,056,625	5,936,144
<b>Deficit</b>			
Balance, beginning of year		(24,103,427)	(4,629,783)
Net loss		(4,868,828)	(19,473,644)
Balance, end of year		(28,972,255)	(24,103,427)
<b>Total shareholders' equity</b>		<b>166,253,546</b>	<b>109,881,077</b>

The accompanying notes are an integral part of these financial statements.



## Statement of Cash Flows

Year ended December 31

(Expressed in Canadian dollars)

	Note	2020	2019
<b>Cash flows related to the following activities:</b>			
<b>Operating</b>			
Net loss		(4,868,828)	(19,473,644)
Adjustments for non-cash items:			
Share-based compensation	13	2,120,481	4,681,932
Depreciation		473,124	455,103
Exploration and evaluation		13,674,477	18,493,132
Share in earnings and excess fair value of associate	6	(12,877,775)	-
Shares issued for services		116,960	260,000
Accretion		83,473	34,336
Net change in non-cash working capital	16	(382,466)	(229,999)
Cash flow from operating activities		(1,660,554)	4,220,860
<b>Investing</b>			
Exploration and evaluation		(6,159,387)	(61,056,279)
Property, plant and equipment		(132,950)	(110,458)
Investment in associate	6	(23,853,417)	-
Funds held in trust		(1,442,144)	(231,640)
Net change in non-cash working capital	16	(276,785)	(2,570,086)
Cash flow used in investing activities		(31,864,683)	(63,968,463)
<b>Financing</b>			
Issuance of common shares (net of issue costs)		59,003,856	46,388,360
Funds received for future shares		1,442,144	231,640
Repayment of right of use lease obligation		(412,672)	(356,901)
Cash flow from financing activities		60,033,328	46,263,099
<b>Net change in cash</b>		<b>26,508,091</b>	<b>(13,484,504)</b>
<b>Cash, beginning of year</b>		<b>27,968,147</b>	<b>41,452,651</b>
<b>Cash, end of year</b>		<b>54,476,238</b>	<b>27,968,147</b>

The accompanying notes are an integral part of these financial statements.

# Notes to the Financial Statements

As at and for the year ended December 31, 2020

(All figures expressed in Canadian dollars)

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## 1. Nature and description of the corporation

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Kîwetinohk Resources Corp. (“Kîwetinohk” or the “Corporation”) is a limited corporation formed on February 12, 2018, pursuant to the Alberta Business Corporations Act.

The Corporation is engaged in the business of developing an energy transition company focused on the building of a risk-diversified, liquids-rich upstream portfolio in Western Canadian resource plays. Concurrent with the exploration, acquisition, and development of petroleum and natural gas, the Corporation seeks to capture a larger portion of the hydrocarbons value chain by securing access to the downstream markets, focusing on power in the short-to-medium term and monitoring hydrogen for the longer term.

The registered office of the Corporation is located at Suite 1900, 250 – 2<sup>nd</sup> Street SW, Calgary, Alberta, T2P 0C1.

## 2. Basis of presentation

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The financial statements have been prepared using historical costs on a going concern basis and have been presented in Canadian dollars, which is also the Corporation’s functional currency.

### Statement of compliance and authorization

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”). The Corporation has consistently applied the same accounting policies throughout all years presented.

The financial statements were authorized for issue by the Corporation’s Board of Directors on April 20, 2021.

### Joint operations

The Corporation conducts its petroleum and natural gas operations through joint operations which are joint arrangements whereby the parties have rights to the assets and obligations for the liabilities related to the arrangements. A joint operation involves joint control whereby unanimous consent is required for decisions about relevant activities and capital expenditures. The Corporation recognizes its share of any assets, liabilities, revenue and expenses which arise from the joint operation.

### Farm-in transactions

The Corporation may enter into a farm-in arrangement whereby the Corporation as farmee will fund its share and a portion of the farmor’s exploration and development expenditures for the Corporation to earn a working interest in the farm-in property. These expenditures are reflected in the Corporation’s financial statements when the exploration and development work is incurred based on the accounting policies as described above.

### Business combinations

Acquisitions that meet the definition of a business are accounted for under the acquisition method. Identifiable assets acquired and liabilities assumed are recognized at their fair value. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred, equity instruments issued, or liabilities incurred, by the Corporation to former owners of the acquiree. Acquisition-related costs are recognized in profit or loss as incurred. Results of acquired subsidiaries or assets are included in the statement of comprehensive income/(loss) from the closing date of the acquisition.



## Notes to the Financial Statements

As at and for the year ended December 31, 2020

(All figures expressed in Canadian dollars)

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### Consolidation of subsidiaries

The financial statements incorporate the financial statements of the Corporation and entities controlled by the Corporation (its subsidiaries). Control is achieved when the Corporation:

1. has the power over the investee;
2. is exposed, or has rights, to variable returns from its involvement with the investee; and
3. has the ability to use its power to affect its returns.

The Corporation reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Corporation has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Corporation considers all relevant facts and circumstances in assessing whether or not the Corporation's voting rights in an investee are sufficient to give it power, including:

1. the size of the Corporation's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
2. potential voting rights held by the Corporation, other vote holders or other parties;
3. rights arising from other contractual arrangements; and
4. any additional facts and circumstances that indicate that the Corporation has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Corporation obtains control over the subsidiary and ceases when the Corporation loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the Corporation gains control until the date when the Corporation ceases to control the subsidiary.

All inter-company transactions are eliminated upon consolidation.

Non-controlling interests in subsidiaries are identified separately from the Corporation's equity therein. Non-controlling interests are initially measured at fair value at acquisition and then subsequently include the non-controlling interests' share of changes in equity. Profit or loss and each component of other comprehensive income or loss are attributed to the owners of the Corporation and to the non-controlling interests.

### Economic conditions and impact of COVID-19

In March 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic. Public health measures taken in response to combat the spread of COVID-19 have caused an unprecedented decline of activity within the global economy and created uncertain economic conditions for the oil and gas industry around pricing and global demand.

The duration of COVID-19 is still unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and condition of the Corporation in future periods. These economic conditions have created greater uncertainties around increased counterparty credit risk and valuation of long-lived exploration and evaluation assets. The Corporation has incorporated the anticipated impact of COVID-19 in its estimates and judgments in preparation of these financial statements.



## Notes to the Financial Statements

As at and for the year ended December 31, 2020

(All figures expressed in Canadian dollars)

### 3. Accounting policies

Where an accounting policy is applicable to a specific note to the financial statements, the policy is described in italics and grey within that note, with the related financial disclosures and accounting estimate and judgement by major caption as noted in the table below:

Section	Note	Topic	Accounting Policy	Accounting Estimate and Judgement
Long term assets:	4	Exploration and evaluation assets	X	X
	5	Property, plant and equipment	X	
	6	Investments	X	
Operations:	7	Revenue	X	
	8	Net earnings/(loss) per share	X	
Obligations:	9	Asset retirement obligations	X	X
	10	Commitments		
Capital:	11	Shareholders' capital		
	12	Capital management		
	13	Share-based compensation plans	X	X
Other:	14	Income taxes	X	X
	15	Financial instruments and risk management	X	
	16	Supplemental cash flow information	X	
	17	Related party transactions		
	18	Subsequent events		
	19	Other accounting policies	X	

### 4. Exploration and evaluation ("E&E") assets

*Costs incurred prior to obtaining the legal right to explore in a specific area are expensed as incurred.*

*E&E costs include the costs of acquiring licenses, seismic, land acquisitions, technical services and studies, drilling exploratory wells, testing, and estimated asset retirement costs. E&E costs are accumulated in cost centers by field or exploration area until technical feasibility and commercial viability is determined. Technical feasibility and commercial viability of an exploration project is dependent upon (1) the assignment of a sufficient amount of economically recoverable reserves to commence commercial development, and (2) the necessary internal and external approvals in place for Management's decision to commence commercial development.*

*Any proceeds from production while an asset is in the E&E stage is recorded as revenue with operating results recognized in the statement of net earnings/(loss). A depletion charge is recognized on these assets using the unit-of-production method based on estimated proved developed producing reserves when an estimate of total recoverable volumes is available, otherwise on a straight-line basis over 5 years. Non-producing E&E assets are reviewed each period for any changes in value with any amortization recorded over the appropriate lease term.*

*Upon determination of technical feasibility and commercial viability, the exploration project is first tested for impairment and then transferred from E&E assets to property, plant and equipment.*



## Notes to the Financial Statements

As at and for the year ended December 31, 2020

(All figures expressed in Canadian dollars)

### *Impairment*

E&E assets are assessed for impairment indicators at the end of each reporting period based on qualitative factors which include lease expiry, negative drilling results, and the intention or ability of the Corporation to continue exploration. An impairment charge is recognized if the carrying value of the E&E assets exceeds the recoverable amount. If a decision is made by Management not to continue an E&E project, all associated costs are charged to E&E expenses at that time.

### *Accounting estimates and judgements*

Establishment of technical feasibility and commercial viability is subject to judgement, which management has determined to be based on a sufficient amount of economically recoverable reserves and approvals to commence commercial development.

The amounts recorded for depletion and depreciation of E&E assets is based on estimates of proved developed producing reserves, production rates, future petroleum and natural gas prices, future costs, and the remaining lives and period of future benefit of the related assets.

### **Cost:**

	2020	2019
Balance, beginning of year	101,425,208	40,085,751
Land purchases	5,483,866	3,558,880
Farm-in well exploration expenditures	675,520	57,497,399
Change in asset retirement obligation	879,303	283,178
Balance, end of year	108,463,897	101,425,208
<b>Accumulated amortization:</b>		
Balance, beginning of year	(18,493,132)	-
Expense related to amortization of well costs	(13,674,477)	(18,493,132)
Balance, end of year	(32,167,609)	(18,493,132)
<b>Net balance, end of year</b>	<b>76,296,288</b>	<b>82,932,076</b>

On August 29, 2018, the Corporation as farmee entered into a farm-in and option agreement with Journey Energy Inc. ("Journey"), the farmor, to jointly develop the Gilby Area in Central Alberta.

At December 31, 2020, there were no indicators of impairment on any of the E&E assets. At December 31, 2019, an E&E expense of \$6.3 million was recorded for costs associated with land expiries.

## 5. Property, plant & equipment

The Corporation recognizes a right-of-use asset and a liability for leases with lease terms greater than one year. The right-of-use asset is measured at cost and depreciated over its estimated useful life. At the commencement date, the lease liability is measured at the present value of future lease payments. The lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Corporation's incremental borrowing rate.

Depreciation of furniture, leasehold improvements, information technology software and hardware, and other administrative assets is calculated on a straight-line basis over the estimated useful lives of the related assets which range from 3 to 5 years.



## Notes to the Financial Statements

As at and for the year ended December 31, 2020  
(All figures expressed in Canadian dollars)

<b>Cost:</b>	<b>2020</b>	<b>2019</b>
Balance, beginning of year	<b>1,484,220</b>	573,144
Right of use asset – building lease addition	-	800,618
Other additions	<b>134,405</b>	110,458
Balance, end of year	<b>1,618,625</b>	1,484,220
<b>Accumulated depreciation:</b>		
Balance, beginning of year	<b>(545,050)</b>	(89,948)
Depreciation expense	<b>(473,124)</b>	(455,103)
Balance, end of year	<b>(1,018,174)</b>	(545,050)
<b>Net balance, end of year</b>	<b>600,451</b>	939,170

### 6. Investment in associate

*An associate is an entity over which the Corporation has significant influence and the power to participate in the financial and operating policy decisions but does not have control or joint control over those policies. Investments in associates are accounted for under the equity method and initially recognised at cost (including costs directly attributable to the acquisition) with any excess of the share of the net fair value of the identifiable assets and liabilities over the cost of the investment recognised immediately in profit or loss. The investment is adjusted thereafter to recognise the Corporation's share of profit or loss.*

*The Corporation discontinues the use of the equity method from the date when the investment ceases to be an associate.*

*When the Corporation has transactions with an associate, profits and losses resulting from the transactions with the associate are recognised in the Corporation's financial statements only to the extent of unrelated interests in the associate.*

#### *Impairment*

*Investments in associates are assessed for indicators of impairment. When necessary, the carrying amount of the investment is tested for impairment by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount.*

#### *Accounting estimates and judgements*

*The determination of fair value often requires management to make assumptions and estimates about future events. The assumptions and estimates with respect to determining the fair value of oil and natural gas assets acquired involve judgment and include estimates of reserves acquired, forecast benchmark commodity prices, and appropriate discount rates. Changes in any of the assumptions or estimates used in determining the fair value of acquired assets could impact the amounts recorded as investments.*

<b>Cost:</b>	<b>2020</b>	<b>2019</b>
Balance, beginning of year	-	-
Investments	<b>23,853,417</b>	-
Share in earnings of associates and depletion	<b>(2,050,095)</b>	-
Excess value above initial investment	<b>14,927,870</b>	-
<b>Balance, end of year</b>	<b>36,731,192</b>	-



## Notes to the Financial Statements

As at and for the year ended December 31, 2020

(All figures expressed in Canadian dollars)

On October 16, 2020, the Corporation made its initial \$22.9 million investment in Distinction Energy Corp. ("Distinction" previously known as Delphi Energy Corp.) as per a Capital Investment Agreement for a 25 percent ownership interest. Acquisition costs of approximately \$1 million were incurred. This investment included share purchase warrants acquired that entitled the Corporation to acquire additional shares in Distinction. These warrants were exercised for \$40 million (including working capital adjustment) on January 15, 2021. Upon executing this transaction, the Corporation's equity ownership in Distinction increased to 50 percent plus one additional common share. As at December 31, 2020, the Corporation owns 1,522,181 shares in Distinction that are accounted for under the equity method.

Select financial information of Distinction is included below:

	2020	2019
Cash	45,912,000	526,000
Working deficit	(915,000)	(6,540,000)
Non-current assets	236,463,000	281,105,000
Non-current liabilities	(35,280,000)	(174,138,000)
Revenue net of royalties	60,770,000	106,494,000
Depletion, depreciation and impairment	(77,959,000)	(102,372,000)
Net loss and comprehensive loss	(10,859,000)	(75,370,000)

### 7. Revenue

*Revenue associated with the sale of crude oil, natural gas, condensate and natural gas liquids ("NGLs") owned by the Corporation is recognized when title is transferred from the Corporation to its customers. The Corporation considers its performance obligations to be satisfied and control to be transferred when all the following conditions are satisfied:*

- 1. The Corporation has transferred title and physical possession of the goods to the buyer;*
- 2. The Corporation has transferred the significant risks and rewards of ownership of the goods to the buyer; and*
- 3. The Corporation has the present right to payment.*

	2020	2019
Oil	7,743,339	16,533,535
Natural gas	1,140,521	833,765
Condensate	707,889	1,380,873
NGLs	166,160	146,876
Balance, end of year	9,757,909	18,895,049





## Notes to the Financial Statements

As at and for the year ended December 31, 2020

(All figures expressed in Canadian dollars)

### 8. Net earnings/(loss) per share

*Basic per share amounts are computed by dividing the net earnings/(loss) by the weighted average number of common shares outstanding during the period. Diluted per share amounts are calculated using the treasury stock method giving effect to the potential dilution that would occur if stock options and warrants were exercised.*

	2020	2019
Basic weighted average shares	135,404,774	116,268,108
Effect of dilutive instruments	-	-
Diluted weighted average shares	135,404,774	116,268,108

All options, performance warrants, and capital warrants were anti-dilutive for the periods ended December 31, 2020 and 2019, as the Corporation incurred a net loss.

### 9. Asset retirement obligations

Provisions are recognized when the Corporation has a present obligation as a result of a past event, payment is probable, and the amount can be estimated reliably. The amount recognized as a provision is the best estimate of the expenditures required to settle the obligation at the balance sheet date using a present value technique and a risk-free pre-tax rate.

Asset retirement obligation ("ARO") is recorded for the abandonment and restoration obligations associated with PPE assets. The offsetting capitalized amount recorded to PPE is depreciated on a unit of production basis as described above. Subsequent to the initial measurement, the ARO liability is adjusted at the end of each period to reflect the passage of time which is recorded as an accretion expense. Changes in the estimated future cash flows and any changes to the discount rate result in an increase or decrease to ARO and the offsetting PPE capitalized amount. Actual costs incurred upon settlement of the ARO liability are recorded against the liability.

#### *Accounting estimates and judgements*

ARO estimates are based on current legal and constructive requirements, technology, price levels, cost inflation, the risk-free interest rate, timing, and expected plans for remediation. Actual costs and cash outflows can differ from estimates because of changes in laws and regulations, public expectations, market conditions, discovery and analysis of site conditions, and changes in technology.

	2020	2019
Balance, beginning of year	701,402	405,805
Liabilities incurred	867,657	454,178
Accretion expense	15,094	12,419
Change in estimate	13,189	(171,000)
Balance, end of year	1,597,342	701,402

The Corporation's asset retirement obligations result from its ownership in oil and natural gas assets, including well sites, facilities and gathering systems. The total estimated undiscounted cash flows required to settle the obligations, inflated at 1.5 percent (2019 – 2.0 percent), is approximately \$1.6 million. These cash flows have been discounted using a risk-free interest rate of 1.3 percent (2019 – 2.2 percent) based on Government of Canada long-term benchmark bonds. The Corporation expects these obligations to be settled over one to twenty-six-years. As at December 31, 2020 and 2019, no funds have been set aside to settle these liabilities.



## Notes to the Financial Statements

As at and for the year ended December 31, 2020  
(All figures expressed in Canadian dollars)

### 10. Commitments

	2021	2022	2023
Accounts payable and accrued liabilities	2,963,275	-	-
Land fund	381,919	-	-
Office lease commitments	297,930	148,965	-
Total	3,643,124	148,965	-

The Corporation has made \$2 million available to Journey to be used prior to August 2022 to pay for the farmer's share of acquisition costs of new land parcels located within the Gilby area. There was \$0.4 million remaining in the land fund as at December 31, 2020 (2019 - \$0.4 million).

### 11. Shareholders' capital

The Corporation is authorized to issue an unlimited number of voting common shares.

	Number	Stated Value \$
<b>Common shares:</b>		
Balance, December 31, 2018	81,400,000	81,400,000
Equity line of credit cash calls	44,256,360	44,256,360
Private placements (net of issue costs)	2,200,000	2,132,000
Shares to be issued for services	260,000	260,000
Balance, December 31, 2019	128,116,360	128,048,360
Equity line of credit cash calls	59,003,856	59,003,856
Shares issued for services	116,960	116,960
Balance, December 31, 2020	187,237,176	187,169,176

On August 20, 2018, the Corporation entered into various subscription agreements with management, directors, and a private equity investor. The Corporation has a financing agreement in place with funds managed by ARC Financial Corp. ("ARC") for an option to invest up to \$250 million at \$1 per common share. At December 31, 2020, ARC has invested \$130.5 million, and has committed through subscription agreements a further investment of \$69.5 million, subject to the Board of Directors calling and ARC approving.

As at December 31, 2020, the Corporation had entered into subscription agreements and private placements totaling \$225.7 million in common shares at \$1 per common share, with ARC having an option to invest a further \$50 million for up to \$275.7 million in total aggregate equity proceeds. As at December 31, 2020, the Corporation had funds held in trust of \$1,673,784 for cash proceeds received where shares have not been issued.

### 12. Capital management

The Corporation's objective when managing its capital is to maintain a conservative structure that will allow it to provide financial flexibility to execute on strategic opportunities and new business opportunities.

The Corporation manages its capital structure and makes adjustments to it in response to changes in economic conditions. The Corporation's capital is comprised of shareholders equity and the Corporation is able to manage its capital structure by issuing new shares, as described in Note 10.

The Corporation is not subject to any externally imposed covenants or capital requirements.



# Notes to the Financial Statements

As at and for the year ended December 31, 2020

(All figures expressed in Canadian dollars)

## 13. Share-based compensation plans

*Equity-settled share-based payments to directors, officers, employees and other service providers include options, performance warrants and capital warrants and is measured at the fair value of the equity instruments at the grant date. The fair value is expensed over the vesting period based on the Corporation's estimate of equity instruments that will eventually vest with a corresponding increase in contributed surplus. When equity instruments are exercised, the cash proceeds together with the amount previously recorded as contributed surplus are recorded as shareholders' capital. The Corporation incorporates an estimated forfeiture rate for equity instruments that will not vest, and subsequently adjusts for actual forfeitures as they occur.*

### Accounting estimates and judgements

*The significant inputs to the Black-Scholes option pricing model include the fair value of the shares at issue date, expected volatility, dividend yield, forfeitures and discount rates.*

### Stock Options

The Corporation has a stock option plan for directors, officers, employees and consultants of the Corporation. The aggregate number of stock options that may be granted at any time under the plan shall not exceed 10 percent of the aggregate number of issued and outstanding common shares.

Options are subject to time and dollar vesting conditions. Unless otherwise determined by the board of directors at the time of grant, options time vest one-third after one, two and three years after the date of grant and expire seven years from the date of grant. Options dollar vest as to one percent for each \$5 million in private equity financing received. Options are settled by issuing shares of the Corporation or can be cashless exercised upon a liquidity event.

	Number of options	Weighted average exercise price (\$)
Outstanding, December 31, 2018	14,039,584	1.00
Granted	70,000	1.00
Outstanding, December 31, 2019	14,109,584	1.00
Granted	1,067,778	1.00
Forfeited	(2,294,463)	1.00
Outstanding, December 31, 2020	12,882,899	1.00

Exercise Price	Options outstanding		Options Exercisable	
	Number of options	Weighted average contractual life remaining (years)	Number of options	Weighted average exercise price \$
\$1.00	12,882,899	4.9	2,766,870	1.00
	12,882,899	4.9	2,766,870	1.00

### Performance Warrants

The Corporation has a performance warrant plan for directors, officers, employees and consultants of the Corporation. The aggregate number of performance warrants that may be granted is 100 million performance warrants subject to certain limits corresponding to the level of private equity



## Notes to the Financial Statements

As at and for the year ended December 31, 2020

(All figures expressed in Canadian dollars)

investing received to date. Each performance warrant, when vested, entitles the holder thereof to acquire one common share at various exercise prices of \$1.50, \$1.75, \$2.00, \$2.25 and \$2.50.

The performance warrants are subject to time and dollar vesting conditions. Unless otherwise determined by the board of directors at the time of grant, performance warrants vest one-third after one, two and three years after the date of grant. Performance warrants dollar vest as to 0.75 percent for each \$3 million in private equity financing received, up to \$300 million, and then based on a linear adjustment factor for each additional \$1 million invested up to a total of \$500 million, whereby the performance warrants are 100 percent dollar vested. Performance warrants may be exercised at or before the earlier of August 20, 2025, an initial public offering ("IPO"), or a liquidity event. Warrants are settled by issuing shares of the Corporation or can be cashless exercised upon a liquidity event.

	Number of performance warrants	Weighted average exercise price \$
Outstanding, December 31, 2018	28,079,165	2.00
Granted	140,000	2.00
Outstanding, December 31, 2019	28,219,165	2.00
Granted	2,135,556	2.00
Forfeited	(3,514,235)	2.00
Outstanding, December 31, 2020	25,784,930	2.00

Range of Exercise Prices \$	Warrants Outstanding		Warrants Exercisable	
	Number of Warrants	Weighted Average Contractual Life Remaining (years)	Number of Warrants	Weighted Average Exercise Price \$
1.50	5,156,986	4.9	1,384,513	2.00
1.75	5,156,986	4.9	1,384,513	2.00
2.00	5,156,986	4.9	1,384,513	2.00
2.25	5,156,986	4.9	1,384,513	2.00
2.50	5,156,986	4.9	1,384,513	2.00
	25,784,930	4.9	6,922,565	2.00

### Capital Warrants

The Corporation has a capital warrant plan for directors, officers, employees and consultants of the Corporation and certain other approved parties. The aggregate number of capital warrants that may be granted is 19.5 million capital warrants with 1.3 capital warrants being granted for each common share agreed to be purchased by eligible participants. Each capital warrant, when vested, entitles the holder thereof to acquire one common share at an exercise price of \$1 plus two thirds of the excess of a liquidity, or IPO price per common share less \$1.50.

The capital warrants are subject to dollar and event vesting conditions. Dollar vesting is based on the proportion of investment in common shares funded by the holder and event vesting is determined by a liquidity or an IPO whereby the price per common share is at least \$1.50. Capital warrants may be exercised at or before the earlier of August 20, 2025, an IPO, or liquidity event. Capital warrants are settled by issuing shares of the Corporation or can be cashless exercised upon a liquidity event.



## Notes to the Financial Statements

As at and for the year ended December 31, 2020  
(All figures expressed in Canadian dollars)

	Number of capital warrants
Outstanding, December 31, 2018	-
Granted	20,073,300
Outstanding, December 31, 2019 and 2020	20,073,300

	Warrants Outstanding		Warrants Exercisable	
	Number of Warrants	Weighted Average Contractual Life Remaining (years)	Number of Warrants	Weighted Average Exercise Price \$
Capital warrants	20,073,300	5.5	-	-

### Share-Based Compensation

A summary of the inputs used to value stock options and warrants is as follows:

	2020	2019
Risk-free interest rate	2.0%	2.0%
Expected life of options/warrants	7 years	7 years
Expected volatility	50%	50%
Expected dividend rate	0%	0%
Expected forfeiture rate	15%	5%

The above inputs resulted in a fair value of \$0.53 per stock option, \$0.36 per performance warrant and \$0.26 per capital warrant.

## 14. Income taxes

### Current tax

Current tax payable is based on taxable income for the year. Taxable income differs from income as reported in the statement of comprehensive income/(loss) because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Corporation's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period.

### Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable income, except to the extent that it relates to items recognized directly in shareholders' equity, in which case the income tax is recognized directly in shareholders' equity. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which such deductible temporary differences can be utilized. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.



## Notes to the Financial Statements

As at and for the year ended December 31, 2020

(All figures expressed in Canadian dollars)

	2020	2019
Net loss before income taxes	(4,868,828)	(19,473,644)
Combined federal and provincial tax rate	23.0%	26.5%
Expected income tax expense/(recovery)	(1,119,830)	(5,160,516)
Effect on income tax of:		
Share-based compensation	487,711	1,240,712
Change in unrecognized deferred income tax asset	2,191,927	3,208,909
Change in tax rates	-	642,562
Non-taxable portion of gain on investment in associate	(1,480,944)	-
Other	(78,864)	68,333
Total income taxes	-	-
	2020	2019
Deferred income tax assets:		
Asset retirement obligations	367,389	161,322
Share issue costs	10,010	12,512
Non-capital losses	11,781,563	6,132,248
Deferred income tax liabilities:		
Exploration and evaluation liabilities	(4,367,047)	(2,187,039)
Investment in associate	(1,480,944)	-
	6,310,971	4,119,043
Deferred income tax asset not recognized	(6,310,971)	(4,119,043)
	-	-

At December 31, 2020, the Corporation has total tax pools of \$95 million, including non-capital loss carry-forwards of \$51 million available to reduce future years' income for tax purposes. Deferred income tax assets have not been recognized as the Corporation does not yet have production and operating cash to realize the deferred income tax assets in the near future. The non-capital loss carry-forwards expire in 2038 to 2040.

### 15. Financial instruments and risk management

The Corporation's financial instruments recognized in the balance sheets consist of cash, accounts receivable, and accounts payable and accrued liabilities. The carrying value of the Corporation's financial instruments approximate fair value due to their short terms to maturity.

The nature of these financial instruments exposes the Corporation to market risk, credit risk and liquidity risk.

#### Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, commodity prices, and interest rates, will affect the Corporation's comprehensive income/(loss) to the extent the Corporation has outstanding financial instruments. The objective of the Corporation is to mitigate market risk exposures within acceptable limits while maximizing returns.

#### Commodity price risk

The nature of the Corporation's operations results in exposure to fluctuations in commodity prices. Management continuously monitors commodity prices and may from time to time enter into commodity price contracts to manage exposure to these risks. There were no commodity price risk contracts outstanding at December 31, 2020.



## Notes to the Financial Statements

As at and for the year ended December 31, 2020

(All figures expressed in Canadian dollars)

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### *Foreign exchange risk*

The Corporation is exposed to foreign currency fluctuations as crude oil and natural gas prices are referenced to U.S. dollar denominated prices.

### *Interest rate risk*

The Corporation is exposed to interest rate risk to the extent that changes in floating market interest rates impact interest income received on short term deposits.

### **Credit risk**

Credit risk is the risk of financial loss to the Corporation if a counterparty to a financial instrument fails to meet its contractual obligation. The Corporation is exposed to credit risk with respect to its cash and accounts receivable.

The Corporation's cash balances are held with large established financial institutions.

The Corporation's accounts receivable are current and the Corporation reviews its exposure to individual counterparties on a regular basis.

	2020	2019
Commodity sales from marketing companies	771,672	2,089,677
Crown rebate	516,591	-
Government GST filings	123,548	1,836
Associate management fees and expenses	1,387,545	-
Joint venture	6,941	287,757
	<u>2,806,297</u>	<u>2,379,270</u>

The majority of credit risk exposure on accounts receivable at December 31, 2020, relates to accrued associate management fees and sales revenue for December 2020 production volumes. Commodity purchasers and marketing companies typically remit amounts to the Corporation by the 25th day of the month following the month of production. At December 31, 2020, one commodity purchaser who is considered investment grade accounted for approximately 27 percent of the total accounts receivable balance and was collected subsequent to year end. Receivables from an associate accounted for 49 per cent of the total accounts receivable balance and was collected subsequent to year end.

### **Liquidity risk**

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they are due. The nature of the oil and gas industry is capital intensive and the Corporation maintains and monitors a certain level of cash and cash equivalent balances to finance operating and capital expenditures.





## Notes to the Financial Statements

As at and for the year ended December 31, 2020

(All figures expressed in Canadian dollars)

### 16. Supplemental cash flow information

Changes in non-cash working capital are as follows:

	2020	2019
Accounts receivable	(427,027)	(1,827,289)
Prepaid expenses	(63,108)	(303,385)
Accounts payable and accrued liabilities	(169,116)	(669,411)
Net change in non-cash working capital	(659,251)	(2,800,085)
Allocated to:		
Operating activities	(382,466)	(229,999)
Investing activities	(276,785)	(2,570,086)
	(659,251)	(2,800,085)

### 17. Related party transactions

#### Key Management Compensation

The aggregate expense of key management personnel, which include the CEO and four other members of the senior management team that report directly to the CEO was as follows:

	2020	2019
Wages, salaries, benefits and other personnel costs	975,746	967,904
Share-based payments	692,793	1,663,277
Total	1,668,539	2,631,181

#### Other Transactions

During the year, the Corporation incurred the following transactions:

	2020	2019
Legal services where a director is a partner	521,553	176,286
Upstream evaluation fees where a director is the CEO	383,121	317,992
Upstream oilfield services where a VP is the President	110,108	885,269
Total	1,014,782	1,379,547

All related party transactions are incurred in the normal course of operations and recorded at the exchange amount which approximates the fair value of the services provided. As at December 31, 2020, there is \$101,703 (2019 - \$40,208) outstanding in amounts payable to related parties.

During the fourth quarter, the Corporation closed its initial investment in an associate. In addition to a one-time advisory fee, the Corporation thereafter bills a monthly fee for management services based on the associate's monthly production.

As at December 31, 2020, there is \$1,387,545 outstanding in receivables from associates as follows:

	2020	2019
Re-imbursement of transaction expenses	1,000,000	-
Associate management fees	379,814	-
Directors' fees	7,731	-
Total	1,387,545	-



## Notes to the Financial Statements

As at and for the year ended December 31, 2020

(All figures expressed in Canadian dollars)

### 18. Subsequent events

#### Asset acquisition

On February 17, 2021, the Corporation and its associate, Distinction, paid a deposit of \$15 million and entered into agreements to participate equally in a \$320 million asset acquisition of oil and natural gas properties. The Corporation's purchase price is \$160 million (less a deposit of \$7.5 million) and is subject to standard closing adjustments from the effective date of January 1, 2021, through to closing. The price excludes up to \$15 million of contingent payments that will be required if average crude oil prices exceed the reference price for WTI of USD \$56.00 per barrel in 2021 and USD \$62.00 per barrel in 2022. Half of the contingent payments may be settled in shares of the Corporation at the sole option of the Corporation. The transaction has an effective date of January 1, 2021 and closed on April 28, 2021.

\$ million	Kiwetinohek	Distinction	Total
Purchase price	160.0	160.0	320.0
Less closing adjustments	(12.0)	(12.0)	(24.0)
Net purchase price	148.0	148.0	296.0
Less deposit on February 17, 2021	(7.5)	(7.5)	(15.0)
Net payment April 28, 2021	140.5	140.5	281.0

As part of the acquisition the Corporation will assume transportation commitments through till October 2025 with annual transportation costs estimated as follows:

\$ million	2021	2022	2023	2024	2025
Gas transportation - Kiwetinohek	12.4	18.6	18.6	18.6	15.5
Gas transportation - Distinction	12.4	18.6	18.6	18.6	15.5
Total	24.8	37.2	37.2	37.2	31.0

In connection with the above acquisition, the Corporation paid a total premium of \$2.9 million and entered into swaptions whereby the Corporation had the option but not the obligation to enter into the following swaps:

Time period	Product	Quantity	Units	Price (\$/unit)	Reference price
May 1, 2021 – March 31, 2022	Oil	1,500	bbl / d	\$67.10	WTI \$CAD
April 1, 2022 – March 31, 2023	Oil	750	bbl / d	\$67.10	WTI \$CAD
May 1, 2021 – March 31, 2022	Gas	7,500	mmbtu / d	\$2.70	HH \$US
April 1, 2022 – March 31, 2023	Gas	2,500	mmbtu / d	\$2.70	HH \$US



## Notes to the Financial Statements

As at and for the year ended December 31, 2020

(All figures expressed in Canadian dollars)

The above swaptions expired unexercised and subsequent to December 31, 2021, the Corporation entered into the following risk management contracts:

### Oil:

Time Period	Average quantity	Units	Type	Price (\$/unit)	Reference price
May 1, 2021 – Dec 31, 2021	1,375	bbl / d	Swap	\$76.00	WTI \$CAD
Jan 1, 2022 – Dec 31, 2022	1,100	bbl / d	Collar	\$65.00 - 75.50	WTI \$CAD

### Natural gas:

Time Period	Average quantity	Units	Type	Price (\$/unit)	Reference price
June 1, 2021 – Dec 31, 2021	14,140	mmbtu / d	Swap	\$2.98	HH \$US
Jan 1, 2021 – Dec 31, 2022	11,800	mmbtu / d	Swap	\$2.72	HH \$US
June 1, 2021 – Oct 31, 2021	33,650	GJ / d	Call	\$2.77	AECO 5A \$CAD
June 1, 2021 – Oct 31, 2021	31,900	mmbtu / d	Put	\$2.78	Chicago daily \$US

### Foreign exchange:

Time Period	Average quantity	Units	Type	Price (\$/unit)	Reference price
June 1, 2021 – Oct 31, 2021	\$2.7MM	\$USD / month	Put	\$1.227	\$CAD to \$US

### Senior credit facility

On April 28, 2021, the Corporation entered into a \$97.5 million Senior Secured Extendible Revolving Facility with a syndicate of banks and made an initial draw of \$33 million to fund the Simonette Acquisition which has been repaid. The Credit Facility is a 364-day committed facility available on a revolving basis until May 31, 2022, at which time it may be extended at the lenders' option. If the revolving period is not extended, the undrawn portion of the New Credit Facility will be cancelled and the amount outstanding would be required to be repaid at the end of the non-revolving term, being May 31, 2023. The New Credit Facility is secured by a \$300.0 million demand floating charge debenture and a general security agreement over all assets of the Corporation.

The Corporation is not subject to any financial covenants under the Credit Facility.

### Investment

On January 15, 2021, the Corporation exercised its share purchase warrants for \$40 million (including working capital adjustments) and increased the Corporation's equity ownership in Distinction to 4,870,980 common shares. See Note 6.

### Share capital

On March 6, 2021, the Corporation completed an equity line of credit cash call of \$9.5 million. In addition ARC finalized share subscription agreements for the optional \$50 million and an incremental \$25 million in equity proceeds. On April 28, 2021, the Corporation closed on equity proceeds of \$104 million.



## Notes to the Financial Statements

As at and for the year ended December 31, 2020

(All figures expressed in Canadian dollars)

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On April 23, 2021, the Corporation issued \$36.9 million in subscription receipts that were converted into 36.9 million common shares at \$1 per share on April 28, 2021, upon closing of the asset acquisition.

### Options and warrants

Subsequent to December 31, 2021 the Corporation issued 12,832,816 stock options and 49,637,970 performance warrants.

### Distinction Business Combination

On June 28, 2021, Kiwetinohk entered into an agreement with Distinction to acquire the remaining shares of Distinction not already owned pursuant to a plan of arrangement under the applicable corporate law (the "Arrangement"). Through the Arrangement, Kiwetinohk will acquire all of the remaining issued and outstanding shares of Distinction it does not already own by way of an exchange of 20 Kiwetinohk shares for each Distinction share. Total incremental Kiwetinohk common shares to be issued are anticipated to be approximately 102.9 million. The Arrangement is subject to regulatory and shareholder approval and there is no assurance that the transaction will close or close as described.

## 19. Other accounting policies

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### Project development costs

Project development costs, excluding exploration and evaluation type expenditures, related to initial evaluation, design, regulatory, environmental or engineering work are expensed in the period in which they are incurred as project development costs.

Project development costs are capitalized when it is probable that the project will be an economic success based on evaluation of the following:

1. The technical feasibility of completing the project so that it will be available for use or sale;
2. The intention to complete the project and use or sell it;
3. The ability to use or sell the project;
4. How the project will generate probable future economic benefits;
5. The availability of adequate technical, financial and other resources necessary to complete the project; and
6. Costs of the project can be measured reliably.

Project development costs that are capitalized are reported at cost less accumulated amortization and less any accumulated impairment losses. At the end of each reporting period, project development costs are evaluated to determine whether there is any indication that these assets have suffered an impairment loss. If an impairment indicator is identified, an impairment test is performed by comparing the carrying amount to the asset's recoverable amount, which is defined as the higher of the asset's fair value less costs of disposal and its value in use. Value in use is the present value of the future cash flows expected to be derived from an asset discounted using a pre-tax rate and fair value is the price that would be received to sell an asset in an orderly transaction between market participants. Any excess of the carrying value over the recoverable amount is recognized as an impairment expense.



## Notes to the Financial Statements

As at and for the year ended December 31, 2020

(All figures expressed in Canadian dollars)

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### **Property, plant and equipment (“PPE”)**

Items of PPE, which include oil and gas development and production assets, are measured at cost less accumulated depletion and depreciation and any accumulated impairment expenses.

General and administrative costs that are directly attributable to bringing an asset to the location and condition necessary for it to be capable of operating in a manner intended by management are capitalized.

Gains and losses on disposal of any PPE is determined by comparing the proceeds from disposal with the carrying amount of the related PPE and is recognized as a gain or loss on disposal.

### *Impairment*

PPE assets are grouped into Cash Generating Units (“CGUs”) for impairment testing. CGUs are defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The Corporation evaluates the geography, geology, production profile and infrastructure of its assets in determining its CGUs. The Corporation reviews the composition of its CGUs at each reporting date to assess whether any changes are required in light of new facts and circumstances.

CGUs are assessed for potential internal or external impairment indicators at the end of each reporting period. If an impairment indicator is identified, an impairment test is performed by comparing the carrying amount to the CGU's recoverable amount, which is defined as the higher of an asset's fair value less costs of disposal and its value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or CGU and discounted using a pre-tax rate, and fair value is the price that would be received to sell an asset in an orderly transaction between market participants. Any excess of the carrying value over the recoverable amount is recognized as an impairment expense.

### *Depletion*

When significant components of PPE, such as fields, processing facilities or pipelines have different useful lives, they are accounted for and depleted separately as major components.

PPE is depleted on a unit of production method based on the following:

1. Total estimated recoverable reserves gross of royalties;
2. Total capitalized costs plus estimated future development costs; and
3. Petroleum and natural gas are converted to a common unit of measurement on the basis of their relative energy content, where six thousand cubic feet of natural gas equates to one barrel of oil.

### **Transportation**

Transportation costs paid by the Corporation for the transportation of crude oil, natural gas, condensate and natural gas liquids to the point of title transfer are recognized when the transportation is provided.



Interim Condensed Financial Statements of

**Kiwetinohek Resources Corp.**

March 31, 2021

## Balance sheet

As at

(Expressed in Canadian dollars, unaudited)

	Note	March 31, 2021	December 31, 2020
<b>Assets</b>			
<b>Current</b>			
Cash		12,497,671	54,476,238
Accounts receivable	13	3,093,075	2,806,297
Prepaid expenses and deposits		377,122	408,675
Fair value of risk management contracts	13	1,274,812	-
		17,242,681	57,691,210
Exploration & evaluation assets	3	27,607,135	76,296,288
Property, plant, and equipment		498,631	600,451
Investment in associate	4	85,873,663	36,731,192
Deposit on acquisition	5	7,500,000	-
Funds held in trust	10	1,494,007	1,673,784
<b>Total assets</b>		<b>140,216,117</b>	<b>172,992,925</b>
<b>Liabilities</b>			
<b>Current</b>			
Accounts payable and accrued liabilities		4,446,954	2,963,275
Right of use lease liability		328,717	328,205
		4,775,671	3,291,480
Long term liability		1,494,007	1,673,784
Right of use lease liability		97,248	176,773
Asset retirement obligations		1,581,602	1,597,342
<b>Total liabilities</b>		<b>7,948,528</b>	<b>6,739,379</b>
<b>Shareholders' equity</b>			
Shareholders' capital	10	195,520,108	187,169,176
Contributed surplus		11,986,673	8,056,625
Deficit		(75,239,192)	(28,972,255)
<b>Total shareholders' equity</b>		<b>132,267,589</b>	<b>166,253,546</b>
<b>Total liabilities and shareholders' equity</b>		<b>140,216,117</b>	<b>172,992,925</b>

### Commitments and subsequent events

9, 16

The accompanying notes are an integral part of these interim financial statements.



## Statement of Net Loss and Comprehensive Loss

For the three-months ended

(Expressed in Canadian dollars, unaudited)

	Note	March 31, 2021	March 31, 2020
<b>Revenue</b>			
Petroleum and natural gas	6	3,241,700	3,879,369
Royalties		(212,796)	(598,477)
Revenue, net of royalties		3,028,904	3,280,892
<b>Other income</b>			
Share in earnings and excess fair value of associate	4	9,029,214	-
Loss on risk management contracts	13	(1,748,030)	-
Interest income		56,361	152,791
Management fees	15	642,382	-
Total revenue and other income		11,008,831	3,433,683
<b>Expenses</b>			
Operating		634,397	1,159,824
Exploration and evaluation	3	50,576,371	8,000,693
General and administrative		2,006,344	1,401,307
Depreciation		109,824	117,139
Accretion		18,784	22,313
Share-based compensation	12	3,930,048	526,974
Total expenses		57,275,768	11,228,250
Net loss before income taxes		(46,266,937)	(7,794,567)
<b>Income taxes</b>			
Current		-	-
Deferred		-	-
Total income taxes		-	-
<b>Net loss and comprehensive loss</b>		<b>(46,266,937)</b>	<b>(7,794,567)</b>
<b>Net loss per share</b>			
Basic and diluted	7	(0.24)	(0.06)

The accompanying notes are an integral part of these interim financial statements.

## Statement of Changes in Shareholders' Equity

For the three-months ended  
(Expressed in Canadian dollars, unaudited)

	Note	March 31, 2021	March 31, 2020
<b>Shareholders' equity</b>			
<b>Shareholders' capital</b>	<b>10</b>		
Balance, beginning of period		187,169,176	128,048,360
Issuance of share capital (net of issue costs)		8,127,952	
Shares issued/to be issued for services		222,980	65,000
Balance, end of period		195,520,108	128,113,360
<b>Contributed surplus</b>			
Balance, beginning of period		8,056,625	5,936,144
Share-based compensation	<b>12</b>	3,930,048	526,974
Balance, end of period		11,986,673	6,463,118
<b>Deficit</b>			
Balance, beginning of period		(28,972,255)	(24,103,427)
Net loss		(46,266,937)	(7,794,567)
Balance, end of period		(75,239,192)	(31,897,994)
<b>Total shareholders' equity</b>		<b>132,267,589</b>	<b>102,678,484</b>

The accompanying notes are an integral part of these interim financial statements.

## Statement of Cash Flows

For the three-months ended  
(Expressed in Canadian dollars, unaudited)

	Note	March 31, 2021	March 31, 2020
<b>Cash flows related to the following activities:</b>			
<b>Operating</b>			
Net loss		(46,266,937)	(7,794,567)
Adjustments for non-cash items:			
Share-based compensation	12	3,930,048	526,974
Depreciation		109,824	117,139
Exploration and evaluation	3	48,976,236	7,380,260
Share in earnings and excess fair value of associate	4	(9,029,214)	-
Loss on risk management contracts	13	1,748,030	-
Shares issued/to be issued for services		222,980	65,000
Accretion		18,784	22,313
Swaption contracts premium paid	13	(3,022,842)	-
Net change in non-cash working capital	14	(266,122)	175,976
Cash flow from operating activities		(3,579,213)	493,095
<b>Investing</b>			
Exploration and evaluation		(309,638)	(702,216)
Property, plant and equipment		(8,004)	(51,277)
Investment in associate	4	(40,113,257)	-
Deposit on acquisition	5	(7,500,000)	-
Net change in non-cash working capital	14	116,351	53,929
Cash flow used in investing activities		(47,814,548)	(699,564)
<b>Financing</b>			
Issuance of common shares (net of issue costs)	10	8,127,952	-
Repayment of right of use lease obligation		(90,983)	(139,725)
Net change in non-cash working capital		1,378,225	-
Cash flow from financing activities		9,415,194	(139,725)
<b>Net change in cash</b>		<b>(41,978,567)</b>	<b>(346,194)</b>
<b>Cash, beginning of period</b>		<b>54,476,238</b>	<b>27,968,147</b>
<b>Cash, end of period</b>		<b>12,497,671</b>	<b>27,621,953</b>

The accompanying notes are an integral part of these interim financial statements.

# Notes to the Financial Statements

Three months ended March 31, 2021

(All figures expressed in Canadian dollars)

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## 1. Nature and description of the corporation

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Kiwetinothk Resources Corp. ("Kiwetinothk" or the "Corporation") is a limited corporation formed on February 12, 2018, pursuant to the Alberta Business Corporations Act.

The Corporation is engaged in the business of developing an energy transition company focused on the building of a risk-diversified, liquids-rich upstream portfolio in Western Canadian resource plays. Concurrent with the exploration, acquisition, and development of petroleum and natural gas, the Corporation seeks to capture a larger portion of the hydrocarbons value chain by securing access to the downstream markets focusing on power in the short-to-medium term and monitoring hydrogen for the longer-term.

The registered office of the Corporation is located at Suite 1900, 250 – 2<sup>nd</sup> Street SW, Calgary, Alberta, T2P 0C1.

## 2. Basis of presentation

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These unaudited condensed interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*, using accounting policies consistent with International Financial Reporting Standards ("IFRS"). These financial statements are condensed as they do not include the information required by IFRS for annual financial statements and therefore should be read in conjunction with the Corporation's audited financial statements for the year ended December 31, 2020.

The financial statements were authorized for issue by the Corporation's Board of Directors on May 28, 2021.

### Economic conditions and impact of COVID-19

In March 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic. Public health measures taken in response to combat the spread of COVID-19 have caused an unprecedented decline of activity within the global economy and created uncertain economic conditions for the oil and gas industry around pricing and global demand.

The duration of COVID-19 is still unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and condition of the Corporation in future periods. These economic conditions have created greater uncertainties around increased counterparty credit risk and valuation of long-lived exploration and evaluation assets. The Corporation has incorporated the anticipated impact of COVID-19 in its estimates and judgments in preparation of these financial statements.



## Notes to the Financial Statements

Three months ended March 31, 2021

(All figures expressed in Canadian dollars)

### 3. Exploration and evaluation ("E&E") assets

	March 31, 2021	December 31, 2020
<b>Cost:</b>		
Balance, beginning of period	108,463,897	101,425,208
Land purchases	281,444	5,483,866
Farm-in well exploration expenditures	28,194	675,520
Change in asset retirement obligation	(22,555)	879,303
Balance, end of period	108,750,980	108,463,897
<b>Accumulated amortization:</b>		
Balance, beginning of period	(32,167,609)	(18,493,132)
Expense related to amortization of well costs	(2,961,415)	(13,674,477)
Expense related to impairment of land and well costs	(46,014,821)	-
Balance, end of period	(81,143,845)	(32,167,609)
<b>Net balance, end of period</b>	<b>27,607,135</b>	<b>76,296,288</b>

With the Simonette Acquisition (see Note 5) the Corporation identified an impairment indicator on existing E&E assets based on a change in budgeted and planned expenditures in the Rimbey and Drayton Valley cash generating units ("CGUs"). As the Corporation plans to re-prioritize its development and drilling plans to higher return undeveloped land locations associated with the Simonette Acquisition, there was \$24.4 million of impairment recorded relating to near-term land expiries that may not be developed at the current time. In addition, the Corporation performed an impairment test on its Rimbey CGU based on the recoverable amount estimated, using a fair value less cost-to-sell approach derived from expected future cash flows from proved developed producing reserves, using a 15 percent pre-tax discount rate, which resulted in the recognition of a \$21.6 million impairment of CGU.

### 4. Investment in associate

	March 31, 2021	December 31, 2020
<b>Cost:</b>		
Balance, beginning of period	36,731,192	-
Investment including transaction costs	40,113,257	23,853,417
Share in earnings of associates and depletion	725,324	(2,050,095)
Excess value above initial investment	8,303,890	14,927,870
Balance, end of period	85,873,663	36,731,192

On October 16, 2020, the Corporation made its initial \$22.9 million investment in Distinction Energy Corp. ("Distinction" previously known as Delphi Energy Corp.) as per a Capital Investment Agreement for a 25 percent ownership interest. This investment included share purchase warrants that were exercised on January 15, 2021, for \$40 million (including working capital adjustments). As at March 31, 2021, the Corporation owns 4,870,980 (51.6 percent) of Distinction's issued and outstanding common shares that are accounted for under the equity method given that the Corporation did not control Distinction at March 31, 2021.



## Notes to the Financial Statements

Three months ended March 31, 2021

(All figures expressed in Canadian dollars)

Distinction balance sheet information:

	<b>March 31, 2021</b>	December 31, 2020
Cash	<b>87,531,000</b>	45,912,000
Working capital deficit/(surplus) (excluding cash)	<b>211,000</b>	(915,000)
Non-current assets	<b>230,763,000</b>	236,463,000
Non-current liabilities	<b>(32,235,000)</b>	(35,280,000)

Distinction income statement information:

	<b>Three-months ended March 31, 2021</b>	Three-months ended March 31, 2020
Revenue net of royalties	<b>20,175,000</b>	13,142,000
Depletion, depreciation, and impairment	<b>5,598,000</b>	122,604,000
Net loss and comprehensive loss	<b>(5,175,000)</b>	(109,970,000)

### 5. Acquisition

On February 17, 2021, the Corporation entered into agreements to participate as to 50 percent in a \$320 million asset acquisition of oil and natural gas properties and paid a \$7.5 million deposit (the "Simonette Acquisition"). The purchase price of \$320.0 million excludes up to \$15 million of contingent payments (\$7.5 million for the Corporation's share) that will be required if average crude oil prices exceed the reference price for WTI of USD \$56.00 per barrel in 2021 and USD \$62.00 per barrel in 2022. The Simonette Acquisition has an effective date of January 1, 2021 and closed on April 28, 2021.

Purchase price as per purchase and sale agreement	160,000,000
Less closing adjustments	(14,351,345)
Net purchase price	145,648,655
Less deposit paid on February 17, 2021	(7,500,000)
Plus goods and services tax	2,400,000
Net payment April 28, 2021	<u>140,548,655</u>

### 6. Revenue

	<b>Three-months ended March 31, 2021</b>	Three-months ended March 31, 2020
Oil	<b>2,160,772</b>	2,912,985
Natural gas	<b>335,979</b>	416,109
Condensate	<b>542,958</b>	530,524
NGLs	<b>201,991</b>	19,751
Petroleum and natural gas revenue	<b>3,241,700</b>	3,879,369



## Notes to the Financial Statements

Three months ended March 31, 2021

(All figures expressed in Canadian dollars)

### 7. Net loss per share

	Three-months ended March 31, 2021	Three-months ended March 31, 2020
Basic and diluted weighted average shares	190,169,222	128,116,360
Effect of dilutive instruments	-	-
Diluted weighted average shares	190,169,222	128,116,360

All options, performance warrants, and capital warrants were anti-dilutive for the periods ended March 31, 2021 and 2020, as the Corporation incurred a net loss.

### 8. Asset retirement obligations

	March 31, 2021	December 31, 2020
Balance, beginning of period	1,597,342	701,402
Liabilities incurred	-	867,657
Accretion expense	6,815	15,094
Change in estimate	(22,555)	13,189
Balance, end of period	1,581,602	1,597,342

### 9. Commitments

	2021	2022	2023
Accounts payable and accrued liabilities	4,446,954	-	-
Land fund	382,002	-	-
Office lease commitments	199,692	143,773	-
Total	5,028,648	143,773	-

See Note 16 for additional transportation commitments.

### 10. Shareholders' capital

The Corporation is authorized to issue an unlimited number of voting common shares.

	Number	Stated Value \$
<b>Common shares:</b>		
Balance, December 31, 2019	128,116,360	128,048,360
Equity line of credit cash calls	59,003,856	59,003,856
Shares issued for services	116,960	116,960
Balance, December 31, 2020	187,237,176	187,169,176
Equity line of credit cash calls (net of issue costs)	9,506,177	8,127,952
Shares issued for services	222,980	222,980
Balance, March 31, 2021	196,966,333	195,520,108





## Notes to the Financial Statements

Three months ended March 31, 2021

(All figures expressed in Canadian dollars)

On August 20, 2018, the Corporation entered into various subscription agreements with management, directors, and a private equity investor. See Note 16 for subsequent common share transactions.

As at March 31, 2021, the Corporation had funds held in trust of \$1.5 million for cash proceeds received where shares have not been issued.

### 11. Capital management

The Corporation's objective when managing its capital is to maintain a conservative structure that will allow it to provide financial flexibility to execute on strategic opportunities and new business opportunities.

The Corporation manages its capital structure and adjusts it in response to changes in economic conditions. The Corporation's capital is comprised of shareholders equity and the Corporation is able to manage its capital structure by issuing new shares, as described in Note 10.

The Corporation is not subject to any externally imposed covenants or capital requirements.

### 12. Share-based compensation plans

#### Stock Options:

	Number of options	Weighted average exercise price (\$)
Outstanding, December 31, 2019	14,109,584	1.00
Granted	1,067,778	1.00
Forfeited	(2,294,463)	1.00
Outstanding, December 31, 2020	12,882,899	1.00
Granted	5,964,557	1.00
Forfeited	(38,269)	1.00
Outstanding, March 31, 2021	18,809,187	1.00

#### Performance Warrants:

	Number of performance warrants	Weighted average exercise price \$
Outstanding, December 31, 2019	28,219,165	2.00
Granted	2,135,556	2.00
Forfeited	(4,569,791)	2.00
Outstanding, December 31, 2020	25,784,930	2.00
Granted	11,934,234	2.00
Forfeited	(95,674)	2.00
Outstanding, March 31, 2021	37,623,490	2.00



## Notes to the Financial Statements

Three months ended March 31, 2021

(All figures expressed in Canadian dollars)

### Capital Warrants:

Outstanding, December 31, 2019 and 2020, and March 31, 2021

Number of capital warrants
20,073,300

### Share-Based Compensation

A summary of the inputs used to value stock options and warrants is as follows:

	2021	2020
Risk-free interest rate	2.0%	2.0%
Expected life of options/warrants	7 years	7 years
Expected volatility	50%	50%
Expected dividend rate	0%	0%
Expected forfeiture rate	10%	15%

The inputs resulted in a fair value of \$0.53 per stock option and \$0.36 per performance warrant.

## 13. Financial instruments and risk management

The Corporation's financial instruments recognized on the balance sheets include cash, accounts receivable, funds held in trust, accounts payable and accrued liabilities, long term liability and risk management contracts.

Financial instruments carried at fair value include cash and risk management contracts. Cash is classified as a Level 1 measurement and risk management contracts are classified as a Level 2 measurement in the three-level fair value measurement hierarchy. The carrying value of accounts receivable, funds held in trust, accounts payable and accrued liabilities and long-term liability approximate fair value due to their short terms to maturity.

The nature of these financial instruments exposes the Corporation to market risk, credit risk, and liquidity risk. During the three-month period ended March 31, 2021, there have been no significant changes to these risks.

### Credit risk

Credit risk is the risk of financial loss to the Corporation if a counterparty to a financial instrument fails to meet its contractual obligation. The Corporation is exposed to credit risk with respect to its cash, accounts receivable and risk management contracts.

The Corporation's cash balances and risk management contracts are held with large established financial institutions.

The Corporation's accounts receivable are current and are as follows:

	March 31, 2021	March 31, 2020
Commodity sales from marketing companies	1,627,970	853,292
Crown rebate	351,059	1,467
Government related filings	57,148	10,011
Associate management fees and expenses	1,040,428	-
Joint venture	16,470	302,658
	3,093,075	1,167,428



## Notes to the Financial Statements

Three months ended March 31, 2021

(All figures expressed in Canadian dollars)

### Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, commodity prices, and interest rates, will affect the Corporation's comprehensive loss to the extent the Corporation has outstanding financial instruments. During the three month-period ended March 31, 2021, the Corporation entered into swaptions whereby the Corporation has the option but not the obligation to enter into the following swaps:

Contract period	Product	Quantity	Units	Price (\$/unit)	Reference price
May 1, 2021 – March 31, 2022	Oil	1,500	bbl / d	\$67.10	WTI \$CAD
April 1, 2022 – March 31, 2023	Oil	750	bbl / d	\$67.10	WTI \$CAD
May 1, 2021 – March 31, 2022	Gas	7,500	mmbtu / d	\$2.70	HH \$US
April 1, 2022 – March 31, 2023	Gas	2,500	mmbtu / d	\$2.70	HH \$US

The swaptions expired on April 30, 2021, as the Corporation was able to enter into swap contracts at higher commodity prices upon closing of the Simonette Acquisition (see Note 16). During the three-month period ended March 31, 2021, the Corporation paid \$3.0 million in swaption premiums and recognized a loss on risk management contracts of \$1.7 million.

### 14. Supplemental cash flow information

Changes in non-cash working capital are as follows:

	Three-months ended March 31, 2021	Three-months ended March 31, 2020
Accounts receivable	(286,778)	1,208,718
Prepaid expenses	31,553	(28,634)
Accounts payable and accrued liabilities	1,483,679	(950,179)
Net change in non-cash working capital	1,228,454	229,905
Allocated to:		
Operating activities	(266,122)	175,976
Investing activities	116,351	53,929
Financing activities	1,378,225	-
	1,228,454	229,905

### 15. Related party transactions

During the period, the Corporation incurred the following transactions:

	Three-months ended March 31, 2021	Three-months ended March 31, 2020
Legal services where a director is a partner	302,517	2,882
Upstream evaluation fees where a director is the CEO	77,769	111,418
Upstream oilfield services where a VP is the President	1,533	69,654
Total	381,819	183,954



## Notes to the Financial Statements

Three months ended March 31, 2021

(All figures expressed in Canadian dollars)

All related party transactions are incurred in the normal course of operations and recorded at the exchange amount which approximates the fair value of the services provided. As at March 31, 2021, there is \$229,969 (March 31, 2020 - \$82,710) outstanding in amounts payable to related parties.

During the fourth quarter, the Corporation closed its initial investment in an associate whereby the Corporation charges a monthly fee for management services calculated on the associate's monthly production.

As at March 31, 2021, there is \$1,049,490 outstanding in receivables in an associate as follows:

	March 31, 2021	December 31, 2020
Re-imbursement of transaction expenses	-	1,000,000
Management services	1,040,428	379,814
Directors' fees	9,062	7,731
Total	1,049,490	1,387,545

### 16. Subsequent events

#### Acquisitions

The Simonette Acquisition closed on April 28, 2021 (See Note 5).

On April 28, 2021, the Corporation entered into three marketing agreements with Distinction for natural gas, condensate and NGLs production volumes associated with the Simonette Acquisition. Kiwetinohk will market all of Distinction's production from the Simonette Acquisition and will also purchase natural gas volumes above production required to fill Distinction's net 45 mmcf per day of contracted capacity on the Alliance Pipeline. Natural gas purchases required to fill the capacity above expected production have been fully contracted through October 31, 2021. The marketing profits based upon actual revenues and costs will be shared equally with Kiwetinohk and Distinction for their respective volumes. Transportation commitments through until October 2025 are estimated as follows:

\$ million	2021	2022	2023	2024	2025
Gas transportation - Kiwetinohk	12.4	18.6	18.6	18.6	15.5
Gas transportation - Distinction	12.4	18.6	18.6	18.6	15.5
Total	24.8	37.2	37.2	37.2	31.0

Concurrent with the closing of the Simonette Acquisition, the Corporation, Distinction and 1266580 B.C. Ltd., an affiliate of Luminus Energy, entered into a settlement agreement to terminate the rights and obligations under a participation agreement made effective by the parties October 16, 2020. The Corporation's net share of the settlement agreement was \$4.25 million and was settled and paid to 1266580 B.C. Ltd. as part of the closing procedures of the Simonette Acquisition.

#### Senior credit facility

On April 28, 2021, the Corporation entered into a \$97.5 million Senior Secured Extendible Revolving Facility with a syndicate of banks and made an initial draw of \$33 million to fund the Simonette Acquisition. The Credit Facility is a 364-day committed facility available on a revolving basis until May 31, 2022, at which time it may be extended at the lenders' option. If the revolving period is not extended, the undrawn portion of the New Credit Facility will be cancelled and the amount outstanding would be required to be repaid at the end of the non-revolving term, being May 31, 2023.



## Notes to the Financial Statements

Three months ended March 31, 2021

(All figures expressed in Canadian dollars)

The New Credit Facility is secured by a \$300.0 million demand floating charge debenture and a general security agreement over all assets of the Corporation.

The Corporation is not subject to any financial covenants under the Credit Facility.

### Share capital

ARC Financial Corp. entered into share subscription agreements for \$75 million in equity proceeds. On April 28, 2021, the Corporation closed on equity proceeds of \$104 million.

On April 23, 2021, the Corporation issued \$36.9 million in subscription receipts that were converted into 36.9 million common shares at \$1 per common share on April 28, 2021, upon closing of the asset acquisition. Subsequently, \$6 million of the common shares above were cancelled and \$2.5 million of additional common shares were issued at \$1 per common share.

### Risk management contracts

Subsequent to March 31, 2021, the Corporation entered into the following risk management contracts:

#### Oil:

Time Period	Average quantity	Units	Type	Price (\$/unit)	Reference price
May 1, 2021 – Dec 31, 2021	1,375	bbl / d	Swap	\$76.00	WTI \$CAD
Jan 1, 2022 – Dec 31, 2022	1,100	bbl / d	Collar	\$65.00 - 75.50	WTI \$CAD

#### Natural gas:

Time Period	Average quantity	Units	Type	Price (\$/unit)	Reference price
June 1, 2021 – Dec 31, 2021	14,140	mmbtu / d	Swap	\$2.98	HH \$US
Jan 1, 2021 – Dec 31, 2022	11,800	mmbtu / d	Swap	\$2.72	HH \$US
June 1, 2021 – Oct 31, 2021	33,650	GJ / d	Call	\$2.77	AECO 5A\$CAD
June 1, 2021 – Oct 31, 2021	31,900	mmbtu / d	Put	\$2.78	Chicago daily \$US

#### Foreign exchange:

Time Period	Average quantity	Units	Type	Price (\$/unit)	Reference price
June 1, 2021 – Oct 31, 2021	\$2.7MM	\$USD / month	Put	\$1.227	\$CAD to \$US



# Management's discussion and analysis

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The following is Management's Discussion and Analysis ("MD&A") of the financial performance and results of operations for Kiwetinohk Resources Corp. ("kiwetinohk" or the "Corporation") for the three and twelve months ended December 31, 2020.

This MD&A should be read in conjunction with the Corporation's financial statements and related notes as at and for the year ended December 31, 2020. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The MD&A should also be read in conjunction with the Corporation's disclosure under "Non-IFRS Measurements" and "Forward-Looking Statements" below.

The reporting currency is the Canadian dollar, and all dollar amounts in this MD&A are stated in Canadian dollars unless otherwise indicated. This MD&A is dated April 20, 2021.

## Overview of business

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The Corporation is engaged in the business of developing an energy transition company focused initially on building a risk-diversified liquids-rich focused upstream portfolio of Western Canadian oil and gas resource plays. In addition, the Corporation seeks to capture a larger portion of the hydrocarbons value chain by securing access to the downstream markets, focusing on power in the short-to-medium term and monitoring hydrogen for the longer-term while contributing to a profitable and sustainable energy transition with low greenhouse gas emissions.

The Upstream business unit is involved in the acquisition, exploration and production of petroleum and natural gas reserves in Western Canada, with a focus on profitable early to mid-life oil and condensate-rich properties that offer top tier economic resource potential. The Corporation has recently entered into a purchase and sale agreement for certain interests in the Simonette area of northwest Alberta and the Willesden Green and Ferrier areas of west central Alberta where it will retain a 50% working interest. This, combined with the equity investment in Distinction Energy Corp. ("Distinction"), offers regional and resource diversification and complements the Corporation's farm-in agreement with Journey Energy Inc. ("Journey") in the Central Alberta Duvernay. The Corporation also closed two land acquisitions with early-stage production in the new emerging Clearwater play. The Corporation continues to evaluate other upstream business opportunities, with acquisition potential being particularly appealing in the context of the ongoing distress in the financial markets.

The Power business is pursuing the development of a diversified Alberta power generation project portfolio ranging from clean, efficient and reliable natural gas-fired power with carbon capture and sequestration to renewable power sources, including solar and wind. The Corporation is conducting due diligence on certain power projects and has developed a strategy to finance these projects with investor partners. By building a portfolio of renewable and natural gas-fired power projects, the Corporation seeks to generate a profitable natural gas upgrading business and contribute to the energy transition by efficiently generating natural gas-fired electricity, reducing CO2 emissions, and enabling maximum renewable capture.

The Corporation will also continue to investigate preferential access to power and hydrogen projects with the goal of expanding to alternate markets with differentiated access.



## Highlights

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Subsequent to year end:

- On April 28, 2021, the Corporation closed a \$320 million purchase and sale agreement for certain assets in the Montney and Duvernay that are currently producing approximately 10,000 boe/day.
- On April 23, 2021, the Corporation issued \$36.9 million in subscription receipts that were converted into 36.9 million common shares at \$1 per share on April 28, 2021.
- On April 28, 2021, the Corporation entered into a \$97.5 million Senior Secured Extendible Revolving Facility.
- On April 28, 2021, the Corporation closed on equity proceeds of \$104 million.

During the fourth quarter of 2020:

- On October 16, 2020, Distinction closed its restructuring plan and the Corporation invested \$22.9 million in Distinction common shares. The investment included warrants that were exercised on January 15, 2021, for \$40 million, giving the Corporation a controlling ownership in Distinction of 50 percent plus one additional common share on a diluted basis.
- Oil revenues were \$1.8 million and comprised 83 percent of revenues during the fourth quarter of 2020.
- The Corporation realized a field netback of \$27.40 per boe during the fourth quarter of 2020.

During the year ended December 31, 2020:

- On September 8, 2020, the Corporation completed the purchase out of receivership of oil and gas properties in north central Alberta for \$935,000, with the assumption of approximately \$0.8 million in existing environmental liabilities.
- On September 2, 2020, and December 16, 2020, the Corporation completed two equity line of credit cash calls with ARC Financial Corp. and other investors for \$59.0 million.
- On July 17, 2020, the Corporation acquired oil and gas properties in north central Alberta for \$2.6 million that include one producing well. Concurrent with this transaction, the Corporation swapped 7.75 sections of land and retained a 5 percent gross overriding royalty on future production.
- During 2020, the Corporation has been successful at various Alberta crown land sales for a total consideration of \$1.7 million.
- As at December 31, 2020, the Corporation had accumulated a total land position of 409.3 gross (365.6 net) of undeveloped land as part of 415.5 gross (369.6 net) sections of total land.

## Corporate investment

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On October 16, 2020, the Corporation closed its initial investment in Distinction per its previously agreed Capital Investment Agreement whereby the Corporation made a \$22.9 million investment in Distinction concurrent with the successful implementation of the restructuring plan (the "Plan") by Distinction to restructure and exit from the Companies' Creditors Arrangement Act ("CCAA"). The investment is composed of 1,522,181 new shares and 3,348,798 share purchase warrants that were exercised on January 15, 2021, to increase the Corporation's equity ownership in Distinction to 50 percent plus one additional common share on a diluted basis. The exercise price of the warrants was \$40.0 million and included working capital adjustments of \$2.5 million.

## Strategic asset acquisition

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On February 17, 2021, the Corporation entered into a \$320 million asset acquisition, excluding \$15 million in contingent payments based on future commodity prices, for certain interests in the Simonette area of northwest Alberta (the "Simonette Acquisition"). The Simonette Acquisition consists of certain multi-zone, oil and liquids-rich natural gas producing assets in the Simonette area of northwest Alberta, including associated infrastructure and additional assets in the Willesden Green and Ferrier areas of Alberta. Currently, the assets to be acquired are producing approximately 10,000 barrels of oil equivalent per day ("boe/d"), weighted 43 percent to liquids. Distinction has a commitment to participate equally in the Simonette Acquisition at a 50 percent share. To fund the Simonette Acquisition, the Corporation will draw on its remaining \$88.5 million equity line of credit, an additional \$25 million of equity financing and a draw of \$33 million on a \$97.5 million credit facility with a syndicate of banks. The Simonette Acquisition has an effective date of January 1, 2021, and closed on April 28, 2021.





## Financial and operating results:

### Financial and operating summary:

	Q4 2020	Q3 2020	Q4 2019	2020	2019
<b>Sales volumes</b>					
Light oil (bbl/d)	374	435	915	429	804
Heavy oil (bbl/d)	43	15	-	15	-
Natural gas (mcf/d)	1,045	1,561	2,610	1,367	1,591
Condensate (bbl/d)	13	18	99	35	68
NGLs (bbl/d)	41	64	133	64	105
Total (boe/d)	645	793	1,582	771	1,242
Oil and condensate % of production	67%	59%	64%	62%	70%
NGL % of production	6%	8%	8%	8%	8%
Natural gas % of production	27%	33%	28%	30%	22%
<b>Realized prices</b>					
Light oil (\$/bbl)	48.57	46.59	69.05	48.13	67.17
Heavy oil (\$/bbl)	35.58	31.06	-	34.40	-
Natural gas (\$/mcf)	2.66	2.38	2.47	2.28	1.71
Natural gas (\$/GJ)	2.19	1.95	2.09	1.89	1.46
Condensate (\$/bbl)	55.56	43.02	58.60	55.47	66.32
NGLs (\$/bbl)	14.04	11.15	6.46	7.09	4.59
Combined (\$/boe)	36.83	32.74	48.22	34.60	49.71
Royalty recovery/(expense) (\$/boe)	1.57	(3.48)	(4.80)	(2.14)	(5.01)
Operating expenses (\$/boe)	(11.00)	(9.75)	(10.74)	(10.46)	(8.94)
Operating netback (\$/boe)	27.40	19.51	32.68	22.00	35.76
<b>Financial results:</b>					
Commodity sales (\$000)	2,186	2,388	7,017	9,758	18,895
Share in earnings of associate	12,878	-	-	12,878	-
Interest income (\$000)	58	44	174	324	713
Management fee (\$000)	387	-	-	387	-
Cash flow from operations (\$000)	(777)	399	3,884	(1,661)	4,221
Per share basic	(0.00)	0.00	0.03	(0.01)	0.04
Per share diluted	(0.00)	0.00	0.03	(0.01)	0.04
Net income (loss) (\$000)	9,732	(3,545)	(10,679)	(4,869)	(19,474)
Per share basic	0.06	(0.03)	(0.08)	(0.04)	(0.17)
Per share diluted	0.06	(0.03)	(0.08)	(0.04)	(0.17)
E&E capital expenditures (\$000)	(52)	(14)	(1,065)	(675)	(57,497)
Land purchases (\$000)	(779)	(3,562)	(167)	(5,484)	(3,559)
Investment in associate	(23,393)	-	-	(23,853)	-
<b>Balance sheet:</b>					
Total assets (\$000)	172,993	120,218	114,796	172,993	114,796
Long-term liabilities (\$000)	3,448	4,308	1,734	3,448	1,734
Working capital (\$000)	54,728	37,268	27,561	54,728	27,561
Weighted average shares (000)	152,028	133,057	126,356	135,405	116,268
Shares outstanding end of period (000)	187,237	145,170	127,856	187,237	127,856



## Capital expenditures

\$ 000's	Q4 2020	Q3 2020	Q4 2019	2020	2019
Land purchases	779	3,562	167	5,484	3,559
Drilling	29	5	472	65	14,308
Completions	6	(6)	58	72	37,414
Equip and tie-in	17	15	535	538	5,776
Office related	4	68	72	133	110
Total	835	3,644	1,304	6,292	61,167

## Land purchases

The Corporation completed several land acquisitions throughout 2020 and the following is a summary of sections that the Corporation has acquired or earned (net of expiries) as at December 31, 2020:

(sections)	Total		Undeveloped	
	Gross	Net	Gross	Net
Rimbey	115.7	72.3	109.7	68.5
Drayton Valley	191.8	191.8	191.8	191.8
Clearwater	97.0	94.5	96.8	94.3
Montney	11.0	11.0	11.0	11.0
Total	415.5	369.6	409.3	365.6

On July 17, 2020, the Corporation acquired oil and gas properties in north central Alberta for \$2.6 million that includes one producing well. The purchase price was composed of \$1.6 million, paid upon closing, and approximately \$1 million paid on August 24, 2020, upon the successful regulatory transfer of a well licence and standard closing adjustments. This acquisition also included the divestment of 7.75 sections of land where the Corporation retained a 5 percent gross overriding royalty on future production. On September 8, 2020, the Corporation completed the purchase out of receivership of complementary oil and gas properties in north central Alberta for \$935,000, with the assumption of approximately \$0.8 million in existing environmental liabilities. These two Clearwater acquisitions gave the Corporation an incremental 93 gross (89.6 net) sections of land.

With the Distinction capital investment, the Corporation will have exposure through a 50 percent equity ownership interest in a Montney company that has a total of 117 (76.3 net) sections of undeveloped and partially undeveloped land as part of 147 gross sections (97.5 net) of total land. These land acreages are not reflected in the above table.

The Corporation is continuing to monitor and evaluate existing land expiries. The Alberta government previously announced that they will provide a one-year extension on mineral agreements that have expiry dates between March 20, 2020, and March 31, 2021. Without this announcement, approximately 12 gross sections of land associated with land earned in a farm-in agreement would have expired. Mineral agreements for these 12 gross sections of land have been extended to an average expiry date of June 2021.

Subsequent to their initial deferral of land sales in response to the ongoing COVID-19 pandemic, Alberta Energy announced they will resume land sales starting on November 18, 2020.



## Drilling

The following is a summary of drilling activity that the Corporation has completed:

(wells)	Drilling		Re-entry		Total	
	Gross	Net	Gross	Net	Gross	Net
Alberta - 2018	1.0	1.0	2.0	2.0	3.0	3.0
Alberta - Q1 2019	1.0	1.0	-	-	1.0	1.0
Alberta - Q2 2019	2.0	2.0	-	-	2.0	2.0
Total	4.0	4.0	2.0	2.0	6.0	6.0

There was no new drilling activity undertaken during 2020 as we continue to monitor and evaluate production profiles of the wells producing to date and the current economic environment.

### 2021 Capital Budget and Outlook

Ongoing uncertainty in commodity prices resulting from decreases in demand due to COVID-19 and the oversupply of crude oil are expected to continue to merit caution in capital allocation planning. With market conditions changing rapidly, there continues to be significant uncertainty and unpredictability around the potential material impacts this could have on the Corporation's operations and results.

The Corporation has invested \$62.9 million in Distinction common shares. Distinction is currently working on a plan to relist its common shares on a public stock exchange to gain access to public markets and additional financing. At this time, Distinction will have additional access to capital while having sufficient liquidity through cash on hand and a new line of credit of \$127.5 million to continue its Montney production and development program while pursuing further regional consolidation opportunities.

On February 17, 2021, the Corporation entered into an acquisition of \$320 million, excluding \$15 million in contingent payments based on future commodity prices, which includes a commitment from Distinction to participate equally in the transaction. To fund the Simonette Acquisition, the Corporation will draw on its remaining \$88.5 million equity line of credit, issue an additional \$25 million of equity financing, and draw \$33 million on a new \$97.5 million credit facility with a syndicate of banks. The Simonette Acquisition assets as of the January 1, 2021, effective date were currently producing approximately 10,000 boe/day (gross) and the Corporation anticipates sufficient cash flow from the Simonette Acquisition in order to meet working capital requirements and to fund a basic drilling program of one 4-well pad to keep production flat.

The Corporation is currently evaluating its development plan related to recent Clearwater land acquisitions which may result in one to two delineation wells being drilled in the second quarter of 2021 at an estimated cost of approximately \$1.4 million per well.

The Corporation plans to continue to monitor the economic environment prior to committing any further development capital on lands already earned through the August 2020 option period as part of a farm-in agreement.

As part of its strategy to develop a diversified upstream portfolio, the Corporation continues to be focused on consolidation efforts in 2021. We continue to evaluate various opportunities and expect that there may be potential for acquisitions and/or consolidations in the Canadian upstream sector over the short term, where the Corporation can deploy its specialized expertise to screen and acquire assets and then apply and adapt technology to establish a high-quality production base and very low-risk development inventories. Concurrent with the upstream acquisition strategy, the Corporation has also strategically invested in a two-year effort to position itself to capitalize on the limited amount of optimal energy transition projects/strategies, currently focused in power and carbon capture and sequestration.



## Production

	Q4 2020	Q3 2020	Q4 2019	2020	2019
Light oil (bbl/d)	374	435	915	429	804
Heavy oil (bbl/d)	43	15	-	15	-
Natural gas (mcf/d)	1,045	1,561	2,610	1,367	1,591
Condensate (bbl/d)	13	18	99	35	68
NGLs (bbl/d)	41	64	133	64	105
Total (boe/d)	645	793	1,582	771	1,242
Oil and condensate % of production	67%	59%	64%	62%	70%
NGL % of production	6%	8%	8%	8%	8%
Natural gas % of production	27%	33%	28%	30%	22%

As of year-end, the Corporation had four wells tied-in and on production. The first two Journey commitment wells located on Pad 6-28 were tied-in to a third-party gas gathering system and initially placed on production as of May 8, 2019. The first and second option wells in our agreement with Journey were initially brought on production July 30, 2019, and August 27, 2019, respectively. Production from the four wells was shut in on April 5, 2020, and three wells were brought back on production on June 8, 2020, and the fourth well on March 1, 2021. In addition, effective as of August 24, 2020, the Corporation now has a producing heavy oil well as part of the July 17, 2020, acquisition. The Corporation brought an additional well back on production during the first quarter of 2021 and is currently producing from five wells.

Average production for the fourth quarter of 2020 decreased by 19 percent over the third quarter of 2020 mainly due to normal production declines during the quarter.

## Benchmark and realized prices

	Q4 2020	Q3 2020	Q4 2019	2020	2019
<b>Liquid benchmark prices</b>					
WTI (US\$/bbl)	42.75	40.92	56.96	39.44	57.02
Edmonton Light (\$/bbl)	50.12	49.74	68.06	45.28	69.15
WCS Hardisty (\$/bbl)	43.58	42.34	54.30	35.56	58.75
<b>Natural gas benchmark prices</b>					
Henry Hub (US\$/MMBtu)	2.77	2.14	2.42	2.13	2.53
AECO (\$/GJ)	2.50	2.14	2.35	2.07	1.61
<b>Alberta Power</b>					
Daily (\$/MWh)	46.13	43.75	46.89	46.53	54.94
Daily on Peak (\$/MWh)	52.45	52.44	52.50	54.44	64.19
<b>Foreign exchange rates</b>	0.76	0.75	0.76	0.75	0.75
<b>Realized prices</b>					
Light oil (\$/bbl)	48.57	46.59	69.05	48.13	67.17
Heavy oil (\$/bbl)	35.58	31.06	-	34.40	-
Condensate (\$/bbl)	55.56	43.02	58.60	55.47	66.32
NGLs (\$/bbl)	14.04	11.15	6.46	7.09	4.59
Natural gas (\$/mcf)	2.66	2.38	2.47	2.28	1.71
Natural gas (\$/GJ)	2.19	1.95	2.09	1.89	1.46
Combined (\$/boe)	36.83	32.74	48.22	34.60	49.71

WTI prices averaged US\$42.75 per barrel in the fourth quarter of 2020, an increase of 4 percent compared to the third quarter of 2020 and a decrease of 25 percent compared to the fourth quarter of 2019. During the fourth quarter of 2020 there was some oil price recovery as a result of a rebound in demand from reduced COVID-19 lockdown restrictions. This was a welcome change from the earlier precipitous drop in oil prices, at times to negative levels, from COVID-19 and weakened oil demand combined with a global oversupply of crude. The markets are expected to remain volatile as the industry balances supply and demand concerns due to the uncertainty around the timing and extent of a COVID-19 recovery.



Similar to WTI, Edmonton Light pricing experienced a price increase of 1 percent to average \$50.12 per barrel in the fourth quarter of 2020 compared to \$49.74 per barrel in the third quarter of 2020, and a 26 percent decrease from \$68.06 per barrel in the fourth quarter of 2019.

Henry Hub gas prices averaged US \$2.77 per MMBtu in the fourth quarter of 2020, an increase of 29 percent compared to the third quarter of 2020 and an increase of 14 percent compared to the fourth quarter of 2019. Liquefied natural gas exports have increased while a decrease in natural gas drilling has resulted in higher natural gas prices in the fourth quarter of 2020.

AECO prices increased by 17 percent to average \$2.50 per GJ in the fourth quarter of 2020 compared to the third quarter of 2020 and increased by 6 percent compared to the fourth quarter of 2019. Canadian natural gas pricing has strengthened as a result of a decrease in Canadian production, stable access to natural gas storage, and normal demand levels from power generation and oil sands projects.

The provincial power price averaged \$46.13 per MWh in the fourth quarter of 2020, an increase of 4 percent compared to the third quarter of 2020 and somewhat consistent with the fourth quarter of 2019. Prices throughout 2020 were lower as a result of a decrease in demand from COVID-19 and oil production shut-ins along with higher power imports into Alberta.

### Detailed realized pricing summary

Light oil price \$/bbl	Q4 2020	Q3 2020	Q4 2019	2020	2019
Edmonton Light benchmark price	50.12	49.74	68.06	50.47 <sup>1</sup>	69.15
Quality and apportionment adjustment	(0.24)	(0.24)	(0.08)	(0.34)	(0.36)
Tariffs	(0.78)	(0.69)	(1.65)	(0.72)	(0.23)
Other	(0.52)	(2.22)	2.72	(1.28)	(1.39)
Realized light oil price	48.57	46.59	69.05	48.13	67.17
% of Edmonton Light benchmark	97%	94%	101%	95%	97%

1. Benchmark pricing for 2020 in light oil pricing summary above excludes the months of April / May 2020 due to production shut-in.

The Corporation's realized pricing on Edmonton Light during the fourth quarter of 2020, as a percentage of benchmark pricing, was consistent with prices realized in 2019.

Heavy oil price \$/bbl	Q4 2020	Q3 2020	Q4 2019	2020	2019
Western Canadian Select benchmark price	43.58	-	-	42.09 <sup>1</sup>	-
Diluent blending	(4.84)	-	-	(4.96)	-
Quality adjustment	(2.20)	-	-	(1.93)	-
Fees	(1.53)	-	-	(1.54)	-
Other	0.57	-	-	0.74	-
Realized heavy oil price	35.58	-	-	34.40	-
% of Western Canadian Select benchmark	82%	-	-	82%	-

1. Benchmark pricing for 2020 in heavy oil pricing summary above is from September 1, 2020 onwards to match when heavy oil production commenced.

As part of the July 17, 2020, acquisition the Corporation now has heavy oil sales that were recorded using a September 1, 2020, effective date. The Corporation's realized pricing on Western Canadian Select during the fourth quarter of 2020 averaged 82 percent of the average benchmark pricing as a result of diluent blending, quality adjustment, fees, and other items.

Natural gas - \$ / mcf	Q4 2020	Q3 2020	Q4 2019	2020	2019
AECO benchmark price	2.88	2.29	2.52	2.33 <sup>1</sup>	1.73
Marketing fee	(0.02)	(0.01)	(0.01)	(0.01)	(0.02)
Interruptible transport and fuel charge	(0.17)	(0.15)	(0.18)	(0.16)	(0.15)
Other	(0.03)	0.25	0.14	0.12	0.15
Realized natural gas price	2.66	2.38	2.47	2.28	1.71
% of AECO benchmark	92%	104%	98%	98%	99%

1. Benchmark pricing for 2020 in natural gas pricing summary above excludes the months of April / May 2020 due to production shut-in.



The Corporation's realized pricing on AECO averaged approximately 98 percent through 2020, which was consistent with 2019 with some variances between the quarters due to spot market sales and timing on revenue accruals from the previous quarter.

### Operating netback

\$/boe	Q4 2020	Q3 2020	Q4 2019	2020	2019
Realized price	36.83	32.74	48.22	34.60	49.71
Royalties recovery/(expense)	1.57	(3.48)	(4.80)	(2.14)	(5.01)
Operating expense	(11.00)	(9.75)	(10.74)	(10.46)	(8.94)
Netback	27.40	19.51	32.68	22.00	35.76
Daily Sales Volume (boe/d)	645	793	1,582	771	1,242

Operating netback increased by 40 percent to \$27.40 per boe in the fourth quarter of 2020 as compared to \$19.51 per boe in the third quarter of 2020 due to a royalty recovery and improved commodity prices in the fourth quarter. Fourth quarter operating netback decreased 16 percent compared to \$32.68 per boe in the fourth quarter of 2019, mainly as a result of lower commodity pricing due to COVID-19 demand issues.

### Revenue

\$ 000's	Q4 2020	Q3 2020	Q4 2019	2020	2019
Light oil	1,669	1,865	5,811	7,557	16,534
Heavy oil	142	44	-	186	-
Natural gas	256	341	594	1,141	834
Condensate	66	72	533	708	1,380
NGLs	53	66	79	166	147
Total	2,186	2,388	7,017	9,758	18,895

Revenues decreased by 8 percent to \$2.2 million in the fourth quarter of 2020 as compared to \$2.4 million in the third quarter, and decreased 69 percent as compared to \$7.0 million in the fourth quarter of 2019, as a result of shut-in production volumes and normal production declines during 2020, along with year over year decreases in oil pricing offset by some increases in natural gas prices.

### Royalties

\$ 000's and \$/boe	Q4 2020	Q3 2020	Q4 2019	2020	2019
Royalties/(recovery)	(93)	254	698	604	1,903
As a % of revenue	(4%)	11%	9.9%	6.0%	10.0%
\$/boe	(1.57)	3.48	4.80	2.14	5.01

The Corporation pays crown, freehold, and overriding royalties on production volumes. Royalty rates in the fourth quarter of 2020 are lower than 2019 as a result of a crown royalty reclassification on one well that resulted in a refund in prior period crown royalties of \$0.3 million, net of the annual gas cost allowances estimate.

### Operating expenses

\$ 000's and \$/boe	Q4 2020	Q3 2020	Q4 2019	2020	2019
Operating expenses	653	711	1,563	2,948	3,398
\$/boe	11.00	9.75	10.74	10.46	8.94

Operating costs relate primarily to field operators, supervision, trucking, gas and liquids processing, gathering, compression and treating. Operating costs of \$11.00 per boe in the fourth quarter of 2020 were higher by 13 percent on a per barrel basis compared to the third quarter of 2020, mainly due to the addition of heavy oil transportation and variable costs in the quarter.





## Other income

\$ 000's	Q4 2020	Q3 2020	Q4 2019	2020	2019
Share in earnings of associate	12,878	-	-	12,878	-
Management fee	387	-	-	387	-
Interest income	58	44	174	324	713

The Corporation has a 25 percent ownership interest in Distinction and accounts for its investment using the equity method. As a result, there were earnings of \$12.9 million recorded for the Corporation's share subsequent to the October 16, 2020, investment. In addition, there is a management fee for management services the Corporation provides to Distinction based on an agreed fee-per-boe basis that commenced in October 2020.

The Corporation earns interest on cash balances held on deposit with financial institutions that fluctuates based on cash balances.

## General and administrative ("G&A") expenses

\$ 000's	Q4 2020	Q3 2020	Q4 2019	2020	2019
G&A expenses	1,689	1,340	1,073	5,628	6,684

G&A expenses increased by 26 percent to \$1.7 million in the fourth quarter of 2020, compared to \$1.3 million in the third quarter of 2020, as a result of continued activity on potential business development initiatives and lower subsidies received in the period from COVID-19 relief (Canadian Emergency Wage Subsidy ("CEWS") program). A significant portion of employee and consultant G&A activity continues to be directly related to business development initiatives on a strategy to capture a larger portion of the hydrocarbons value chain by securing access to the downstream markets of power, petrochemicals, and LNG/LPG. For the year ended December 31, 2020, G&A expenses decreased by 16 percent compared to 2019.

## Exploration and evaluation expense ("E&E")

\$ 000's	Q4 2020	Q3 2020	Q4 2019	2020	2019
E&E	671	640	1,527	2,685	3,433
E&E non-cash expense	2,224	2,336	12,143	13,674	18,493
Total	2,895	2,976	13,670	16,359	21,926

The Corporation is continuously evaluating various projects and upstream business opportunities, which are expensed as incurred until the Corporation has purchased the related land and has a legal right to explore. The Corporation will engage various consultants, advisors, and reservoir engineering specialists in completing evaluation and due diligence procedures. E&E expense in the fourth quarter of 2020 was consistent with the third quarter of 2020. E&E non-cash expense includes the amortization of E&E assets on a unit-of-production basis which was \$2.2 million in the fourth quarter of 2020, a decrease of \$0.1 million from the third quarter of 2020, and is related to slightly lower production levels in the quarter. E&E non-cash expense in the fourth quarter of 2019 includes \$6.3 million of costs associated with land expiries and \$5.7 million for amortization of assets.

## Share-based compensation

\$ 000's	Q4 2020	Q3 2020	Q4 2019	2020	2019
Share-based compensation	503	548	684	2,121	4,682

Share-based compensation is the non-cash compensation expense recognized for stock options, performance warrants and capital warrants. The expense is based on an estimated grant date fair value of the stock options and warrants, recognized over the vesting period. The expense is based on a graded vesting pattern by tranche, which results in a higher upfront expense that is recorded in the earlier years. In the fourth quarter of 2020, share-based expense has remained relatively constant compared to the third quarter of 2020 and has decreased by 26 percent compared to the fourth quarter of 2019.





## Income taxes

The Corporation did not pay any income taxes in 2020 and does not expect to be taxable in the near future. A deferred tax asset has not been recognized given the uncertainty of future realization. The Corporation's estimated tax pools as at December 31, 2020, are as follows:

Category	Deductibility	\$000's
Canadian oil and gas property expense (COGPE)	10%	28,698
Canadian development expense (CDE)	30%	23,638
Undepreciated capital cost (UCC)	Primarily 25%, declining balance	5,069
Non-capital losses	100%	51,224
Share issue costs	5-year straight line	44
<b>Total estimated tax pools</b>		<b>108,673</b>

## Funds from Operations

\$ 000's	Q4 2020	Q3 2020	Q4 2019	2020	2019
Commodity sales	2,186	2,388	7,017	9,758	18,895
Royalties recovery/(expense)	93	(254)	(698)	(604)	(1,903)
Operating expense	(653)	(711)	(1,563)	(2,948)	(3,398)
Field netback	1,626	1,423	4,756	6,206	13,594
Interest income	58	44	174	324	713
Management fee	387	-	-	387	-
Exploration and evaluation	(555)	(640)	(1,267)	(2,568)	(3,173)
Business development costs	-	-	(1,450)	-	(6,041)
General and administrative	(1,689)	(1,340)	377	(5,628)	(643)
Funds from operations	(173)	(512)	2,590	(1,279)	4,450
Non-cash items:					
Share based compensation	(503)	(548)	(684)	(2,121)	(4,682)
Depreciation	(110)	(127)	(177)	(473)	(455)
Exploration and evaluation	(2,224)	(2,336)	(12,143)	(13,674)	(18,493)
Share in earnings of associate	12,878	-	-	12,878	-
Shares to be issued	(117)	-	(260)	(117)	(260)
Accretion	(19)	(22)	(6)	(83)	(34)
<b>Net income (loss)</b>	<b>9,732</b>	<b>(3,545)</b>	<b>(10,679)</b>	<b>(4,869)</b>	<b>(19,474)</b>

## Asset retirement obligations

The Corporation's asset retirement obligations ("ARO") of \$1.6 million pertain to the Corporation's wells and related infrastructure, and includes additions of \$0.8 million from acquisitions in the third quarter of 2020. The estimated ARO includes assumptions with respect to actual costs to abandon wells or reclaim the property, the time frame in which such costs will be incurred, and annual inflation factors.

Environmental sustainability is a key focus area of the Corporation where all development activities are reviewed to ensure that they are done in the most responsible and prudent manner. The Corporation's Liability Management Rating ("LMR") is within the Alberta Energy Regulator's requirements and as such, no deposits are required or expected to be required in the near term. The Corporation's current LMR at year end is 14.6.



## Select quarterly information

\$ 000's	2020				2019			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Production (boe/d)	645	793	443	1,204	1,582	1,440	1,002	355
Commodity sales (\$000)	2,186	2,388	1,305	3,879	7,017	5,881	5,249	747
Cash from operations	(777)	399	(1,776)	493	3,884	4,081	237	(3,397)
Per share (basic)	(0.01)	-	(0.01)	-	0.03	0.03	-	(0.03)
Per share (diluted)	(0.01)	-	(0.01)	-	0.03	0.03	-	(0.03)
Net income (loss)	9,732	(3,545)	(3,261)	(7,795)	(10,679)	(2,120)	(2,746)	(3,930)
Per share (basic)	0.06	(0.03)	(0.03)	(0.06)	(0.08)	(0.02)	(0.03)	(0.04)
Per share (diluted)	0.06	(0.03)	(0.03)	(0.06)	(0.08)	(0.02)	(0.03)	(0.04)

## Reserve information:

McDaniel & Associates Consultants Ltd. ("McDaniel") conducted an independent reserves evaluation (the "Reserves Evaluation"), effective December 31, 2020, which was prepared in accordance with definitions, standards, and procedures contained in the Canadian Oil and Gas Evaluation Handbook. Reserves definitions are provided at the back of this MD&A.

The Corporation commenced commercial production operations in late 2018 and currently has five wells that are reflected in proved developed producing reserves. Reserves volumes presented in the Reserves Evaluation include 48.1 MMboe on a proved plus probable basis for kîwetinohk (gas at 46 percent and oil at 29 percent of total volumes).

### Highlights of reserves additions:

- During 2019, the Corporation had significant reserves additions from the initial wells which demonstrate the attractive potential resource development opportunity that is present in the Central Alberta Duvernay.
- During 2020, the Corporation was able to increase kîwetinohk reserves by 121% with no drilling through a number of key Montney and Clearwater acquisitions.
- The Corporation in 2020 acquired 11 gross (net) sections of land for \$1.3 million in the Simonette area and was assigned 26 MMboe of total proved and probable reserves.
- The Distinction acquisition resulted in an indirect equity ownership in reserves of 29.2 MMboe reflecting kîwetinohk's 50 percent plus 1 common share ownership.

The following reserve information includes kîwetinohk's direct ownership in reserves and additions for its 25 percent equity investment in Distinction at December 31, 2020, and a pro-forma adjustment for the 25 percent subsequent equity investment on January 15, 2021. The reserve information does not reflect any reserves for the February 17, 2021, Montney/Duvernay property acquisition which will create additional development opportunities and may cause the Corporation to re-prioritize its drilling locations to ones which provide superior returns. As a result, there may be future reserve revisions to the information as presented below.



Gross reserves at December 31, 2020	Crude oil MMbbl	Natural gas Bcf	Condensate MMbbl	NGLs MMbbl	Total MMboe
Proved developed producing	0.5	1.6		0.1	0.9
Proved developed non-producing	-	-		-	-
Proved undeveloped	5.6	91.7	6.2	2.5	29.5
Total proved	6.1	93.3	6.2	2.5	30.5
Probable	7.9	39.8	1.6	1.6	17.6
Total corporate reserves	14.0	133.1	7.8	4.1	48.1
Equity investment <sup>1</sup>	-	52.3	-	6.7	15.4
Total proved plus probable	14.0	185.4	7.8	10.8	63.5
Equity investment <sup>2</sup>	-	52.3	-	6.7	15.4
Pro-forma total proved plus probable	14.0	237.7	7.8	17.5	78.9
Percent	18%	50%	10%	22%	100%

1. Equity investment reserves include the Corporation's 25 percent indirect ownership interest in Distinction at December 31, 2020.

2. At January 15, 2021, the Corporation exercised its share purchase warrants for an incremental 25 percent indirect ownership in Distinction.

Reconciliation of reserve volumes (MMboe)	Proved developed producing	Total proved	Total proved plus probable
Corporate December 31, 2019	1.2	9.8	21.8
Technical revisions	-	0.1	0.2
Acquisitions	-	20.9	26.4
Production	(0.3)	(0.3)	(0.3)
Corporate December 31, 2020	0.9	30.5	48.1
Equity investment <sup>1</sup>	3.3	7.7	15.4
Total December 31, 2020	4.2	38.2	63.5
Equity investment <sup>2</sup>	3.3	7.7	15.4
Pro-forma total December 31, 2020	7.5	45.9	78.9

1. Equity investment reserves include the Corporation's 25 percent indirect ownership interest in Distinction at December 31, 2020.

2. At January 15, 2021, the Corporation exercised its share purchase warrants for an incremental 25 percent indirect ownership in Distinction.

The net present value ("NPV") is prior to the provision for any corporate interest or general and administrative expense. It should not be assumed that the NPV of future net revenue estimated by McDaniel represents the fair market value of the Corporation's reserves.

NPV of future net revenue before income taxes (\$MM)	Undiscounted	10%	20%
Proved developed producing	20.5	15.7	12.8
Proved developed non-producing	-	-	-
Proved undeveloped	391.8	156.2	63.2
Total proved	412.3	171.9	76.1
Probable	398.1	133.3	59.5
Total corporate proved plus probable	810.4	305.2	135.6
Equity investment <sup>1</sup>	193.0	82.1	46.4
Total proved plus probable	1,003.4	387.3	182.0
Equity investment <sup>2</sup>	193.0	82.1	46.4
Pro-forma proved plus probable	1,196.4	469.4	228.4

1. Equity investment reserves includes the Corporation's 25 percent indirect ownership interest in Distinction at December 31, 2020.

2. At January 15, 2021, the Corporation exercised its share purchase warrants for an incremental 25 percent indirect ownership in Distinction.



The Corporation's crude oil, natural gas, and NGLs reserves were evaluated using McDaniel forecast pricing and foreign exchange rates at January 1, 2021, based on the following table. Oil and gas prices continue to be subject to significant commodity price volatility due to current economic pressures and as such, there can be no certainty that these forecast prices will be realized.

Year	WTI \$US/ bbl	Edmonton Light \$CDN/ bbl	Edmonton Ethane \$CDN/ bbl	Edmonton Propane \$CDN/ bbl	Edmonton Butane \$CDN/ bbl	Edmonton Condensate \$CDN/ bbl	Henry Hub \$US/ mmbtu	Alberta AECO Spot \$CDN / mmbtu	\$USD / \$CAN FX Rate
2021	47.50	57.24	10.20	15.74	21.46	61.24	2.75	2.75	0.760
2022	51.00	61.74	9.79	20.06	27.78	65.82	2.65	2.65	0.760
2023	52.02	62.97	9.36	23.61	36.21	67.13	2.55	2.55	0.760
2024	53.06	64.23	9.55	24.09	36.93	68.48	2.60	2.60	0.760
2025	54.12	65.52	9.74	24.57	37.67	69.85	2.65	2.65	0.760
2026	55.20	66.83	9.94	25.06	38.42	71.24	2.70	2.70	0.760
2027	56.31	68.16	10.14	25.56	39.19	72.67	2.76	2.76	0.760
2028	57.43	69.53	10.34	26.07	39.98	74.12	2.81	2.81	0.760
2029	58.58	70.92	10.54	26.59	40.78	75.60	2.87	2.87	0.760
2030	59.75	72.33	10.76	27.13	41.59	77.11	2.93	2.93	0.760
2031	60.95	73.78	10.97	27.67	42.42	78.66	2.99	2.99	0.760
2032	62.17	75.26	11.19	28.22	43.27	80.23	3.05	3.05	0.760
2033	63.41	76.76	11.41	28.79	44.14	81.83	3.11	3.11	0.760
2034	64.68	78.30	11.64	29.36	45.02	83.47	3.17	3.17	0.760
2035	65.97	79.86	11.88	29.95	45.92	85.14	3.23	3.23	0.760
2035+	+2%/yr	+2%/yr	+2%/yr	+2%/yr	+2%/yr	+2%/yr	+2%/yr	+2%/yr	0.760

## Capital resources and liquidity

The Corporation's objective when managing its capital is to maintain a conservative structure that will allow it to provide financial flexibility to execute on strategic and new business opportunities. It relies on current production, cash on hand, and future equity issuances to fund its capital demands. The Corporation has obtained commitment letters from a syndicate of banks for a \$97.5 million senior credit facility upon closing of the February 17, 2021, Simonette Acquisition. The Corporation plans to target a net debt to funds flow from operations ratio of no more than 1.0 times.

As of December 31, 2020, the Corporation had common share subscription agreements in place at \$1 per share, totaling \$225.7 million, of which approximately \$88.5 million remains to be drawn. As its lead investor, ARC Financial Corp. ("ARC") has a further option to invest \$50 million and has committed a further \$25 million for up to \$300.7 million in total aggregate equity proceeds. Upon closing of the Simonette Acquisition, the Corporation anticipates that its equity line will be fully drawn along with a portion of its \$97.5 million senior credit facility. The Simonette Acquisition assets are currently producing approximately 10,000 boe/day (gross) and the Corporation anticipates sufficient cash flow from operations in order to meet working capital requirements and fund a drilling program that would be expected to maintain and/or potentially grow production.

## Commitments

\$000's	2021	2022	2023	2024
Accounts payable and accrued liabilities	2,963	-	-	-
Land fund	382	-	-	-
Office lease commitments	298	149	-	-
Total	3,643	149	-	-



## Issued and outstanding share information

Outstanding share information is as follows:

Year ended	Q4 2020	Q4 2019	2020	2019
<b>Weighted average shares outstanding</b>				
Basic	152,028,454	126,356,360	135,404,774	116,268,108
Diluted	152,028,454	126,356,360	135,404,774	116,268,108
<b>Outstanding securities</b>				
Common shares	187,237,176	127,856,360	187,237,176	127,856,360
Stock options	12,882,899	14,109,584	12,882,899	14,109,584
Performance warrants	25,784,930	28,219,165	25,784,930	28,219,165
Capital warrants	20,073,300	20,073,300	20,073,300	20,073,300
<b>Total diluted outstanding securities</b>	<b>245,978,305</b>	190,258,409	<b>245,978,305</b>	190,258,409

See subsequent event section below for additional changes to issued and outstanding share information.

## Related Party Information

For the three months ended December 31, 2020, the Corporation incurred a total of \$0.3 million (2019 - \$0.3 million), and for the twelve months ended December 31, 2020, \$1.0 million (2019 - \$1.4 million), on the following related party transactions:

- The Corporation has retained a law firm to provide legal services on corporate matters. A director of the Corporation is a partner of this law firm.
- The Corporation has engaged an energy information services company to assist in the evaluation of prospective upstream oil and gas properties. A director of the Corporation is the CEO of this firm.
- The Corporation is working with an upstream oilfield services company. A VP of the Corporation is the president of this oilfield services company.

All related party transactions are incurred in the normal course of operations and recorded at the exchange amount which approximates the fair value of the services provided.

## Subsequent events

### Asset acquisition

On February 17, 2021, the Corporation and its associate, Distinction, paid a deposit of \$15 million and entered into agreements to participate equally in the Simonette Acquisition, a \$320 million asset acquisition of oil and natural gas properties. The Corporation's purchase price is \$160 million and is subject to standard closing adjustments from the effective date of January 1, 2021, through to closing. The price excludes up to \$15 million of contingent payments that will be required if average crude oil prices exceed the reference price for WTI of USD \$56.00 per barrel in 2021 and USD \$62.00 per barrel in 2022. Half of the contingent payments may be settled in shares of the Corporation at the sole option of the Corporation. The transaction has an effective date of January 1, 2021 and closed on April 28, 2021. See "Strategic asset acquisition" on page 2 of this MDA.

\$ million	Kiwetinothk	Distinction	Total
Purchase price	160.0	160.0	320.0
Less closing adjustments	(12.0)	(12.0)	(24.0)
Net purchase price	148.0	148.0	296.0
Less deposit on February 17, 2021	(7.5)	(7.5)	(15.0)
Net payment April 28, 2021	140.5	140.5	281.0



As part of the Simonette Acquisition, the Corporation will assume transportation commitments through until October 2025, to be split equally with Distinction, with annual transportation costs estimated as follows:

\$ million	2021	2022	2023	2024	2025
Gas transportation - Kiwetinohk	12.4	18.6	18.6	18.6	15.5
Gas transportation - Distinction	12.4	18.6	18.6	18.6	15.5
Total	24.8	37.2	37.2	37.2	31.0

In connection with the above Simonette Acquisition, the Corporation paid a total premium of \$2.9 million and entered into swaptions whereby the Corporation has the option, but not the obligation, to enter into the following swaps:

\$000's	Product	Quantity	Units	Price (\$/unit)	Reference price
May 1, 2021 – March 31, 2022	Oil	1,500	bbl / d	\$67.10	WTI \$CAD
April 1, 2022 – March 31, 2023	Oil	750	bbl / d	\$67.10	WTI \$CAD
May 1, 2021 – March 31, 2022	Gas	7,500	mmbtu / d	\$2.70	HH \$US
April 1, 2022 – March 31, 2023	Gas	2,500	mmbtu / d	\$2.70	HH \$US

### Senior credit facility

On April 28, 2021, the Corporation entered into a \$97.5 million Senior Secured Extendible Revolving Facility with a syndicate of banks and made an initial draw of \$33 million.

### Investment

On January 15, 2021, the Corporation exercised its share purchase warrants for \$40 million (including working capital adjustments) and increased the Corporation's equity ownership in Distinction to 4,870,980 common shares. See "Corporate Investment" on page 2 of this MDA.

### Share capital

On March 6, 2021, the Corporation completed an equity line of credit cash call of \$9.5 million. In addition, ARC finalized share subscription agreements for an optional \$50 million and an incremental \$25 million in equity proceeds. On April 28, 2021, the Corporation closed on equity proceeds of \$104 million.

On April 23, 2021, the Corporation issued \$36.9 million in subscription receipts that were converted into 36.9 million common shares at \$1 per share on April 28, 2021, upon closing of the Simonette Acquisition.

### Options and warrants

On January 4, 2021, the Corporation granted 5,964,557 options and 11,934,234 performance warrants subject to the same time and dollar vesting conditions as described in Note 13 of the financial statements.

## Health, safety and environmental

The Corporation focuses on conducting transparent, safe, and responsible operations in the communities in which its people live and work.

There is a growing concern related to the risk of climate change and atmospheric pollution, which is motivating a focus on, and reduction of, greenhouse gas emissions. The Corporation is focused on meeting the energy needs of tomorrow with solutions that can demonstrate a movement toward cleaner energy and a reduction in greenhouse gas emissions as Canada transitions to a lower carbon environment. The Corporation is committed to being an energy leader in sustainable exploration and development, while at the same time providing socio-economic benefits to communities impacted by its activities, including Indigenous communities.



## Risk Factors

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The Corporation's management team is focused on long-term strategic planning and has identified the key risks, uncertainties and opportunities associated with the Corporation's business that can impact the financial results. They include, but are not limited to, the items listed below.

### Market Constraints

The Corporation's financial and operational results can be significantly affected by low pricing, lack of transportation, shortage of markets for new sources of upstream products from the Western Canadian sedimentary basin, or any combination thereof. These risk factors are a subset of the global and continental energy market risks which are impacted by national and global politics, price wars, conflict, climate change initiatives, war, pandemics, changing political policy in energy producing regions, or other geopolitical events and circumstances. These and other factors can cause an over or under supply of petroleum products dramatically affecting product pricing and the financial results of the Corporation.

The Corporation's ability to market its hydrocarbon products may depend on its ability to secure processing, pipeline or other transportation in order to move products to commercial markets for sale. Deliverability uncertainties related to pipelines, processing and storage facilities, operational problems affecting pipelines and facilities, as well as government regulations, may also negatively affect the Corporation.

These factors could result in a material decrease in expected net production revenue and a reduction in oil and natural gas acquisition, development and exploration activities. Any substantial and extended decline in the price of oil and natural gas would have an adverse effect on the Corporation's ability to carry out its business plan, reduce the value of its assets, and decrease profitability.

### General economic conditions and COVID-19

The demand for energy including petroleum and natural gas sales is generally linked to economic activities. If there were to be a slowdown in economic growth, an economic downturn or recession, or other adverse economic or political developments in North America or globally, there could be a significant adverse effect on global financial markets which would in turn impact commodity prices and may negatively impact the Corporation's operations and cash flows.

In March 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic. Public health measures taken in response to combat the spread of COVID-19 have caused an unprecedented decline of activity within the global economy and created uncertain economic conditions for the oil and gas industry around pricing and global demand. The duration of COVID-19 is still unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and condition of the Corporation in future periods.

### Poor performance of properties

The Corporation may encounter geological hazards which reduce the performance of wells. This includes the wellbore encountering faults or water saturated zones in a geological region that is not as rich in liquids or gas as the optimal range that was targeted. Until further drilling results become available, there remains a material probability that individual well results may perform below expectations, which may negatively impact the results of the Corporation.

### Adaptation and extension of existing technology

The Corporation's strategy to increase the value from acquired assets includes plans to apply, adapt and extend existing technology. These efforts may, in time, turn out to be economically unattractive and leave the Corporation with a loss on investment, steering the Corporation back to present industry practices that represent the best it can achieve. As such, any plans to achieve the full economic potential of a region while managing capital aimed at risked upside has yet to be proven by the Corporation and contributes a substantial risk to the value of the Corporation.





### **Possible shortage of fresh water**

Drilling and completion operations require a large amount of water. The surface water resources of some of the regions where the Corporation aspires to operate may be insufficient for the full commercial scale development of the region at a pace matching the industry's ambitions. Thus, limitations on water access may present a ceiling on the allowed pace of development. This ceiling may take the form of a physical ceiling supported by scientific investigation, or it may be a limitation the Corporation chooses to accept to abate public concerns despite contradicting scientific evidence of the carrying capacity of the surface water resources. As a result, the Corporation may be required to develop alternatives to fresh water use as a hydraulic fracture fluid. These alternatives may include deep potable or brackish ground water, brine water produced in conjunction with oil and gas in the region, or a foam consisting of roughly 80 percent compressed methane and 20 percent fresh water.

### **Hydraulic fracturing and earthquakes**

Occasional minor earthquakes in some of the oil and gas shale development regions have been attributed to hydraulic fracturing operations. The Alberta Government has regulations prescribing conditions in which an operator is either free to monitor and continue to fracture or is obligated to suspend operations. While it is unlikely that any earthquake attributed to the Corporation's operations would be in a location or of an intensity that it would cause significant loss to other parties, it is possible that the Corporation's value realization aspirations for its undeveloped land holdings in a region could be lost in whole or in part.

### **Impaired oil and gas operating or social license**

The Corporation works hard to engage the communities where its assets are located so that community members feel a shared sense of ownership and pride in the success of the Corporation and its projects. Notwithstanding engagement strategies and local benefits, stakeholder objections can result in delayed surface access and/or regulatory approvals, or the need to select alternative locations. This may be especially true in areas such as the Central Alberta west Duvernay basin where water is not as readily available and housing density is high. Delays could result in land expiring before it can be sufficiently evaluated and developed.

### **Crown land tenure regulations, interpretations and freehold offset royalty obligations**

There is a risk that the Government imposes the strictest interpretation of land tenure regulations and terminates a high percentage of leases on expiry. On the freehold side, as the Corporation develops an oil quarter, sections without wells will be entitled to an offset royalty. There is a lack of clarity as to whether an undrilled quarter section is entitled to an offset royalty for each offsetting quarter section that has a portion of a producing lateral. In addition, drilling of wells adjacent to undrilled freehold leases can trigger an obligation to drill the undrilled lands or pay a royalty on those lands equivalent to what would be expected if a well was operating on those lands, or it is our choice to allow the freehold leases to expire. As such, royalty estimates may significantly change in the future. In addition, many of the oil and gas leases in the Central Alberta Duvernay have been issued earlier this decade and are coming up for expiry in the near to medium-term. As a result, the Corporation must drill wells with less information and evaluation time between wells in order to maximize the amount of land that can be retained. However, moving too quickly would possibly expose the Corporation to an undesirable level of risk. The Corporation is therefore pursuing a strategy of acquiring high grade land and drilling the land that appears to have the most favorable geological characteristics, while testing well designs that have the potential to yield substantially improved economics. As a result, the Corporation may allow less prospective land to expire which would reduce our overall land position.

### **Drilling failure or loss of control of a well**

The Central Alberta Duvernay formation is naturally fractured with high formation pore pressure. This degree of pressure poses a containment problem related to any mechanical or equipment failures during drilling and completion operations which may cause the loss of the ability to finish drilling, completing, equipping and producing operations. As a consequence, this may result in a loss of investment. This potential problem is especially a risk should the Corporation be part way through the frac process at a time in which the well might have the capacity to flow back brine and hydrocarbons.



## **Insurance coverage**

The Corporation maintains insurance coverage as part of its risk management program. However, such insurance may not provide comprehensive coverage in all circumstances and not all risks are insurable. The Corporation renews its insurance policies on an annual basis and, depending on factors such as market conditions, the premiums, policy limits and/or deductibles for certain insurance policies can vary substantially. In some instances, certain insurance may become unavailable or available only for reduced amounts of coverage. Significantly increased costs could lead the Corporation to decide to reduce or possibly eliminate certain insurance coverage. In addition, insurance is purchased from a number of third-party insurers, often in layered insurance arrangements, some of whom may discontinue providing insurance coverage for their own policy or strategic reasons. The overall risk exposure and cost of insurance could significantly change in the future if coverage is not available.

## **Carbon taxes**

The oil and natural gas industry is subject to environmental regulation pursuant to local, provincial and federal legislation. Such legislation may be changed to impose higher standards and potentially more costly obligations to the Corporation. Policies aimed at reducing emissions of carbon dioxide and methane could become a burden on oil and natural gas commodities relative to other sources of energy in the marketplace. Furthermore, there is no assurance that any such programs or regulatory amendments, if proposed and enacted, may contain emission reduction targets that the Corporation can meet. Financial penalties or charges could be incurred as a result of the failure to meet such targets.

## **Access to capital markets and ability to sell and recover capital**

The Corporation's capital expenditures are financed from future equity issuances. The ability to issue equity is dependent upon, among other factors, the overall state of capital markets and investor appetite for investments in the energy industry, and the Corporation's differentiated business model, including having superior quality and low-cost acquisition opportunities as compared to the rest of the industry. To the extent that external sources of capital become limited, unavailable, or available on onerous terms, or the Corporation cannot exit projects and find a buyer, the Corporation's ability to make capital investments and develop projects to execute on its business plan may be challenged.

## **Access to credit facilities**

The Corporation has a commitment letter from a syndicate of banks to enter into a senior credit facility. Failure by the syndicate of banks to close the senior credit facility would reduce the Corporation's liquidity and severely restrict the ability of the Corporation to complete anticipated acquisitions. Further to this, the senior credit facility may impose operating and financial restrictions on the Corporation as to activities around future acquisitions, dispositions, incurring additional indebtedness, capital expenditures or entering into amalgamations, mergers or take-over bids. If the lenders require repayment of any or all of the amounts outstanding under the senior credit facility, there is no certainty that the Corporation would be in a position to make such repayment. If the Corporation cannot obtain new financing, or it is not available on commercially reasonable terms, the banks may proceed to foreclose or otherwise realize upon their secured debt.

## **Need to differentiate in a well-established industry**

Barriers to entry within the electrical power industry contribute to both the current attractiveness and the immediate risk of this business. The barriers to entry may work against the Corporation in the short term and their removal in the mid- to long-term may cause the business to be overwhelmed with competition. With increased competition, the Corporation may not be able to secure or finance preferred projects at an attractive valuation.



## **Retention of Key Personnel**

A loss in any of the key personnel of the Corporation could delay the completion of certain projects or otherwise have a material adverse effect on operations. As a start-up seeking to differentiate with the skills of specialized experts, the Corporation lacks redundancy in certain areas of expertise and as a result the Corporation may suffer greatly from the loss of key personnel.

## **Acquisitions**

The price paid for acquisitions is based on engineering and economic estimates of the potential reserves made by independent engineers modified to reflect the technical views of management. These assessments include a number of material assumptions regarding such factors as recoverability and marketability of oil, natural gas, and NGLs, future prices of oil, natural gas and NGLs, operating costs, future capital expenditures and royalties and other government levies that will be imposed over the producing life of the reserves. Many of these factors are subject to change and are beyond the control of management. Changes in the prices of, and markets for oil, natural gas, and NGLs from those anticipated at the time of making such assessments will affect the value of the Corporation's shares. In addition, all such estimates involve a measure of geological and engineering uncertainty that could result in lower production and reserves. Actual reserves and anticipated benefits from acquisitions could vary materially from these estimates. Further, if the various regulatory approvals and conditions to close are not met, the Corporation will not be able to achieve the anticipated benefits of the acquisition.

## **Environmental**

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, provincial, and local laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and natural gas operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities and for operations and development activities to offer protection of endangered species. Although the Corporation believes that it is in material compliance with current applicable environmental regulations, no assurance can be given that environmental laws will not result in a curtailment of production or a material increase in the costs of production, development, or exploration activities, or otherwise have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects.

## **Project Risks**

The Corporation manages a variety of small and large projects. Project delays may delay expected revenues from operations. Significant project cost over-runs could make a project uneconomic. The Corporation's ability to execute projects and market oil and natural gas depends upon numerous factors beyond the Corporation's control, such as the effects of inclement weather, availability of equipment and resources, unexpected cost increases, accidental events, changes in regulations, and availability and productivity of skilled labor. Because of these factors, the Corporation could be unable to execute projects on time, on budget, or at all, and may be unable to market the oil and natural gas that the Corporation produces.

## **Transportation and Processing Commitments**

The Corporation will from time to time enter into transportation and processing commitments in order to meet and satisfy future requirements from forecast production. If the production forecasts are not realized and the Corporation can not satisfy these fixed transportation and processing commitments, there will be an underutilized demand charge which may negatively impact operating cash flows.



## **Risk Management Contracts**

The Corporation will from time to time enter into physical or financial agreements around commodity prices, foreign exchange rates or interest rates. Entering into such contracts may create additional financial loss in certain circumstances including inadequate production to cover contracted volumes, widening price-basis differentials on delivery points, counterparty failure to perform under the agreement, or sudden and unexpected impacts to pricing.

## **Internal controls**

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Internal control over financial reporting is a process designed to provide reasonable assurance regarding the preparation of relevant, reliable, and timely financial information and that all the Corporation's assets are safeguarded, and daily transactions are appropriately authorized.

The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") are responsible for internal controls over financial reporting to be designed under their supervision. Given the size of the Corporation and high involvement of the CEO and CFO in the day-to-day operating activities of the Corporation, there are appropriate disclosure controls and procedures in place to provide reasonable assurance that (i) material information relating to the Corporation is made known to the Corporation's CEO and CFO by others, and (ii) information required to be disclosed by the Corporation to its board of directors is recorded, processed and reported in a timely manner.

## **Financial reporting**

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### **New or changes in accounting policies**

#### **Critical accounting estimates**

The significant accounting judgements and estimates used by the Corporation are discussed in note 3 to the December 31, 2020, financial statements. Certain accounting policies require that management make appropriate decisions with respect to the formulation of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. Management reviews its estimates on a regular basis. The emergence of new information and changed circumstances may result in actual results or changes to estimate amounts that differ materially from current estimates.

#### **Financial instruments and risk management**

The Corporation's financial instruments recognized in the balance sheets consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities. The primary risks are described in Note 12 to the financial statements.

#### **Off-balance sheet arrangements**

Except as disclosed in the financial statements, the Corporation has not entered into any guarantee or off-balance sheet arrangements that would materially impact the financial position or results of operations as at December 31, 2020.

## **Other**

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### **Forward-Looking Statements**

Certain information set forth in this document contains forward-looking statements, including management's assessment of the Corporation's future plans and operations. By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond the Corporation's control, including the impact of general economic conditions, industry conditions, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, changes in environmental, tax and royalty legislation, competition from other industry participants, the lack of availability of qualified personnel or management, stock market volatility, and the ability to access sufficient capital from internal and external sources. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-



looking statements. The Corporation's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements including what benefits that the Corporation will derive therefrom. The Corporation disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

## Abbreviations

\$M	thousand dollars
\$MM	million dollars
AECO	the daily average benchmark price for natural gas at the AECO hub in Alberta
bbl(s)	barrel(s)
bbls/d	barrels per day
boe	barrel of oil equivalent, including crude oil, condensate, natural gas liquids, and natural gas (converted on the basis of one boe per six mcf of natural gas)
boe/d	barrel of oil equivalent per day
EBITDA	earnings before interest, income taxes, depreciation, depletion, and amortization
E&E	exploration and evaluation
GJ	gigajoule
Henry Hub	the daily average benchmark price for natural gas at the distribution hub on the natural gas pipeline system in Erath, Louisiana
mbbls	thousand barrels
mmboe	million barrels of oil equivalent
mcf	thousand cubic feet
mcsf/d	thousand cubic standard feet per day
mmcf/d	million cubic feet per day
MMBtu	one million British Thermal Units (BTU) is a measure of the energy content in gas
MW	one million watts
MWh	electrical energy of one million watts acting for one hour
NGLs	natural gas liquids, which includes butane, propane, and ethane
PP&E	property, plant, and equipment
WTI	West Texas Intermediate, the reference price paid for crude oil of standard grade in US dollars at Cushing, Oklahoma

## Definitions

The following reserve definitions (as set out in National Instrument 51-101) have been used to present reserve information:

Gross	the Corporation's interest in operated and non-operated production and reserves before deduction of royalties and without including any royalty interests of the Corporation.
Net	the Corporations interest in operated and non-operated production and reserves after deduction of royalty obligations plus the Corporation's royalty interest in production or reserves.
Reserves	the estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, from a given date forward, based on: analysis of drilling, geological, geophysical and engineering data; the use of established technology; and specified economic conditions, which are generally accepted as being reasonable. Reserves are classified according to the degree of certainty associated with the estimates.



Proved Reserves	those Reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated Proved Reserves. At least a 90 percent probability that the quantities actually recovered will equal or exceed the estimated Proved Reserves is the targeted level of certainty.
Probable Reserves	those additional Reserves that are less certain to be recovered than Proved Reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated Proved plus Probable Reserves. At least a 50 percent probability that the quantities actually recovered will equal or exceed the sum of the estimated Proved plus Probable Reserves is the targeted level of certainty.
Proved Developed Reserves	those Reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (e.g., when compared to the cost of drilling a well) to put the Reserves on production. The developed category may be subdivided into producing and non-producing.
Developed Producing Reserves	those Reserves that are expected to be recovered from completion intervals open at the time of the estimate. These Reserves may be currently producing or, if shut-in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty.
Developed Non-Producing Reserves	those Reserves that either have not been on production, or have previously been on production, but are shut-in, and the date of resumption of production is unknown.
Undeveloped Reserves	those Reserves expected to be recovered from known accumulations where a significant expenditure (e.g., when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the Reserves classification (proved, probable, possible) to which they are assigned.

### **Oil and gas advisories**

For the purpose of calculating unit costs, natural gas is converted to a barrel of oil equivalent (“boe”) using six thousand cubic feet of natural gas equal to one barrel of oil unless otherwise stated. The term barrel of oil equivalent (boe) may be misleading, particularly if used in isolation. A boe conversion ratio for gas of 6 mcf:1 boe is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.





# Management's discussion and analysis

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The following is Management's Discussion and Analysis ("MD&A") of the financial performance and results of operations for Kiwetinohk Resources Corp. ("kiwetinohk" or the "Corporation") as at and for the three months ended March 31, 2021.

This MD&A should be read in conjunction with the Corporation's financial statements and related notes as at and for the three months ended March 31, 2021, (the "Financial Statements") and the audited financial statements as at and for the year ended December 31, 2020. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The MD&A should also be read in conjunction with the Corporation's disclosure under "Non-GAAP Measurements" and "Forward-Looking Statements" below.

The reporting currency is the Canadian dollar, and all dollar amounts in this MD&A are stated in Canadian dollars unless otherwise indicated. This MD&A is dated May 28, 2021.

## Overview of business

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The Corporation is engaged in the business of developing an energy transition company focused initially on building a risk-diversified, liquids-rich focused upstream portfolio of Western Canadian oil and gas resource plays. In addition, the Corporation seeks to capture a larger portion of the hydrocarbons value chain by securing access to the downstream markets, focusing on power in the short-to-medium term and monitoring hydrogen for the longer-term, while contributing to a profitable and sustainable energy transition with low greenhouse gas emissions.

The Upstream business unit is involved in the acquisition, exploration and production of petroleum and natural gas reserves in Western Canada, with a focus on profitable early to mid-life oil and condensate-rich properties that offer top tier economic resource potential. The Corporation has closed a purchase and sale agreement for certain interests in the Simonette area of northwest Alberta and the Willesden Green and Ferrier areas of west central Alberta where it will retain a 50 percent working interest (the "Simonette Acquisition"). This, combined with the equity investment in Distinction Energy Corp. ("Distinction"), provides regional and resource diversification in the Montney and Duvernay. In addition, the Corporation is currently planning an initial drilling program in the new emerging Clearwater play. The Corporation continues to screen and evaluate other upstream business consolidation opportunities which are reasonably attractive in the current market.

The Power business is pursuing the development of a diversified Alberta power generation project portfolio ranging from clean, efficient, and reliable natural gas-fired power with carbon capture and sequestration, to renewable power sources, including solar and wind. The Corporation is conducting due diligence on certain power projects and has developed a strategy to finance these projects with investor partners. By building a portfolio of renewable and natural gas-fired power projects, the Corporation seeks to generate a profitable natural gas upgrading business and contribute to the energy transition by efficiently generating natural gas-fired electricity, reducing CO2 emissions, and enabling maximum renewable capture.

The Corporation will also continue to investigate preferential access to power and hydrogen projects with the goal of expanding to alternate markets with differentiated access.





## Highlights

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Subsequent to quarter end:

- On April 28, 2021, the Corporation closed a \$320.0 million purchase and sale agreement for the Simonette Acquisition. The Simonette Acquisition is shared 50 percent with Distinction and the Corporation's share of production prior to the closing date of April 28, 2021 was approximately 4,625 boe/day, weighted 43% to oil and natural gas liquids ("NGLs"). The Corporation has entered into various marketing and transportation agreements related to the Simonette Acquisition which include Distinction's share of production.
- The Corporation entered into a settlement agreement with Distinction and an affiliate of a major investor in Distinction to terminate the rights and obligations under a participation agreement for \$4.25 million.
- On April 28, 2021, the Corporation entered into a \$97.5 million Senior Secured Extendible Revolving Facility and made an initial draw of \$33 million to fund the Simonette Acquisition which was substantially repaid in May 2021.
- On April 28, 2021, the Corporation closed on equity proceeds of \$104 million with all of the original capital commitment of the original shareholder group now drawn and deployed.
- In April and May 2021, the Corporation issued a total of \$33.4 million in additional common shares at \$1 per common share.
- In April and May 2021, the Corporation entered into various risk management contracts on future oil, natural gas, and foreign exchange transactions related to expected production and natural gas purchase volumes from the Simonette Acquisition.
- On April 6, 2021, certain members of the Corporation's executive team were appointed as officers in Distinction.

During the first quarter of 2021:

- The Corporation exercised warrants on January 15, 2021, for \$40.0 million to acquire additional shares in Distinction and as at March 31, 2021, the Corporation owns 4,870,980 (51.6 percent) of Distinction's issued and outstanding common shares.
- Oil revenues were \$2.2 million and comprised 67 percent of revenues during the first quarter of 2021.
- The Corporation realized a field netback of \$35.92 per boe during the first quarter of 2021.
- On March 15, 2021, the Corporation completed an equity line of credit cash call with ARC Financial Corp. and other investors for \$9.5 million.
- The Corporation commenced plans to re-prioritize its development and drilling plans to higher return undeveloped land locations associated with the Simonette area acquisition resulting in \$46 million of impairment relating to existing exploration and evaluation assets.



## Corporate investment

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On October 16, 2020, the Corporation closed its initial investment in Distinction per its previously agreed Capital Investment Agreement whereby the Corporation made a \$22.9 million investment in Distinction concurrent with the successful implementation of the restructuring plan (the “Plan”) by Distinction to restructure and exit from the Companies’ Creditors Arrangement Act (“CCAA”). The investment is composed of 1,522,181 new shares and 3,348,798 share purchase warrants that were exercised on January 15, 2021, to increase the Corporation’s equity ownership in Distinction as at March 31, 2021, to 51.6 percent of the issued and outstanding common shares. The exercise price of the warrants was \$40.0 million and included working capital adjustments of \$2.5 million.

On April 6, 2021, Distinction announced the appointment of new executive officers pursuant to the previously disclosed plans and agreements to rebuild Distinction from last year’s CCAA process. Mr. Patrick Carlson was appointed President and Chief Executive Officer of Distinction, Mr. Jakub Brogowski was appointed Chief Financial Officer and Mr. Glen Nevokshonoff was appointed Chief Operating Officer. On April 28, 2021, Kiwetinohk was able to appoint an independent Distinction director whereby Mr. Steven Sinclair was appointed and joined Mr. Kevin Brown and Mr. Patrick Carlson on the Distinction Board of Directors along with Mr. Glen Koach and Mr. Timothy Schneider. Kiwetinohk now has a controlling interest in Distinction and is actively involved in the day-to-day management and strategic direction of the company.

Distinction continues to be a reporting issuer and additional information can be found on SEDAR.

## Strategic asset acquisition

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On February 17, 2021, the Corporation entered into agreements to participate as to 50 percent in the \$320.0 million Simonette Acquisition and paid a \$7.5 million deposit. The Simonette Acquisition consists of certain multi-zone, oil and liquids-rich natural gas producing assets in the Simonette area of northwest Alberta, including associated infrastructure and additional assets in the Willesden Green, Ferrier and other areas of Alberta.

As of the first quarter of 2021, the Company’s share of production prior to closing would have been approximately 4,625 barrels of oil equivalent per day, weighted 43 percent to oil and natural gas liquids (“NGLs”).

The purchase price of \$320.0 million excludes up to \$15.0 million of contingent payments (\$7.5 million for the Company’s share) that will be required if average crude oil prices exceed the reference price for WTI of USD \$56.00 per barrel in 2021 and USD \$62.00 per barrel in 2022. The Corporation funded its \$160.0 million (\$145.7 million net of interim closing adjustments) share of the purchase price through its remaining \$79 million equity line of credit, issued an additional \$25.0 million of equity financing and drew \$33.0 million on a \$97.5 million credit facility with a syndicate of banks.

The Simonette Acquisition has an effective date of January 1, 2021 and closed on April 28, 2021.

On April 28, 2021, the Corporation entered into three marketing agreements with Distinction for natural gas, condensate and NGLs production volumes associated with the Simonette Acquisition. Kiwetinohk will market all of Distinction’s production from the Simonette Acquisition and will also purchase natural gas volumes above production required to fill the shared 90 mmcf per day natural gas transportation commitments to Chicago through October 2025. Natural gas purchases required to fill the capacity above expected production have been fully contracted through October 31, 2021. Natural gas delivered to Aux Sable in Chicago will receive rich gas premium pricing through October 2023. The marketing profits, based upon actual revenues and costs, will be shared equally with Kiwetinohk and Distinction for their respective volumes.



## Financial and operating results:

### Financial and operating summary:

	Q1 2021	Q4 2020	Q1 2020
<b>Sales volumes</b>			
Light oil (bbl/d)	344	374	620
Heavy oil (bbl/d)	33	43	-
Natural gas (mcf/d)	1,169	1,045	2,170
Condensate (bbl/d)	77	13	96
NGLs (bbl/d)	92	41	126
Total (boe/d)	741	645	1,204
Oil and condensate % of production	61%	67%	60%
NGL % of production	13%	6%	10%
Natural gas % of production	26%	27%	30%
<b>Realized prices</b>			
Light oil (\$/bbl)	65.23	48.57	51.63
Heavy oil (\$/bbl)	48.28	35.58	-
Natural gas (\$/mcf)	3.19	2.66	2.11
Natural gas (\$/GJ)	2.64	2.19	1.67
Condensate (\$/bbl)	77.96	55.56	60.63
NGLs (\$/bbl)	24.41	14.04	1.73
Combined (\$/boe)	48.62	36.83	35.42
Royalty recovery/(expense) (\$/boe)	(3.19)	1.57	(5.46)
Operating expenses (\$/boe)	(9.51)	(11.00)	(10.59)
Operating netback (\$/boe)	35.92	27.40	19.37
<b>Financial results:</b>			
Commodity sales (\$000)	3,242	2,186	3,879
Share in earnings and excess fair value	9,029	12,878	-
Loss on risk management contracts	(1,748)	-	-
Interest income (\$000)	56	58	153
Management fee (\$000)	642	387	-
Exploration and evaluation expenses	50,576	2,896	8,001
Cash flow from operations (\$000)	(3,579)	(777)	493
Per share basic	(0.02)	(0.00)	(0.00)
Per share diluted	(0.02)	(0.00)	(0.00)
Net income (loss) (\$000)	(46,267)	9,732	(7,795)
Per share basic	(0.24)	0.06	(0.06)
Per share diluted	(0.24)	0.06	(0.06)
E&E capital expenditures (\$000)	(28)	(52)	(486)
Land purchases (\$000)	(281)	(779)	(216)
Investment in associate	(40,113)	(23,393)	-
Simonette Acquisition deposit	(7,500)	-	-
<b>Balance sheet:</b>			
Total assets (\$000)	140,216	172,993	106,526
Long-term liabilities (\$000)	3,173	3,448	1,440
Working capital (\$000)	12,467	54,400	26,759
Weighted average shares (000)	190,169	152,028	127,856
Shares outstanding end of period (000)	196,966	187,237	127,856



## Capital expenditures

\$ 000's	Q1 2021	Q4 2020	Q1 2020
Land purchases	281	779	216
Drilling	24	29	29
Completions	2	6	1
Equip and tie-in	-	17	456
Abandonment/reclamation	3	-	-
Office related	8	4	51
Total	318	835	753

## Land purchases

The following is a summary of sections that the Corporation has acquired or earned (net of expiries) as at March 31, 2021:

Area name	Target Formation	Total		Undeveloped	
		Gross sections	Net sections	Gross sections	Net sections
Rimbey	Duvernay	116.8	73.0	110.8	69.2
Drayton Valley	Duvernay	191.8	191.8	191.8	191.8
Thorhild-Radway	Clearwater	87.0	84.5	86.8	84.3
Cadotte	Clearwater	12.0	12.0	12.0	12.0
Simonette	Montney	12.0	12.0	12.0	12.0
Total		419.5	373.2	413.3	369.2

The Corporation's Simonette Acquisition, which closed on April 28, 2021, includes a 50% ownership interest in approximately 400 gross sections (380 net sections) of various rights in the Simonette and Willesden Green areas of Alberta. Combined with the Corporation's pre-existing land base, Kiwetinohk now has a broad scope of diversified development opportunities. With the Distinction capital investment, Kiwetinohk has a further depth and diversity through its 50 percent equity ownership interest in this company which has: (i) a total of 147 gross sections (97.5 net) Montney land, and (ii) the other 50% of the Simonette Acquisition.

The Simonette Acquisition and Distinction land acreages are not reflected in the above table.

## Drilling

The following is a summary of drilling activity that the Corporation has completed:

(wells)	Drilling		Re-entry		Total	
	Gross	Net	Gross	Net	Gross	Net
Alberta - 2018	1.0	1.0	2.0	2.0	3.0	3.0
Alberta - Q1 2019	1.0	1.0	-	-	1.0	1.0
Alberta - Q2 2019	2.0	2.0	-	-	2.0	2.0
Total	4.0	4.0	2.0	2.0	6.0	6.0

There was no new drilling activity undertaken during the first quarter of 2021 as we continue to monitor and evaluate production profiles of the wells producing to date and the current economic environment along with evaluating the Corporation's other development opportunities.



## 2021 Capital Budget and Outlook

Ongoing uncertainty in commodity prices resulting from decreases in demand due to COVID-19 and the oversupply of crude oil are expected to continue to merit caution in capital allocation planning. With market conditions changing rapidly, there continues to be significant uncertainty and unpredictability around the potential material impacts this could have on the Corporation's operations and results. Oil and natural gas price curves have fundamentally improved in North America with the largest producers showing a distinct capital allocation strategy focused on merely sustaining production (or very modest growth) combined with a focus on strengthening balance sheets and/or returning free cash flow to shareholders.

As at March 31, 2021, the Corporation has invested \$62.9 million in Distinction common shares. . . Distinction participated in 50% of the Simonette Acquisition and funded its working interest with cash on hand and approximately \$63.3 million of bank indebtedness provided by a new credit facility of \$127.5 million. In conjunction with the closing of the Simonette Acquisition, Distinction also established a new committee the Board to facilitate the listing of its shares on the TSX or TSX Venture Exchange or other comparable stock exchange or trading system as is approved by the Board.

On April 28, 2021, the Corporation closed the Simonette Acquisition and funded the \$160.0 million (\$145.7 million giving effect to interim closing adjustments) share of the purchase price through its remaining \$79 million equity line of credit, issued an additional \$25.0 million of equity financing, and drew \$33 million on a new \$97.5 million credit facility with a syndicate of banks. The Simonette Acquisition has an effective date of January 1, 2021 and closed on April 28, 2021.

In April and May 2021, the Corporation completed an additional \$33.4 million equity financing which allowed it to repay drawn amounts on the credit facility and plans to use the facility for working capital purposes to fund go forward capital plans in advance of cash flow from new investments. With its current financial position and anticipated cash flow from the Simonette Acquisition, the Corporation expects to be in a position to fund capital expenditures for two gross (one net) Duvernay wells planned on the Simonette Acquisition acreage in 2021. The Duvernay wells will be drilled near existing production where two existing well licenses are present. Following 2021, the Corporation is reviewing plans to further grow production from the Simonette Acquisition which will be funded from expected cash flow from operations and draws on its existing credit facility. The Corporation will seek to maintain a net debt to last-twelve-months of funds flow from operations ratio of no more than 1.0 times during the funding of its future capital programs.

The Corporation is also currently evaluating its development plan related to recent Clearwater land acquisitions and has commenced drilling its first delineation well with a second delineation well targeted to be drilled in the second half of 2021. The estimated cost is approximately \$1.6 million per well plus additional lease construction costs.

The Corporation has re-prioritized its development and drilling plans to higher-return undeveloped land locations described above and as a result currently has no plans to drill new wells on its existing Central Alberta Duvernay acreage in Rimbey and Drayton Valley. The Corporation will continue to monitor neighboring drilling activity and the overall economic environment for opportunities to further develop these lands. The results from our initial wells continue to perform at or above type curve and rank in some of the top performing wells in central Alberta West Duvernay area. Although our farm-in earning opportunity was completed in August 2020 with Journey Energy Inc., we anticipate that a very large amount of land will be subject to lease expiry before the industry is able to commercialize drilling and completion techniques and complete drilling required to hold many of the leases. As a result of its continued pause in planned activity in this region, the Corporation incurred a \$46 million impairment relating to existing exploration and evaluation assets.

As part of its strategy to develop a diversified upstream portfolio, the Corporation continues to be focused on additional upstream consolidation efforts for the remainder of 2021. Concurrent with the upstream acquisition strategy, the Corporation has also strategically invested in a two-year effort to position itself to capitalize on the limited amount of optimal energy transition projects/strategies, currently focused on power development and carbon capture and sequestration.



## Production

	Q1 2021	Q4 2020	Q1 2020
Light oil (bbl/d)	344	374	620
Heavy oil (bbl/d)	33	43	-
Natural gas (mcf/d)	1,169	1,045	2,170
Condensate (bbl/d)	77	13	96
NGLs (bbl/d)	92	41	126
Total (boe/d)	741	645	1,204
Oil and condensate % of production	61%	67%	60%
NGL % of production	13%	6%	10%
Natural gas % of production	26%	27%	30%

As of March 31, 2021, the Corporation had five wells tied-in and on production. Average production for the first quarter of 2021 increased by 15 percent over the fourth quarter of 2020, mainly due to additional flush production from a previously shut-in well that was brought back on production on March 1, 2021.

## Benchmark and realized prices

	Q1 2021	Q4 2020	Q1 2020
<b>Liquid benchmark prices</b>			
WTI (US\$/bbl)	57.79	42.75	46.27
Edmonton Light (\$/bbl)	66.51	50.12	51.43
WCS Hardisty (\$/bbl)	57.46	43.58	34.22
<b>Natural gas benchmark prices</b>			
Henry Hub (US\$/MMBtu)	2.72	2.77	1.87
AECO (\$/GJ)	2.99	2.50	1.87
<b>Alberta Power</b>			
Daily (\$/MWh)	97.26	46.13	66.39
Daily on Peak (\$/MWh)	120.21	52.45	80.10
<b>Foreign exchange rates</b>	0.79	0.76	0.75
<b>Realized prices</b>			
Light oil (\$/bbl)	65.23	48.57	51.63
Heavy oil (\$/bbl)	48.28	35.58	-
Condensate (\$/bbl)	77.96	55.56	60.63
NGLs (\$/bbl)	24.41	14.04	1.73
Natural gas (\$/mcf)	3.19	2.66	2.11
Natural gas (\$/GJ)	2.64	2.19	1.81
Combined (\$/boe)	48.62	36.83	35.42

WTI benchmark prices averaged US\$57.79 per barrel in the first quarter of 2021, an increase of 35 percent compared to the fourth quarter of 2020, and an increase of 25 percent compared to the first quarter of 2020. During the first quarter of 2021, there was a continued oil price recovery as a result of a rebound in economic activity and commodity demand and improved optimism on further improvements in general economic sentiment with the introduction of COVID-19 vaccines. In addition, in March 2021, OPEC+ members announced they would maintain production cuts through April 2021. The markets are expected to remain volatile as the industry balances supply and demand concerns due to the uncertainty around the timing and extent of a COVID-19 recovery.

Similar to WTI, Edmonton Light benchmark pricing experienced a price increase of 33 percent to average \$66.51 per barrel in the first quarter of 2021 compared to \$50.12 per barrel in the fourth quarter of 2020, and a 30 percent increase from \$51.43 per barrel in the first quarter of 2020.





Henry Hub gas prices averaged US \$2.72 per MMBtu in the first quarter of 2021 which was consistent with the fourth quarter of 2020. A significantly cold period of weather in February 2021 resulted in record gas prices as a result of a loss in US production during an extremely high period of demand for natural gas. Although there was a lack of lasting cold weather in the first quarter of 2021, liquefied natural gas exports have continued at high levels, keeping prices flat quarter over quarter.

AECO prices increased by 20 percent to average \$2.99 per GJ in the first quarter of 2021 compared to the fourth quarter of 2020, and increased by 60 percent compared to the first quarter of 2020. Canadian natural gas pricing has strengthened as a result of a decrease in Canadian production, stable access to natural gas storage, and normal demand levels from power generation and oil sands projects.

The provincial power price averaged \$97.26 per MWh in the first quarter of 2021, an increase of 111 percent compared to the fourth quarter of 2020 as a result of an increase in demand from cold weather and lower wind generation combined with planned maintenance outages in Alberta.

### Detailed realized pricing summary

Light oil price \$/bbl	Q1 2021	Q4 2020	Q1 2020
Edmonton Light benchmark price	66.51	50.12	51.43
Quality and apportionment adjustment	(0.24)	(0.24)	(0.29)
Tariffs	(0.74)	(0.78)	(0.70)
Other	(0.30)	(0.52)	1.19
Realized light oil price	65.23	48.57	51.63
% of Edmonton Light benchmark	98%	97%	100%

Light oil production makes up 46 percent of production and accounts for 62 percent of commodity sales. The Corporation's realized pricing on Edmonton Light during the first quarter of 2021, as a percentage of benchmark pricing, was consistent with prices realized in 2020.

### Operating netback

\$/boe	Q1 2021	Q4 2020	Q1 2020
Realized price	48.62	36.83	35.42
Royalties recovery/(expense)	(3.19)	1.57	(5.46)
Operating expense	(9.51)	(11.00)	(10.59)
Netback	35.92	27.40	19.37
Daily Sales Volume (boe/d)	741	645	1,204

Operating netback increased by 31 percent to \$35.92 per boe in the first quarter of 2021 as compared to \$27.40 per boe in the fourth quarter of 2020 due to higher pricing, and lower operating costs offset by a prior quarter royalty recovery.

### Revenue

\$ 000's	Q1 2021	Q4 2020	Q1 2020
Light oil	2,017	1,669	2,913
Heavy oil	144	142	-
Natural gas	336	256	416
Condensate	543	66	530
NGLs	202	53	20
Total	3,242	2,186	3,879

Revenues increased by 48 percent to \$3.2 million in the first quarter of 2021 as compared to \$2.2 million in the fourth quarter of 2020 as a result of higher commodity prices and production volumes. The 16 percent revenue decrease from the first quarter of 2020 is a result of normal production declines offset by commodity price increases.





## Royalties

\$ 000's and \$/boe	Q1 2021	Q4 2020	Q1 2020
Royalties/(recovery)	213	(93)	598
As a % of revenue	7%	(4%)	15%
\$/boe	3.19	(1.57)	5.46

The Corporation pays crown, freehold, and overriding royalties on production volumes. Royalty rates in the first quarter of 2021 have increased by \$0.3 million from the fourth quarter of 2020 as a result of a crown royalty reclassification on one well that was recorded in 2020 and resulted in a refund in prior period crown royalties of \$0.3 million, net of the annual gas cost allowances estimate. Royalty rates in the first quarter of 2021 are lower by \$0.3 million compared to the first quarter of 2020 as a result of lower crown charges upon reassessment for one well, and the inclusion of gas cost allowance credits that were under-estimated in the first quarter of 2020.

## Operating expenses

\$ 000's and \$/boe	Q1 2021	Q4 2020	Q1 2020
Operating expenses	634	653	1,160
\$/boe	9.51	11.00	10.59

Operating costs relate primarily to field operators, supervision, trucking, gas and liquids processing, gathering, compression and treating. Operating costs of \$9.51 per boe in the first quarter of 2021 were lower by 14 percent on a per barrel basis compared to the fourth quarter of 2020, mainly due to additional low-cost production brought back online in March 2021 that had previously been shut-in.

## Other income

\$ 000's	Q1 2021	Q4 2020	Q1 2020
Share in earnings of associate and excess fair value	9,029	12,878	-
Management fee	642	387	-
Loss on risk management contracts	(1,748)	-	-
Interest income	56	58	153

The Corporation has a 51.6 percent ownership interest in Distinction and accounts for its investment using the equity method. As a result, there were earnings of \$9.0 million recorded which includes \$0.7 million for the Corporation's share of earnings in the first quarter of 2021 and \$8.3 million for an excess value on the cost of the investment as compared to the estimated net asset fair value. The Corporation's investment in Distinction is carried on the balance sheet at a value of \$85.9 million representing an average weighted investment cost of \$17.63 per share. In addition, there is a management fee for management services the Corporation provides to Distinction based on an agreed fee-per-boe basis that commenced in October 2020 at \$0.75 per boe and increased to \$1.50 per boe on February 17, 2021, upon entering into the Simonette Acquisition purchase agreement.

As part of the Simonette Acquisition, the Corporation incurred \$3.0 million in premiums to enter into swaptions whereby the Corporation has the option, but not the obligation, to enter into the following swaps:

\$000's	Product	Quantity	Units	Price (\$/unit)	Reference price
May 1, 2021 – March 31, 2022	Oil	1,500	bbl / d	\$67.10	WTI \$CAD
April 1, 2022 – March 31, 2023	Oil	750	bbl / d	\$67.10	WTI \$CAD
May 1, 2021 – March 31, 2022	Gas	7,500	mmbtu / d	\$2.70	HH \$US
April 1, 2022 – March 31, 2023	Gas	2,500	mmbtu / d	\$2.70	HH \$US

As at March 31, 2021, the swaptions had an estimated fair value of \$1.2 million and during the first quarter of 2021, the Corporation recorded a loss of \$1.7 million. Commodity prices subsequently increased and the swaptions expired on April 30, 2021, at which time the Corporation entered into further risk management contracts as described in the Subsequent Events section.

The Corporation earns interest on cash balances held on deposit with financial institutions that fluctuates based on cash balances.



## General and administrative (“G&A”) expenses

\$ 000's	Q1 2021	Q4 2020	Q1 2020
G&A expenses	2,006	1,689	1,402
Less management fee	(642)	(387)	-
Net G&A	1,364	1,302	1,402

G&A expenses increased to \$2 million in the first quarter of 2021, an increase of 19 percent compared to the fourth quarter of 2020 as a result of increased activity levels and staffing costs. G&A expenses were consistent between periods after reducing for the management fee described above under other income. A significant portion of employee and consultant G&A activity continues to be directly related to business development initiatives on a strategy to capture a larger portion of the hydrocarbons value chain by securing access to the downstream markets of power, petrochemicals, and LNG/LPG.

## Exploration and evaluation expense (“E&E”)

\$ 000's	Q1 2021	Q4 2020	Q1 2020
E&E	1,600	671	621
E&E non-cash expense depletion	2,961	2,218	4,465
E&E non-cash expense impairment	46,015	6	2,915
Total	50,576	2,895	8,001

The Corporation is continuously evaluating various projects and upstream business opportunities, which are expensed as incurred until the Corporation has purchased the related land and has a legal right to explore. The Corporation will engage various consultants, advisors, and reservoir engineering specialists in completing evaluation and due diligence procedures. E&E expense of \$1.6 million in the first quarter of 2021 increased by 138 percent from the fourth quarter of 2020 in large part as a result of the incremental efforts to close the Simonette Acquisition. E&E non-cash expense for depletion of \$2.9 million includes amortization of E&E assets on a unit-of-production basis which was higher by 30 percent compared to the fourth quarter of 2020 as a result of higher production. With the Simonette Acquisition and associated lands acquired, the Corporation has prioritized its development and drilling plans to higher-return undeveloped land locations. This is anticipated to result in some near-term land expiries whereby a portion of the E&E assets for existing wells and undeveloped land may not be recoverable, resulting in an impairment charge of \$46 million.

## Share-based compensation

\$ 000's	Q1 2021	Q4 2020	Q1 2020
Share-based compensation	3,930	503	527

Share-based compensation is the non-cash compensation expense recognized for stock options, performance warrants and capital warrants. The expense is based on an estimated grant date fair value of the stock options and warrants, recognized over the vesting period. The expense is based on a graded time vesting pattern by tranche, which results in a higher upfront expense that is recorded in the earlier years, and an estimated dollar vesting percentage based on a target private equity funding of \$500 million. In the first quarter of 2021, share-based expense significantly increased from fourth quarter of 2020 as a result of additional issuances of stock options and performance warrants in January 2021, combined with an increase in the estimated total dollar vesting threshold.

## Income taxes

The Corporation did not pay any income taxes in 2020 and does not expect to be taxable in 2021. A deferred tax asset has not been recognized given the uncertainty of future realization.



## Funds from Operations

\$ 000's	Q1 2021	Q4 2020	Q1 2020
Commodity sales	3,242	2,186	3,879
Royalties recovery/(expense)	(213)	93	(598)
Operating expense	(634)	(653)	(1,160)
Field netback	2,395	1,626	2,121
Interest income	56	58	153
Management fee	642	387	-
Exploration and evaluation	(1,377)	(555)	(556)
General and administrative	(2,006)	(1,689)	(1,402)
Funds flow from operations	(290)	(173)	316
Non-cash items:			
Share based compensation	(3,930)	(503)	(527)
Depreciation	(110)	(110)	(117)
Exploration and evaluation	(48,976)	(2,224)	(7,380)
Share in earnings of associate	9,029	12,878	-
Loss on risk management contracts	(1,748)	-	-
Shares to be issued	(223)	(117)	(65)
Accretion	(19)	(19)	(22)
Net income (loss)	(46,267)	9,732	(7,795)

## Asset retirement obligations

The Corporation's asset retirement obligations ("ARO") of \$1.6 million pertain to the Corporation's wells and related infrastructure. The estimated ARO includes assumptions with respect to actual costs to abandon wells or reclaim the property, the time frame in which such costs will be incurred, and annual inflation factors.

Environmental sustainability is a key focus area of the Corporation where all development activities are reviewed to ensure that they are done in the most responsible and prudent manner. The Corporation's Liability Management Rating ("LMR") is within the Alberta Energy Regulator's requirements and as such, no deposits are required or expected to be required in the near term. The Corporation's current LMR at March 31, 2021, is 10.9.

## Select quarterly information

\$ 000's	2021		2020		2019			
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Production (boe/d)	741	645	793	443	1,204	1,582	1,440	1,002
Commodity sales (\$000)	3,242	2,186	2,388	1,305	3,879	7,017	5,881	5,249
Cash from operations	(3,579)	(777)	399	(1,776)	493	3,884	4,081	237
Per share (basic)	(0.02)	(0.01)	-	(0.01)	-	0.03	0.03	-
Per share (diluted)	(0.02)	(0.01)	-	(0.01)	-	0.03	0.03	-
Net income (loss)	(46,267)	9,732	(3,545)	(3,261)	(7,795)	(10,679)	(2,120)	(2,746)
Per share (basic)	(0.24)	0.06	(0.03)	(0.03)	(0.06)	(0.08)	(0.02)	(0.03)
Per share (diluted)	(0.24)	0.06	(0.03)	(0.03)	(0.06)	(0.08)	(0.02)	(0.03)



## Capital resources and liquidity

The Corporation's objective when managing its capital is to maintain a conservative structure that will allow it to provide financial flexibility to execute on strategic and new business opportunities. It relies on current production, cash on hand, and future equity issuances to fund its capital demands. The Corporation has secured a \$97.5 million senior credit facility from a syndicate of banks of which \$33 million was drawn to fund the Simonette Acquisition. This balance was substantially repaid from a subsequent equity issuance. The Corporation currently has \$10 million in letters of credit to support transportation commitments. Moving forward the Corporation plans to use its credit facility for working capital purposes to fund go forward capital plans in advance of cash flow from new investments and will target a net debt to last-twelve-months of funds flow from operations ratio of no more than 1.0 times.

Subsequent to March 31, 2021, the Corporation fully drew on its remaining \$79 million equity line of credit. Its lead investor, ARC Financial Corp. ("ARC") invested a further \$25 million and the Corporation raised \$33.4 million in a private placement for \$334.3 million in total aggregate equity proceeds. The Corporation anticipates sufficient cash flow from operations from the Simonette Acquisition and availability on its credit facility in order to meet working capital requirements and fund anticipated drilling on the Simonette Acquisition acreage and its prospective Clearwater licenses for the remainder of the year.

### Commitments

\$000's	2021	2022	2023	2024	2025
Gas transportation - Kiwetinohk <sup>1</sup>	12,407	18,611	18,611	18,611	15,509
Gas transportation – Distinction <sup>1</sup>	12,407	18,611	18,611	18,611	15,509
Accounts payable and accrued liabilities	4,447	-	-	-	-
Land fund	382	-	-	-	-
Office lease commitments	200	-	-	-	-
<b>Total</b>	<b>29,843</b>	<b>37,366</b>	<b>37,222</b>	<b>37,222</b>	<b>31,018</b>

1 – Gas transportation contracts include contracts entered into subsequent to March 31, 2021 as part of the Simonette Acquisition.

As part of the Simonette Acquisition, the Corporation assumed natural gas transportation commitments of approximately 90 mmcf per day to deliver gas to Chicago on the Alliance pipeline through October 2025. The Corporation is able to capture a rich gas premium price based on Aux Sable marketing contracts through October 2023. Kiwetinohk will share 50 percent of the transportation cost related to the transportation commitments with Distinction as part of the natural gas marketing agreements.

## Issued and outstanding share information

Outstanding share information is as follows:

Period ended	Q1 2021	Q4 2020	Q1 2020
<b>Weighted average shares outstanding</b>			
Basic	190,169,122	152,028,454	126,356,360
Diluted	190,169,122	152,028,454	126,356,360
<b>Outstanding securities</b>			
Common shares	196,966,333	187,237,176	127,856,360
Stock options	18,809,187	12,882,899	14,109,584
Performance warrants	37,623,490	25,784,930	28,219,165
Capital warrants	20,073,300	20,073,300	20,073,300
<b>Total diluted outstanding securities</b>	<b>273,472,310</b>	<b>245,978,305</b>	<b>190,258,409</b>

See subsequent event section below for additional changes to issued and outstanding share information.



## Related Party Information

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For the three months ended March 31, 2021, the Corporation incurred a total of \$381,819 (March 31, 2020 - \$183,954), on the following related party transactions:

- The Corporation has retained a law firm to provide legal services on corporate matters. A director of the Corporation is a partner of this law firm.
- The Corporation has engaged an energy information services company to assist in the evaluation of prospective upstream oil and gas properties. A director of the Corporation is the CEO of this firm.
- The Corporation is working with an upstream oilfield services company. A VP of the Corporation is the president of this oilfield services company.

All related party transactions are incurred in the normal course of operations and recorded at the exchange amount which approximates the fair value of the services provided.

## Subsequent events

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### Acquisitions

The Corporation closed the Simonette Acquisition on April 28, 2021, which is described in more detail in this MD&A:

- Strategic asset acquisition on page 2 for an overview of the acquisition.
- Commitments on page 11 for natural gas transportation commitments.

Concurrent with the closing of the Simonette Acquisition, the Corporation, Distinction and 1266580 B.C. Ltd., an affiliate of Luminus Energy, entered into a settlement agreement to terminate the rights and obligations under a participation agreement made effective by the parties October 16, 2020. The Corporation's net share of the settlement agreement was \$4.25 million and was settled and paid to 1266580 B.C. Ltd. as part of the closing procedures of the Simonette Acquisition.

### Senior credit facility

On April 28, 2021, the Corporation entered into a \$97.5 million Senior Secured Extendible Revolving Facility with a syndicate of banks and made an initial draw of \$33 million to fund the Simonette Acquisition which has subsequently been substantially repaid. The Credit Facility is a 364-day committed facility available on a revolving basis until May 31, 2022, at which time it may be extended at the lenders' option. If the revolving period is not extended, the undrawn portion of the New Credit Facility will be cancelled and the amount outstanding would be required to be repaid on May 31, 2023, at the end of the non-revolving term.

The New Credit Facility is secured by a \$300.0 million demand floating charge debenture and a general security agreement over all assets of the Corporation.

The Corporation is not subject to any financial covenants under the Credit Facility.

### Share capital

ARC Financial Corp. entered into share subscription agreements for \$75 million in equity proceeds. On April 28, 2021, the Corporation closed on equity proceeds of \$104 million.

On April 23, 2021, the Corporation issued \$36.9 million in subscription receipts that were converted into 36.9 million common shares at \$1 per common share on April 28, 2021, upon closing of the Asset Acquisition. Subsequently, \$6 million of the common shares above were cancelled and \$2.5 million of additional common shares were issued at \$1 per common share.



## Risk management contracts

Subsequent to March 31, 2021, the Corporation entered into the following risk management contracts:

### Oil:

Time Period	Average quantity	Units	Type	Price (\$/unit)	Reference price
May 1, 2021 – Dec 31, 2021	1,375	bbl / d	Swap	\$76.00	WTI \$CAD
Jan 1, 2022 – Dec 31, 2022	1,100	bbl / d	Collar	\$65.00 - 75.50	WTI \$CAD

### Natural gas:

Time Period	Average quantity	Units	Type	Price (\$/unit)	Reference price
June 1, 2021 – Dec 31, 2021	14,140	mmbtu / d	Swap	\$2.98	HH \$US
Jan 1, 2021 – Dec 31, 2022	11,800	mmbtu / d	Swap	\$2.72	HH \$US
June 1, 2021 – Oct 31, 2021	33,650	GJ / d	Call	\$2.77	AECO 5A \$CAD
June 1, 2021 – Oct 31, 2021	31,900	mmbtu / d	Put	\$2.78	Chicago daily \$US

### Foreign exchange:

Time Period	Average quantity	Units	Type	Price (\$/unit)	Reference price
June 1, 2021 – Oct 31, 2021	\$2.7MM	\$USD / month	Put	\$1.227	\$CAD to \$US

## Health, safety and environmental

The Corporation focuses on conducting transparent, safe, and responsible operations in the communities in which its people live and work.

There is a growing concern related to the risk of climate change and atmospheric pollution, which is motivating a focus on, and reduction of, greenhouse gas emissions. The Corporation is focused on meeting the energy needs of tomorrow with solutions that can demonstrate a movement toward cleaner energy and a reduction in greenhouse gas emissions as Canada transitions to a lower carbon environment. The Corporation is committed to being an energy leader in sustainable exploration and development, while at the same time providing socio-economic benefits to communities impacted by its activities, including Indigenous communities.

## Internal controls

Internal control over financial reporting is a process designed to provide reasonable assurance regarding the preparation of relevant, reliable, and timely financial information and that all the Corporation's assets are safeguarded, and daily transactions are appropriately authorized.

The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") are responsible for internal controls over financial reporting to be designed under their supervision. Given the size of the Corporation and high involvement of the CEO and CFO in the day-to-day operating activities of the Corporation, there are appropriate disclosure controls and procedures in place to provide reasonable assurance that (i) material information relating to the Corporation is made known to the Corporation's CEO and CFO by others, and (ii) information required to be disclosed by the Corporation to its board of directors is recorded, processed and reported in a timely manner.





## Financial reporting

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### Critical accounting estimates

The significant accounting judgements and estimates used by the Corporation are discussed in note 3 to the December 31, 2020, financial statements. Certain accounting policies require that management make appropriate decisions with respect to the formulation of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. Management reviews its estimates on a regular basis. The emergence of new information and changed circumstances may result in actual results or changes to estimate amounts that differ materially from current estimates.

### Financial instruments and risk management

The Corporation's financial instruments recognized in the balance sheets consist of cash, accounts receivable, funds held in trust, accounts payable and accrued liabilities, long term liability and risk management contracts. The primary risks are described in Note 13 of the interim financial statements.

### Off-balance sheet arrangements

Except as disclosed in the financial statements, the Corporation has not entered into any guarantee or off-balance sheet arrangements that would materially impact the financial position or results of operations as at March 31, 2021.

## Other

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### Non-GAAP Measures

Certain information set forth in this document contains forward-looking statements, including management's

The Corporation will use certain measures to analyze operational and financial performance. These non-GAAP measures do not have any standardized meaning prescribed under IFRS and therefore may not be comparable to similar measures presented by other entities.

#### *Funds Flow from Operations*

Funds flow from operations is cash flow from operating activities before decommissioning expenditures and changes in non-cash working capital from operating activities. Management uses funds flow from operations to analyze performance and considers it a key measure as it demonstrates the Corporation's ability to generate the cash necessary to fund future capital investments, abandonment obligations and to repay debt. The Corporation's determination of funds flow from operations may not be comparable to that reported by other companies nor should it be viewed as an alternative to cash flow from operating activities, net earnings (loss) or other measures of financial performance calculated in accordance with IFRS.

#### *Netback*

Netback is calculated on a total and per boe basis as petroleum and natural gas revenue from production less royalties, operating and transportation expense. Management believes that netback is a key industry benchmark and a measure of performance for the company that provides investors with information that is commonly used by other oil and natural gas producers. The measurement on a per boe basis assists Management with evaluating operating performance on a comparable basis.

### Forward-Looking Statements

Certain information set forth in this document contains forward-looking statements, including management's assessment of the Corporation's future plans and operations. By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond the Corporation's control, including the impact of general economic conditions, industry conditions, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, changes in environmental, tax and royalty legislation, competition from other industry participants, the lack of availability of qualified personnel or management, stock market volatility, and the ability to access sufficient capital from internal and external sources. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at





the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. The Corporation's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements including what benefits that the Corporation will derive therefrom. The Corporation disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

## Abbreviations

\$M	thousand dollars
\$MM	million dollars
AECO	the daily average benchmark price for natural gas at the AECO hub in Alberta
bbl(s)	barrel(s)
bbls/d	barrels per day
boe	barrel of oil equivalent, including crude oil, condensate, natural gas liquids, and natural gas (converted on the basis of one boe per six mcf of natural gas)
boe/d	barrel of oil equivalent per day
EBITDA	earnings before interest, income taxes, depreciation, depletion, and amortization
E&E	exploration and evaluation
GJ	gigajoule
Henry Hub	the daily average benchmark price for natural gas at the distribution hub on the natural gas pipeline system in Erath, Louisiana
mbbls	thousand barrels
mmboe	million barrels of oil equivalent
mcf	thousand cubic feet
mcsf/d	thousand cubic standard feet per day
mmcf/d	million cubic feet per day
MMBtu	one million British Thermal Units (BTU) is a measure of the energy content in gas
MW	one million watts
MWh	electrical energy of one million watts acting for one hour
NGLs	natural gas liquids, which includes butane, propane, and ethane
PP&E	property, plant, and equipment
WTI	West Texas Intermediate, the reference price paid for crude oil of standard grade in US dollars at Cushing, Oklahoma

## Oil and gas advisories

For the purpose of calculating unit costs, natural gas is converted to a barrel of oil equivalent ("boe") using six thousand cubic feet of natural gas equal to one barrel of oil unless otherwise stated. The term barrel of oil equivalent (boe) may be misleading, particularly if used in isolation. A boe conversion ratio for gas of 6 mcf:1 boe is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.



**SCHEDULE "C"**

**UNAUDITED CONSOLIDATED PRO FORMA FINANCIAL STATEMENTS OF THE COMBINED  
COMPANY**

## Pro-Forma Consolidated Balance Sheet

As at March 31, 2021

(Expressed in 000's Canadian dollars, unaudited)

	Kiwetinohek	Distinction	Simonette Assets	Adjustments	Note 3	Kiwetinohek Consolidated Pro Forma
<b>Assets</b>						
<b>Current</b>						
Cash	12,498	87,531	(276,296)	136,067	a	11,058
				62,177	b	
				32,081	b	
				(33,000)	a,b	
				(10,000)	c	
Accounts receivable	3,093	9,719	-	-		12,812
Prepaid expenses and deposits	377	3,701	1,692	-		5,770
Fair value of risk management contracts	1,275	-	-	-		1,275
	17,243	100,951	(274,604)	187,325		30,915
Deposit on acquisition	7,500	7,500	(15,000)	-		-
Funds held in trust	1,494	-	-	(1,494)	a	-
Fair value of risk management contracts	-	387	-	-		387
Exploration and evaluation assets	27,607	3,256	-	(3,256)	d	27,607
Property, plant, and equipment	499	219,620	345,066	(104,542)	d	511,811
				51,168	h	
Investment in associate	85,874	-	-	(85,874)	e	-
<b>Total assets</b>	<b>140,217</b>	<b>331,714</b>	<b>55,462</b>	<b>43,327</b>		<b>570,720</b>
<b>Current</b>						
Accounts payable and accrued liabilities	4,447	11,413	-	9,638	f	25,498
Fair value of risk management contracts	-	1,244	-	-		1,244
Right of use lease liability	329	124	450	-		903
Contingent liability	-	-	6,514	-	g	6,514
Asset retirement obligations	-	428	-	-		428
	4,776	13,209	6,964	9,638		34,587
Deferred tax liability	-	-	10,982	(10,982)	j	-
Debt	-	-	-	62,177	b	61,258
				32,081	b	
				(33,000)	a,b	
Long term liability	1,494	-	-	(1,494)	a	-
Right of use lease liability	97	597	157	-		851
Asset retirement obligations	1,582	31,638	7,106	25,300	h	65,626
<b>Total liabilities</b>	<b>7,949</b>	<b>45,444</b>	<b>25,209</b>	<b>83,720</b>		<b>162,322</b>
<b>Shareholders' equity</b>						
Shareholders' capital	195,520	175,955	-	(175,955)	i	434,507
				136,067	a	
				102,920	e	
Warrants	-	3,783	-	(3,783)	i	-
Contributed surplus	11,987	396,977	-	(396,977)	i	11,987
Deficit	(75,239)	(290,445)	30,253	297,335	c,d,e,f,h,j,i	(38,096)
<b>Total shareholders' equity</b>	<b>132,268</b>	<b>286,270</b>	<b>30,253</b>	<b>(40,393)</b>		<b>408,398</b>
<b>Total liabilities and shareholders' equity</b>	<b>140,217</b>	<b>331,714</b>	<b>55,462</b>	<b>43,327</b>		<b>570,720</b>

The accompanying notes are an integral part of these pro-forma consolidated financial statements.

## Pro-Forma Consolidated Statement of Operations

For the three months ended March 31, 2021

(Expressed in 000's Canadian dollars, unaudited)

	Kiwetinohek	Distinction	Simonette Assets	Presentation Adjustments	Pro Forma Adjustments	Notes	Kiwetinohek Consolidated Pro Forma
<b>Revenue</b>							
Petroleum and natural gas	3,242	21,665	50,099	-	-		<b>75,006</b>
Marketing revenue	-	2,112	-	-	-		<b>2,112</b>
Royalties	(213)	(1,531)	(2,622)	-	-		<b>(4,366)</b>
Revenue, net of royalties	3,029	22,246	47,477	-	-		<b>72,752</b>
<b>Other income</b>							
Share in earnings and excess fair value of associate	9,029	-	-	-	(9,029)	5a	-
Loss on risk management contracts	(1,748)	(1,795)	-	-	-		<b>(3,543)</b>
Interest income	56	38	-	-	-		<b>94</b>
Management fees	642	-	-	(642)	-	5b	-
Total revenue and other income	11,008	20,489	47,477	(642)	(9,029)		<b>69,303</b>
Operating	634	5,147	5,305	(58)	-	5c	<b>11,028</b>
Transportation	-	2,081	7,230	58	-	5c	<b>9,369</b>
Marketing	-	1,899	-	-	-		<b>1,899</b>
Exploration and evaluation and impairment	50,576	5,816	-	-	-		<b>56,392</b>
General and administrative	2,006	2,316	-	(642)	-	5b	<b>3,680</b>
Finance costs	19	364	-	-	198	4b	<b>1,441</b>
					752	4c	-
					108	4d	-
Depreciation	110	5,598	-	-	7,655	4e	<b>13,363</b>
Share-based compensation	3,930	1,575	-	-	-		<b>5,505</b>
Restructuring costs	-	868	-	-	-		<b>868</b>
Total expenses	57,275	25,664	12,535	(642)	8,713		<b>103,545</b>
Net income (loss) before income taxes	(46,267)	(5,175)	34,942	-	(17,742)		<b>(34,242)</b>
Current	-	-	-	-	-		-
Deferred	-	-	-	-	-		-
Total income taxes	-	-	-	-	-		-
<b>Net income (loss) and comprehensive income (loss)</b>	<b>(46,267)</b>	<b>(5,175)</b>	<b>34,942</b>	<b>-</b>	<b>(17,742)</b>		<b>(34,242)</b>
<b>Net loss per share</b>							
Basic and diluted	(0.24)						<b>(0.81)</b>

The accompanying notes are an integral part of these pro-forma consolidated financial statements

## Pro-Forma Consolidated Statement of Operations

For the year ended December 31, 2020

(Expressed in 000's Canadian dollars, unaudited)

	Kiwetinohek	Distinction	Simonette Assets	Presentation Adjustments	Pro Forma Adjustments	Notes	Kiwetinohek Consolidated Pro Forma
<b>Revenue</b>							
Petroleum and natural gas	9,758	56,373	86,937	-	44,157	4a	197,225
Marketing revenue	-	8,060	-	-	-		8,060
Royalties	(604)	(4,395)	(3,047)	-	(1,407)	4a	(9,453)
Revenue, net of royalties	9,154	60,038	83,890	-	42,750		195,832
<b>Other income</b>							
Share in earnings and excess fair value of associate	12,878	-	-	-	(12,878)	5a	-
Gain on risk management contracts	-	15,732	-	-	-		15,732
Interest income	324	732	-	-	-		1,056
Management fees	387	-	-	(387)	-	5b	-
Total revenue and other income	22,743	76,502	83,890	(387)	29,872		212,620
Operating	2,948	19,925	13,195	(342)	7,535	4a, 5c	43,261
Transportation	-	9,311	19,288	342	12,543	4a, 5c	41,484
Marketing	-	12,602	-	-	-		12,602
Exploration and evaluation and impairment	16,359	-	-	-	-		16,359
General and administrative	5,628	7,883	-	(387)	-	5b	13,124
Finance costs	83	23,307	-	-	1,477	4b	5,000
					3,007	4c	-
					433	4d	-
					(23,307)	4c	-
Transaction costs	-	-	-	-	20,719	4g	20,719
Depreciation and impairment	473	77,959	-	-	36,313	4e	64,888
					(49,857)	4f	
Share-based compensation	2,120	3,891	-	-	-		6,011
Gain on acquisition	-	-	-	-	(43,532)	4h	(43,532)
Loss on debt extinguishment	-	6	-	-	-		6
Gain on compromise of liabilities	-	(76,140)	-	-	76,140	4f	-
Restructuring costs	-	8,617	-	-	-		8,617
Total expenses	27,611	87,361	32,483	(387)	41,471		188,539
Net income (loss) before income taxes	(4,868)	(10,859)	51,407	-	(11,599)		24,081
Current	-	-	-	-	-		-
Deferred	-	-	-	-	-		-
Total income taxes	-	-	-	-	-		-
<b>Net income (loss) and comprehensive (income) loss</b>	<b>(4,868)</b>	<b>(10,859)</b>	<b>51,407</b>	<b>-</b>	<b>(11,599)</b>		<b>24,081</b>
<b>Net income (loss) per share</b>							
Basic and diluted	(0.04)						0.55

The accompanying notes are an integral part of these pro-forma consolidated financial statements

## 1. Nature and description of the acquisitions

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Kiwetinohek Resources Corp. (“Kiwetinohek” or the “Corporation”) is engaged in the business of developing an integrated energy transition company focused on the building of a risk-diversified, liquids-rich upstream portfolio in Western Canadian resource plays. Concurrent with the exploration, acquisition, and development of petroleum and natural gas, the Corporation seeks to capture a larger portion of the hydrocarbons value chain by securing access to the downstream markets focusing on power in the short-to-medium term and monitoring hydrogen for the longer-term.

The pro forma consolidated financial statements have been prepared to reflect the following transactions:

### ***Simonette Acquisition***

On February 17, 2021, Kiwetinohek, together with its affiliate Distinction Energy Corp. (“Distinction”) entered into various agreements to each participate at 50 percent in a \$335 million asset acquisition, including \$15 million in potential contingent payments based on future commodity prices, of an oil and natural gas property in the Simonette region (the “Simonette Acquisition”). The Simonette Acquisition has an effective date of January 1, 2021 and closed on April 28, 2021. With the acquisition of Distinction, as described below the pro-forma consolidated financial statements of Kiwetinohek now reflect 100% of the Simonette Acquisition.

### ***Distinction Business Combination***

On June 28, 2021, Kiwetinohek entered into an agreement with Distinction to acquire the remaining shares of Distinction not already owned pursuant to a plan of arrangement under the applicable corporate law (the “Arrangement”). Through the Arrangement, Kiwetinohek will acquire all of the remaining issued and outstanding shares of Distinction it does not already own by way of an exchange of 20 Kiwetinohek shares for each Distinction share. Total incremental Kiwetinohek common shares to be issued are anticipated to be approximately 102.9 million.

## 2. Basis of presentation

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The pro forma consolidated financial statements have been prepared in accordance with policies applied in the Corporation’s audited financial statements as at and for the year ended December 31, 2020 under International Financial Reporting Standards (“IFRS”). These pro forma consolidated financial statements should be read in conjunction with:

- The Corporation’s audited financial statements as at and for the year ended December 31, 2020;
- The Corporation’s unaudited interim condensed financial statements as at and for the three months ended March 31, 2021;
- Distinction’s audited consolidated financial statements as at and for the year ended December 31, 2020;
- Distinction’s unaudited condensed consolidated interim statements as at and for the three months ended March 31, 2021;
- The Simonette Acquisition audited operating statement containing gross sales, royalties, production costs and operating income for the year ended December 31, 2020; and
- The Simonette Acquisition unaudited operating statement containing gross sales, royalties, production costs and operating income for the three months ended March 31, 2021.

The pro forma consolidated balance sheet gives effect to the Simonette Acquisition and the Distinction Business Combination (the “Transactions”) as if they had occurred on March 31, 2021. The pro forma consolidated statement of operations gives effect to the transactions as if they had occurred on January 1, 2020. The pro forma consolidated financial statements may not be

indicative of the results that would have occurred if the events reflected therein had been in effect on the dates indicated or of the results which may be obtained in the future.

Accounting policies used in the preparation of the pro forma consolidated financial statements are consistent with those as described in the Corporation's audited financial statements as at and for the year ended December 31, 2020.

### **3. Pro Forma Consolidated Balance Sheet Assumptions and Adjustments**

The purchase price for the Simonette Acquisition and Distinction Business Combination and the fair value of the assets and liabilities assumed are measured in accordance with IFRS 3 – Business Combinations. Estimates are based on management's best information as at the date of this pro forma. Actual results of consolidation may vary materially from estimates at this time. The Company has up to one year to reflect new information obtained about facts and circumstances that existed as of acquisition date and if known, would have resulted in the recognition of assets and liabilities as of that date.

#### ***Simonette Acquisition***

	March 31, 2021
Purchase and sale agreement consideration	320,000
Preliminary closing adjustments	(28,704)
Total cash consideration	291,296
Estimated contingent consideration	6,514
Total consideration	297,810
Fair value of net identifiable assets acquired:	
Prepaid expenses	1,692
Property, plant, and equipment	345,066
Right of use liability	(607)
Asset retirement obligations	(7,106)
Deferred tax liabilities	(10,982)
Fair value of identifiable assets acquired	328,063
Gain on acquisition	(30,253)
	297,810



### ***Distinction Business Combination***

The fair value of the Corporation's investment in associate immediately prior to consolidation is as follows:

	March 31, 2021
Investment in associate	85,874
Share in acquisition date fair value gain and remeasurements	12,750
Investment in associate immediately prior to acquisition	98,624

Any impact of the Simonette Acquisition is reflected above under the Simonette Acquisition. The estimated fair value of Distinction assets and liabilities assumed is:

	March 31, 2021
Investment in associate immediately prior to business combination	98,624
Kiwetinohek shares issued to acquire remaining Distinction shares (Note 6)	102,920
Total consideration	201,544
Fair value of net identifiable assets acquired:	
Working capital	96,181
Property, plant, and equipment	115,080
Finance lease obligations	(721)
Decommissioning obligations	(6,198)
Fair value of net identifiable assets acquired	204,342
Gain on acquisition	(2,798)
	201,544

- a) Kiwetinohek closed on \$104 million of equity proceeds upon closing the Simonette Acquisition and as such the \$1.5 million of funds held in trust were converted to shares and the offsetting liability removed. Subsequent to the Simonette Acquisition, a further \$33.3 million of private placements at \$1 per common share (before \$1.3 million in share issue costs) were issued and used to repay Kiwetinohek outstanding debt.
- b) The Simonette Acquisition was partially funded with \$33.0 million of Kiwetinohek debt (less financing costs of \$0.9 million) and \$63.3 million of Distinction debt (less financing costs of \$1.1 million) and cash arising from both working capital and equity issuances.
- c) Concurrently, with the closing of the Simonette Acquisition, Kiwetinohek, Distinction and 1266580 B.C. Ltd., an affiliate of Luminus Energy IE Designated Activity Company ("Luminus Energy"), entered into a settlement agreement to terminate the rights and obligations under a participation agreement made effective by the parties on October 16, 2020. The total cost of settlement was \$11.5 million (\$10 million net plus transaction costs of \$1.5 million with \$4.25 million paid by Kiwetinohek and \$5.75 paid by Distinction).
- d) An assessment of the fair value of acquired reserves using April 1, 2021 reserve engineer forecast pricing was performed for both the Simonette Acquisition and Distinction Business Combination. No value was assigned to any of the undeveloped land.
- e) Kiwetinohek remeasured its investment in Distinction immediately prior to the business combination and consolidation of Distinction. The remeasurement included Kiwetinohek's share of fair value of Distinction's identifiable assets and liabilities and then the further issuance of 102.9 million shares with an estimated value of \$1 per common share.
- f) Acquisition costs related to the Simonette Acquisition and Distinction Business Combination include legal, consulting, and advisory costs. An additional accrual of \$9.6 million was included in accounts payable at March 31, 2021 for total estimated transaction costs of \$21.0 million including \$10 million in settlement costs related to the termination of the Luminus settlement agreement.

- g) Contingent consideration of \$15.0 million is required if average crude oil prices exceed the reference price for WTI of USD \$56.00 per barrel in 2021 and USD \$62.00 per barrel in 2022. Contingent liabilities at the date of acquisition are measured at estimated fair values which were estimated to be \$6.5 million.
- h) Asset retirement obligations were measured at fair value in accordance with requirements under IFRS 3 on the acquisition date. Remeasurements of asset retirement obligations under IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets*, and in accordance with the Corporation's accounting policies are reflected on the Pro-Forma Consolidated Balance Sheet at March 31, 2021 using the risk free rate.
- i) Distinction shareholders' equity at March 31, 2021 is eliminated upon consolidation. The total bargain purchase gain realized upon consolidation of Distinction is \$2.8 million.
- j) The Corporation's consolidated tax pools gives rise to a partial valuation allowance and a recovery on the future income tax liability recorded for the Simonette Acquisition. The Corporation has not recognized a tax expense (recovery) for the three months ended March 31, 2021 and year ended December 31, 2020 given the valuation allowance on tax pools.

#### **4. Pro Forma Unaudited Consolidated Statement of Operations Adjustments**

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The unaudited pro forma consolidated statement of operations gives effect to the Transactions and adjustments as if they occurred on January 1, 2020:

- a) Revenues, Royalties, Operating, and Transportation  
The Simonette Acquisition operating statements for the year ended December 31, 2020 reflect a 50.1 percent working interest in certain Duvernay and Montney properties from January 1, 2020 through August 31, 2020. Subsequent to September 1, 2020 the results of operations reflect a 100 percent working interest in the Duvernay and Montney properties associated with the termination of a joint venture agreement with PetroChina Canada Ltd. Revenues, royalties, operating, and transportation expenses in 2020 have been increased from a 50.1% working interest to 100% to reflect the termination of the joint venture agreement effective as of January 1, 2020.
- b) Amortization  
Amortization of deferred financing costs have been included as an adjustment to finance costs.
- c) Finance costs  
Interest expense on \$63.3 million of outstanding Distinction debt was recognized with an estimated effective annual rate of 4.75% has been recognized in finance costs. Finance costs incurred by Distinction during the year ended December 31, 2020 in connection with interest on senior secured notes has been eliminated in the pro forma consolidated statements as the balance of senior credit facility and senior secured notes had been significantly reduced in connection with CCAA proceedings as at December 31, 2020.
- d) Accretion  
Accretion expenses have been adjusted to reflect the recognition of accretion expense for asset retirement obligations in relation to the Simonette assets. These are reflected in finance costs.
- e) Depletion  
Depletion expenses have been adjusted to reflect the application of the appropriate unit-of-production rate based on proved plus probable reserves following the adjustment of the Distinction carrying value of property, plant and equipment to its fair value upon acquisition as determined in the purchase price allocation and the incremental depletion for the Simonette Acquisition.

- f) Impairment and gain on compromise of liabilities  
Impairment and gain on compromise of liabilities incurred by Distinction during the year ended December 31, 2020 have been eliminated in the pro forma consolidated statements as these transactions would not have occurred if the Distinction Business Combination was completed on January 1, 2020.
- g) Acquisition costs relating to the Simonette Acquisition and Distinction Business Combination of \$10.7 million and settlement costs relating to the termination of the Luminus settlement agreement of \$10.0 million have been recognized in transaction costs during the year ended December 31, 2020.
- h) Gain on acquisition of \$30.3 million and \$2.8 million relating to the Simonette Acquisition and the Distinction Business Combination, respectively have been recognized in gain on acquisition during the year ended December 31, 2020. Additionally, gains of \$23.3 million relating to the Corporation's increased interest in Distinction as well as \$12.8 million in fair value adjustments to investment in associate have been included in the pro forma consolidated statements.

## 5. Reclassification Adjustments

The pro forma consolidated financial statements contain certain reclassification and inter-company adjustments to align with Kiwetinohk's current financial statement presentation. These include:

- a) Removal of share in earnings and excess fair value adjustments on the Distinction investment that was previously equity accounted for by Kiwetinohk prior to the consolidation as contemplated in the Distinction Business Combination,
- b) Elimination of management fees against general and administrative expenses for management fees earned by Kiwetinohk as part of the Distinction management services agreement, and
- c) Disaggregation of operating and transportation costs.

## 6. Share Capital

	Shares	\$
Common shares March 31, 2021	196,966	195,520
Shares issued as part of Simonette Acquisition	104,000	104,000
Shares issued to acquire remaining Distinction shares	102,920	102,920
Other private placement	33,403	32,067
Total Common Shares March 31, 2021 prior to share consolidation	437,289	434,507
10 to 1 share consolidation	(393,560)	-
Pro-forma total Common Shares March 31, 2021	43,729	434,507

Upon closing the Distinction acquisition, Kiwetinohk plans to issue approximately 102.9 million common shares to acquire all of the remaining issued and outstanding shares of Distinction it does not already own by way of an exchange of 20 Kiwetinohk shares for each Distinction share. Common Shares will then be consolidated on a 10 to 1 per common share basis, such that pro-forma outstanding Common Shares will be approximately 43.7 million.

**7. Net Income (Loss) per Share**

	March 31, 2021	December 31, 2020
Net income (loss) (000s)	\$ (34,242)	\$ 24,081
Basic and diluted shares outstanding, end of period	43,729	43,729
Net income (loss) per share	\$ (0.81)	\$0.55

Total shares outstanding are based on the pro forma total common shares as described in Note 6.

**SCHEDULE "D"**  
**OPERATING STATEMENTS**

# **Simonette Acquisition Assets**

Operating Statement Containing Gross Sales, Royalties, Production Costs and Operating Income

For the years ended December 31, 2020, 2019 and 2018, the Three Months Ended March 31, 2021 and the Three Months Ended March 31, 2020

(C\$ thousands)



## *Independent auditor's report*

To management of Ovintiv Inc.

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### *Our opinion*

In our opinion, the accompanying financial information of certain oil and natural gas properties located in west central Alberta (the "Simonette Acquisition Assets") for each of the years in the three-year period ended December 31, 2020 is prepared, in all material respects, in accordance with the financial reporting framework specified in subsection 3.11(5) of National Instrument 52-107, Acceptable Accounting Principles and Auditing Standards, for operating statements of an acquired oil and gas property.

### **What we have audited**

The Simonette Acquisition Assets financial information comprises the operating statement containing gross revenue, royalties, production costs and operating income for each of the years in the three-year period ended December 31, 2020, and the notes to the financial information, which include significant accounting policies and other explanatory information.

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### *Basis for opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial information* section of our report.

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

### **Independence**

We are independent of Ovintiv Inc. in accordance with the ethical requirements that are relevant to our audit of the financial information in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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### *Other matter*

The financial information of the Simonette Acquisition Assets for the three-month periods ending March 31, 2021 and 2020 is unaudited.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.





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### *Responsibilities of management and those charged with governance for the financial information*

Management of Ovintiv Inc. is responsible for the preparation of the financial information of the Simonette Acquisition Assets in accordance with the financial reporting framework specified in subsection 3.11(5) of National Instrument 52-107, Acceptable Accounting Principles and Auditing Standards, for operating statements of an acquired oil and gas property, and for such internal control as management determines is necessary to enable the preparation of the financial information that is free from material misstatement, whether due to fraud or error.

Management is responsible for overseeing the financial reporting process.

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### *Auditor's responsibilities for the audit of the financial information*

Our objectives are to obtain reasonable assurance about whether the financial information as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial information.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of management's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made by management.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*PricewaterhouseCoopers LLP*

Chartered Professional Accountants

Calgary, Alberta  
July 27, 2021

## Simonette Acquisition Assets

### Operating Statement Containing Gross Sales, Royalties, Production Costs and Operating Income

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	Years Ended			Three Months Ended	
	December	December	December	March	March
	31, 2020	31, 2019	31, 2018	31, 2021	31, 2020
(C\$ thousands)	(Audited)	(Audited)	(Audited)	(Unaudited)	(Unaudited)
Gross Sales	86,937	135,136	176,080	50,099	21,038
Royalties	3,047	5,010	5,797	2,622	834
	<u>83,890</u>	<u>130,126</u>	<u>170,283</u>	<u>47,477</u>	<u>20,204</u>
Production Costs	32,483	33,422	35,403	12,535	8,057
Operating Income	<u>51,407</u>	<u>96,704</u>	<u>134,880</u>	<u>34,942</u>	<u>12,147</u>

See accompanying notes to the operating statement.

## Simonette Acquisition Assets

### Notes to Operating Statement Containing Gross Sales, Royalties, Production Costs and Operating Income

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#### 1. Basis of Presentation

The operating statement containing gross sales, royalties, production costs and operating income reflects the net working interest of operating results relating to certain oil and natural gas properties in the Duvernay and Montney play located in west central Alberta (the “Simonette Acquisition Assets”) which are included in the consolidated accounts of Ovintiv Inc. (“Ovintiv”).

The operating statement has been prepared in accordance with the financial reporting framework specified in subsection 3.11(5) of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* for an operating statement of an acquired oil and gas property. As a result, the operating statement includes the following line items: gross sales, royalties, production costs and operating income. The line items in the operating statement have been prepared in all respects using accounting policies that are permitted by International Financial Reporting Standards, with such accounting policies applying to those items as if such line items were presented as part of a complete set of financial statements.

Accordingly, the operating statement does not include any provision for depletion, depreciation and amortization, asset retirement costs, future capital costs, impairment of unevaluated properties, administrative expenses, interest and income taxes as these amounts are based on Ovintiv’s consolidated operations of which the Simonette Acquisition Assets form only a part.

On September 1, 2020, Ovintiv announced that its subsidiary, Ovintiv Canada ULC, closed an agreement with PetroChina Canada Ltd. (“PCC”) to terminate the joint venture development agreement associated with certain Duvernay and Montney properties. As part of the termination, Ovintiv Canada ULC and PCC agreed to partition the associated acreage and infrastructure. As a result, on September 1, 2020, Ovintiv held a 100 percent working interest in certain properties retained associated with termination of the joint venture agreement which comprise the Simonette Acquisition Assets. Prior to the termination of the joint venture agreement, Ovintiv had a 50.1 percent working interest and PCC had a 49.9 percent working interest in certain Duvernay and Montney properties.

The operating statements presented for the years ended December 31, 2019 and 2018 and the operating statements presented for the three months ended March 31, 2020 include the results of operations reflecting Ovintiv’s 50.1 percent working interest in certain Duvernay and Montney properties under the joint venture development agreement with PCC. The operating statement presented for the year ended December 31, 2020 includes the results of operations reflecting Ovintiv’s 50.1 percent working interest in certain Duvernay and Montney properties under the joint venture development agreement with PCC during January 1, 2020 to August 31, 2020 and during September 1, 2020 to December 31, 2020, the results of operations reflect Ovintiv’s 100 percent working interest in the properties retained subsequent to the termination of the joint venture agreement comprising the Simonette Acquisition Assets. The operating statements presented for the three months ended March 31, 2021 include the results of operations reflecting Ovintiv’s 100 percent working interest comprising the Simonette Acquisition Assets.

On April 28, 2021, Ovintiv completed the sale of the Simonette Acquisition Assets, including acreage and infrastructure, to Kiwetinohk Resources Corp.

#### 2. Significant Accounting Policies

*Revenue Recognition* – Gross sales of Ovintiv’s natural gas, oil and natural gas liquids are recognized when control of the good or service is transferred to the customer, and title or risk of loss transfers to the customer. Revenue does not include any amounts from derivative contracts.

*Royalties* – Royalties are recorded at the time the product is produced and sold. Royalties are calculated in accordance with the applicable regulations and/or the terms of individual royalty agreements. Crown royalties for natural gas are based on the Alberta Government posted reference price. Crown royalties for crude oil are taken in kind by the Alberta Petroleum Marketing Commission.

*Production Costs* – Production Costs include amounts incurred on extraction of product to the surface including gathering, field processing, treating and field storage. Production Costs also include operating expenses incurred on a field level, transportation costs and mineral tax.

*Joint Interest Operations* – Portions of the Simonette Acquisition Assets are operated through joint ventures; the operating statement therefore reflects only Ovintiv's proportionate interest (as described in note 1).

**SCHEDULE E**

**REPORT ON RESERVES DATA BY INDEPENDENT QUALIFIED RESERVES EVALUATOR OR AUDITOR IN  
RESPECT OF THE KRC 2021 PRO FORMA RESERVES REPORT**

**FORM 51-101F2**  
**REPORT ON RESERVES DATA**  
**BY**  
**INDEPENDENT QUALIFIED RESERVES EVALUATOR OR AUDITOR**

To the board of directors of Kiwetinohk Resources Corp. (the "Company"):

1. We have evaluated the Company's reserves data as at July 1, 2021. The reserves data are estimates of proved reserves and probable reserves and related future net revenue as at July 1, 2021, estimated using forecast prices and costs.
2. The reserves data are the responsibility of the Company's management. Our responsibility is to express an opinion on the reserves data based on our evaluation.
3. We carried out our evaluation in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook as amended from time to time (the "COGE Handbook") maintained by the Society of Petroleum Evaluation Engineers (Calgary Chapter).
4. Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the reserves data are free of material misstatement. An evaluation also includes assessing whether the reserves data are in accordance with principles and definitions presented in the COGE Handbook.
5. The following table shows the net present value of future net revenue (before deduction of income taxes) attributed to proved plus probable reserves, estimated using forecast prices and costs and calculated using a discount rate of 10 percent, included in the reserves data of the Company evaluated for the year ended July 1, 2021, and identifies the respective portions thereof that we have evaluated and reported on to the Company's board of directors:

Independent Qualified Reserves Evaluator or Auditor Effective	Effective Date of Evaluation Report	Location of Reserves (Country or Foreign Geographic Area)	Net Present Value of Future Net Revenue (before income taxes, 10% discount rate – CDN M\$)			
			Audited	Evaluated	Reviewed	Total
McDaniel & Associates Consultants Ltd.	July 1, 2021	Western Alberta	-	1,579,169.9	-	1,579,169.9

6. In our opinion, the reserves data evaluated by us have, in all material respects, been determined and are in accordance with the COGE Handbook, consistently applied. We express no opinion on the reserves data that we reviewed but did not audit or evaluate.
7. We have no responsibility to update our reports referred to in paragraph 5 for events and circumstances occurring after the effective date of our reports.
8. Because the reserves data are based on judgements regarding future events, actual results will vary and the variations may be material.

Executed as to our report referred to above:

McDaniel & Associates Consultants Ltd., Calgary, Alberta, Canada, July 21, 2021.

(signed) "Brian R. Hamm"  
Brian R. Hamm, P. Eng.  
President & CEO



**SCHEDULE F**

**REPORT OF MANAGEMENT AND DIRECTORS ON OIL AND GAS DISCLOSURE FOR THE KRC 2021 PRO  
FORMA RESERVES REPORT**

**FORM 51-101F3**

**REPORT OF MANAGEMENT AND  
DIRECTORS ON RESERVES DATA AND  
OTHER INFORMATION**

Management of Kiwetinohk Resources Corp. (the "**Company**") is responsible for the preparation and disclosure of information with respect to the Company's oil and gas activities in accordance with securities regulatory requirements. This information includes reserves data as at July 1, 2021.

An independent qualified reserves evaluator has evaluated and reviewed the Company's reserves data. The report of the independent qualified reserves evaluator will be filed with securities regulatory authorities concurrently with this report.

The Reserves Committee of the board of directors of the Company has:

- a) reviewed the Company's procedures for providing information to the independent qualified reserves evaluator;
- b) met with the independent qualified reserves evaluator to determine whether any restrictions affected the ability of the independent qualified reserves evaluator to report without reservation, and
- c) reviewed the reserves data with management and the independent qualified reserves evaluator.

The Reserves Committee of the board of directors has reviewed the Company's procedures for assembling and reporting other information associated with oil and gas activities and has reviewed that information with management. The board of directors has, on the recommendation of the Reserves Committee, approved:

- a) the content and filing with securities regulatory authorities of Form 51-101F1 containing reserves data and other oil and gas information;
- b) the filing of Form 51-101F2 which is the report of the independent qualified reserves evaluator on the reserves data; contingent resources data, or prospective resources data; and
- c) the content and filing of this report.

Because the reserves data are based on judgements regarding future events, actual results will vary and the variations may be material.

(signed) "Patrick Carlson"

**Patrick Carlson**  
Chief Executive Officer

(signed) "Jakub Brogowski"

**Jakub Brogowski**  
Chief Financial Officer

(signed) "Kaush Rakhit"

**Kaush Rakhit**  
Director

(signed) "William (Bill) Slavin"

**William (Bill) Slavin**  
Director

July 21, 2021

**SCHEDULE G**

**REPORT ON RESERVES DATA BY INDEPENDENT QUALIFIED RESERVES EVALUATOR OR AUDITOR IN  
RESPECT OF THE KRC 2020 RESERVES REPORT**

**FORM 51-101F2**  
**REPORT ON RESERVES DATA**  
**BY**  
**INDEPENDENT QUALIFIED RESERVES EVALUATOR OR AUDITOR**

To the board of directors of Kiwetinohk Resources Corp. (the "Company"):

1. We have evaluated the Company's reserves data as at December 31, 2020. The reserves data are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2020, estimated using forecast prices and costs.
2. The reserves data are the responsibility of the Company's management. Our responsibility is to express an opinion on the reserves data based on our evaluation.
3. We carried out our evaluation in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook as amended from time to time (the "COGE Handbook") maintained by the Society of Petroleum Evaluation Engineers (Calgary Chapter).
4. Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the reserves data are free of material misstatement. An evaluation also includes assessing whether the reserves data are in accordance with principles and definitions presented in the COGE Handbook.
5. The following table shows the net present value of future net revenue (before deduction of income taxes) attributed to proved plus probable reserves, estimated using forecast prices and costs and calculated using a discount rate of 10 percent, included in the reserves data of the Company evaluated for the year ended December 31, 2020, and identifies the respective portions thereof that we have evaluated and reported on to the Company's board of directors:

Independent Qualified Reserves Evaluator or Auditor Effective	Effective Date of Evaluation Report	Location of Reserves (Country or Foreign Geographic Area)	Net Present Value of Future Net Revenue (before income taxes, 10% discount rate – CDN M\$)			
			Audited	Evaluated	Reviewed	Total
McDaniel & Associates Consultants Ltd.	Dec. 31, 2020	Western Alberta	-	305,247.1	-	305,247.1

6. In our opinion, the reserves data evaluated by us have, in all material respects, been determined and are in accordance with the COGE Handbook, consistently applied. We express no opinion on the reserves data that we reviewed but did not audit or evaluate.
7. We have no responsibility to update our reports referred to in paragraph 5 for events and circumstances occurring after the effective date of our reports.
8. Because the reserves data are based on judgements regarding future events, actual results will vary and the variations may be material.

Executed as to our report referred to above:

McDaniel & Associates Consultants Ltd., Calgary, Alberta, Canada, July 21 2021.

(signed) "Brian R. Hamm"

Brian R. Hamm, P. Eng.  
President & CEO

**SCHEDULE H**

**REPORT OF MANAGEMENT AND DIRECTORS ON OIL AND GAS DISCLOSURE FOR THE KRC 2020  
RESERVES REPORT**

**FORM 51-101F3**

**REPORT OF MANAGEMENT AND  
DIRECTORS ON RESERVES DATA AND  
OTHER INFORMATION**

Management of Kiwetinohk Resources Corp. (the "**Company**") is responsible for the preparation and disclosure of information with respect to the Company's oil and gas activities in accordance with securities regulatory requirements. This information includes reserves data as at December 31, 2020.

An independent qualified reserves evaluator has evaluated and reviewed the Company's reserves data. The report of the independent qualified reserves evaluator will be filed with securities regulatory authorities concurrently with this report.

The Reserves Committee of the board of directors of the Company has:

- a) reviewed the Company's procedures for providing information to the independent qualified reserves evaluator;
- b) met with the independent qualified reserves evaluator to determine whether any restrictions affected the ability of the independent qualified reserves evaluator to report without reservation, and
- c) reviewed the reserves data with management and the independent qualified reserves evaluator.

The Reserves Committee of the board of directors has reviewed the Company's procedures for assembling and reporting other information associated with oil and gas activities and has reviewed that information with management. The board of directors has, on the recommendation of the Reserves Committee, approved:

- a) the content and filing with securities regulatory authorities of Form 51-101F1 containing reserves data and other oil and gas information;
- b) the filing of Form 51-101F2 which is the report of the independent qualified reserves evaluator on the reserves data; contingent resources data, or prospective resources data; and
- c) the content and filing of this report.

Because the reserves data are based on judgements regarding future events, actual results will vary and the variations may be material.

(signed) "Patrick Carlson"

**Patrick Carlson**  
Chief Executive Officer

(signed) "Jakub Brogowski"

**Jakub Brogowski**  
Chief Financial Officer

(signed) "Kaush Rakhit"

**Kaush Rakhit**  
Director

(signed) "William (Bill) Slavin"

**William (Bill) Slavin**  
Director

July 21, 2021

**APPENDIX I**  
**SECTION 190 OF THE *CANADA BUSINESS CORPORATIONS ACT***

**190 (1)** Subject to sections 191 and 241, a holder of shares of any class of a corporation may dissent if the corporation is subject to an order under paragraph 192(4)(d) that affects the holder or if the corporation resolves to

- (a) amend its articles under section 173 or 174 to add, change or remove any provisions restricting or constraining the issue, transfer or ownership of shares of that class;
- (b) amend its articles under section 173 to add, change or remove any restriction on the business or businesses that the corporation may carry on;
- (c) amalgamate otherwise than under section 184;
- (d) be continued under section 188;
- (e) sell, lease or exchange all or substantially all its property under subsection 189(3); or
- (f) carry out a going-private transaction or a squeeze-out transaction.

**Further right**

(2) A holder of shares of any class or series of shares entitled to vote under section 176 may dissent if the corporation resolves to amend its articles in a manner described in that section.

**If one class of shares**

(2.1) The right to dissent described in subsection (2) applies even if there is only one class of shares.

**Payment for shares**

(3) In addition to any other right the shareholder may have, but subject to subsection (26), a shareholder who complies with this section is entitled, when the action approved by the resolution from which the shareholder dissents or an order made under subsection 192(4) becomes effective, to be paid by the corporation the fair value of the shares in respect of which the shareholder dissents, determined as of the close of business on the day before the resolution was adopted or the order was made.

**No partial dissent**

(4) A dissenting shareholder may only claim under this section with respect to all the shares of a class held on behalf of any one beneficial owner and registered in the name of the dissenting shareholder.

**Objection**

(5) A dissenting shareholder shall send to the corporation, at or before any meeting of shareholders at which a resolution referred to in subsection (1) or (2) is to be voted on, a written objection to the resolution, unless the corporation did not give notice to the shareholder of the purpose of the meeting and of their right to dissent.

**Notice of resolution**

(6) The corporation shall, within ten days after the shareholders adopt the resolution, send to each shareholder who has filed the objection referred to in subsection (5) notice that the resolution has been adopted, but such notice is not required to be sent to any shareholder who voted for the resolution or who has withdrawn their objection.

**Demand for payment**

(7) A dissenting shareholder shall, within twenty days after receiving a notice under subsection (6) or, if the shareholder does not receive such notice, within twenty days after learning that the resolution has been adopted, send to the corporation a written notice containing



- (a) the shareholder's name and address;
- (b) the number and class of shares in respect of which the shareholder dissents; and
- (c) a demand for payment of the fair value of such shares.

#### **Share certificate**

(8) A dissenting shareholder shall, within thirty days after sending a notice under subsection (7), send the certificates representing the shares in respect of which the shareholder dissents to the corporation or its transfer agent.

#### **Forfeiture**

(9) A dissenting shareholder who fails to comply with subsection (8) has no right to make a claim under this section.

#### **Endorsing certificate**

(10) A corporation or its transfer agent shall endorse on any share certificate received under subsection (8) a notice that the holder is a dissenting shareholder under this section and shall forthwith return the share certificates to the dissenting shareholder.

#### **Suspension of rights**

(11) On sending a notice under subsection (7), a dissenting shareholder ceases to have any rights as a shareholder other than to be paid the fair value of their shares as determined under this section except where

- (a) the shareholder withdraws that notice before the corporation makes an offer under subsection (12),
- (b) the corporation fails to make an offer in accordance with subsection (12) and the shareholder withdraws the notice, or
- (c) the directors revoke a resolution to amend the articles under subsection 173(2) or 174(5), terminate an amalgamation agreement under subsection 183(6) or an application for continuance under subsection 188(6), or abandon a sale, lease or exchange under subsection 189(9),

in which case the shareholder's rights are reinstated as of the date the notice was sent.

#### **Offer to pay**

(12) A corporation shall, not later than seven days after the later of the day on which the action approved by the resolution is effective or the day the corporation received the notice referred to in subsection (7), send to each dissenting shareholder who has sent such notice

- (a) a written offer to pay for their shares in an amount considered by the directors of the corporation to be the fair value, accompanied by a statement showing how the fair value was determined; or
- (b) if subsection (26) applies, a notification that it is unable lawfully to pay dissenting shareholders for their shares.

#### **Same terms**

(13) Every offer made under subsection (12) for shares of the same class or series shall be on the same terms.

#### **Payment**

(14) Subject to subsection (26), a corporation shall pay for the shares of a dissenting shareholder within ten days after an offer made under subsection (12) has been accepted, but any such offer lapses if the corporation does not receive an acceptance thereof within thirty days after the offer has been made.

### **Corporation may apply to court**

(15) Where a corporation fails to make an offer under subsection (12), or if a dissenting shareholder fails to accept an offer, the corporation may, within fifty days after the action approved by the resolution is effective or within such further period as a court may allow, apply to a court to fix a fair value for the shares of any dissenting shareholder.

### **Shareholder application to court**

(16) If a corporation fails to apply to a court under subsection (15), a dissenting shareholder may apply to a court for the same purpose within a further period of twenty days or within such further period as a court may allow.

### **Venue**

(17) An application under subsection (15) or (16) shall be made to a court having jurisdiction in the place where the corporation has its registered office or in the province where the dissenting shareholder resides if the corporation carries on business in that province.

### **No security for costs**

(18) A dissenting shareholder is not required to give security for costs in an application made under subsection (15) or (16).

### **Parties**

(19) On an application to a court under subsection (15) or (16),

(a) all dissenting shareholders whose shares have not been purchased by the corporation shall be joined as parties and are bound by the decision of the court; and

(b) the corporation shall notify each affected dissenting shareholder of the date, place and consequences of the application and of their right to appear and be heard in person or by counsel.

### **Powers of court**

(20) On an application to a court under subsection (15) or (16), the court may determine whether any other person is a dissenting shareholder who should be joined as a party, and the court shall then fix a fair value for the shares of all dissenting shareholders.

### **Appraisers**

(21) A court may in its discretion appoint one or more appraisers to assist the court to fix a fair value for the shares of the dissenting shareholders.

### **Final order**

(22) The final order of a court shall be rendered against the corporation in favour of each dissenting shareholder and for the amount of the shares as fixed by the court.

### **Interest**

(23) A court may in its discretion allow a reasonable rate of interest on the amount payable to each dissenting shareholder from the date the action approved by the resolution is effective until the date of payment.

### **Notice that subsection (26) applies**

(24) If subsection (26) applies, the corporation shall, within ten days after the pronouncement of an order under subsection (22), notify each dissenting shareholder that it is unable lawfully to pay dissenting shareholders for their shares.

**Effect where subsection (26) applies**

**(25)** If subsection (26) applies, a dissenting shareholder, by written notice delivered to the corporation within thirty days after receiving a notice under subsection (24), may

**(a)** withdraw their notice of dissent, in which case the corporation is deemed to consent to the withdrawal and the shareholder is reinstated to their full rights as a shareholder; or

**(b)** retain a status as a claimant against the corporation, to be paid as soon as the corporation is lawfully able to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of the corporation but in priority to its shareholders.

**Limitation**

**(26)** A corporation shall not make a payment to a dissenting shareholder under this section if there are reasonable grounds for believing that

**(a)** the corporation is or would after the payment be unable to pay its liabilities as they become due; or

**(b)** the realizable value of the corporation's assets would thereby be less than the aggregate of its liabilities.

**APPENDIX J**  
**SECTION 191 OF THE *BUSINESS CORPORATIONS ACT* (ALBERTA)**

**Shareholder's right to dissent**

- 191(1)** Subject to sections 192 and 242, a holder of shares of any class of a corporation may dissent if the corporation resolves to
- (a) amend its articles under section 173 or 174 to add, change or remove any provisions restricting or constraining the issue or transfer of shares of that class,
  - (b) amend its articles under section 173 to add, change or remove any restrictions on the business or businesses that the corporation may carry on,
  - (b.1) amend its articles under section 173 to add or remove an express statement establishing the unlimited liability of shareholders as set out in section 15.2(1),
  - (c) amalgamate with another corporation, otherwise than under section 184 or 187,
  - (d) be continued under the laws of another jurisdiction under section 189, or
  - (e) sell, lease or exchange all or substantially all its property under section 190.
- (2) A holder of shares of any class or series of shares entitled to vote under section 176, other than section 176(1)(a), may dissent if the corporation resolves to amend its articles in a manner described in that section.
- (3) In addition to any other right the shareholder may have, but subject to subsection (20), a shareholder entitled to dissent under this section and who complies with this section is entitled to be paid by the corporation the fair value of the shares held by the shareholder in respect of which the shareholder dissents, determined as of the close of business on the last business day before the day on which the resolution from which the shareholder dissents was adopted.
- (4) A dissenting shareholder may only claim under this section with respect to all the shares of a class held by the shareholder or on behalf of any one beneficial owner and registered in the name of the dissenting shareholder.
- (5) A dissenting shareholder shall send to the corporation a written objection to a resolution referred to in subsection (1) or (2)
- (a) at or before any meeting of shareholders at which the resolution is to be voted on, or
  - (b) if the corporation did not send notice to the shareholder of the purpose of the meeting or of the shareholder's right to dissent, within a reasonable time after the shareholder learns that the resolution was adopted and of the shareholder's right to dissent.
- (6) An application may be made to the Court after the adoption of a resolution referred to in subsection (1) or (2),
- (a) by the corporation, or
  - (b) by a shareholder if the shareholder has sent an objection to the corporation under subsection (5),
- to fix the fair value in accordance with subsection (3) of the shares of a shareholder who dissents under this section, or to fix the time at which a shareholder of an unlimited liability corporation who dissents under this section ceases to become liable for any new liability, act or default of the unlimited liability corporation.
- (7) If an application is made under subsection (6), the corporation shall, unless the Court otherwise orders, send to each dissenting shareholder a written offer to pay the shareholder an amount considered by the directors to be the fair value of the shares.
- (8) Unless the Court otherwise orders, an offer referred to in subsection (7) shall be sent to each dissenting shareholder
- (a) at least 10 days before the date on which the application is returnable, if the corporation is the applicant, or

(b) within 10 days after the corporation is served with a copy of the application, if a shareholder is the applicant.

(9) Every offer made under subsection (7) shall

(a) be made on the same terms, and

(b) contain or be accompanied with a statement showing how the fair value was determined.

(10) A dissenting shareholder may make an agreement with the corporation for the purchase of the shareholder's shares by the corporation, in the amount of the corporation's offer under subsection (7) or otherwise, at any time before the Court pronounces an order fixing the fair value of the shares.

(11) A dissenting shareholder

(a) is not required to give security for costs in respect of an application under subsection (6), and

(b) except in special circumstances must not be required to pay the costs of the application or appraisal.

(12) In connection with an application under subsection (6), the Court may give directions for

(a) joining as parties all dissenting shareholders whose shares have not been purchased by the corporation and for the representation of dissenting shareholders who, in the opinion of the Court, are in need of representation,

(b) the trial of issues and interlocutory matters, including pleadings and questioning under Part 5 of the Alberta Rules of Court,

(c) the payment to the shareholder of all or part of the sum offered by the corporation for the shares,

(d) the deposit of the share certificates with the Court or with the corporation or its transfer agent,

(e) the appointment and payment of independent appraisers, and the procedures to be followed by them,

(f) the service of documents, and

(g) the burden of proof on the parties.

(13) On an application under subsection (6), the Court shall make an order

(a) fixing the fair value of the shares in accordance with subsection (3) of all dissenting shareholders who are parties to the application,

(b) giving judgment in that amount against the corporation and in favour of each of those dissenting shareholders,

(c) fixing the time within which the corporation must pay that amount to a shareholder, and

(d) fixing the time at which a dissenting shareholder of an unlimited liability corporation ceases to become liable for any new liability, act or default of the unlimited liability corporation.

(14) On

(a) the action approved by the resolution from which the shareholder dissents becoming effective,

(b) the making of an agreement under subsection (10) between the corporation and the dissenting shareholder as to the payment to be made by the corporation for the shareholder's shares, whether by the acceptance of the corporation's offer under subsection (7) or otherwise, or

(c) the pronouncement of an order under subsection (13),

whichever first occurs, the shareholder ceases to have any rights as a shareholder other than the right to be paid the fair value of the shareholder's shares in the amount agreed to between the corporation and the shareholder or in the amount of the judgment, as the case may be.

**(15)** Subsection (14)(a) does not apply to a shareholder referred to in subsection (5)(b).

**(16)** Until one of the events mentioned in subsection (14) occurs,

**(a)** the shareholder may withdraw the shareholder's dissent, or

**(b)** the corporation may rescind the resolution,

and in either event proceedings under this section shall be discontinued.

**(17)** The Court may in its discretion allow a reasonable rate of interest on the amount payable to each dissenting shareholder, from the date on which the shareholder ceases to have any rights as a shareholder by reason of subsection (14) until the date of payment.

**(18)** If subsection (20) applies, the corporation shall, within 10 days after

**(a)** the pronouncement of an order under subsection (13), or

**(b)** the making of an agreement between the shareholder and the corporation as to the payment to be made for the shareholder's shares,

notify each dissenting shareholder that it is unable lawfully to pay dissenting shareholders for their shares.

**(19)** Notwithstanding that a judgment has been given in favour of a dissenting shareholder under subsection (13)(b), if subsection (20) applies, the dissenting shareholder, by written notice delivered to the corporation within 30 days after receiving the notice under subsection (18), may withdraw the shareholder's notice of objection, in which case the corporation is deemed to consent to the withdrawal and the shareholder is reinstated to the shareholder's full rights as a shareholder, failing which the shareholder retains a status as a claimant against the corporation, to be paid as soon as the corporation is lawfully able to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of the corporation but in priority to its shareholders.

**(20)** A corporation shall not make a payment to a dissenting shareholder under this section if there are reasonable grounds for believing that

**(a)** the corporation is or would after the payment be unable to pay its liabilities as they become due, or

**(b)** the realizable value of the corporation's assets would by reason of the payment be less than the aggregate of its liabilities.

## **APPENDIX K**

### **COMPARISON OF SHAREHOLDER RIGHTS**

The rights of KRC Shareholders are currently governed by the ABCA and by KRC's by-laws and articles. If the KRC Transaction Resolution is approved, KRC will be continued federally under the CBCA. Accordingly, the securities issued to KRC Shareholders will be governed by the CBCA and KRC's by-laws and articles. While the rights of shareholders under the CBCA are broadly similar to those under the ABCA, there are a number of variations in the rights afforded to shareholders under the two pieces of legislation. The following is a summary of certain similarities and differences between the CBCA and the ABCA on matters pertaining to shareholder rights. This summary is not exhaustive and is of a general nature only and is not intended to be, and should not be construed to be, legal advice to Distinction Shareholders. Accordingly, Distinction Shareholders should consult their professional advisors with respect to the detailed provisions of the ABCA and their rights under it.

#### **Board of Directors**

Under the CBCA, at least one-quarter of a corporation's directors must be resident Canadians. There are no similar requirements under the ABCA.

#### **Place of Meetings**

The ABCA provides that unless the corporation's bylaws, articles or other governing documents expressly provide otherwise, a meeting of shareholders may be held entirely by electronic means. The CBCA also provides that unless the corporation's bylaws expressly provide otherwise, a meeting of shareholders may be held entirely by electronic means. The CBCA provides that a meeting of shareholders may be held outside Canada if the place is specified in the articles or where all the shareholders entitled to vote at such a meeting so agree.

#### **Financial Assistance**

The ABCA requires disclosure of financial assistance given by a corporation to shareholders or directors of the corporation or its affiliates, or to any of their associates, and in connection with the purchase of shares of the corporation or an affiliated corporation. The CBCA has no such requirement.

#### **Shareholder Proposals**

Both the ABCA and the CBCA provide for shareholder proposals. Under the CBCA, a registered or beneficial owner of shares entitled to be voted at a meeting may submit a proposal, although the registered or beneficial shareholder must either: (i) have owned for six months not less than 1% of the total number of voting shares or voting shares with a fair market value of at least \$2,000, or (ii) have the support of persons who have owned for six months not less than 1% of the total number of voting shares or voting shares with a fair market value of at least \$2,000.

#### **Record Date for Voting**

The ABCA permits a transferee of common shares after the record date for a shareholder meeting, not later than 10 days before the shareholder meeting, to establish a right to vote at the meeting by providing evidence of ownership of common shares and demanding that the transferee's name be placed on the voting list in place of the transferor. The CBCA does not have an equivalent provision.

#### **Rights of Dissent**

Under both the ABCA and the CBCA, shareholders have substantially the same rights of dissent if a corporation resolves to effect certain fundamental changes. However, under the CBCA, the corporation must, within ten days of the resolution to which the shareholder dissents being adopted, send notice to the dissenting shareholder. The dissenting shareholder, within 20 days of receiving notice from the corporation or, if such notice was not received, within 20 days after learning that the resolution has been adopted, must send the corporation notice of his demand for payment of the fair value of his shares, the number and class of shares in respect of which the shareholder dissents and his relevant personal information. Within 30 days of this notice, the dissenting shareholder must send the corporation, or its transfer agent, his share certificates. No more than seven days after the later of the day on which the resolution is effective and the day the corporation receives notice from the dissenting shareholder, the corporation must make an offer to pay. The corporation or the dissenting shareholder may apply to the court to fix a fair value for the shares of the dissenting shareholder.



Under the ABCA, a dissenting shareholder may send a corporation a written objection to a resolution affecting a fundamental change at or before any meeting of shareholders at which the resolution is to be voted on. Once the resolution is adopted the dissenting shareholder may make application to the court to fix the fair value of his shares. If an application is made to the court, the corporation must send an offer to pay to each dissenting shareholder an amount considered by the directors to be the fair value of the shares. The dissenting shareholder may accept the offer to pay from the corporation or wait for an order from the court fixing the fair value of the shares. The dissent rights under the ABCA apply to the Distinction Transaction Resolution. See "*Distinction Shareholder Dissent Rights*" and "*KRC Shareholder Dissent Rights*" in this Information Circular.

### **Sale of Property**

Under both the ABCA and the CBCA, any proposed sale, lease or exchange of all or substantially all of the property of a corporation, other than in the ordinary course of business, must be approved by a special resolution passed by not less than two-thirds of the votes cast by shareholders voting in person or by proxy at a meeting of shareholders. The holder of shares of a class or series of shares of a corporation are entitled to vote separately as a class or series in respect of such a sale, lease or exchange if that class or series is affected by the sale, lease or exchange in a manner different from the shares of another class or series.

### **Amendments to the Articles of the Corporation**

Under both the ABCA and the CBCA, certain fundamental changes to the articles of a corporation, such as an alteration of any restrictions on the business carried on by the corporation, changes in the name of the corporation, increases or decreases in the authorized capital, the creation of any new classes of shares and changes in the jurisdiction of incorporation, must be approved by a special resolution passed by a majority of not less than two-thirds of the votes cast by shareholders voting in person or by proxy at a meeting of the shareholders of the corporation.

### **Oppression Remedies**

Under the ABCA and the CBCA, a shareholder, former shareholder, director, former director, officer or former officer of a corporation or any of its affiliates, or any other person who, in the discretion of a court, is a proper person to seek an oppression remedy, may apply to a court to rectify the matters complained of where in respect of a corporation or any of its affiliates: (i) any act or omission of a corporation or its affiliates effects a result; (ii) the business or affairs of a corporation or any of its affiliates are or have been carried on or conducted in a manner; or (iii) the powers of a corporation or any of its affiliates are or have been exercised in a manner, that is oppressive or unfairly prejudicial to, or that unfairly disregards the interests of, any securityholder, creditor, director or officer.

### **Shareholders' Derivative Action**

Under the ABCA and the CBCA, a shareholder, former shareholder, director, former director, officer or former officer of a corporation or its affiliates or any other person who, in the discretion of the court, is a proper person to do so, may apply for the court's leave to: (i) bring a derivative action in the name and on behalf of a corporation or any of its subsidiaries; or (ii) intervene in the action to which a corporation or any of its subsidiaries is a party, for the purpose of prosecuting, defending or discontinuing the action on behalf of a corporation or the subsidiary.

### **Dissident Proxy Solicitation**

Under both the ABCA and the CBCA, in the case of a solicitation by or on behalf of management of a corporation, a person is not entitled to solicit proxies unless a management proxy circular in prescribed form is made available in the prescribed manner to, among others, all of the shareholders whose proxies are solicited. Similarly, a person (other than management or on behalf of management) (a "**dissident**") is not entitled to solicit proxies unless a dissident's proxy circular in prescribed form and stating the purposes of the solicitation is made available in the prescribed manner to, among others, all of the shareholders whose proxies are solicited. However, under the CBCA, a dissident may solicit proxies without making available a dissident's proxy circular if the total number of shareholders whose proxies are solicited is 15 or fewer or, subject to certain requirements, by public broadcast. In contrast, under the ABCA, absent exemptive relief from the Alberta Securities Commission, a dissident is only entitled to solicit proxies without making available a dissident's proxy circular if the total number of shareholders of the corporation entitled to vote at shareholder meetings is 15 or fewer.

### **Disclosure Relating to Diversity**

Under the CBCA, at each annual meeting of the shareholders, the directors of a distributing corporation must place before the shareholders certain prescribed information respecting the diversity among the directors, the chair and vice-chair of the board of directors, the president of the corporation, the chief executive officer and chief financial officer, the vice-president in charge of a

principal business unit, division or function, and individuals who perform policy-making functions in respect of the corporation.  
The ABCA has no such requirement.





