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Dear Kiwetinohk shareholders,

Happy New Year.

I am writing to describe to you our business, its purpose, its status, and, with investor support, our plans to grow it. The beginning of a new year is a good time to reflect on what got us to where we are and what will be needed to get where we want and need to go – in both our business and our personal lives.

The potential consequences of climate change demand immediate action!

First, families are important. I think a lot about my family's future and what the world of energy and climate change will be like for my grandchildren. Our two sons and their wives brought us six grandchildren: 5 girls and 1 boy, now aged 4 months to 11 years. Only the oldest two will be of driving age before Canadian law requires new cars to be zero emissions. The youngest may never drive a gasoline or diesel-fueled car. The announcement of the ban on petroleum-fueled vehicles has a ripple effect. Who wants to own a vehicle that can't be fueled before it is worn out? You keep it well maintained, but then who will buy it in 5 to 10 years? With the prospect of no fuel and no resale value, sales of petroleum-fueled vehicles may drop well in advance of the government's deadline. And if the government has already outlawed petroleum-fueled vehicles, how much longer do our natural gas furnaces, water heaters and appliances have? What will fuel the trucks, trains and airplanes that bring fresh fruit and vegetables in the winter months? Power grids may become overwhelmed and struggle to keep up with demand as Canada electrifies. The energy transition is on!

My interest in the energy transition turns to passion when I think of my grandchildren facing the full impact of climate change. There are already hints of what may happen: severe storms and floods, drought and desertification, forest and prairie fires, thawing permafrost and release of the methane it traps, melting of glaciers and ice caps and the rise of sea level…

The disruption in weather patterns will affect water supply, ocean temperature and currents and food production capacity and all of that will affect the migration of populations. While every generation has experienced challenges, my grandchildren may face the toughest yet. The carbon dioxide we emit now and until we get to zero emissions may be in the atmosphere for centuries, continuing to trap heat, continuing to disrupt the planet's climate.

We need to act urgently and decisively on the things that we can profitably do right now.

Hydrocarbon energy is essential today, will be required for decades but we need to move increasingly to cleaner sources and uses of energy. That's why we are building a company that focuses on traditional oil and gas and the energy transition, creating a differentiated business model. This should also be society's way forward.

The present market situation offers a unique entry point into the low-to-no emissions electrical power business. Recent legislation requires discontinuation of power generation from coal opening about 5 GW of power capacity on the Alberta grid. Further legislation is anticipated which will outlaw hydrocarbon use in other areas. Alberta's power grid has portions which are not at maximum capacity where commercial scale power generation can be added. Although the situation seems ideal, we are also amid a rush to add power supply and there is a risk that additional generating capacity will be overbuilt, especially solar and wind. Alberta has a need for a combination of power generation that will provide reliable, dispatchable electricity with the lowest emissions commercially possible. That need fits perfectly with Kiwetinohk's mandate. We must move quickly to seize transmission capacity for our blend of solar, wind and gas-fired power and to backstop power projects with long-term power purchase agreements and carbon reduction contracts.

Humanity has commercial technology to greatly reduce atmospheric emissions of carbon dioxide and methane. It seems absurd to me that society should debate whether to wait for science to deliver the perfect solution or to proceed immediately, implementing the best that we can profitably do now - doing the best that we can do now needs to be our guiding principle any time, now and in the future. We can greatly reduce the emissions associated with most of our energy needs over the next decade by electrifying most of our transportation and domestic and commercial heat and power needs. This requires capturing and converting solar and wind energy to electricity and by using high-efficiency, natural gas-fired power when output of solar and wind power facilities fall short of energy demand. All the systems required for this strategy are likely to evolve, incrementally, improving from time to time, in the future. I am not, however, aware of any big gain that can be achieved by waiting on science that is worth the extra emissions while we delay action.

Science may (I think that it is fair to say, "likely will") bring some big leaps in the future. High-impact technology leaps that may evolve to commercial viability within the next decade include:

1. efficient, power grid-scale batteries or energy storage systems that can store power during sunny and / or windy times and release the power to the grid when sun and wind energy are insufficient to meet grid demand,
2. efficient carbon capture processes that allow us to extract the chemical energy in fossil fuels without emitting carbon dioxide to the atmosphere. This may include any of the following:
    a. chemical systems that enable separation of the carbon dioxide out of exhaust from air/natural gas-fired power generators,

b. oxy-fueled combustion systems that burn natural gas in oxygen (and recycled exhaust gas), producing energy, water and relatively pure carbon dioxide which can be sequestered,
c. hydrogen-fueled power generation systems that use hydrogen manufactured from natural gas as a fuel gas for power generation while, also, producing water and relatively pure carbon dioxide,

3. improvements in electrolysis equipment to produce hydrogen from brackish water using renewable solar and wind energy.

Considering the importance of climate change and the growing demand for energy, these technical breakthroughs, if they occur, may be some of the most important inventions in human history. Governments and industry must work together to commercialize the best of these ideas.

Kiwetinohk is monitoring developments in all the above technical areas. We believe that the best that we can do and remain commercially competitive right now is a combination of solar, wind and high-efficiency, gas-fired power. The purpose of carbon taxes is to make carbon capture the lower cost alternative between emitting and capturing carbon. We can predict, that in the long term, carbon taxes will rise until carbon capture is the preferred alternative. We are evaluating various carbon capture technologies to estimate which will provide the lowest cost and what carbon tax will be required to motivate capture instead of emission. Kiwetinohk is presently evaluating technical and commercial feasibility of systems 2.a. and 2.c. (above) for specific commercial applications.

Other technologies may achieve commercial feasibility, but widespread commercial implementation would likely take much longer. These include small modular nuclear fission reactors, nuclear fusion reactors, and tidal energy. Also, small-scale, “smart grid” generation, demand management and storage collectively offer potential to better align generation capacity with electricity demand and thereby reduce the amount of grid-scale generation capacity required.

Kiwetinohk’s mission is to transition to lower emissions energy.

Kiwetinohk was conceived to be an energy transition company, working to transform the supply of energy to consumers toward lower -- and ultimately to net zero -- carbon dioxide emissions. Hydrocarbons are a huge part of current energy supply. Practically, I agree with the International Energy Agency in its view that oil and natural gas need to continue to be a big part of our energy future (see Kiwetinohk’s Annual Information Form recently filed on SEDAR at www.sedar.com) but, for a large fraction of hydrocarbon use, the energy must be separated from the carbon. Customers must be supplied with clean energy, electricity or hydrogen, and the carbon can be disposed or used in a non-emitting way. The current proven processes to capture and sequester carbon are not suited to mobile use or small-scale use such as individual vehicles or homes. However, we can provide clean energy from solar and wind. We may also be able to provide small, distributed consumers with clean and reliable energy by turning natural gas into electricity and clean-burning hydrogen through carbon capture use and storage (CCUS) on an industrial scale. Most of the mature technologies for producing electricity and hydrogen from hydrocarbons produce carbon dioxide gas which has limited commercial use relative

to the amount produced. There are processes, in development, which may produce valuable carbon products along with clean energy from petroleum but, at this time, we need to capture carbon dioxide and dispose of most of it. Right now, CCUS adds a significant cost to make fossil fuel energy clean (low emissions).

The Goldilocks Principle inspires our technical strategy.

Humanity's main sources of energy and methods of, and equipment for, collection and use of energy have evolved slowly over time from campfires through coal-fired steam engines during the industrial revolution to natural gas combined cycle power plants, nuclear power plants and solar photovoltaic cells today. Historically, free market forces, cost and fitness for purpose, have determined the user's selection. Technologies have been devised, tested, and then put into widespread commercial use at a leisurely pace – usually letting the free market decide which new products eventually triumph over old. Risks of moving too fast have been avoided. Society must be bolder now. Climate change is now demanding prompt adoption of new or, if not new, not-widely-used technology. On one hand, governments are imposing carbon taxes and subsidies that favor new, emissions-reducing technologies. On the other hand, inventors and entrepreneurs are scrambling to offer new, better, clean energy technologies at lower cost.

Kiwetinohk is a commercial enterprise, charged by its shareholders to deliver profit. If we don't adopt new technologies, we can't achieve society's objectives for clean energy and we will fail. If we jump too soon or too far, we risk investing in poor or non-performing prototype assets and we will fail. Goldilocks got it right – there appears to be a right level of technical adoption: not too bold, too fast, and not too timid, too slow but "just right". Because carbon dioxide lasts in the atmosphere, continuing to cause climate change for centuries, governments need to motivate enterprise to act quickly to deliver low-to-zero emissions energy.

What this means for Kiwetinohk's selection of technology is that we need to, largely, invest in the most profitable, lowest emissions, proven, commercial technologies. Inherently, there can't be an energy transition without the implementation of technologies that are not in current widespread use. It would not be a transition if our destination was already commercially available. It is difficult to be profitable while constantly tackling the risks inherent to deployment of new technology. Kiwetinohk needs, therefor, to find and implement a balance: adapting and extending proven technologies for better performance while windowing new technologies, being ready to pounce as they emerge to a proven, ready-for-commerce state. We need to preserve optionality so that we can adapt our investments to new technologies as commercial opportunities emerge. Examples of this include:

- we are considering gas-fired power generation systems that can be converted to hydrogen as the fuel gas, and
- we are evaluating a pilot scale (11% of full capacity) carbon capture system for our first gas-fired power project.

The challenge to supply increasingly cleaner consumer energy puts Kiwetinohk on a course to evaluate and, if economics confirm profitability, to finance and build, solar power arrays and wind farms using the latest, best-value technologies. Each investment decision is a new opportunity to adapt equipment to improve upon earlier generations of machinery with the same purpose. With the same dedication to profitability, we also seek to convert natural gas to power while capturing and storing (or profitably using) the carbon. The power generation equipment that we select will generally be efficient and proven. The carbon capture processes will be well understood but, so far, they are not in widespread use because emitting carbon dioxide has a lower cost than capturing and sequestering it.

Today, this all means that intermittent and unreliable but clean solar and wind energy need to be augmented by gas-fired (or other reliable) power for the grid to deliver reliable, dispatchable power. Seeking profitability while advancing the energy transition, Kiwetinohk is planning to provide solar, wind and gas-fired power with reduced greenhouse gas emissions at a pace that is “just right”.

Kiwetinohk is the energy company needed today for a better tomorrow.

Kiwetinohk’s scope of business, defined by its products, includes gas and oil production, solar, wind and gas-fired power production, hydrogen production and carbon capture, use and storage.

Kiwetinohk’s scope of business as defined by technology selection is that it intends to provide ever cleaner energy to markets by selecting commercially proven technologies. Kiwetinohk will also adapt existing technologies with innovations focussed on delivering improved profitability and reduced emissions. Considering its assets and the projects in planning, evaluation, and approval, Kiwetinohk is positioned to provide green energy through targeted technologies that use its gas production, as well as renewable energy, to produce clean power and hydrogen. Kiwetinohk’s focus on vertical integration of its energy resources and the importance of a circular economy to meet customer green energy needs will enable the company to compete effectively in the ongoing transition to low-to-no carbon energy.

Kiwetinohk is a commercial enterprise, operating with the mantra that to be sustainable, a commercial enterprise must be profitable and, for the longer term, to be profitable a commercial enterprise must be sustainable.

Stakeholder service is an essential element of success.

Kiwetinohk is mandated through its *Prime Directive* to serve all its stakeholders: people everywhere, who seek to protect the environment; governments and regulators; communities most impacted by the Company’s activities, including Indigenous communities; industry partners; customers; suppliers and service providers; employees; and capital providers. Stakeholder in this context means any group of people that could significantly impair or enhance the ability of the Company to reach its goals.

Our business, any business, needs to be of benefit to all its stakeholders if it holds the expectation that it will last long enough to be of benefit to any. A derivative of this concept

is that, fundamentally, we must be profitable to be sustainable and long-term profitability is only earned by those who satiate all their stakeholders. Establishing the profitability of low-to-no carbon projects, showing that change is possible and inevitable, is key to accelerating change in the systems and sectors where new technologies and practices are available.

COVID-19 has not slowed us down.

With that description of our raison d'etre, I will describe our status. Since the COVID-19 crisis sent Kiwetinohk staff to work from home, we have progressed 1.8 gigawatts of power generation projects in the Alberta Electric System Operator's ("AESO") grid access and regulatory queue and consolidated an attractive liquids-rich gas resource base in northwest Alberta, near Fox Creek. Details of the Fox Creek asset are in our recent Annual Information Form, available on SEDAR. The process involved 1) merging Kiwetinohk Resources with Distinction Energy and 2), prior to that, both predecessor companies jointly acquiring a neighboring large, attractive property from a tight gas pioneer that found itself property rich and cash poor in the recent commodity price down cycle. The quality of the Fox Creek property dominates the strong corporate average performance numbers:

- Production of 15,058 boe/d (96% from Fox Creek) in the third quarter of 2021 consisting of 31% condensate and oil and 69% gas and ngl
- Extensive gas gathering, gas and condensate processing and water handling facilities (with a replacement value of about $300 million)
- Low operating cost averaging $6.69/boe during the third quarter of 2021

McDaniel & Associates Consultants Ltd. estimates more than 119 Total Proved plus Probable future drilling locations, averaging more than 1.25 MMboe recovery per well and an average well capital cost of $10.9 million (from *KIWETINOHK RESOURCES CORP., Evaluation of Petroleum Reserves, based on Forecast Prices and Costs, As of July 1, 2021,* McDaniel & Associates Consultants Ltd., July 16, 2021). Kiwetinohk is experimenting with well designs in pursuit of better economics through increased resource recovered per well, thereby improving asset value but reducing the number of wells in inventory.

As noted in the recent Annual Information Form, the combined Fox Creek property has contracts with Alliance Pipeline to ship 120 MMcf/d to the Chicago market and with Aux Sable to return a premium for liquids extracted from 90 MMcf/d at its Channahon, Illinois facility.

Our all-in acquisition cost for the Delphi/Distinction merger and the major asset purchase (all properties) was approximately $4.15 per boe of Total Proved Plus Probable reserves or approximately $25,000 boe/d (based on third quarter 2021 consolidated production). These numbers do not include the contingent payments which could total as much as $15 million for the major property acquisition.

When we closed the office in March 2020 as the COVID-19 pandemic swept around the globe, I must apologetically admit I feared a severe drop in productivity and a resulting

value growth set back. I am proud to report that the team focussed on what could be done (with most of us working from home) and went to work on creating value. As CEO it is difficult for me to express the admiration that I have for the team of employees who accomplished so much value growth under such adverse conditions. This same kind of tenacity on a global scale is what is needed to meet the climate change challenge. Our team proved to me that they can cut through the barriers of adversity and compete in any endeavor that they undertake.

Kiwetinohk's plan for 2022 is the next step toward our long-term goals.

If commodity prices hold up, we plan to drill 11 gross wells and complete, tie-in and put 10 gross wells on production in 2022 in the Fox Creek property. Much of the consolidated Fox Creek property is in regions with limited surface access. The access limitations are physical, swampy conditions and /or regulatory, restricted access to aid in the preservation of protected species. The result is, we expect, that the cycle time from spud to first production will average about 8 months for 2022's new well program. In addition to that, we expect new wells to, at least temporarily, adversely affect the production from existing, offsetting wells. In aggregate we predict the effect will be a slow overall response to the new well investment, gaining strength with more time and more wells.

We think well design technology for tight wells in the Montney and Duvernay formations is not mature. There is potential for improved economics by increasing (horizontal) lateral length, lateral spacing, frac slurry pump rate and frac size (as measured by total slurry pumped per metre of lateral) and by finding the optimum frac spacing. We expect the Montney fraccing to go smoothly but fraccing in the Duvernay has been associated with induced seismic activity which may constrain our well design. We will feel our way through this search for better well designs, seeking to improve on the base economics year over year as we develop the resource. Specifically, we are seeking to improve upon the incremental profit to investment ratio, discounted at 15% for our before-tax, half-cycle well economics (relative to the PIR15 of derived from the independent reserve evaluator's type curves as they are provided from time to time).

Vertical integration from natural gas production to electricity and hydrogen production are within our business scope. If we can keep low-cost acquisition, development and production of natural gas in step with the needs of our own gas-fired power and blue hydrogen business we can avoid the business risks associated with volatility of gas prices and we may be able to reduce some of the costs associated with midstream processing, transmission and storage of natural gas. The key for us to achieve the benefit of owning and developing our own natural gas is to remain patient, to look for the right opportunities to acquire high value gas resources. In 2022, we plan to continue to pursue tight/shale gas acquisitions in the Duvernay shale, the Montney formation and the Alberta Deep Basin.

We have not built a power or hydrogen project yet, but we have five power projects totalling about 1,800 MW, and one hydrogen project, in the design, evaluation, site selection and permitting processes. Note that we do not expect every project in the queue to get the internal and stakeholder nods of approval. Some pursuits are likely to become dead ends for reasons discovered during the evaluation and approval process that cannot

be predetermined. We hope our efforts will bring two projects — one solar and one gas-fired — currently at Stage 2 in the AESO regulatory queue to project financing and Final Investment Decision by year-end 2022. Key progress on these projects over the last year has included:

- Securing of land required to construct the first solar project,
- Completion of environmental surveys required for regulatory approval,
- Confirmation of interconnection capacity into Alberta's grid,
- Progression of front-end engineering and design and refining capital cost estimates.

For the coming year we will focus on adding further value to our power and hydrogen project portfolio through:

- Completing the process to secure the land required for the first gas-fired project,
- Acquiring pre-construction solar and wind projects in development by others,
- Identifying further sites for solar, wind and gas-fired power projects,
- Seeking commercial opportunities to supply blue hydrogen (made from natural gas) and green hydrogen (made from renewable power and water) to specialized markets,
- Advancing front-end engineering and design,
- Consulting with nearby communities including indigenous communities,
- Completing technical and economic evaluation of a carbon capture pilot,
- Advancing projects through the evaluation and regulatory approval process, and
- At an appropriate stage of development, seeking to contract power sales and, with those contracts in hand, seeking to find project debt and equity partner financing.

We are envisioning and creating a business to bridge from the present to the future.

Kiwetinohk's short to mid-term goal of supplying the Alberta Grid with low-cost, low-emissions, reliable, dispatchable electricity naturally leads to bigger goals. In a highly efficient circular economy, waste and transportation costs are minimized by industries locating facilities close to each other. Ultimately, we would like to supply industrial hubs with our products: natural gas, hydrocarbon liquids, electricity, hydrogen, carbon dioxide and gas processing and commodity marketing and carbon dioxide capture and sequestration services.

We are presently working, albeit at an early stage in each case, to establish partnerships with other companies that would involve co-locating so Kiwetinohk could provide products and/or services essential to their businesses. In the various situations, currently under consideration, Kiwetinohk aspires to provide any of natural gas, electricity, hydrogen, carbon dioxide or CCUS services and the partner will enhance recovery of light oil or produce manufactured products such as wood products and advanced carbon materials.

In the longer term, we would like to continue growing a business of producing clean energy: electricity and hydrogen. We want to take care of the carbon so that consumers,

industrial and retail, will have access to clean energy without having to worry about emitting or capturing carbon.

Today, as we get ready to list Kiwetinohk on the Toronto Stock Exchange, it's our vision that, as a transition company, vertically integrated from natural gas and carbon capture clean power and circular economy hubs, we will be able to grow to such size as to earn coverage by many of the analysts that report on large companies in the power generation and oil and gas businesses. Of the companies that size and larger, we want to be among the most reliable, the lowest carbon emissions and the lowest cost. If we can find market opportunities, we also want to be a clean hydrogen producer. We envision continuing to hunt for low-cost to develop and produce natural gas acquisition and development opportunities, sufficient in the long term to meet the input needs of our clean energy business.

We need to pass forward a sustainable energy economy.

In my vision of a perfect world, my grandchildren will find careers that fascinate them as mine has fascinated me. Their world will have abundant, reliable, affordable energy as mine has enjoyed. Alberta will lead the energy transition, remain an energy provider to the rest of the continent, and we will continue to lead the world in energy-related technical transformation. New companies, with products for a better future, will locate near Kiwetinohk's gas/power/hydrogen/carbon dioxide hubs. The energy transition is inevitable and unavoidable, it is not an option. Turning a challenging situation into a wonderful opportunity is an option, and it is very clearly the choice we need to embrace.

Thank you for your trust and support.

With wishes for health, happiness, and prosperity this new year and always,

Pat Carlson

CEO

Advisory

Certain statements contained in this document constitute "forward-looking statements" or "forward-looking information" within the meaning of applicable securities legislation (collectively, "**forward-looking statements**"). All statements other than statements of historical fact are forward-looking statements. The use of any of the words "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "would" and "potential" and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Although Kiwetinohk Energy Corp. (the "**Company**" or "**Kiwetinohk**") believes that the expectations reflected in such forward-looking statements or information are reasonable, undue reliance should not be placed on forward-looking statements as the Company can give no assurance that such expectations will prove to be correct.

Specifically, this document contains forward-looking statements pertaining to:

- the Company's beliefs and expectations with respect to its business model, energy demands, energy transition, the future of energy, distribution of power prices, and the best strategies for the Company to succeed in the Alberta power industry moving forward;
- the Company's ability to capitalize on certain energy transition opportunities through the use of new, innovative technologies in the market;
- industry conditions pertaining to the crude oil and natural gas industry and the energy transition and renewable power industries;
- the Company's plans for developing a low emission power generation business, including development of solar, wind and high-efficiency, gas-fired power projects and expectations with respect to future opportunities for other renewable energy projects;
- the Company's ability to produce and supply desired volumes of power, natural gas and hydrogen;
- the Company's plan to use gas-fired power generation systems that can be converted to hydrogen as the fuel gas;
- the Company's plan to conduct a pilot test surrounding carbon capture, utilization and storage;
- the Company's plan to drill gross wells and complete, tie-in and put the wells on production in 2022 and the cycle time from spud to production;
- the potential for improved economics by using new technology design in the Montney and Duvernay formations;
- the Company's plan for Montney fraccing;
- the Company's ability to use certain strategies to avoid business risks associated with the volatility of gas prices;
- the Company's ability to reduce costs associated with midstream processing, transmission and storage of natural gas;
- the Company's plans to pursue acquisitions in the Duvernay shale, the Montney formation and the Alberta Deep Basin in 2022;
- the Company's plan to secure land required for gas-fired projects;
- the Company’s plans to secure power sales contracts and debt and equity partner financing;
- the Company’s plans to list the Company on the Toronto Stock Exchange; and
- the potential consequences of climate change.

Statements relating to "reserves" are also 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 that the reserves can be profitably produced in the future. Estimates of the company's reserves and the net present value of future net revenue attributable to the company's reserves contained in this document are based upon the report prepared McDaniel & Associates Consultants Ltd. dated July 16, 2021, evaluating the reserves attributable to certain of the assets of Kiwetinohk and its subsidiaries as at July 1, 2021, assuming completion of the business combination of Kiwetinohk and Distinction Energy Corp. and an effective date of July 1, 2021. Actual reserve values may be greater than or less than the estimates provided herein.

The reserves information contained in this document has been prepared in accordance with National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* ("**NI 51-101**"). Complete NI 51-101 reserves disclosure is included in the Company's annual information form ("**AIF**") published on the Company's profile on System for Electronic Document Analysis and Retrieval ("**SEDAR**") at www.sedar.com.

Developing forward-looking statements involves reliance on a number of assumptions. In addition, forward-looking statements involve a number of risks and uncertainties that could cause actual results to differ materially from those anticipated by the Company and described in the forward-looking statements. For details on these assumptions, risks and uncertainties, please refer to the Company's AIF published on the Company's profile on SEDAR at www.sedar.com, in particular under "*Risk Factors*".

The forward-looking statements and information contained in this document speak only as of the date of this document and the Company undertakes no obligation to publicly update or revise any forward-looking statements or information, except as expressly required by applicable securities laws.