



**ROK RESOURCES INC.**

**ANNUAL INFORMATION FORM**

for the year ended December 31, 2020

**August 3, 2021**

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## ABBREVIATIONS

### Abbreviations

Oil and Natural Gas Liquids		Natural Gas	
Bbl or bbl	Barrel	Mcf or mcf	thousand cubic feet
Bbls or bbls	Barrels	Mmcf	million cubic feet
Mbbls	thousand barrels	Mcf/d or mcf/d	thousand cubic feet per day
Mmbbls	million barrels	Mmcf/d	million cubic feet per day
Mstb	thousand stock tank barrels	MMBTU or Mmbtu	million British Thermal Units
Bbls/d or bbls/d	barrels per day	Bcf or bcf	billion cubic feet
BOPD or bopd	barrels of oil per day	GJ	Gigajoule
NGLs	natural gas liquids		

### Other

API	American Petroleum Institute
°API	an indication of the specific gravity of crude oil measured on the API gravity scale. Liquid petroleum with a specified gravity of 28° API or higher is generally referred to as light crude oil.
BOE or boe	barrel of oil equivalent of natural gas and crude oil on the basis of 1 Bbl of crude oil for 6 Mcf of natural gas. <i>Disclosure provided herein in respect of boes may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf:1 Bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.</i>
BOE/D, boe/d or boepd	barrel of oil equivalent per day

In this Annual Information Form, references to “dollars” and “\$” are to the currency of Canada, unless otherwise indicated.

## FORWARD-LOOKING STATEMENTS

This Annual Information Form contains forward-looking statements and forward-looking information within the meaning of applicable securities legislation. The use of any of the words “expect”, “anticipate”, “continue”, “estimate”, “may”, “will”, “should”, “project”, “believe”, “intend”, “forecast”, “plans”, “guidance” and similar expressions are intended to identify forward-looking statements or information. 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. Such forward-looking statements included in this Annual Information Form should not be unduly relied upon. More particularly and without limitation, this Annual Information Form contains forward-looking statements and information relating to the following:

- the performance characteristics of the Corporation’s oil, NGLs and natural gas properties or any properties in which the Corporation has an interest;
- the Corporation’s strategy, plans and objectives;
- oil, NGLs and natural gas production levels and expectations of future production rates, volumes and product mixes;
- the size of the oil, NGLs and natural gas reserves and anticipated future cash flows from such reserves;
- projections of market prices, costs and exchange and inflation rates;
- supply and demand for oil and natural gas;
- the impact of seasonal factors on the Corporation;
- expectations regarding the ability to raise capital and to add reserves through acquisitions and development;
- expectations regarding acquisitions and drilling activity;
- future funds from operations;
- capital programs;
- income tax estimates and the Corporation’s tax horizon;
- the impact of renegotiation or termination of contracts;
- debt levels;
- expectations regarding environmental obligations and the impact of environmental laws and regulations on the Corporation;
- future royalty rates;
- future depletion, depreciation and accretion rates;
- 3
- the anticipated impact on the Corporation of the factors discussed under the heading “*Industry Conditions*”.

The forward-looking statements and information contained in this Annual Information Form are based on certain key expectations and assumptions made by the Corporation, including but not limited to:

- prevailing commodity prices, exchange rates and weather conditions;
- applicable royalty rates, tax laws and environmental regulation;
- government regulation in the area of production curtailment;
- general economic and financial market conditions;
- future well production rates;
- the performance of existing wells;
- the success of drilling new wells in which the Corporation has an interest;

- the size of the oil, natural gas and NGL reserves in which the Corporation has an interest and the recoverability of such reserves;
- future operating costs and future cash flow;
- the Corporation's future debt levels;
- the timing and amount of capital expenditures;
- the availability of capital to undertake planned activities; and
- the availability and cost of labour, services and equipment.

Although the Corporation believes that the expectations reflected in the forward-looking statements and information in this Annual Information Form are reasonable, it can give no assurance that such expectations will prove to be correct. Since forward-looking statements and information address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results may differ materially from those currently anticipated due to a number of factors and risks including, but not limited to:

- the impact of the COVID-19 pandemic;
- whether the Corporation can continue as a going concern;
- volatility in market prices for oil and natural gas;
- volatility in exchange rates;
- uncertainty of estimates and projections relating to production rates, oil and natural gas reserves, costs and expenses;
- liabilities inherent in oil and natural gas operations;
- failure to obtain industry partner or other third party consents and approvals, when required;
- inability to secure labour, services or equipment on a timely basis or on favourable terms;
- competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel;
- the inability to access sufficient capital from internal and external sources;
- unanticipated operating events which can reduce production or cause production to be shut in or delayed;
- unfavourable weather conditions;
- incorrect assessments of the value of acquisitions, dispositions and exploration and development activities, or the failure to realize the anticipated benefits of the same;
- geological, technical, drilling, completion and processing problems;
- the outcome of litigation or regulatory proceedings brought against the Corporation or other disputes involving the Corporation;
- cyber-security issues;
- fluctuations in the cost of borrowing;
- the marketability of production and demand for the Corporation's oil, NGLs and natural gas interests;
- the inability to access markets;
- changes in legislation, including changes in tax laws, incentive programs relating to the oil and gas industry, royalty and environmental legislation.
- the risks associated with the oil and gas industry in general, such as operational risks in development, exploration and production, delays or changes in plans with respect to exploration or development projects or capital expenditures;
- uncertainty of estimates and projections relating to, marketing and transportation, environmental risks, competition, and changes in tax, royalty and environmental legislation; and
- the other factors discussed under the heading *Risk Factors*.

Statements relating to “reserves” or “resources” 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.

**Readers are cautioned that the foregoing list of factors and risks is not exhaustive. The forward-looking statements and information contained in this Annual Information Form are expressly qualified by this cautionary statement. We do not undertake any obligation to publicly update or revise any forward-looking statements other than as required under applicable securities laws.**

## **ROK RESOURCES INC.**

### **General**

On April 6, 2010, Cap-Link Ventures Ltd. changed its name to Petrodorado Energy Ltd. (the “**Corporation**” or the “**Company**”) and amended its articles under section 179 of the CBCA accordingly. On November 27, 2014, the Corporation amended its articles to consolidate its outstanding Common Shares on the basis of one post-consolidation share for every ten pre-consolidation shares. Subsequently, on September 13, 2016, the Corporation amended its articles to consolidate its outstanding Common Shares on the basis of one post-consolidation share for every five pre-consolidation shares. Therefore, share numbers referenced herein prior to November 27, 2014 are to shares existing prior to the share consolidation effective on such date, share numbers referenced after November 27, 2014 through September 13, 2016 are to shares existing prior to the share consolidation effective on September 13, 2016, and share numbers referenced after September 13, 2016 are to shares existing subsequent to both aforementioned share consolidations.

On April 4, 2016, the Corporation filed articles of amendment which created a new class of common shares and a class of preferred shares and effected an exchange of the existing Common Shares for new class B common shares (“**Class B Shares**”) and preferred shares (“**Preferred Shares**”) on the basis of one Class B Share and one Preferred Share for every Common Share outstanding (hereinafter referred to as the “**Share Reorganization**”). The Preferred Shares were redeemed immediately in exchange for a special distribution of cash by way of a return of capital to the shareholders of the Corporation in an amount of \$0.42 per share (the “**Return of Capital**”) as further described further below. The Class B Shares are identical in all respects to the Common Shares, save for the fact that all Class B Shares have two votes per share at any shareholders meeting. As a result of the Share Reorganization, there are no longer any Common Shares or Preferred Shares issued and outstanding and the only class of shares in the capital of the Corporation outstanding are Class B Shares.

On January 1, 2020, the Corporation filed articles of amalgamation under the CBCA whereby it amalgamated with its wholly-owned subsidiary, ROK Resources Inc. and the amalgamated company continued under the name “ROK Resources Inc.”.

### **Head Office and Registered Office**

The Corporation’s head office and registered office is located at 200, 1965 Broad Street, Regina, Saskatchewan, S4P 1Y1.

## **Stock Exchange and Reporting Issuer Status**

The Corporation's Class B Shares are listed and publicly traded on the TSX Venture Exchange under the symbol "ROK". The Corporation is a reporting issuer in each of the provinces of Alberta, British Columbia and Ontario.

## **Intercorporate Relationships**

As of the year ended December 31, 2020, the Corporation did not have any subsidiaries.

## **DEVELOPMENT OF THE BUSINESS**

### **General**

The Corporation is an independent, Regina, Saskatchewan-based oil and gas company currently operating entirely in Saskatchewan. In recent years, the Corporation has established its oil and gas operations in the region of Southeast Saskatchewan through the acquisition of land leases and strategic acquisitions with prospective mineral rights and developed production assets.

### **Three-Year History**

Significant developments of the Corporation over the last three completed financial years are as set forth below:

#### *Year ended December 31, 2018*

In March 2018, the Corporation mutually agreed to terminate a proposed amalgamation agreement with Western Atlas Resources Inc., pursuant to which the Corporation made a payment of \$250,000 to Western Atlas Resources Inc. ("**WAR**"), with no further commitments or responsibilities existing between the parties thereafter. Other than the aborted transaction with WAR, the Corporation was largely dormant in 2018 and was seeking a transaction to commence active operations and satisfy the requirements of the TSX Venture Exchange to maintain the listing of the Common Shares.

#### *Year ended December 31, 2019*

In November 2019, the Corporation completed the acquisition of ROK Resources Inc., a private Saskatchewan oil and gas company, pursuant to which the Corporation acquired all of the issued and outstanding shares of ROK Resources Inc. Under the terms of the transaction, former ROK Resources Inc. shareholders were issued an aggregate of 20,000,000 Class B Shares of the Corporation as consideration valued at \$1,100,000. Upon completion of the transaction, the current business of ROK Resources Inc. became the primary business of the Corporation. By way of this transaction, the Corporation acquired interests in certain undeveloped land located in Southeast Saskatchewan to conduct petroleum and natural gas exploratory work.

#### *Year ended December 31, 2020*

In June 2020, the Corporation closed the acquisition of certain producing petroleum and natural gas properties located within the Glen Ewen area of Southeast Saskatchewan, targeting the Midale and Frobisher formations (the "**Glen Ewen Purchase Agreement**"). The acquired assets included associated facilities and undeveloped land directly adjacent to the Corporation's existing land base within the project area, as well as associated liabilities relating to future abandonment obligations on wells and facility sites. This contiguous

area allows for cost effective development of the Corporation's previously undeveloped lands utilizing existing processing capacity, water disposals and pipeline infrastructure. The acquisition package contained 27 suspended wells and 11 inactive facility sites.

As part of the acquisition, the Corporation entered into two gas purchase agreements with Steel Reef Infrastructure ("**Steel Reef Gas Handling Agreement- 5-14-3-1 Battery**" and "**Steel Reef Gas Handling Agreement- 9-23-2-1 Battery**", respectively).

#### *Events subsequent to December 31, 2020*

In February 2021, the Corporation acquired a non-operated working interest in producing and non-producing oil and gas assets, along with an interest in a multi-well facility in Southeastern Saskatchewan (the "**Carnduff Purchase Agreement**"). Total consideration for the acquisition was the assumption of all liabilities associated with the acquired assets and an overriding royalty. Estimated future abandonment and reclamation obligations for these acquired assets was approximately \$422,000.

In April 2021, the Corporation closed a transaction to acquire certain producing oil and gas assets in Southeastern Saskatchewan for total consideration of \$1,500,000 in cash and 2,000,000 Class B Shares of the Corporation (the "**Florence Non-Operated Purchase Agreement**"). The acquisition property is located within the Corporation's core operating area in Southeast Saskatchewan, targeting the Midale and Frobisher formations.

In May 2021, the Corporation closed a transaction to acquire certain producing oil and gas assets in Southeastern Saskatchewan (the "**Florence Operated Purchase Agreement**"). Total consideration for the acquisition was \$2,500,000 in cash and 2,250,000 Class B Shares of the Corporation. The acquisition property is located within the Corporation's core operating area in Southeast Saskatchewan, targeting the Midale and Frobisher formations. The acquired asset also includes a multi-well facility and approximately 2,500 gross acres of prospective land in proximity to the Corporation's existing land base. As part of the **Reef Gas Handling Agreement- 1-10-2-1 Battery**).

Further, the Corporation entered into a Farmout Agreement to acquire the rights to earn certain undeveloped oil and gas assets in Southeastern Saskatchewan (the "**Carievale Farmout Agreement**"). The Corporation will participate in the drilling, completion and equipping of two earning wells, paying 70% of the costs to earn a 35% working interest in the two earning wells, plus a 35% working interest in approximately 2,900 gross acres of prospective undeveloped lands. The first commitment well is expected to be spud on or before August 31, 2021. Prior to March 31, 2022, the Corporation has the option to purchase up to a 50% interest in the undeveloped oil and gas assets, which includes two producing oil and gas wells.

On July 21, 2021, the Corporation announced that the Board of Directors had awarded a total of 4,150,000 options to directors, officers and consultants of the Corporation. The options are exercisable into common shares in the capital of the Corporation at an exercise price of \$0.28 per share. The options vest as to one third immediately with an additional one third vesting on the first anniversary of the date of grant with the remainder vesting on the second anniversary of the date of grant. The expiry for all options is July 21, 2026.

### **Significant Acquisitions**

The corporation did not complete any significant acquisitions during its most recently completed financial year for which disclosure is required under Part 8 of National Instrument 51-102 – *Continuous Disclosure Obligations*.

## DESCRIPTION OF THE BUSINESS

### Corporate Strategy

The Corporation's strategic priorities are to:

- identify and carry out strategic transactions in the best interest of the shareholders of the public Corporation;
- control costs through efficient management of operations;
- focus on controlling debt and managing capital expenditures effectively;
- maintain a strong focus on employee, contractor and community health and safety; and
- manage environmental and social performance to minimize negative ecological impacts and ensure continued stakeholder support.

**The Board may, in its discretion, approve acquisitions that do not conform to these strategic priorities based upon its consideration of the qualitative aspects of the subject properties including risk profile, technical upside, reserve life and asset quality.**

### Specialized Skill and Knowledge

All aspects of the Corporation's business require specialized skills and knowledge. Much of the necessary specialized skills and knowledge required by the Corporation as an oil and gas exploration and production company are available from its management team and Board of Directors. To the extent additional specialized skills and knowledge are required, the Corporation retains outside consultants.

### Competitive Conditions

The oil and natural gas industry is competitive in all its phases. The Corporation competes with numerous other participants in the search for, and the acquisition of, oil and natural gas properties and in the marketing of oil and natural gas. Competitive factors in the distribution and marketing of oil and natural gas include price, and methods and reliability of delivery. The Corporation's competitors include resource companies which have greater financial resources, staff and facilities than those of the Corporation. The Corporation believes that its competitive position is equivalent to that of other oil and gas issuers of similar size and at a similar stage of development. See below under the heading "*Risk Factors – Competition*".

### Components

Any raw materials the Corporation requires to carry on its business are readily available through normal supply or business contracting channels.

### Cycles

The Corporation's business may be cyclical as the exploration and development of oil and natural gas reserves is dependent on access to areas where production is to be conducted. The level of activity in the Canadian oil and natural gas industry, and accordingly the Corporation's business, is influenced by seasonal weather patterns. Wet weather and spring thaw may make the ground unstable which prevents, delays or makes operations more difficult. In addition, extreme cold weather, heavy snowfall and heavy rainfall may restrict our ability to access our properties, cause operational difficulties including damage to machinery or contribute to personnel injury because of dangerous working conditions. The Corporation does not expect to be affected by seasonal weather patterns in a manner disproportionate to that of its peers in its area of operations. See below under the heading "*Risk Factors – Seasonality and Extreme Weather Conditions*".

## **Economic Dependence**

The Corporation's business is not substantially dependent on any contract such as a contract to sell a major part of its products or services or to purchase the major part of its requirements for goods, services or raw materials, or on any franchise or licence or other agreement to use a patent, formula, trade secret, process or trade name upon which its business depends.

## **Changes to Contracts**

Other than disclosed herein, the Corporation does not anticipate that it will be affected in the current financial year by renegotiation or termination of contracts or sub-contracts that could materially affect the Corporation's business plan.

## **Environmental Protection**

Environmental requirements are being adhered to and monitored on an ongoing basis. The Corporation's properties are subject to stringent laws and regulations governing environmental quality. Such laws and regulations can increase the cost of planning, designing, installing and operating facilities on any properties in which the Corporation has an interest. 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 earnings and overall competitiveness. See below under the headings "*Industry Conditions – Regulatory Authorities and Environmental Regulation*" and "*Risk Factors – Environmental*". The Corporation is not aware of any environmental protection requirement, except as may be disclosed elsewhere in this Annual Information Form, that will impact its capital expenditures, earnings or competitive position in a manner disproportionate to that of its peers in its area of operations.

## **Employees**

The Corporation primarily relies upon consultants to carry on many of its activities and, in particular, to supervise work programs on its properties. The Corporation faces competition for qualified personnel from numerous industry sources and there can be no assurance that the Corporation will be able to attract and retain qualified personnel on acceptable terms. See "*Risk Factors – Reliance on Key Employees*" in this AIF. As at December 31, 2020, ROK had six employees. As at the date hereof, ROK has six employees.

## **Foreign Operations**

All of the Corporation's properties are located in Saskatchewan, Canada. The Corporation does not have any operations outside of Canada.

## **Re-organizations**

In a previous fiscal year, the Corporation undertook a reorganization pursuant to the Share Reorganization, as otherwise described herein. The Corporation has not undertaken any other re-organizations in the previous three fiscal years.

## **Social or Environmental Policies**

To date the Corporation has not implemented any social or environmental policies that are fundamental to its operations, nevertheless we remain committed to protecting shareholder value by better understanding, disclosing, and managing environmental, health, safety and sustainability.

## **Price Risk Management**

Prices received for production and associated operating expenses are impacted in varying degrees by factors outside the Corporation's control. These factors include, but are not limited to, the following:

- (a) world market forces, including the ability of OPEC to set and maintain production levels and prices for crude oil;
- (b) political conditions, including the risk of hostilities in the Middle East and other regions throughout the world;
- (c) increases or decreases in crude oil quality and market differentials;
- (d) the impact of changes in the exchange rate between Canada and U.S. dollars on prices received by the Corporation for its crude oil and natural gas;
- (e) North American market forces, most notably shifts in the balance between supply and demand for crude oil and natural gas and the implications for the price of crude oil and natural gas;
- (f) global and domestic economic and weather conditions;
- (g) price and availability of alternative fuels; and
- (h) the effect of energy conservation measures and government regulations.

## **Revenue Sources**

For the year ended December 31, 2020, ROK had total revenue from its properties of approximately \$459,093.

## **PETROLEUM AND NATURAL GAS PROPERTIES**

At present, ROK has beneficial interests either in the form of participation interests or royalty interests in various properties, all of which are described in the Corporation's National Instrument 51-101F1 *Statement of Reserves Data and Other Oil and Gas Information*, prepared as at December 31, 2020 and as are further described in the Corporation's most recently filed Management's Discussion and Analysis for its most recently completed fiscal period.

### **STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION**

The information contained in the Corporation's National Instrument 51-101F1 *Statement of Reserves Data and Other Oil and Gas Information*, prepared as at December 31, 2020, and Form 51-101F3 *Report of Management and Directors on Oil and Gas Disclosure*, are each filed under the Corporation's profile at [www.sedar.com](http://www.sedar.com) and are incorporated by reference into this AIF.

### **DIRECTORS AND OFFICERS OF THE CORPORATION**

The name, municipality of residence and principal occupation for the last five years of each of the directors and executive officers of the Corporation are as follows, as of August 3, 2021:

<b>Name and Municipality of Residence</b>	<b>Office<sup>(4)</sup></b>	<b>Principal Occupation</b>	<b>Director Since<sup>(5)</sup> and Shares currently held, directly or indirectly</b>
Cameron Taylor <sup>(1)(2)</sup> Wolseley, SK Canada	Chairman of the Board of Directors, Chief Executive Officer	Mr. Taylor is a geoscientist with over 30 years of experience in oil & gas exploration and development. Since graduating with a BSc. in Geophysics in 1988, he has worked the Williston Basin, Foothills, deep Devonian and heavy oil exploration within Canada. From November 2004 to the present, Mr. Taylor has served as a director of Pan Orient Energy, an international oil and gas exploration company with activities in Thailand, Indonesia and Canada. From September 2015 to the present, Mr. Taylor has served as a director of Burgess Creek Exploration, a private oil company with operations focused in SE Saskatchewan. Mr. Taylor served as President and CEO of Villanova 4 Oil Corp. from April 2013 to October 2014, Villanova Oil Corp. from May 2010 to April 2013 and Villanova Resources Inc. from January 2009 to May 2010. All three were private oil companies with operations focused in SE Saskatchewan.	November 28, 2019  8,515,521
Lynn Chapman Calgary, Alberta Canada	Chief Financial Officer	Mr. Chapman was appointed Chief Financial Officer of the Corporation on January 28, 2016. Prior thereto, Mr. Chapman was the controller of the Corporation from January 2012 to January 2016, and manager of financial reporting from September 2011 to January 2012. Prior thereto, Mr. Chapman worked for KPMG LLP Calgary from January 2008 to September 2011. Mr. Chapman has a Bachelor of Business Administration from Mount Royal College (now Mount Royal University) and is a member of the Canadian Institute of Chartered Accountants. Mr. Chapman has over 12 years experience in international business with disciplines in finance, accounting and financial reporting under IFRS.	N/A  170,000
Kent McDougall <sup>(1)(3)</sup> Calgary, Alberta Canada	Director	Mr. McDougall has over 35 years of experience in oil and gas marketing and commercial arrangements within the oil and gas business. Mr. McDougall is currently an owner and Chief Commercial Officer of Torq Energy Logistics Ltd., which owns midstream infrastructure and provides marketing and transportation to customers across Western Canada. From August 2011 to September 2014, he worked at Goldman Sachs as Vice President, Energy Sales. From September 2007 to August 2011, he worked at Credit Suisse as Director, Fixed Income, Energy Trading and Marketing. Mr. McDougall holds a Bachelor of Commerce degree from the University of Calgary.	August 13, 2020  1,284,000
Jeff Chisholm <sup>(2)</sup> Bangkok, Thailand	Director	Mr. Chisholm is a geoscientist with 30 years of international development and new venture evaluations experience with Pan Orient Energy, Orion Securities, Bow Valley Energy, Canadian Occidental Petroleum (Nexen) PanCanadian Petroleum (Encana) and Niko Resources. Mr. Chisholm has been President, CEO and Director of Pan Orient Energy Corp., an oil and natural gas company since July 2005 where he has managed a debt free balance sheet and returned significant capital to his shareholders.	August 13, 2020  1,888,461
Jared Lukomski Regina, Saskatchewan Canada	Senior Vice-President, Land and Business Development	Mr. Lukomski was appointed Senior Vice-President, Land and Business Development on November 28, 2019. Mr. Lukomski was the Vice-President, Land with Villanova 4 Oil Corp from January 2008 to July 2018. Prior to joining the Villanova Group, Jared was employed by Conexus Credit Union from 2000 to 2007 where he managed a book of business in his role as a Commercial Account Manager.	N/A  7,050,001

Name and Municipality of Residence	Office <sup>(4)</sup>	Principal Occupation	Director Since <sup>(5)</sup> and Shares currently held, directly or indirectly
Bryden Wright Regina, Saskatchewan Canada	Vice-President, Engineering	Mr. Wright was appointed Vice-President, Engineering on November 28, 2019. Mr. Wright is the former Vice-President, Engineering of Villanova 4 Oil Corp. He has over 12 years of experience in Williston Basin oil exploration and production, specifically SE Saskatchewan conventional and unconventional oil plays. Mr. Wright holds an BSc. in Petroleum Systems Engineering and is a registered Professional Engineer with the Association of Professional Engineers and Geoscientists of Saskatchewan.	N/A  5,525,992
David Hergenhein <sup>(1)(2)(3)</sup> Calgary, Alberta Canada	Director	Mr. Hergenhein, an independent director, has over 15 years of public accounting and financial reporting experience, including four years with Deloitte & Touche LLP. Mr. Hergenhein is a Chartered Professional Accountant (CPA) and has provided financial management services for several international junior oil and gas exploration companies. Mr. Hergenhein holds a Bachelor of Commerce degree from the University of Calgary.	May 26, 2016  261,600
Peter Yates <sup>(1)(2)(3)</sup> Calgary, Alberta Canada	Director, Corporate Secretary	Counsel and Owner with EnerNext Counsel, a boutique legal and advisory firm since August 2017. Previously an associate at Field LLP in the corporate/securities department from November, 2015 until August 2017. Prior thereto, Partner in the securities/corporate finance group at Dentons Canada LLP (formerly Fraser Milner Casgrain LLP) from May 2012 to October 2015. Formerly an Associate in the securities, corporate finance and mergers and acquisitions group with Heenan Blaikie LLP from 2004 to 2012.	February 6, 2015  228,333

**Notes:**

- (1) Member of the Audit Committee of the Corporation. See “Audit Committee”.
- (2) Member of the Reserves and Environmental, Health and Safety Committee of the Corporation.
- (3) Member of the Compensation and Corporate Governance Committee of the Corporation.
- (4) As at the date of this AIF, the directors and executive officers of the Corporation, as a group, beneficially owned, directly or indirectly, or exercised control or direction over 24,923,908 of the Corporation’s common shares, constituting approximately 34% of the issued and outstanding common shares.
- (5) Each director’s term expires at the close of the next annual meeting of the shareholders of the Corporation, unless re-elected.

**Orders**

To the knowledge of management of the Corporation, no director or executive officer as at the date hereof or within 10 years before the date hereof, was a director, chief executive officer or chief financial officer of any company (including the Corporation), that (a) was subject to an order that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, or (b) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer. For the purposes hereof, “order” means (a) a cease trade order, (b) an order similar to a cease trade order, or (c) an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days.

## **Bankruptcies**

To the knowledge of management of the Corporation, no director or executive officer of the Corporation, or a shareholder holding a sufficient number of securities of the Corporation to affect materially the control thereof, (a) is, as at the date hereof, or has been within the 10 years before the date hereof, a director or executive officer of any company (including the Corporation) 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 10 years before the date 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.

## **Penalties and Sanctions**

To the knowledge of management of the Corporation, no director or executive officer or shareholder holding a sufficient number of common shares to affect materially the control of the Corporation, has been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority, or has been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision.

## **Conflicts of Interest**

There are potential conflicts of interest to which the directors and officers of the Corporation will be subject to in connection with the operations of the Corporation. In particular, certain of the directors and officers of the Corporation are involved in managerial or director positions with other oil and natural gas companies whose operations may, from time to time, be in direct competition with those of the Corporation or with entities which may, from time to time, provide financing to, or make equity investments in, competitors of the Corporation. In accordance with the CBCA, directors who have a material interest or any person who is a party to a material contract or a proposed material contract with the Corporation are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract. In addition, the directors are required to act honestly and in good faith with a view to the best interests of the Corporation. Certain of the directors of the Corporation have either other employment, other business or time restrictions placed on them and accordingly, these directors of the Corporation will only be able to devote part of their time to the affairs of the Corporation. See “*Directors and Officers of the Corporation*” in this AIF. To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the CBCA.

## **AUDIT COMMITTEE**

The purpose of the Corporation’s audit committee is to provide assistance to the Board in fulfilling its legal and fiduciary obligations with respect to matters involving the accounting, auditing, financial reporting, internal control and legal compliance functions of the Corporation and its subsidiaries. It is the objective of the audit committee to maintain free and open means of communication among the Board, the independent auditors and the senior management of the Corporation. For further particulars regarding the Audit Committee and the relationship with the auditor, see the management proxy circular of the Corporation dated November 16, 2020, under the heading “*Audit Committee and Relationship with Auditor*” which disclosure is incorporated by reference herein.

The full text of the audit committee’s charter is attached hereto as Schedule “A” and forms part of this Annual Information Form.

### Composition of the Audit Committee

The audit committee is comprised of David Hergenhein, Kent McDougall and Cameron Taylor. David Hergenhein is the Chairman of the audit committee. Each of the members is independent within the meaning of section 1.4 of National Instrument 52-110 *Audit Committees* (“NI 52-110”), except for Mr. Taylor, who is the Chief Executive Officer of the Corporation. Each of the members is financially literate within the meaning of section 1.6 of NI 52-110.

### Relevant Education and Experience

Please refer to the individual biographies for the members of the audit committee above under the heading “*Directors and Officers of the Corporation*”.

### Pre-Approval Policies and Procedures

The audit committee pre-approves engagements for non-audit services provided by the external auditors or their affiliates, together with estimated fees and potential issues of independence.

### External Auditor Service Fees (By Category)

<u>Year Ended</u>	<u>Firm</u>	<u>Audit Fees</u>	<u>Audit Related Fees</u>	<u>Tax Fees</u>	<u>All Other Fees</u>
December 31, 2020	KPMG	\$37,450	NIL	\$4,708	\$244
December 31, 2019	KPMG	\$21,400	NIL	\$4,280	NIL

#### Notes:

- (1) “Audit Fees” include fees necessary to perform the annual audit and quarterly reviews of the Corporation’s consolidated financial statements. Audit Fees include fees for review of tax provisions and for accounting consultations on matters reflected in the financial statements. Audit Fees also include audit or other attest services required by legislation or regulation, such as comfort letters, consents, review of securities filings and statutory audits.
- (2) “Audit Related Fees” include services that are traditionally performed by the auditor. These audit related services include employee benefit audits, due diligence assistance, accounting consultations on proposed transactions, internal control reviews and audit or attest services not required by legislation or regulation.
- (3) “Tax Fees” include fees for all tax services other than those included in “Audit Fees” and “Audit Related Fees”. This category includes fees for tax compliance, tax planning and tax advice. Tax planning and tax advice includes assistance with tax audits and appeals, tax advice related to mergers and acquisitions, and requests for rulings or technical advice from tax authorities.
- (4) “All Other Fees” include all other non-audit services.

### Exemption

The Corporation is relying on the exemption in Section 6.1 of NI 52-110.

### DESCRIPTION OF SHARE CAPITAL

The authorized capital of the Corporation consists of an unlimited number of class A common shares, an unlimited number of Class B Shares and an unlimited number of Preferred Shares, of which 74,471,576 Class B Shares were issued and outstanding as at August 3, 2021. The Corporation’s articles of incorporation have been filed on SEDAR at [www.sedar.com](http://www.sedar.com).

## Class A Shares

Holders of Class A Shares are entitled to (a) one vote per Class A Share at all meetings of shareholders of the Corporation; (b) receive dividends if, as and when declared by the Board, as a class equally although either class of common shares of the Corporation may be issued a dividend to the exclusion of the other class of common shares; and (c) in the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, or any other distribution of its assets for the purpose of winding up its affairs, share rateably in such assets of the Corporation as are available for distribution.

## Class B Shares

Holders of Class B Shares are entitled to (a) two votes per Class B Share at all meetings of shareholders of the Corporation; (b) receive dividends if, as and when declared by the Board, as a class equally although either class of common shares of the Corporation may be issued a dividend to the exclusion of the other class of common shares; and (c) in the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, or any other distribution of its assets for the purpose of winding up its affairs, share rateably in such assets of the Corporation as are available for distribution.

## Preferred Shares

The Preferred Shares are non-voting, entitled to priority on the distribution of assets in the event of a dissolution of the Corporation up to the amount of the redemption price for such shares as well as any accumulated dividends to that point in time and are redeemable by the Corporation at any time and with notice to the holder thereof by way of press release and at a redemption price payable in cash.

## DIVIDENDS

Other than pursuant to the Return of Capital, the Corporation has not declared or paid any dividends on any class of securities of the Corporation. Any decision to pay dividends on such shares in the future will be made by its Board on the basis of the Corporation's earnings, financial requirements and other conditions existing at such future time. It is the current intention of the Corporation not to pay any dividends in the near future. See "*Risk Factors – Dividends*" in this AIF. There are no restrictions in the Corporation's constating documents that restrict the payment of dividends to any class of securities of the Corporation.

## MARKET FOR SECURITIES

### Trading Price and Volume

#### *Common Shares*

The Class B Shares have been listed and posted for trading on the TSXV under the trading symbol "ROK" since January 2, 2020. Prior to that date, the Common Shares were listed and posted for trading on the TSXV under the trading symbol "PDQ". The following table sets out the price range for, and trading volume of, the Common Shares as reported by the TSXV for the periods indicated:

	Trading Price (\$)		Volume Traded
	High	Low	# of shares
<b>2020</b>			
January	0.1400	0.1000	4,764,200
February	0.1100	0.0800	1,515,000
March	0.1100	0.0800	1,879,000
April	0.0900	0.0900	165,700

	Trading Price (\$)		Volume Traded
	High	Low	# of shares
May	0.0900	0.0900	201,800
June	0.1000	0.0900	367,100
July	0.1300	0.0900	1,504,500
August	0.2100	0.1300	2,985,300
September	0.2100	0.1700	2,503,400
October	0.2100	0.1700	865,000
November	0.1800	0.1600	445,400
December	0.2000	0.1700	275,800

### STOCK OPTION GRANTS

As of December 31, 2020, the Corporation granted, under the Corporation's stock option plan (the "**Option Plan**"), options ("**Options**") to acquire an aggregate of 2,740,000 Common Shares, the particulars of which are set forth in the following table:

<u>Date of Grant</u>	<u>Number of Common Shares Issuable on Exercise<sup>(1)</sup></u>	<u>Exercise Price per Share</u>	<u>Date of Expiry</u>
November 2016	300,000	\$0.10	November 2021
July 2018	840,000	\$0.10	July 2023
December 2019	1,600,000	\$0.15	December 2024

**Note:**

- (1) Each Option entitled the holder thereof to acquire one Common Share on the terms and conditions set forth in the Option Plan. In addition to the above, the Corporation issued a total of 4,150,000 Options in July 2021, as more particularly described above under the heading "*Development of the Business – Three Year History*".

### ESCROWED SECURITIES

No securities of the Corporation are currently escrowed.

### INDUSTRY CONDITIONS

Those operating in the crude oil and natural gas sector are subject to extensive controls and regulations in respect of operations (including land tenure, exploration, development, production, refining and upgrading, transportation and marketing) as a result of legislation enacted by the federal government and the provincial governments of Canada in the jurisdictions where the entities have assets or operations. The crude oil and natural gas industry is also subject to agreements among the governments of Canada, Alberta, Saskatchewan, the United States and Texas with respect to pricing and taxation of oil and natural gas. All current legislation and regulation is a matter of public record and the Corporation is unable to predict what additional legislation, regulation or amendments may be enacted. While it is not expected that any of these controls or regulations will affect the operations of the Corporation in a manner that is materially different than the manner in which they affect other similarly sized industry participants with similar assets and operations, investors should consider such regulations carefully. Outlined below are some of the principal aspects of legislation, regulations and agreements governing the oil and gas industry in the provinces in which the Corporation operates.

## Pricing and Marketing in Canada

### Crude Oil

In Canada, producers of oil are entitled to negotiate sales contracts directly with oil purchasers. Worldwide supply and demand factors primarily determine oil prices; however, prices are also influenced by regional markets and transportation issues. The specific price depends in part on oil quality, prices of competing fuels, distance to market, availability of transportation, value of refined products, the supply/demand balance and contractual terms of sale.

### Natural Gas

Negotiations between buyers and sellers determines the price of natural gas sold in intra-provincial, interprovincial and international trade. The price received by a natural gas producer depends, in part, on the price of competing natural gas supplies and other fuels, natural gas quality, distance to market, availability of transportation, length of contract term, weather conditions, supply/demand balance and other contractual terms. Spot and future prices can also be influenced by supply and demand fundamentals on various trading platforms.

### Natural Gas Liquids

The pricing of condensates and other NGLs such as ethane, butane and propane sold in intra-provincial, interprovincial and international trade is determined by negotiation between buyers and sellers. Such prices depend, in part, on the quality of the NGLs, price of competing chemical stock, distance to market, access to downstream transportation, length of contract term, supply/demand balance and other contractual terms.

### Exports from Canada

On August 28, 2019, Bill C-69 came into force, replacing, among other things, the *National Energy Board Act* (the "**NEB Act**") with the *Canadian Energy Regulator Act* (Canada) (the "**CERA**"), and replacing the National Energy Board (the "**NEB**") with the Canadian Energy Regulator ("**CER**"). The CER has assumed the NEB's responsibilities broadly, including with respect to the export of crude oil, natural gas and NGLs from Canada. The legislative regime relating to exports of crude oil, natural gas and NGLs from Canada has not changed substantively under the new regime.

Exports of crude oil, natural gas and NGLs from Canada are subject to the CERA and remain subject to the *National Energy Board Act Part VI (Oil and Gas) Regulation* (the "**Part VI Regulation**"). While the Part VI Regulation was enacted under the NEB Act, it will remain in effect until 2022, or until new regulations are made under the CERA. The CERA and the Part VI Regulation authorize crude oil, natural gas and NGLs exports under either short-term orders or long-term licences. For natural gas, the maximum duration of an export licence is 40 years; for crude oil and other gas substances (*e.g.*, NGLs), the maximum term is 25 years. To obtain a crude oil export licence, a mandatory public hearing with the CER is required; however, there is no public hearing requirement for the export of natural gas and NGLs. Instead, the CER will continue to apply the NEB's written process that includes a public comment period for impacted persons. Following the comment period, the CER completes its assessment of the application and either approves or denies the application. The CER can approve an application if it is satisfied that proposed export volumes are not greater than Canada's reasonably foreseeable needs, and if the proposed exporter is in compliance with the CERA and all associated regulations and orders made under the CERA. Following the CER's approval of an export licence, the federal Minister of Natural Resources is mandated to give his or her final approval. While the Part VI Regulation remains in effect, approval of the cabinet of the Canadian federal government ("**Cabinet**") is also required. The discretion of the Minister of Natural Resources and

Cabinet will be framed by the Minister of Natural Resources' mandate to implement the CERA safely and efficiently, as well as the purpose of the CERA, to effect "oil and natural gas exploration and exploitation in a manner that is safe and secure and that protects people, property and the environment".

The CER also has jurisdiction to issue orders that provide a short-term alternative to export licences. Orders may be issued more expediently since they do not require a public hearing or approval from the Minister of Natural Resources or Cabinet. Orders are issued pursuant to the Part VI Regulation for up to one or two years depending on the substance, with the exception of natural gas (other than NGLs) for which an order may be issued for up to 20 years for quantities not exceeding 30,000 m<sup>3</sup> per day.

As to price, exporters are free to negotiate prices and other terms with purchasers, provided that the export contracts continue to meet certain criteria prescribed by the CER and the federal government. We do not directly enter into contracts to export our production outside of Canada.

As discussed in more detail below, one major constraint to the export of crude oil, natural gas and NGLs outside of Canada is the deficit of overall pipeline and other transportation capacity to transport production from Western Canada to the United States and other international markets. Although certain pipeline and other transportation projects are underway, many contemplated projects have been cancelled or delayed due to regulatory hurdles, court challenges and economic and other socio-political factors. Major pipeline and other transportation infrastructure projects typically require a significant length of time to complete once all regulatory and other hurdles have been cleared. In addition, production of crude oil, natural gas and NGLs in Canada is expected to continue to increase, which may further exacerbate the transportation capacity deficit.

## **Transportation Constraints and Market Access**

### **Pipelines**

Producers negotiate with pipeline operators (or other transport providers) to transport their products to market on a firm or interruptible basis. Transportation availability is highly variable across different jurisdictions and regions. This variability can determine the nature of transportation commitments available, the number of potential customers that can be reached in a cost-effective manner and the price received. Due to growing production and a lack of new and expanded pipeline and rail infrastructure capacity, producers in Western Canada have experienced low commodity pricing relative to other markets in the last several years.

Under the Canadian constitution, interprovincial and international pipelines fall within the federal government's jurisdiction and require a regulatory review and approval by Cabinet. However, recent years have seen a perceived lack of policy and regulatory certainty at a federal level. The federal government amended the federal approval process with the CER, which aims to create efficiencies in the project approval process while upholding stringent environmental and regulatory standards. However, as the CER has not yet undertaken a major project approval, it is unclear how the new regulator operates compared to the NEB and whether it will result in a more efficient approval process. Lack of regulatory certainty is likely to influence investment decisions for major projects. Even when projects are approved on a federal level, such projects often face further delays due to interference by provincial and municipal governments. Additional delays causing further uncertainty result from legal opposition related to issues such as Indigenous rights and title, the government's duty to consult and accommodate Indigenous peoples, and the sufficiency of all relevant environmental review processes. Export pipelines from Canada to the United States face additional unpredictability as such pipelines require approvals of several levels of government in the United States.

In the face of such regulatory uncertainty, the Canadian crude oil and natural gas industry has experienced significant difficulty expanding the existing network of transportation infrastructure for crude oil, natural gas and NGLs, including pipelines, rail, trucks and marine transport. Improved access to global markets through the Midwest United States and export shipping terminals on the west coast of Canada could help to alleviate downward pressure on commodity prices. Several proposals have been announced to increase pipeline capacity from Western Canada to Eastern Canada, the United States, and other international markets via export terminals. While certain projects are proceeding, the regulatory approval process and other factors related to transportation and export infrastructure have led to the delay, suspension or cancellation of a number of pipeline projects.

With respect to the current state of the transportation and exportation of crude oil from Western Canada to domestic and international markets, the Enbridge Line 3 Replacement from Hardisty, Alberta, to Superior, Wisconsin, continues to experience permitting difficulties in the United States. The Canadian portion of the replaced pipeline began commercial operation on December 1, 2019. Progress has been made on replacement of the United States portion but the project continues to face opposition from various groups.

The Trans Mountain Pipeline expansion received Cabinet approval in November 2016. Following a period of sustained political opposition in British Columbia, the federal government purchased the Trans Mountain Pipeline from Kinder Morgan Cochin ULC in August 2018. However, the Trans Mountain Pipeline expansion experienced a setback when, in August 2018, the Federal Court of Appeal identified deficiencies in the NEB's environmental assessment and the Government's Indigenous consultations. The Court quashed the accompanying certificate of public convenience and necessity and directed Cabinet to correct these deficiencies. On June 18, 2019, Cabinet re-approved the Trans Mountain Pipeline expansion and directed the NEB to issue a certificate of public convenience and necessity for the project. Ongoing opposition by Indigenous groups continues to affect the progress of the Trans Mountain Pipeline. Along with its approval of the expansion, the federal government also announced the launch of the first step of a multi-step process of engagement with Indigenous groups for potential Indigenous economic participation in the pipeline. Following a public comment period initiated after the approval, the NEB ruled that NEB decisions and orders issued prior to the Federal Court of Appeal decision quashing the original Certificate of Public Convenience and Necessity will remain valid unless the CER (having replaced the NEB) decides that relevant circumstances have materially changed, such that there is a doubt as to the correctness of a particular decision or order. Construction commenced on the Trans Mountain Pipeline in late 2019, and is proceeding concurrently alongside CER hearings with landowners and affected communities to determine the final route for the Trans Mountain Pipeline.

In December 2019, the Federal Court of Appeal heard a judicial review application brought by six Indigenous applicants challenging the adequacy of the federal government's further consultation on the Trans Mountain Pipeline expansion. Two First Nations subsequently withdrew from the litigation after reaching a deal with Trans Mountain. On February 4, 2020, the Federal Court of Appeal dismissed the remaining four appellants' application for judicial review, upholding Cabinet's second approval of the Trans Mountain Pipeline expansion from June 2019. The Federation of British Columbia Naturalists, an environmental group that was denied standing in the December 2019 judicial review, appealed the Federal Court of Appeal's standing decision to the Supreme Court of Canada. The appeal was dismissed on March 5, 2020.

In addition, on April 25, 2018, the British Columbia Government submitted a reference question to the British Columbia Court of Appeal, seeking to determine whether it has the constitutional jurisdiction to amend the *Environmental Management Act* (the "**BC EMA**") to impose a permitting requirement on carriers of heavy crude within British Columbia. The British Columbia Court of Appeal answered the reference question unanimously in the negative, and on January 16, 2020, the Supreme Court of Canada heard the Attorney General of British Columbia's appeal. The Supreme Court of Canada unanimously dismissed the

appeal and adopted the reasons of the British Columbia Court of Appeal. While the Trans Mountain Pipeline expansion still faces opposition from certain groups, progress continues to be made towards the completion of the project.

While it was expected that construction on the Keystone XL Pipeline, owned by the Canadian company TC Energy Corporation ("**TC Energy**") would commence in the first half of 2019, pre-construction work was halted in late 2018 when a United States Federal Court Judge determined the underlying environmental review was inadequate. The United States Department of State issued its final Supplemental Environmental Impact Statement in late 2019, and in January 2020, the United States Government announced its approval of a right-of-way that would allow the Keystone XL Pipeline to cross 74 kilometers of federal land. TC Energy announced in January 2020 that it plans to begin mobilizing heavy equipment for pre-construction work in February 2020, and that work on pipeline segments in Montana and South Dakota will begin in August 2020. Nevertheless, the Keystone XL pipeline remains subject to legal and regulatory barriers. In December 2019, a federal judge in Montana rejected the United States Government's request to dismiss a lawsuit by Native American tribes attempting to block required pipeline permits. The tribes claim that a permit issued in March 2019 would allow the pipeline to disturb cultural sites and water supplies in violation of tribal laws and treaties. Furthermore, the 1.9-kilometer-long segment of the pipeline that will cross the Canada-United States Border remains dependent on the receipt of a grant of right-of-way and temporary use permit from the United States Bureau of Land Management and other related federal land authorizations. In January 2021, United States President Joe Biden signed his first executive orders, including one that canceled the Keystone XL pipeline permit. On June 9, 2021, TC Energy announced it was terminating the Keystone XL project.

### **Marine Tankers**

Bill C-48 received royal assent on June 21, 2019, enacting the *Oil Tanker Moratorium Act*, which imposes a ban on tanker traffic transporting certain crude oil and NGLs products in excess of 12,500 metric tonnes to or from British Columbia's north coast. See "*Regulatory Authorities and Environmental Regulation – Federal*" in these Industry Conditions.

### **Natural Gas**

Natural gas prices have also been constrained in recent years due to increasing North American supply, limited access to markets and limited storage capacity. Companies that secure firm access to transport their natural gas production out of Western Canada may be able to access more markets and obtain better pricing. Companies without firm access may be forced to accept spot pricing in Western Canada for their natural gas, which in the last several years has generally been depressed (at times producers have received negative pricing for their natural gas production).

Required repairs or upgrades to existing pipeline systems have also led to further reduced capacity and apportionment of firm access, which in Western Canada may be further exacerbated by natural gas storage limitations. However, in September 2019, the CER approved a policy change by TC Energy on its NOVA Gas Transmission Ltd. pipeline network, (which carries much of Alberta's gas production) to give priority to deliveries into storage. The change has served to somewhat stabilize supply and pricing, particularly during periods of maintenance on the system. January 2020 has seen the narrowest price differential between Canadian and United States Natural Gas benchmarks since early 2019.

Additionally, while a number of liquefied natural gas export plants have been proposed for the west coast of Canada, with 24 export licences issued since 2011, government decision-making, regulatory uncertainty, opposition from environmental and Indigenous groups, and changing market conditions have resulted in the cancellation or delay of many of these projects. Nonetheless, in October 2018, the joint venture partners

of the LNG Canada liquefied natural gas export terminal announced a positive final investment decision to proceed with the project, which will allow LNG Canada to transport natural gas from northeastern British Columbia to the LNG Canada liquefaction facility and export terminal in Kitimat, BC, via the Coastal GasLink pipeline, which will be built and operated by TC Energy's subsidiary Coastal GasLink ("CGL") (the "**CGL Pipeline**"). Pre-construction activities began in November 2018, with a completion target of 2025. In late 2019, TC Energy announced that it would sell 65% of its interest in the CGL Pipeline, to investment companies KKR & Co Inc. and Alberta Investment Management Corporation while remaining the pipeline operator. The transaction is expected to close in the first half of 2020. The CGL Pipeline's route was altered as a result of feedback that LNG Canada received from Indigenous groups in the area, and on May 1, 2019, the British Columbia Oil and Gas Commission (the "**BC Commission**") approved the current planned route for the CGL Pipeline. However, the CGL Pipeline has faced intense opposition. For example, a challenge to the approval process of the CGL Pipeline was launched in August 2018, contending that it should have been subject to the federal review instead of a provincial review. In July 2019, the NEB confirmed that the CGL Pipeline was properly subject to provincial jurisdiction. In addition, protests involving the Hereditary Chiefs of the Wet'suwet'en First Nation and their supporters have caused delays of construction activities on the CGL Pipeline. Coastal Gaslink Pipeline Ltd. obtained an injunction on December 31, 2019, and enforcement of the injunction started in February 2020. As of June 2021, CGL continues to make progress towards the completion of the CGL Pipeline.

On February 19, 2020, the British Columbia Environmental Assessment Office (the "**EAO**") directed CGL to re-engage and consult further with Unist'ot'en, one of the Wet'suwet'en clans opposed to the pipeline route, regarding the impacts of the pipeline on a nearby healing centre. The EAO prescribed a 30-day timeline for the completion of these consultations and CGL is permitted to continue pre-construction work in the relevant area.

In December 2019, the CER approved a 40-year export licence for the Kitimat LNG project, a proposed joint venture between Chevron Canada Limited and Woodside Energy International (Canada Limited), a subsidiary of Australian Energy Ltd. This licence remains subject to Cabinet approval, and Chevron Canada Limited has indicated that it is interested in selling its 50 percent interest in Kitimat LNG. On March 17, 2021 Chevron Canada Limited announced that it is its intent to cease Chevron-funded further feasibility work for the Kitimat LNG Project. The Woodfibre LNG Project is a small-scale LNG processing and export facility near Squamish, British Columbia. The BC Commission approved a project permit for Woodfibre LNG, a subsidiary of Singapore-based Pacific Oil and Gas Ltd. in July 2019. Pre-construction agreements for Woodfibre LNG are in the process of being revised and finalized. A project by GNL Québec Inc. is working through the federal impact assessment process for the construction and operation of a LNG facility and export terminal located on Saguenay Fjord, an inlet which feeds into the St. Lawrence River. The Goldboro LNG project, located in Nova Scotia, proposed by Pieridae Energy Ltd., would see LNG exported from Canada to European markets. Pieridae has agreements with Shell, upstream, and with Uniper, a German utility, downstream. The federal government has issued Goldboro LNG a 20-year export licence, and Pieridae Energy Ltd. has forecast a positive final investment decision for 2020. The Cedar LNG Project near Kitimat by Cedar LNG Export Development Ltd. is currently in the environmental assessment stage, with British Columbia's Environmental Assessment Office conducting the environmental assessment on behalf of the Impact Assessment Agency of Canada ("**IA Agency**").

### **Enbridge Open Season**

In early August 2019, Enbridge initiated an open season for the Enbridge mainline system, which has historically operated as a common carrier pipeline system, wherein producers could nominate volumes to ship through the pipeline. The changes that Enbridge intends to implement in the open season include the transition of the mainline system from a common carrier to a primarily contract carrier pipeline, wherein producers will have to commit to reserved space in the pipeline for a fixed term, with only 10% of available

capacity reserved for nominations. As a result, shippers seeking firm capacity on the Enbridge system would no longer be able to rely on the nomination process and would have to enter long-term contracts for service. Several shippers challenged Enbridge's open season and, in particular, Enbridge's ability to engage in an open season without prior regulatory approval. Following an expedited hearing process, the CER decided to shut down the open season, citing concerns about fairness and uncertainty regarding the ultimate terms and conditions of service. On December 19, 2019, Enbridge applied to the CER for a hearing for the right to hold an open season. The CER is expected to establish a timeline for the process in early 2020. Interveners will have the opportunity to make written submissions, and then an oral hearing will take place later in the year. As of June 15, 2021 the Enbridge Mainline Contracting hearing is still ongoing with the CER.

## **The North American Free Trade Agreement and Other Trade Agreements**

### **NAFTA/ USMCA**

The North American Free Trade Agreement ("NAFTA") among the governments of Canada, the United States and Mexico came into force on January 1, 1994. The three NAFTA signatories have been working towards replacing NAFTA. On November 30, 2018, Canada, Mexico, and the United States signed a new trade agreement, widely referred to as the United States Mexico Canada Agreement (the "USMCA"), sometimes referred to as the Canada United States Mexico Agreement, or "CUSMA". Legislative bodies in the three signatory countries must ratify the USMCA before it comes into force. Mexico's senate ratified the USMCA in June 2019. In late December 2019, the United States' House of Representatives approved the USMCA, and the USMCA received approval from the United States Senate on January 16, 2020. On January 29, 2020, the Government of Canada tabled Bill C-4 to ratify the USMCA. According to Bill C-4, the USMCA will come into force two months after the House of Commons and the Senate pass Bill C-4. Until then, NAFTA remains the North American trade agreement currently in force. As the United States remains Canada's primary trading partner and the largest international market for the export of crude oil, natural gas and NGLs from Canada the implementation of the final version ratified version of the USMCA could have an impact on Western Canada's crude oil and natural gas industry at large, including the Corporation's business.

Under the terms of NAFTA's Article 605, a proportionality clause prevents Canada from implementing policies that limit exports to the United States and Mexico, relative to the total supply produced in Canada. Canada remains free to determine whether exports of energy resources to the United States or Mexico will be allowed, provided that any export restrictions do not: (i) reduce the proportion of energy resources exported relative to the total supply of goods of Canada as compared to the proportion prevailing in the most recent 36 month period; (ii) impose an export price higher than the domestic price (subject to an exception with respect to certain measures which only restrict the volume of exports); and (iii) disrupt normal channels of supply. Further, all three signatory countries are prohibited from imposing a minimum or maximum price requirement on exports (where any other form of quantitative restriction is prohibited) and imports (except as permitted in the enforcement of countervailing and anti-dumping orders and undertakings). NAFTA also requires energy regulators to ensure the orderly and equitable implementation of any regulatory changes and to ensure that the application of such changes will cause minimal disruption to contractual arrangements and avoid undue interference with pricing, marketing and distribution arrangements.

The USMCA does not contain the proportionality rules of NAFTA's Article 605, under which Canada must make available a consistent proportion of the crude oil and bitumen produced to the other NAFTA signatories. The elimination of the proportionality clause removes a barrier in Canada's transition to a more diversified export portfolio. While diversification depends on the construction of infrastructure allowing

more Canadian production to reach Eastern Canada, Asia, and Europe, the USMCA may allow for greater export diversification than currently exists under NAFTA.

### **Other Trade Agreements**

Canada has also pursued a number of other international free trade agreements with other countries around the world. As a result, a number of free trade or similar agreements are in force between Canada and certain other countries while in other circumstances Canada has been unsuccessful in its efforts. Canada and the European Union recently agreed to the Comprehensive Economic and Trade Agreement ("**CETA**"), which provides for duty-free, quota-free market access for Canadian crude oil and natural gas products to the European Union. Although CETA remains subject to ratification by certain national legislatures in the European Union, provisional application of CETA commenced on September 21, 2017. In light of the United Kingdom's departure from the European Union on January 31, 2020, CETA ceased to apply to Canada-United Kingdom trade on January 1, 2021. The Canada-United Kingdom Trade Continuity Agreement replicates the CETA on a bilateral basis and is meant to maintain the status quo of the Canada-United Kingdom trade relationship.

Canada and ten other countries have agreed on the text of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership ("**CPTPP**"), which is intended to allow for preferential market access among the countries that are parties to the CPTPP. The CPTPP is in force among the first seven countries to ratify the agreement – Canada, Australia, Japan, Mexico, New Zealand, Vietnam, and Singapore.

While it is uncertain what effect CETA, CPTPP, or any other trade agreements will have on the crude oil and natural gas industry in Canada, the lack of available infrastructure for the offshore export of crude oil and natural gas may limit the ability of Canadian crude oil and natural gas producers to benefit from such trade agreements.

### **Land Tenure**

The respective provincial governments (*i.e.*, the Crown), predominantly own the mineral rights to crude oil and natural gas located in Western Canada, with the exception of Manitoba (where the Crown only owns 20% of the mineral rights). Provincial governments grant rights to explore for and produce crude oil and natural gas pursuant to leases, licences and permits for varying terms, and on conditions set forth in provincial legislation, including requirements to perform specific work or make payments. The provincial governments in Western Canada's provinces conduct regular land sales where crude oil and natural gas companies bid for leases to explore for and produce crude oil and natural gas pursuant to mineral rights owned by the respective provincial governments. Oil and natural gas leases generally have a fixed term; however, a lease may generally be continued after the initial term where certain minimum thresholds of production have been reached, all lease rental payments have been paid on time, and other conditions are satisfied.

To develop crude oil and natural gas resources, it is necessary for the mineral estate owner to have access to the surface lands as well. Each province has developed its own process for obtaining surface access to conduct operations that operators must follow throughout the lifespan of a well, including notification requirements and providing compensation for affected persons for lost land use and surface damage.

Each of the provinces of Western Canada have implemented legislation providing for the reversion to the Crown of mineral rights to deep, non-productive geological formations at the conclusion of the primary term of a lease or licence. In addition, Alberta has a policy of "shallow rights reversion" which provides for the reversion to the Crown of mineral rights to shallow, non-productive geological formations for new leases and licences.

In addition to Crown ownership of the rights to crude oil and natural gas, private ownership of crude oil and natural gas (*i.e.*, freehold mineral lands) also exists in Western Canada. In the provinces of Alberta, British Columbia, Saskatchewan, and Manitoba approximately 19%, 6%, 20%, and 80%, respectively, of the mineral rights are owned by private freehold owners. Rights to explore for and produce such crude oil and natural gas are granted by a lease or other contract on such terms and conditions as may be negotiated between the owner of such mineral rights and crude oil and natural gas explorers and producers.

An additional category of mineral rights ownership includes ownership by the Canadian federal government of some legacy mineral lands and within Indigenous reservations designated under the *Indian Act* (Canada). Indian Oil and Gas Canada ("**IOGC**"), which is a federal government agency, manages subsurface and surface leases, in consultation with the applicable Indigenous peoples, for exploration and production of crude oil and natural gas on Indigenous reservations. Until recently, oil and natural gas activities conducted on Indian reserve lands were governed by the *Indian Oil and Gas Act* (the "**IOGA**") and the *Indian Oil and Gas Regulations, 1995* (the "**1995 Regulations**"). In 2009, Parliament passed *An Act to Amend the Indian Oil and Gas Act*, amending and modernizing the IOGA (the "**Modernized IOGA**"), however the amendments were delayed until the federal government was able to complete stakeholder consultations and update the accompanying Regulations (the "**2019 Regulations**"). The Modernized IOGA and the 2019 Regulations came into force on August 1, 2019. At a high level, the Modernized IOGA and the 2019 Regulations govern both surface and subsurface IOGC Leases, establishing the terms and conditions with which an IOGC leaseholder must comply. The two enactments also establish a substitution system whereby provincial oil and natural gas/environmental regulatory authorities act on behalf of the federal government to ensure greater symmetry between federal and provincial regulatory standards. We do not have any material operations on Indian reserve lands.

## **Royalties and Incentives**

### **General**

Each province has legislation and regulations that govern royalties, production rates and other matters. The royalty regime in a given province is a significant factor in the profitability of crude oil, natural gas and NGLs production. Royalties payable on production from lands where the Crown does not hold the mineral rights are determined by negotiation between the mineral freehold owner and the lessee, although production from such lands is subject to certain provincial taxes and royalties. Royalties from production on Crown lands are determined by provincial regulation and are generally calculated as a percentage of the value of gross production. The rate of royalties payable typically depends in part on prescribed reference prices, well productivity, geographic location, field discovery date, method of recovery and the type or quality of the petroleum substance produced.

Occasionally, the governments of Western Canada's provinces create incentive programs for exploration and development. Such programs often provide for royalty rate reductions, royalty holidays or royalty tax credits and may be introduced when commodity prices are low, to encourage exploration and development activity. In addition, such programs may be introduced to encourage producers to undertake initiatives using new technologies that may enhance or improve recovery of crude oil, natural gas and NGLs.

The federal government also announced in late 2018 that it would make \$1.6 billion available to the oil and natural gas industry in light of worsening commodity price differentials. The aid package has been administered through federal agencies including the Business Development Bank of Canada, Natural Resources Canada, Export Development Canada, and Innovation, Science and Economic Development Canada. Export Development Canada has lent or guaranteed \$629 million among 37 companies of \$1 billion available to oil and natural gas producers. The Bank of Canada has made 892 loans totalling \$207.5

million out of its \$500-million commercial loan allotment in the aid package. Innovation, Science and Economic Development Canada announced \$49 million each for two projects to help Alberta companies building facilities to turn propane into polypropylene, a type of plastic not currently produced in Canada, but often used in packaging and labels. Natural Resources Canada distributed \$37 million of a \$50-million commitment under its Clean Growth Program for nine projects that help oil and natural gas companies reduce their carbon footprints.

Producers and working interest owners of crude oil and natural gas rights may also carve out additional royalties or royalty-like interests through non-public transactions, which include the creation of instruments such as overriding royalties, net profits interests and net carried interests.

## **Saskatchewan**

In Saskatchewan, the Crown owns approximately 80% of the crude oil and natural gas rights, with the remainder being freehold lands. For Crown lands, taxes (the "**Resource Surcharge**") and royalties are applicable to revenue generated by entities focused on crude oil and natural gas operations. The Resource Surcharge rate is 3% of the value of sales of all crude oil and natural gas produced from wells drilled in Saskatchewan prior to October 1, 2002. For crude oil and natural gas produced from wells drilled in Saskatchewan after September 30, 2002, the Resource Surcharge rate is 1.7% of the value of sales. Additionally, a mineral rights tax is charged to mineral rights holders paid on an annual basis at the rate of \$1.50 per acre owned regardless of whether or not there is production from the lands.

In addition to such surcharges and taxes, the Crown royalty rate payable in respect of crude oil depends on a number of variables including, the type and vintage of crude oil, the quantity of crude oil produced in a month, the average wellhead price and certain price adjustment factors determined monthly by the provincial government. This means that producers may pay varying royalties each month, depending on monthly production, governmental price adjustments, and the underlying characteristics of the producer's assets. Where production equals the relevant reference well production rate, the minimum Crown royalty rate payable ranges from 5% to 20% and the maximum royalty rate payable ranges from 30% to 45%, depending on the classification of the crude oil, the average wellhead price and is subject to applicable deductions.

The amount payable as a Crown royalty in respect of production of natural gas and NGLs is determined by a sliding scale based on the monthly provincial average gas price published by the Government of Saskatchewan, the quantity produced in a given month, the type of natural gas, the classification of the natural gas and the finished drilling date of the respective well. Similar to crude oil royalties, the royalties payable on natural gas will range from 5% to 20%, and additional marginal royalty rates may apply between 30% to 45%, where average wellhead prices are above base prices. Again, this means that producers may pay varying royalties each month, depending on pricing factors, governmental adjustments and the underlying characteristics of the producer's assets.

The Government of Saskatchewan currently provides a number of targeted incentive programs. These include both royalty reduction and incentive volume programs, with targeted programs in effect for certain vertical crude oil wells, exploratory gas wells, horizontal crude oil and natural gas wells, enhanced crude oil recovery wells and high water-cut crude oil wells.

For production from freehold lands, producers must pay a freehold production tax, determined by first determining the Crown royalty rate, and then subtracting a calculated production tax factor. Depending on the classification of the petroleum substance produced, this subtraction factor may range between 6.9 and 12.5, however, in certain circumstances, the minimum rate for freehold production tax can be zero. This

means that the ultimate tax payable to the Crown by producers on freehold lands will vary based on the underlying characteristics of the producer's assets.

### **Freehold and Other Types of Non-Crown Royalties**

Royalties on production from privately-owned freehold lands are negotiated between the mineral freehold owner and the lessee under a negotiated lease or other contract. Producers and working interest participants may also pay additional royalties to parties other than the mineral freehold owner where such royalties are negotiated through private transactions.

In addition to the royalties payable to the mineral owners (or to other royalty holders if applicable), producers of crude oil and natural gas from freehold lands in each of the Western Canadian provinces are required to pay freehold mineral taxes or production taxes. Freehold mineral taxes or production taxes are taxes levied by a provincial government on crude oil and natural gas production from lands where the Crown does not hold the mineral rights. A description of the freehold mineral taxes payable in Saskatchewan is included in the above description of the royalty regime in the province.

Where oil and natural gas leases fall under the jurisdiction of the IOGC, the IOGC is responsible for issuing crude oil and natural gas agreements between Indigenous groups and producers, and collecting and distributing royalty revenues. The exact terms and conditions of each crude oil and natural gas lease dictate the calculation of royalties owed, which may vary depending on the involvement of the specific Indigenous group. Ultimately, the relevant Indigenous group must approve the royalty rate for each lease.

### **Regulatory Authorities and Environmental Regulation**

#### **General**

The Canadian crude oil and natural gas industry is currently subject to environmental regulation under a variety of Canadian federal, provincial, territorial, and municipal laws and regulations, all of which are subject to governmental review and revision from time to time. Such regulations provide for, among other things, restrictions and prohibitions on the spill, release or emission of various substances produced in association with certain crude oil and natural gas industry operations, such as sulphur dioxide and nitrous oxide. The regulatory regimes set out the requirements with respect to oilfield waste handling and storage, habitat protection and the satisfactory operation, maintenance, abandonment, and reclamation of well, facility and pipeline sites. Compliance with such regulations can require significant expenditures and a breach of such requirements may result in suspension or revocation of necessary licences and authorizations, civil liability, and the imposition of material fines and penalties. In addition to these specific, known requirements, future changes to environmental legislation, including anticipated legislation for air pollution and GHG emissions including carbon dioxide equivalents ("**CO<sub>2e</sub>**"), may impose further requirements on operators and other companies in the crude oil and natural gas industry.

#### **Federal**

Canadian environmental regulation is the responsibility of both the federal and provincial governments. Where there is a direct conflict between federal and provincial environmental legislation in relation to the same matter, the federal law will prevail. The federal government has primary jurisdiction over federal works, undertakings and federally regulated industries such as railways, aviation and interprovincial transport including interprovincial pipelines.

On August 28, 2019, with the passing of Bill C-69, the CERA and the *Impact Assessment Act* ("**IAA**") came into force and the NEB Act and the *Canadian Environmental Assessment Act, 2012* ("**CEAA 2012**") were

repealed. In addition, the IA Agency replaced the Canadian Environmental Assessment Agency ("CEA Agency").

Bill C-69 introduced a number of important changes to the regulatory regime for federally regulated major projects and associated environmental assessments. Previously, the NEB administered its statutory jurisdiction as an integrated regulatory body. Now, the CERA separates the CER's administrative and adjudicative functions. A board of directors and a chief executive officer will manage strategic, administrative and policy considerations while adjudicative functions will fall into the purview of a group of independent commissioners. The CER has assumed the jurisdiction previously held by the NEB over matters such as the environmental and economic regulation of pipelines, transmission infrastructure and offshore renewable energy projects, including offshore wind and tidal facilities. In its adjudicative role, the CERA tasks the CER with reviewing applications for the development, construction and operation of these projects, culminating in their eventual abandonment.

"Designated projects" under the IAA include interprovincial or international pipelines that require more than 75km of new right of way, and will require an impact assessment as part of their regulatory review. The impact assessment, conducted by a review panel, jointly appointed by the CER and the IA Agency, includes expanded criteria the review panel may consider when reviewing an application. The impact assessment also requires consideration of the project's potential adverse effects, the overall societal impact and the expanded public interest that a project may have. The impact assessment must look at the direct result of the project's construction and operation, including environmental, biophysical and socio-economic factors, including consideration of a gender-based analysis, climate change, and impacts to Indigenous rights. Designated projects include pipelines that require more than 75km of new right of way and pipelines located in national parks. Large scale in situ oil sands projects not regulated by provincial GHG emissions and certain refining, processing and storage facilities will also require an impact assessment.

The federal government has stated that an objective of the legislative changes was to improve decision certainty and turnaround times. Once a review or assessment is commenced under either the CERA or IAA, there are limits on the amount of time the relevant regulatory authority will have to issue its report and recommendation. Designated projects will go through a planning phase to determine the scope of the impact assessment, which the federal government has stated should provide more certainty as to the length of the full review process. Applications for non-designated projects will follow a similar process as under the NEB Act. There is significant uncertainty surrounding the impact of Bill C-69 on oil and natural gas projects. There was significant opposition from industry and others in respect of Bill C-69, and notwithstanding its stated purpose, there is concern that the changes brought about by Bill C-69 will result in projects not being approved or increased delays in approvals. The Minister of Natural Resources has a mandate to implement the CER efficiently and effectively, but the CER's ability to expedite the project approval process has not yet been substantially tested. The Government of Alberta is challenging the constitutionality of Bill C-69, and has submitted a reference question to the Alberta Court of Appeal. The reference was heard in February of 2021 and as of August 2021 a decision on the matter has yet to be released by the Alberta Court of Appeal.

On May 12, 2017, the federal government introduced Bill C-48 in Parliament. This legislation is aimed at providing coastal protection in northern British Columbia by prohibiting crude oil tankers carrying more than 12,500 metric tonnes of crude oil or persistent crude oil products from stopping, loading, or unloading crude oil in that area. Parliament passed Bill C-48 as the *Oil Tanker Moratorium Act* which received royal assent on June 21, 2019. The enactment of this statute may prevent pipelines from being built, and export terminals from being located on, the portion of the British Columbia coast subject to the moratorium (north of 50°53'00" north latitude and west of 126°38'36" west longitude) and, as a result, may negatively impact the ability of producers to access global markets.

## Saskatchewan

The Saskatchewan Ministry of Energy and Resources is the primary regulator of crude oil and natural gas activities in the province. The *Oil and Gas Conservation Act* (the "**SKOGCA**") is the act governing the regulation of resource development operations in the province, along with *The Oil and Gas Conservation Regulations, 2012* and *The Petroleum Registry and Electronic Documents Regulations*. The aim of the SKOGCA, and the associated regulations, is to provide resource companies investing in Saskatchewan's energy and resource industries with the best support services and business and regulatory systems available. The Government of Saskatchewan has implemented a number of operational requirements, including an increased demand for record-keeping, increased testing requirements for injection wells and increased investigation and enforcement powers; and procedural requirements including those related to Saskatchewan's participation as partner in the Petrinex Database.

### Liability Management Rating Program

The Saskatchewan Ministry of Energy and Resources administrates the Licensee Liability Rating Program (the "**SK LLR Program**"). The SK LLR Program is designed to assess and manage the financial risk that a licensee's well and facility abandonment and reclamation liabilities pose to the orphan fund (the "**Oil and Gas Orphan Fund**") established under the SKOGCA. The Oil and Gas Orphan Fund is responsible for carrying out the abandonment and reclamation of wells and facilities contained within the SK LLR Program when the Saskatchewan Ministry of Energy and Resources confirms there is no legally responsible or financially able party to deal with the abandonment and/or reclamation responsibilities. The SK LLR Program requires a licensee whose deemed liabilities exceed its deemed assets (*i.e.*, an LLR below 1.0) to post a security deposit. The ratio of deemed assets to deemed liabilities is assessed once each month for all licensees of crude oil, natural gas and service wells and upstream crude oil and natural gas facilities.

On January 31, 2019, the Supreme Court of Canada released its decision in *Redwater Energy Corporation (Re)* ("**Redwater**") holding that there is no operational conflict between the abandonment and reclamation provisions contained in Alberta's *Oil and Gas Conservation Act*, the liability management regime administered by the Alberta Energy Regulator (the "**AER**") and the federal bankruptcy and insolvency regime. As a result, receivers and trustees can no longer avoid the AER's legislated authority to impose abandonment orders against licensees or to require a licensee to pay a security deposit before approving a transfer when such a licensee is subject to formal insolvency proceedings. This means that insolvent estates can no longer disclaim assets of a bankrupt licensee that have reached the end of their productive lives and represent a liability and deal with the company's valuable assets for the benefit of the company's creditors, without first satisfying abandonment and reclamation obligations. On August 19, 2016, the Saskatchewan Ministry of the Economy released a notice to all operators introducing interim measures in response to Redwater including, among other things, that it considers all licence transfer applications non-routine as it does not strictly rely on the standard LLR calculation in evaluating deposit requirements. In addition to increased security deposit requirements, the Saskatchewan Ministry of the Economy announced in 2016 that it may incorporate additional conditions with licence transfer approvals.

### Climate Change Regulation

Climate change regulation at both the federal and provincial level has the potential to significantly affect the future of the crude oil and natural gas industry in Canada. The impacts of federal or provincial climate change and environmental laws and regulations are uncertain. It is currently not possible to predict the extent of future requirements. Any new laws and regulations (or additional requirements to existing laws and regulations) could have a material impact on the Corporation's operations and funds flow.

## Federal

Canada has been a signatory to the United Nations Framework Convention on Climate Change (the "UNFCCC") since 1992. Since its inception, the UNFCCC has instigated numerous policy experiments with respect to climate governance. On April 22, 2016, 197 countries, including Canada, signed the Paris Agreement, committing to prevent global temperatures from rising more than 2° Celsius above pre-industrial levels and to pursue efforts to limit this rise to no more than 1.5° Celsius. As of June 2021, 191 of the 197 parties to the convention have ratified the Paris Agreement. In December 2019, the United Nations annual Conference of the Parties took place in Madrid, Spain. The Conference concluded with the attendees delaying decisions about a prospective carbon market and emissions cuts until the next climate conference in Glasgow in 2020. However, the European Union reached an agreement about "The European Green New Deal" that aims to lower emissions to zero by 2050.

Following the Paris Agreement and its ratification in Canada, the Government of Canada pledged to cut its emissions by 30% from 2005 levels by 2030. Further, on December 9, 2016, the Government of Canada released the Pan-Canadian Framework on Clean Growth and Climate Change (the "**Framework**"). The Framework provided for a carbon-pricing strategy, with a carbon tax starting at \$10/tonne in 2018, increasing annually until it reaches \$50/tonne in 2022. This system applies in provinces and territories that request it and in those that do not have a carbon pricing system in place that meets the federal standards. On June 21, 2018, the federal government enacted the *Greenhouse Gas Pollution Pricing Act* (the "**GGPPA**"), which came into force on January 1, 2019. This regime has two parts: an emissions trading system for large industry and a regulatory fuel charge imposing an initial price of \$20/tonne of GHG emissions. Under current federal plans, this price will escalate by \$10 per year until it reaches a price of \$50/tonne in 2022. Starting April 1, 2020, the minimum price permissible under the GGPPA is \$30/tonne of GHG emissions.

Six provinces and territories have introduced carbon-pricing systems that meet federal requirements: British Columbia, Quebec, Prince Edward Island, Nova Scotia, Newfoundland and Labrador, and the Northwest Territories. The federal fuel charge regime took effect in Saskatchewan, Manitoba, Ontario, and New Brunswick on April 1, 2019 and in the Yukon and Nunavut on July 1, 2019. The federal fuel charge regime took effect in Alberta on January 1, 2020.

Alberta, Saskatchewan, and Ontario have referred the constitutionality of the GGPPA to their respective Courts of Appeal. In both the Saskatchewan and Ontario references, the appellate Courts ruled in favour of the constitutionality of the GGPPA. The Attorneys General of Saskatchewan and Ontario have appealed these decisions to the Supreme Court of Canada. On February 24, 2020, the Alberta Court of Appeal determined that the GGPPA is unconstitutional. On March 25, 2021, the Supreme Court of Canada released its decision in the much anticipated *Reference re Greenhouse Gas Pollution Pricing Act*, 2021 SCC 11, which held that the GGPPA is constitutional and that the federal government has jurisdiction to enact the GGPPA as a matter of national concern under the peace, order and good government clause of section 91 of the *Constitution Act*, 1867.

On April 26, 2018, the federal government passed the *Regulations Respecting Reduction in the Release of Methane and Certain Volatile Organic Compounds (Upstream Oil and Gas Sector)* (the "**Federal Methane Regulations**"). The Federal Methane Regulations seek to reduce emissions of methane from the crude oil and natural gas sector, and came into force on January 1, 2020. By introducing a number of new control measures, the Federal Methane Regulations aim to reduce unintentional leaks and intentional venting of methane, as well as ensuring that crude oil and natural gas operations use low-emission equipment and processes. Among other things, the Federal Methane Regulations limit how much methane upstream oil and natural gas facilities are permitted to vent. These facilities would need to capture the gas and either re-use it, re-inject it, send it to a sales pipeline, or route it to a flare. In addition, in provinces other than Alberta

and British Columbia (which already regulate such activities), well completions by hydraulic fracturing would be required to conserve or destroy gas instead of venting. The federal government anticipates that these actions will reduce annual GHG emissions by about 20 megatonnes by 2030.

In October 2018, the federal government announced a pricing scheme as an alternative for large electricity generators so as to incentivize a reduction in emissions intensity, rather than encouraging a reduction in generation capacity.

Finally, the federal government has also enacted the *Multi-Sector Air Pollutants Regulation* under the authority of the *Canadian Environmental Protection Act, 1999*, which seeks to regulate certain industrial facilities and equipment types, including boilers and heaters used in the upstream oil and natural gas industry, to limit the emission of air pollutants such as nitrogen oxides and sulphur dioxide.

## **Saskatchewan**

On May 11, 2009, the Government of Saskatchewan announced the *Management and Reduction of Greenhouse Gases Act* (the "**MRGGA**") to regulate GHG emissions in the province. On October 18, 2016, the Government of Saskatchewan released a White Paper on Climate Change, resisting a carbon tax and committing to an approach that focuses on technological innovation and adaptation. Subsequently, the Government released *Prairie Resilience: A Made-in-Saskatchewan Climate Change Strategy* outlining its strategy to reduce GHG emissions by 12 million tonnes by 2030.

The MRGGA, which is partially compliant with the federal emissions trading system, was partially proclaimed into force on January 1, 2018, establishes a framework to reduce GHG emissions by 20% of 2006 levels by 2020. An amended version of the MRGGA was proclaimed in full on December 18, 2018, establishing the framework of an output-based emissions management framework. Under the MRGGA, facilities that have annual GHG emissions in excess of 50,000 tonnes are regulated to meet the province's reduction targets. The following regulations were enacted throughout 2018: *The Management and Reduction of Greenhouse Gases (General and Electricity Producer) Regulations*, *the Management and Reduction of Greenhouse Gases (Reporting and General) Regulations*, and *The Management and Reduction of Greenhouse Gases (Standards and Compliance) Regulations*. These Regulations establish reporting requirements and impose various emissions limits for those emitters that fall within the program. On January 1, 2019, *The Oil and Gas Emissions Management Regulations* (the "**Saskatchewan O&G Emissions Regulations**") came into effect. The Saskatchewan O&G Emissions Regulations apply to licensees of oil facilities that may generate more than 50,000 tonnes of CO<sub>2</sub>e per year, obliging each licensee to propose an emissions reduction plan in accordance with an annual emissions limit with the goal of achieving annual emissions reductions of 40% to 45% by 2025. The Saskatchewan O&G Emissions Regulations aim to achieve 4.5 million tonne CO<sub>2</sub>e reduction in emissions by 2025, and a total reduction of 38.2 million tonnes CO<sub>2</sub>e between 2020 and 2030.

On April 10, 2019, Saskatchewan produced the first annual report on climate resilience. The report measures the Province's progress on goals set out under *Prairie Resilience: A Made-in-Saskatchewan Climate Change Strategy*. Among these goals is the aim of increasing the role of renewable energy in the provincial energy mix to 50% by 2030.

On October 1, 2019, *Bill 147 – An Act to amend The Oil and Gas Conservation Act*, was proclaimed into force that, in part, amends the SKOGCA to the extent necessary to bring it into alignment with the Saskatchewan O&G Emissions Regulations discussed above.

## **Accountability and Transparency**

In 2015, the federal government's *Extractive Sector Transparency Measures Act* (the "ESTMA") came into effect, which imposed mandatory reporting requirements on certain entities engaged in the "commercial development of oil, gas or minerals", including exploration, extraction and holding permits. All companies subject to ESTMA must report payments over CAD\$100,000 made to any level of a Canadian or foreign government (including indigenous groups), including royalty payments, taxes (other than consumption taxes and personal income taxes), fees, production entitlements, bonuses, dividends (other than ordinary dividends paid to shareholders), infrastructure improvement payments and other prescribed categories of payments.

## **RISK FACTORS**

The holding of securities in the Corporation should be considered highly speculative due to the nature of the Corporation's business and the present stage of its development. The following is a non-exhaustive summary of certain risk factors relating to the activities of the Corporation and the ownership of the Corporation's securities which should be carefully considered before making an investment decision relating to the Corporation's securities. If any of the risks described below materialize, the Corporation's business, financial condition, results of operations and the value of the Corporation's securities could be materially and adversely affected. Additional risks and uncertainties not currently known to the Corporation that we currently view as immaterial may also materially and adversely affect our business, financial condition, results of operations or value of the Corporation's securities.

The information set forth below contains "forward-looking statements", which are qualified by the information contained in the section of this Annual Information Form entitled "*Forward-Looking Statements*".

### **COVID-19**

Global or national health concerns, including the outbreak of pandemic or contagious diseases, such as COVID-19, have and may continue to adversely affect the Corporation by (i) reducing global economic activity thereby resulting in lower demand for crude oil, NGLs and natural gas and reduced commodity prices, (ii) impairing our supply chain (for example, by limiting the manufacturing of materials or the supply of services used in our operations), and (iii) affecting the health of our workforce, rendering employees unable to work or travel.

### **Prices, Markets and Marketing**

Prices for hydrocarbons are subject to large fluctuations in response to relatively minor changes to the demand for crude oil, NGLs and natural gas, whether the result of uncertainty or a variety of additional factors beyond the control of the Corporation. The Corporation's ability to market its oil and natural gas may depend upon its ability to acquire capacity in pipelines that deliver oil, NGLs and natural gas to commercial markets or contract for the delivery of crude oil and NGLs by rail. Numerous factors beyond our control do, and will continue to, affect the marketability and price of oil and natural gas acquired, produced, or discovered by the Corporation, including:

- deliverability uncertainties related to the distance our reserves are from pipelines, railway lines and processing and storage facilities;
- operational problems affecting pipelines, railway lines and processing and storage facilities; and

- government regulation relating to prices, taxes, royalties, land tenure, allowable production and the export of oil and natural gas.

Historically, the markets for crude oil and natural gas have been volatile and such markets are likely to continue to be volatile in the future because of market uncertainties over the supply and demand of these commodities due to COVID-19, the current state of the world economies, shale oil production in the United States, OPEC actions, political uncertainties, sanctions imposed on certain oil producing nations by other countries, conflicts in the Middle East and ongoing credit and liquidity concerns.

Prices for oil and natural gas are also subject to the availability of foreign markets and our ability to access such markets. A material decline in prices could result in a reduction of our net production revenue. The economics of producing from some wells may change because of lower prices, which could result in reduced production of oil or natural gas and a reduction in the volumes and the value of our reserves. We might also elect not to produce from certain wells at lower prices. Any substantial and extended decline in the price of oil and natural gas would have an adverse effect on the carrying value of our reserves, borrowing capacity, revenues, profitability and cash flows from operating activities and may have a material adverse effect on our business, financial condition, results of operations and prospects. See “*Industry Conditions – Transportation Constraints and Market Access*” and “*Weakness in the Oil and Gas Industry*” in these Risk Factors.

Volatile oil and natural gas prices make it difficult to estimate the value of producing properties for acquisitions and often cause disruption in the market for oil and natural gas producing properties, as buyers and sellers have difficulty agreeing on such value. Price volatility also makes it difficult to budget for, and project the return on, acquisitions and development and exploitation projects. No assurance can be given that crude oil and natural gas prices will be sustained at levels which will enable the Corporation to operate profitably.

### **Gathering and Processing Facilities, Pipeline Systems and Rail**

The Corporation delivers its products through gathering and processing facilities, and pipeline systems. The amount of oil and natural gas that the Corporation can produce and sell is subject to the accessibility, availability, proximity and capacity of these gathering and processing facilities, pipeline and railway lines. The ongoing lack of availability of capacity in any of the gathering and processing facilities, pipeline systems and railway lines could result in our inability to realize the full economic potential of our production, or in a reduction of the price offered for our production.

Even with gathering and processing facilities, pipeline systems and railway lines in place, the amount of oil and natural gas that can be produced and sold will be subject to curtailment in certain circumstances, such as pipeline interruptions due to scheduled and unscheduled maintenance, excessive pressure, physical damage to the transportation system or interruptions in other transportation means, such as trucking or barging activities. The curtailments arising from these and similar circumstances may last from a few days to several months. In many cases, the Corporation may only be provided with limited, if any, notice as to when these circumstances will arise and their duration. Any significant curtailment in pipeline capacity or other transportation means could have a material adverse effect on the Corporation’s business, financial condition, results of operations and prospects.

The lack of firm pipeline capacity continues to affect the oil and natural gas industry and limits the ability to transport produced oil and natural gas to market. However, in early 2020, the Supreme Court of Canada and the Federal Court of Appeal both dismissed challenges to Cabinet’s approval of the Trans Mountain Pipeline expansion, and construction on the pipeline expansion is underway. See “*Industry Conditions – Transportation Constraints and Market Access*”. In addition, the pro-rationing of capacity on inter-

provincial pipeline systems continues to affect the ability to export oil and natural gas. Unexpected shut downs or curtailment of capacity of pipelines for maintenance or integrity work or because of actions taken by regulators could also affect our production, operations and financial results. Any significant change in market factors or other conditions affecting these infrastructure systems and facilities, as well as any delays or uncertainty in constructing new infrastructure systems and facilities could harm our business and, in turn, our financial condition, operations and funds from operations. Announcements and actions taken by the federal government and the provincial governments of British Columbia, Alberta, Saskatchewan and Quebec relating to approval of infrastructure projects may continue to intensify, leading to increased challenges to interprovincial and international infrastructure projects moving forward. In addition, while the federal government has introduced Bill C-69 to overhaul the existing environmental assessment process and replace the NEB with a new regulatory agency, the impact of the new proposed regulatory scheme on proponents and the timing for receipt of approvals of major projects remains unclear.

A portion of our production may, from time to time, be processed through facilities owned by third parties and over which we do not have control. From time to time, these facilities may discontinue or decrease operations either as a result of normal servicing requirements or as a result of unexpected events. A discontinuation or decrease of operations could have a materially adverse effect on our ability to process our production and deliver the same to market. Midstream and pipeline companies may take actions to maximize their return on investment, which may in turn adversely affect producers and shippers, especially when combined with a regulatory framework that may not always align with the interests of particular shippers.

### **Weakness in the Oil and Gas Industry**

Market events and conditions, including COVID-19, global excess oil and natural gas supply, recent actions taken by OPEC, sanctions against Iran and Venezuela, slowing growth in China and emerging economies, weakening global relationships, conflict between the U.S. and Iran, isolationist and punitive trade policies, U.S. shale production, sovereign debt levels and political upheavals in various countries including growing anti-fossil fuel sentiment, have caused significant volatility in commodity prices. See “*Political Uncertainty*” in these Risk Factors. These events and conditions have caused a significant reduction in the valuation of oil and natural gas companies and a decrease in confidence in the oil and natural gas industry. These difficulties have been exacerbated in Canada by political and other actions resulting in uncertainty surrounding regulatory, tax, royalty changes and environmental regulation. See “*Royalty Regimes*” and “*Regulatory*” and “*Environmental*” and “*Climate Change*” in these Risk Factors. In addition, the difficulties encountered by midstream proponents 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 in Western Canada has led to additional downward price pressure on oil and natural gas produced in Western Canada. The resulting price differential between Western Canadian Select crude oil, and Brent and West Texas Intermediate crude oil has created uncertainty and reduced confidence in the oil and natural gas industry in Western Canada. See “*Industry Conditions – Transportation Constraints and Market Access*”.

Lower commodity prices may also affect the volume and value of our reserves, rendering certain reserves uneconomic. In addition, lower commodity prices restrict our cash flows from operating activities resulting in less cash flows from operating activities being available to fund our capital expenditure budget. Consequently, we may not be able to replace our production with additional reserves and both our production and reserves could be reduced on a year-over-year basis. See “*Reserve Estimates*” in these Risk Factors. In addition to possibly resulting in a decrease in the value of our economically recoverable reserves, lower commodity prices may also result in a decrease in the value of our infrastructure and facilities, all of which could also have the effect of requiring a write down of the carrying value of our oil and natural gas assets on our balance sheet and the recognition of an impairment charge on our income statement. Given

the current market conditions and the lack of confidence in the Canadian oil and natural gas industry, we may have difficulty raising additional funds or if we are able to do so, it may be on unfavourable and highly dilutive terms. See “*Additional Financing*” in these Risk Factors.

### **Political Uncertainty**

In the last several years, the United States and certain European countries have experienced significant political events that have cast uncertainty on global financial and economic markets. Since the 2016 U.S. presidential election, the American administration has withdrawn the United States from the Trans-Pacific Partnership and the United States Congress has passed sweeping tax reform, which, among other things, significantly reduces U.S. corporate tax rates. This has affected the competitiveness of other jurisdictions, including Canada. In addition, NAFTA has been renegotiated and on November 30, 2018, Canada, the U.S. and Mexico signed the USMCA which will replace NAFTA once ratified by the three signatory countries. The USMCA was ratified by Mexico in June 2019, by the United States in January 2020 and by Canada in March 2020.

The USMCA is expected to fully replace NAFTA two months after Bill C-4 comes into force. See “*Industry Conditions - The North American Free Trade Agreement and Other Trade Agreements*”. The U.S. administration has also taken action with respect to reduction of regulation, which may also affect relative competitiveness of other jurisdictions. It is unclear exactly what other actions the U.S. administration will implement, and if implemented, how these actions may impact Canada and in particular the oil and natural gas industry. Any actions taken by the current U.S. administration may have a negative impact on the Canadian economy and on the businesses, financial conditions, results of operations and the valuation of Canadian oil and natural gas companies, including the Corporation.

In addition to the political disruption in the United States, the impact of the United Kingdom's exit from the European Union remains to be determined. Some European countries have also experienced the rise of anti-establishment political parties and public protests held against open-door immigration policies, trade and globalization. Conflict and political uncertainty also continues to progress in the Middle East. To the extent that certain political actions taken in North America, Europe and elsewhere in the world result in a marked decrease in free trade, access to personnel and freedom of movement, it could have an adverse effect on our ability to market our products internationally, increase costs for goods and services required for our operations, reduce access to skilled labour and negatively impact our business, operations, financial conditions and the market value of our securities.

A change in federal, provincial or municipal governments in Canada may have an impact on the directions taken by such governments on matters that may impact the oil and natural gas industry including the balance between economic development and environmental policy. Alberta elected a new government in 2019 that is supportive of the Trans Mountain Pipeline expansion project while a minority government in British Columbia remains opposed to the project and has attempted to regulate the transport of heavy oil products into and through British Columbia. Though the Supreme Court of Canada unanimously rejected the government of British Columbia's proposed regulation of the transport of heavy oil products into and through British Columbia, tensions remain high between provincial and federal governments. Continued uncertainty and delays have led to decreased investor confidence, increased capital costs and operational delays for producers and service providers operating in the jurisdiction.

The federal Government was re-elected in 2019, but in a minority position. The ability of the minority federal government to pass legislation will be subject to whether it is able to come to agreement with, and garner the support of, the other elected parties, most of whom are opposed to the development of the oil and natural gas industry. The minority federal government will also be required to rely on the support of the other elected parties to remain in power, which provides less stability and may lead to an earlier

subsequent federal election. Lack of political consensus, at both the federal and provincial level, continues to create regulatory uncertainty, the effects of which become apparent on an ongoing basis, particularly with respect to carbon pricing regimes, curtailment of crude oil production and transportation and export capacity, and may affect the business of participants in the oil and natural gas industry. See “*Industry Conditions – Climate Change Regulation*”, “*Industry Conditions – Transportation Constraints and Market Access*” and “*Industry Conditions – The North American Free Trade Agreement and Other Trade Agreements*”. The oil and natural gas industry has become an increasingly politically polarizing topic in Canada, which has resulted in a rise in civil disobedience surrounding oil and natural gas development—particularly with respect to infrastructure projects. Protests, blockades, and demonstrations have the potential to delay and disrupt the Corporation's activities. See “*Industry Conditions – Transportation Constraints and Market Access – Natural Gas*”.

### **Changing Investor Sentiment**

A number of factors, including the effects of the use of fossil fuels on climate change, the impact of oil and natural gas operations on the environment, environmental damage relating to spills of petroleum products during production and transportation and Indigenous rights, have affected certain investors' sentiments towards investing in the oil and natural gas industry. As a result of these concerns, some institutional, retail and governmental investors have announced that they no longer are willing to fund or invest in oil and natural gas properties or companies, or are reducing the amount thereof over time. In addition, certain institutional investors are requesting that issuers develop and implement more robust social, environmental and governance policies and practices. Developing and implementing such policies and practices can involve significant costs and require a significant time commitment from our Board, management and employees. Failing to implement the policies and practices, as requested by institutional investors, may result in such investors reducing their investment in us, or not investing in us at all. Any reduction in the investor base interested or willing to invest in the oil and natural gas industry and more specifically, us, may result in limiting our access to capital, increasing the cost of capital, and decreasing the price and liquidity of our securities even if our operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause a decrease in the value of our asset which may result in an impairment change.

### **Exploration, Development and Production Risks**

An investment in the Corporation is subject to a high degree of risk related to the nature of the Corporation's business and the current stage of development of the Corporation's oil and gas business that even a combination of experience, knowledge and careful evaluation may not be able to overcome. There are numerous factors which may affect the success of the Corporation's business which are beyond the Corporation's control including, among other things, local, national and international economic and political conditions.

The Corporation may be subject to growth-related risks, capacity constraints and pressure on its internal systems and controls, particularly given the current stage of its development. The Corporation's future crude oil and natural gas reserves, production, and cash flows to be derived therefrom are highly dependent on the Corporation successfully discovering and developing or acquiring new reserves or otherwise acquiring an interest therein. Without the continual addition of new reserves, our existing reserves, and the production from them, will decline over time as we produce from such reserves. A future increase in our reserves will depend on both our ability to explore and develop our existing properties and our ability to select and acquire suitable producing properties or prospects. There is no assurance that we will be able to continue to find satisfactory properties to acquire or participate in. Moreover, our management may determine that current markets, terms of acquisition, participation or pricing conditions make potential acquisitions or participation uneconomic. Accordingly, there can therefore be no assurance that the

Corporation's business will be successful or profitable or that we will discover or acquire further commercial quantities of crude oil and natural gas.

Future oil and natural gas exploration may involve unprofitable efforts from dry wells or from wells that are productive but do not produce sufficient petroleum substances to return a profit after drilling, completing (including hydraulic fracturing), operating and other costs. Completion of a well does not ensure a profit on the investment or recovery of drilling, completion and operating costs.

Drilling hazards, environmental damage and various field operating conditions could greatly increase the cost of operations and adversely affect the production from successful wells. Field operating conditions include, but are not limited to, delays in obtaining governmental approvals or consents, shut-ins of wells resulting from extreme weather conditions, insufficient storage or transportation capacity or geological and mechanical conditions. While diligent well supervision, effective maintenance operations and the development of enhanced oil recovery technologies can contribute to maximizing production rates over time, it is not possible to eliminate production delays and declines from normal field operating conditions, which can negatively affect funds from operations to varying degrees.

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, fire, explosion, blowouts, cratering, sour gas releases, spills and other environmental hazards. These typical risks and hazards could result in substantial damage to oil and natural gas wells, production facilities, other property and the environment and cause personal injury or threaten wildlife. Particularly, we may explore for and produce sour gas in certain areas. An unintentional leak of sour gas could result in personal injury, loss of life or damage to property and may necessitate an evacuation of populated areas, all of which could result in liability to us.

Oil and natural gas production operations are also subject to geological and seismic risks, including encountering unexpected formations or pressures, premature decline of reservoirs and the invasion of water into producing formations. Losses resulting from the occurrence of any of these risks may have a material adverse effect on our business, financial condition, results of operations and prospects.

As is standard industry practice, we are not fully insured against all risks, nor are all risks insurable. Although we maintain comprehensive insurance, including but not limited to general commercial liability, sudden and accidental pollution, control of well and property and machinery insurance in an amount that we consider consistent with standard industry practice, liabilities associated with certain risks could exceed policy limits or not be covered. See "*Insurance*" in these Risk Factors. In either event, we could incur significant costs.

The ability of the Corporation to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Corporation to deal with this growth could have a material adverse effect on its business, operations and prospects.

### **Going Concern**

The Corporation commenced operations relatively recently in Saskatchewan and until such time that our producing assets generate sufficient cash flow to fund the Corporation's operations, we will continue to rely upon our remaining financial resources to fund administrative costs and the development of our oil and gas properties. These conditions indicate the existence of a material uncertainty that casts significant doubt about the Corporation's ability to continue as a going concern.

While we intend to move forward with the development of our oil and gas assets, there is no guarantee that the Corporation will be successful in raising capital required to fund ongoing operations and exploration and development activities or that the terms of a financing, if any, will be acceptable to the Corporation. The decline of commodity pricing in 2020 and the COVID-19 global pandemic and its impact on the economy further increases the risk associated with obtaining the capital necessary to develop our oil and gas properties. There can be no assurance that significant additional losses will not occur in the near future or that the Corporation will be profitable in the future.

The Corporation's ability to continue as a going concern is dependent upon, among other things, the Corporation's ability to raise additional capital or generate sufficient revenues to fund continuing operations and it is expected that the Corporation will continue to incur losses unless and until such time that the Corporation is able to generate such revenues. The development of any properties the Corporation may have an interest in from time to time will require the commitment of substantial resources to conduct the exploration and development plans. There can be no assurance that the Corporation will generate any revenues or achieve profitability or that the underlying assumed costs and expenses of the Corporation's exploration and development plans will prove to be accurate. If the Corporation does not have sufficient capital for its operations, this could result in delay or indefinite postponement of further exploration or development of any properties the Corporation may have an interest in from time to time, which could have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects.

### **Additional Financing**

Our future net revenue from our reserves may not be sufficient to fund our ongoing activities at all times and, from time to time, we may require additional financing in order to carry out our oil and natural gas acquisition, exploration and development activities. The oil and gas industry generally is capital intensive and the Corporation's participation in the industry will likely require additional financing to fund such capital expenditures. Failure to obtain financing on a timely basis could cause us to forfeit our interest in certain properties, miss certain acquisition opportunities and reduce or terminate our operations.

The ability of the Corporation to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Corporation. Due to the conditions in the oil and natural gas industry and/or global economic and political volatility, we may, from time to time, have restricted access to capital and increased borrowing costs as periodic fluctuations in energy prices may affect lending policies of banks. An inability to raise additional financing could limit growth prospects in the short run or may even require the Corporation to dispose of its interest in properties to continue operations under circumstances of declining energy prices, disappointing exploration results or economic dislocation. In the alternative, the Corporation will be required to enter into joint venture or farm-out agreements or potentially sell the Corporation to an entity with greater resources.

If our revenues from our reserves decrease as a result of lower oil and natural gas prices or otherwise, it will affect our ability to expend the necessary capital to replace our reserves or to maintain our production. To the extent that external sources of capital become limited, unavailable or available on onerous terms, our ability to make capital investments and maintain existing assets may be impaired, and our assets, liabilities, business, financial condition and results of operations may be affected materially and adversely as a result. In addition, the future development of our petroleum properties may require additional financing and there are no assurances that such financing will be available or, if available, will be available upon acceptable terms. Alternatively, any available financing may be highly dilutive to existing shareholders. Failure to obtain any financing necessary for our capital expenditure plans may result in a delay in development or production on our properties.

In addition, the Corporation may be required to fund its ongoing operations, capital expenditures or transactions to acquire assets or the shares of other Corporations through debt financing which may increase the Corporation's debt levels above industry standards.

### **Project Risks**

We manage a variety of projects in the conduct of our business. Project interruptions may delay expected revenues from operations. Significant project cost overruns could make a project uneconomic. Our ability to execute projects and market oil and natural gas depends upon numerous factors beyond our control, including:

- availability of processing capacity;
- availability and proximity of pipeline capacity;
- availability of storage capacity;
- availability of, and the ability to acquire, water supplies needed for drilling, hydraulic fracturing, pressure maintenance and waterfloods or our ability to dispose of water used or removed from strata at a reasonable cost and in accordance with applicable environmental regulations;
- effects of inclement and severe weather events, including fire, drought and flooding;
- availability of drilling and related equipment;
- unexpected cost increases;
- accidental events;
- currency fluctuations;
- regulatory changes;
- the availability and productivity of skilled labour; and
- the regulation of the oil and natural gas industry by various levels of government and governmental agencies.

Because of these factors, we could be unable to execute projects on time, on budget, or at all.

### **Market Price**

The trading price of the securities of oil and natural gas issuers is subject to substantial volatility often based on factors related and unrelated to the financial performance or prospects of the issuers involved. Factors unrelated to our performance could include macroeconomic developments nationally, within North America or globally, domestic and global commodity prices, or current perceptions of the oil and natural gas market. In recent years, the volatility of commodities has increased due, in part, to the implementation of computerized trading and the decrease of discretionary commodity trading. In addition, the volatility, trading volume and share price of issuers have been impacted by increasing investment levels in passive funds that track major indices, as such funds only purchase securities included in such indices. In addition, in certain jurisdictions, institutions, including government sponsored entities, have determined to decrease their ownership in oil and natural gas entities which may impact the liquidity of certain securities and may put downward pressure on the trading price of those securities. Similarly, the market price of our securities could be subject to significant fluctuations in response to variations in our operating results, financial condition, liquidity and other internal factors. Accordingly, the price at which our securities will trade cannot be accurately predicted.

## **Regulatory**

Various levels of governments impose extensive controls and regulations on oil and natural gas operations (including exploration, development, production, pricing, marketing, transportation and infrastructure). Governments may regulate or intervene with respect to exploration and production activities, prices, taxes, royalties, the exportation of oil and natural gas and infrastructure projects. Amendments to these controls and regulations may occur, from time to time, in response to economic or political conditions. The implementation of new regulations or the modification of existing regulations affecting the oil and natural gas industry could reduce demand for crude oil and natural gas and increase our costs, either of which may have a material adverse effect on our business, financial condition, results of operations and prospects. Further, the ongoing third party challenges to regulatory decisions or orders has reduced the efficiency of the regulatory regime, as the implementation of the decisions and orders has been delayed resulting in uncertainty and interruption to business of the oil and natural gas industry. See “*Industry Conditions – Regulatory Authorities and Environmental Regulation*” and “*Industry Conditions – Climate Change Regulation*”. Also see “*Liability Management*” in these Risk Factors. In order to conduct oil and natural gas operations, we will require regulatory permits, licenses, registrations, approvals and authorizations from various governmental authorities at the municipal, provincial and federal level. There can be no assurance that we will be able to obtain all of the permits, licenses, registrations, approvals and authorizations that may be required to conduct operations that we may wish to undertake. In addition, certain federal legislation such as the *Competition Act* and the *Investment Canada Act* could negatively affect our business, financial condition and the market value of our securities or our assets, particularly when undertaking, or attempting to undertake, acquisition or disposition activity. See “*Industry Conditions – Regulatory Authorities and Environmental Regulation*” and “*Industry Conditions – Liability Management Rating Program*”.

## **Availability and Cost of Material and Equipment**

Oil and natural gas exploration, development and operating activities are dependent on the availability and cost of specialized materials and equipment (typically leased from third parties) in the areas where such activities are conducted. The availability of such material and equipment is limited. An increase in demand or cost, or a decrease in the availability of such materials and equipment may impede our exploration, development and operating activities.

## **Reputational Risk Associated with Our Operations**

Our business, operations or financial condition may be negatively impacted as a result of any negative public opinion towards us or as a result of any negative sentiment toward, or in respect of, our reputation with stakeholders, special interest groups, political leadership, the media or other entities. Public opinion may be influenced by certain media and special interest groups' negative portrayal of the industry in which we operate as well as their opposition to certain oil and natural gas projects. Potential impacts of negative public opinion or reputational issues may include delays or interruptions in operations, legal or regulatory actions or challenges, blockades, increased regulatory oversight, reduced support for, delays in, challenges to, or the revocation of regulatory approvals, permits and/or licenses and increased costs and/or cost overruns. Our reputation and public opinion could also be impacted by the actions and activities of other companies operating in the oil and natural gas industry, particularly other producers, over which we have no control. Similarly, our reputation could be impacted by negative publicity related to loss of life, injury or damage to property and environmental damage caused by our operations. In addition, if we develop a reputation of having an unsafe work site, it may impact our ability to attract and retain the necessary skilled employees and consultants to operate our business. Opposition from special interest groups opposed to oil and natural gas development and the possibility of climate related litigation against governments and fossil fuel companies may impact our reputation. See “*Climate Change*” in these Risk Factors. Reputational risk cannot be managed in isolation from other forms of risk. Credit, market, operational, insurance, regulatory

and legal risks, among others, must all be managed effectively to safeguard our reputation. Damage to our reputation could result in negative investor sentiment towards us, which may result in limiting our access to capital, increasing the cost of capital, and decreasing the price and liquidity of the Corporation's securities.

### **Substantial Capital Requirements**

We anticipate making substantial capital expenditures for the acquisition, exploration, development and production of oil and natural gas reserves in the future. As future capital expenditures will be financed out of cash generated from operations, borrowings and future equity sales, our ability to do so is dependent on, among other factors:

- the overall state of the capital markets;
- our credit rating (if applicable);
- commodity prices;
- interest rates;
- royalty rates;
- tax burden due to current and future tax laws; and
- investor appetite for investments in the energy industry and our securities in particular.

Further, if our revenues or reserves decline, we may not have access to the capital necessary to undertake or complete future drilling programs. The conditions in, or affecting, the oil and natural gas industry have negatively impacted the ability of oil and natural gas companies, including us, to access additional financing and/or the cost thereof. There can be no assurance that debt or equity financing, or cash generated by operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to us. We may be required to seek additional equity financing on terms that are highly dilutive to existing shareholders. Our inability to access sufficient capital for our operations could have a material adverse effect on our business financial condition, results of operations and prospects.

### **Hedging**

From time to time, we may enter into agreements to receive fixed prices on our oil and natural gas production to offset the risk of revenue losses if commodity prices decline. However, to the extent that we engage in price risk management activities to protect ourselves from commodity price declines, we may also be prevented from realizing the full benefits of price increases above the levels of the derivative instruments used to manage price risk. In addition, our hedging arrangements may expose us 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;
- counterparties to the hedging arrangements or other price risk management contracts fail to perform under those arrangements; or
- a sudden unexpected event materially impacts oil and natural gas prices.

Similarly, from time to time, we may enter into agreements to fix the exchange rate of Canadian to United States dollars or other currencies in order to offset the risk of revenue losses if the Canadian dollar increases

in value compared to other currencies. However, if the Canadian dollar declines in value compared to such fixed currencies, we will not benefit from the fluctuating exchange rate.

### **Reserve Estimates**

There are numerous uncertainties inherent in estimating quantities of reserves, including many factors beyond the control of the Corporation. Geological and engineering data is used to determine the probability that a reservoir of oil and/or natural gas exists at a particular location, and whether, and to what extent, such hydrocarbons are recoverable from the reservoir. Generally, estimates of economically recoverable oil and natural gas reserves (including the breakdown of reserves by product type) and the future net revenues from such estimated reserves are based upon a number of variable factors and assumptions, such as:

- historical production from properties;
- production rates;
- ultimate reserve recovery;
- timing and amount of capital expenditures;
- marketability of oil and natural gas;
- royalty rates; and
- the assumed effects of regulation by governmental agencies and future operating costs (all of which may vary materially from actual results).

Accordingly, estimates of the economically recoverable oil and natural gas reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues associated with reserves prepared by different engineers, or by the same engineers at different times may vary. Our actual production, revenues, taxes and development and operating expenditures with respect to our reserves will vary from estimates and such variations could be material.

The estimation of proved reserves that may be developed and produced in the future is often based upon volumetric calculations and upon analogy to similar types of reserves rather than actual production history. Recovery factors and drainage areas are often estimated by experience and analogy to similar producing pools. Estimates based on these methods are generally less reliable than those based on actual production history. Subsequent evaluation of the same reserves based upon production history and production practices will result in variations in the estimated reserves and such variations could be material.

In accordance with applicable securities laws, our independent reserves evaluator has used forecast prices and costs in estimating the reserves and future net revenues. Actual future net revenues will be affected by other factors, such as actual production levels, supply and demand for oil and natural gas, curtailments or increases in consumption by oil and natural gas purchasers, changes in governmental regulation or taxation and the impact of inflation on costs.

Actual production and future net revenue derived from our oil and natural gas reserves will vary from the estimates contained in the reserve evaluation, and such variations could be material. The reserve evaluation is based in part on the assumed success of activities we intend to undertake in future years. The reserves and estimated future net revenue to be derived therefrom and contained in the reserve evaluation will be reduced to the extent that such activities do not achieve the level of success assumed in the reserve evaluation. The reserve evaluation is effective as of a specific effective date and, except as may be specifically stated, has not been updated and therefore does not reflect changes in our reserves since that date.

## **Dividends**

Other than pursuant to the Return of Capital, the Corporation has not declared or paid any dividends on any class of securities of the Corporation and does not anticipate paying any dividends in the foreseeable future. It is not contemplated that any dividends will be paid on the Corporation's securities in the immediate future as it is anticipated that all available funds will be invested to finance the growth of the Corporation's business. The Board of the Corporation will determine if, and when, dividends will be declared and paid in the future from funds properly applicable to the payment of dividends based on the Corporation's earnings, financial position, fluctuations in commodity prices, production levels, capital expenditure requirements, debt service requirements, operating costs, royalty burdens, foreign exchange rates, the satisfaction of the liquidity and solvency tests imposed by applicable corporate law for the declaration and payment of dividends and other conditions at the relevant time. Depending on these and various other factors, many of which will be beyond our control, our dividend policy may vary from time to time and, as a result, future cash dividends, if any, could be reduced or suspended entirely.

Furthermore, the future treatment of dividends for tax purposes will be subject to the nature and composition of dividends paid by us and potential legislative and regulatory changes. Dividends, if any, may be reduced during periods of lower funds from operations, which result from lower commodity prices and any decision by us to finance capital expenditures using funds from operations. To the extent that external sources of capital, including in exchange for the issuance of additional securities, become limited or unavailable, our ability to make the necessary capital investments to maintain or expand petroleum and natural gas reserves and to invest in assets, as the case may be, will be impaired. To the extent that we are required to use funds from operations to finance capital expenditures or property acquisitions, the cash available for dividends may be reduced. The market value of the Corporation's securities may deteriorate if cash dividends are reduced or suspended.

## **Exploration Risks**

The exploration of the properties in which the Corporation has an interest may from time to time involve a high degree of risk that no production will be obtained. The costs of seismic operations and drilling, completing and operating wells are uncertain to a degree. Cost overruns can adversely affect the economics of the properties in which the Corporation has an interest. In addition, seismic operations and drilling plans for properties in which the Corporation has an interest may be curtailed, delayed or cancelled as a result of numerous factors, including, among others, equipment failures, weather or adverse climate conditions, shortages or delays in obtaining qualified personnel, shortages or delays in the delivery of or access to equipment, necessary governmental, regulatory or other third party approvals and compliance with regulatory requirements.

## **Title to Properties, Investments in Properties**

Although title reviews will be performed according to industry standards prior to the purchase of most crude oil and natural gas producing properties or the commencement of drilling wells, such reviews do not guarantee or certify that an unforeseen defect in the chain of title will not arise to defeat the claim of the Corporation. If a defect exists in the chain of title or in our right to produce, or a legal challenge or legislative change arises, it is possible that we may lose all, or a portion of, the properties to which the title defect relates and/or our right to produce from such properties. There is no guarantee that an unforeseen defect in title, changes in laws or change in their interpretation, legal challenge or political events will not arise to defeat or impair the claim of the Corporation to properties in which it has interest which could result in a material adverse effect on the Corporation, including a reduction in revenue.

Additionally, the properties in which the Corporation has an interest, and those in which it may have an interest in the future, may be acquired from various third parties where the contractual terms for exploration and investment requirements governing our interest in each property could vary significantly from one property to the other. Accordingly, the terms and conditions that the Corporation's acquisition of property interests will be subject to cannot be accurately predicted.

### **Expiration of Licenses and Leases**

The Corporation holds properties in the form of licenses and leases and working interests in licenses and leases. If the Corporation, or the holder of the license or lease, fails to meet the specific requirement of a license or lease, the license or lease may terminate or expire. There can be no assurance that any of the obligations required to maintain each license or lease will be met. The termination or expiration of our licenses or leases or the working interests relating to a license or lease and the associated abandonment and reclamation obligations may have a material adverse effect on our business, financial condition, results of operations and prospects.

### **Reliance on Key Personnel**

The contributions of the Corporation's executive management team are likely to be of central importance with the Corporation's success depending in large part on the ability of its executive management team to deal effectively with complex risks and relationships and execute the Corporation's business development plan. The members of the management team contribute to the Corporation's ability to obtain, generate and manage opportunities. The Corporation's prospects also depend upon the recruitment and retention of a skilled workforce, including engineers, technical personnel and other professionals. The loss of key members of such workforce, or a substantial portion of the workforce as a whole, could result in the failure to implement our business plans.

We compete with other companies in the oil and natural gas industry, as well as other industries, for this skilled workforce. A decline in market conditions has led increasing numbers of skilled personnel to seek employment in other industries. In addition, certain of our current employees are senior and have significant institutional knowledge that must be transferred to other employees prior to their departure from the workforce. If we are unable to: (i) retain current employees; (ii) successfully complete effective knowledge transfers; and/or (iii) recruit new employees with the requisite knowledge and experience, we could be negatively impacted. In addition, we could experience increased costs to retain and recruit these professionals, and/or difficulties in maintaining labour productivity that may adversely affect our profitability.

There can be no assurance that the Corporation's present key personnel and directors will remain with the Corporation or that the Corporation will be able to retain its service providers. We do not have any key personnel insurance in effect. The departure of any such key person, director or service provider may materially affect the Corporation's business, financial condition, results of operations and prospects. Investors must rely upon the ability, expertise, judgment, discretion, integrity and good faith of our management.

### **Operational Dependence**

Other companies may operate some of the assets in which we have an interest. We have limited ability to exercise influence over the operation of those assets or their associated costs, which could adversely affect our financial performance. Our return on assets operated by others depends upon a number of factors that may be outside of our control, including, but not limited to, the timing and amount of capital expenditures,

the operator's expertise and financial resources, the approval of other participants, the selection of technology and risk management practices.

In addition, due to low and volatile commodity prices, many companies, including companies that may operate some of the assets in which we have an interest, may be in financial difficulty, which could impact their ability to fund and pursue capital expenditures, carry out their operations in a safe and effective manner and satisfy regulatory requirements with respect to abandonment and reclamation obligations. If companies that operate some of the assets in which we have an interest fail to satisfy regulatory requirements with respect to abandonment and reclamation obligations, we may be required to satisfy such obligations and to seek reimbursement from such companies. To the extent that any of such companies go bankrupt, become insolvent or make a proposal or institute any proceedings relating to bankruptcy or insolvency, it could result in such assets being shut-in, us potentially becoming subject to additional liabilities relating to such assets and us having difficulty collecting revenue due from such operators or recovering amounts owing to us from such operators for their share of abandonment and reclamation obligations. Any of these factors could have a material adverse effect on our financial and operational results. See “*Industry Conditions – Liability Management Rating Program*” and “*Third Party Credit Risk*” in these Risk Factors.

### **Royalty Regimes**

There can be no assurance that the governments in the jurisdictions in which we have assets will not adopt new royalty regimes, or modify the existing royalty regimes, which may have an impact on the economics of our projects. An increase in royalties would reduce our earnings and could make future capital investments, or our operations, less economic. See “*Industry Conditions – Royalties and Incentives*”.

### **Hydraulic Fracturing**

Hydraulic fracturing involves the injection of water, sand and small amounts of additives under pressure into rock formations to stimulate the production of oil and natural gas. Specifically, hydraulic fracturing enables the production of commercial quantities of oil and natural gas from reservoirs that were previously unproductive. Any new laws, regulations or permitting requirements regarding hydraulic fracturing could lead to operational delays, increased operating costs, third party or governmental claims, and could increase our costs of compliance and doing business, as well as delay the development of oil and natural gas resources from shale formations, which are not commercial without the use of hydraulic fracturing. Restrictions on hydraulic fracturing could also reduce the amount of oil and natural gas that we are ultimately able to produce from our reserves.

### **Reservoir Pressure Maintenance**

The Corporation may undertake certain pressure maintenance programs, which involves the injection of water or other liquids into an oil reservoir to increase production from the reservoir and to decrease production declines. To undertake such pressure maintenance activities, we need to have access to sufficient volumes of water, or other liquids, to pump into the reservoir to increase the pressure in the reservoir. There is no certainty that we will have access to the required volumes of water. In addition, in certain areas there may be restrictions on water use for activities such as pressure maintenance. If we are unable to access such water, we may not be able to undertake pressure maintenance activities which may reduce the amount of oil and natural gas that we are ultimately able to produce from our reservoirs. In addition, we may undertake certain pressure maintenance programs that ultimately prove unsuccessful in increasing production from the reservoir and as a result have a negative impact on our results of operations.

## **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, the initiation and approval of new oil and natural gas projects, restrictions and prohibitions on the spill, release or emission of various substances produced in association with oil and natural gas industry operations. In addition, such legislation sets out the requirements with respect to oilfield waste handling and storage, habitat protection and the satisfactory operation, maintenance, abandonment and reclamation of well and facility sites. These environmental regulations can impact the selection of drilling sites and facility locations, potentially resulting in increased capital expenditures. Further, special provisions may be appropriate or required in environmentally sensitive areas of operation, including the use of newer technologies to mitigate the impact of the Corporation's oil and gas activities on such environmentally sensitive areas. There can be no assurance that the Corporation will not incur substantial financial obligations in connection with environmental compliance.

Compliance with environmental legislation can require significant expenditures and a breach of applicable environmental legislation may trigger a variety of administrative, civil and criminal enforcement measures, including the assessment of monetary penalties and the imposition of remedial requirements, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water, including by previous owners of properties purchased by the Corporation, may give rise to liabilities to governments and third parties and may require us to incur costs to remedy such discharge; significant liability could be imposed on the Corporation for damages, clean-up costs or penalties in the event of such occurrence. Although we believe that we are in material compliance with current applicable environmental legislation, no assurance can be given that environmental compliance requirements 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.

New environmental legislation at the federal and provincial levels may increase uncertainty among oil and natural gas industry participants as the new laws are implemented, and the effects of the new rules and standards are felt in the oil and natural gas industry. See "*Industry Conditions – Exports from Canada*", "*Industry Conditions – Regulatory Authorities and Environmental Regulation*" and "*Industry Conditions – Climate Change Regulation*". The Corporation cannot predict what environmental legislation or regulations will be enacted in the future or how existing or future laws or regulations will be administered or enforced. Compliance with more stringent laws or regulations, or more vigorous enforcement policies of any regulatory authority, could in the future require material expenditures by the Corporation for the installation and operation of systems and equipment for remedial measures, any or all of which may have a material adverse effect on the Corporation's business, financial condition, results of operations and the value of the Corporation's securities.

## **Disposal of Fluids Used in Operations**

The safe disposal of the hydraulic fracturing fluids (including the additives) and water recovered from oil and natural gas wells is subject to ongoing regulatory review by the federal and provincial governments, including its effect on fresh water supplies and the ability of such water to be recycled, amongst other things. While it is difficult to predict the impact of any regulations that may be enacted in response to such review, the implementation of stricter regulations may increase our costs of compliance.

## **Carbon Pricing Risk**

The majority of countries across the globe have agreed to reduce their carbon emissions in accordance with the Paris Agreement. In Canada, the federal government implemented legislation aimed at incentivizing the use of alternative fuels and in turn reducing carbon emissions. The federal system currently applies in provinces and territories without their own system that meets federal standards. The federal regime is subject to a number of court challenges. See “*Industry Conditions – Regulatory Authorities and Environmental Regulation*” and “*Industry Conditions – Climate Change Regulation*”. Any taxes placed on carbon emissions may have the effect of decreasing the demand for oil and natural gas products and at the same time, increasing our operating expenses, each of which may have a material adverse effect on our profitability and financial condition. Further, the imposition of carbon taxes puts us at a disadvantage with our counterparts who operate in jurisdictions where there are less costly carbon regulations.

## **Liability Management**

Alberta and Saskatchewan have 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 is unable to satisfy its regulatory obligations. These programs involve 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 generally required. Changes to the required ratio of our deemed assets to deemed liabilities, or other changes to the requirements of liability management programs, may result in significant increases to our compliance obligations. In addition, the liability management regime may prevent or interfere with our ability to acquire or dispose of assets, as both the vendor and the purchaser of oil and natural gas assets must be in compliance with the liability management programs (both before and after the transfer of the assets) for the applicable regulatory agency to allow for the transfer of such assets. The impact and consequences of the Supreme Court of Canada decision in the Redwater case on the AER's rules and policies, lending practices in the crude oil and natural gas sector and on the nature and determination of secured lenders to take enforcement proceedings will no doubt evolve as the consequences of the decision are evaluated and considered by regulators, lenders and receivers/trustees. See “*Industry Conditions – Regulatory Authorities and Environmental Regulation*” and “*Industry Conditions – Liability Management Rating Program*”.

## **Issuance of Debt**

From time to time, we may enter into transactions to acquire assets or shares of other entities. These transactions may be financed in whole, or in part, with debt, which may increase our debt levels above industry standards for oil and natural gas companies of similar size. Depending on future exploration and development plans, we may require additional debt financing that may not be available or, if available, may not be available on favourable terms. The level of our indebtedness from time to time could impair our ability to obtain additional financing on a timely basis to take advantage of business opportunities that may arise.

## **Income Taxes**

We file all required income tax returns and believe that we are in full compliance with the provisions of the *Income Tax Act* (Canada) and all other applicable provincial tax legislation. However, such returns are subject to reassessment by the applicable taxation authority. In the event of a successful reassessment of us, whether by re-characterization of exploration and development expenditures or otherwise, such reassessment may have an impact on current and future taxes payable. Income tax laws relating to the oil and natural gas industry, such as the treatment of resource taxation or dividends, may in the future be changed or interpreted in a manner that adversely affects us. Furthermore, tax authorities having jurisdiction

over us may disagree with how we calculate our income for tax purposes or could change administrative practices to our detriment.

### **Failure to Realize Anticipated Benefits of Acquisitions and Dispositions**

We consider acquisitions and dispositions of businesses and assets in the ordinary course of business. Achieving the benefits of acquisitions depends on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner and our ability to realize the anticipated growth opportunities and synergies from combining the acquired businesses and operations with our own. The integration of acquired businesses and assets may require substantial management effort, time and resources diverting management's focus from other strategic opportunities and operational matters. Management continually assesses the value and contribution of services provided by third parties and the resources required to provide such services. In this regard, non-core assets may be periodically disposed of so we can focus our efforts and resources more efficiently. Depending on market conditions for such non-core assets, we may realize less on a disposition than their carrying value on our financial statements.

### **Competition**

The petroleum industry is competitive in all of its phases. For example, competitive factors in the distribution and marketing of oil and natural gas include price, process, and reliability of delivery and storage. We compete with numerous other entities in the exploration, development, production and marketing of oil and natural gas. Our competitors include oil and natural gas companies that have substantially greater financial resources, staff and facilities than ours. Some of these companies not only explore for, develop and produce oil and natural gas, but also carry on refining operations and market oil and natural gas on an international basis. Because of their geographic diversity, larger and more complex assets, integrated operations and greater resources, some of these competitors may be better able to compete on the basis of price and to bear the economic risks inherent in all phases of the oil and natural gas industry. Further, the Corporation's ability to implement its business strategy will be dependent upon, not only our ability to explore and develop our present properties, but also our ability to evaluate and acquire other suitable producing properties or prospects for exploratory drilling and consummate transactions in a highly competitive environment.

### **Variations in Foreign Exchange Rates and Interest Rates**

World oil and natural gas prices are quoted in United States dollars. The Canadian/United States dollar exchange rate, which fluctuates over time, consequently affects the price received by Canadian producers of oil and natural gas. Material increases in the value of the Canadian dollar relative to the United States dollar will negatively affect our production revenues. Accordingly, exchange rates between Canada and the United States could affect the future value of our reserves as determined by independent evaluators. Although a low value of the Canadian dollar relative to the United States dollar may positively affect the price we receive for our oil and natural gas production, it could also result in an increase in the price for certain goods used for our operations, which may have a negative impact on our financial results.

To the extent that we engage in risk management activities related to foreign exchange rates, there is a credit risk associated with counterparties with which we may contract.

An increase in interest rates could result in a significant increase in the amount we pay to service any debt, resulting in a reduced amount available to fund our exploration and development activities, and if applicable, the cash available for dividends. Such an increase could also negatively impact the market price of the Corporation's securities.

## **Litigation**

In the normal course of our operations, we 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. Potential litigation may develop in relation to personal injuries (including resulting from exposure to hazardous substances, property damage, property taxes, land and access rights, environmental issues, including claims relating to contamination or natural resource damages and contract disputes). The outcome with respect to outstanding, pending or future proceedings cannot be predicted with certainty and may be determined adversely to us and could have a material adverse effect on our assets, liabilities, business, financial condition and results of operations. Even if we prevail in any such legal proceedings, the proceedings could be costly and time-consuming and may divert the attention of management and key personnel from business operations, which could have an adverse effect on our financial condition.

## **Insurance**

Our involvement in the exploration for and development of oil and natural gas properties may result in us becoming subject to liability for pollution, blowouts, leaks of sour gas, property damage, personal injury or other hazards. Additionally, the Corporation may be subject to certain events beyond its control including, but not limited to, labour unrest, civil disorder, war, acts of terrorism, subversive activities or sabotage, fires, floods, explosions or other catastrophes, epidemics or quarantine restrictions. Although we maintain insurance in accordance with industry standards to address certain of these risks, such insurance has limitations on liability and may not be sufficient to cover the full extent of such liabilities. In addition, certain risks are not, in all circumstances, insurable or, in certain circumstances, we may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or other reasons. The payment of any uninsured liabilities would reduce the funds available to us. The occurrence of a significant event that we are not fully insured against, or the insolvency of the insurer of such event, may have a material adverse effect on our business, financial condition, results of operations and prospects.

## **Breach of Confidentiality**

While discussing potential business relationships or other transactions with third parties, we may disclose confidential information relating to our business, operations or affairs. Although confidentiality agreements are generally signed by third parties prior to the disclosure of any confidential information, a breach could put us at competitive risk and may cause significant damage to our business. The harm to our 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, we 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 our business that such a breach of confidentiality may cause.

## **Seasonality and Extreme Weather Conditions**

The level of activity in the Canadian oil and natural gas industry is influenced by seasonal weather patterns. Wet weather and spring thaw may make the ground unstable which prevents, delays or makes operations more difficult. Consequently, municipalities and provincial transportation departments enforce road bans that restrict the movement of rigs and other heavy equipment, thereby reducing activity levels. Road bans and other restrictions generally result in a reduction of drilling and exploratory activities and may also result in the shut-in of some of our production if not otherwise tied-in. 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 impassable muskeg. In addition, extreme cold weather, heavy snowfall and heavy rainfall may restrict our ability to access our properties, cause operational difficulties

including damage to machinery or contribute to personnel injury because of dangerous working conditions. Adverse weather conditions may adversely impact the timing and costs of the Corporation's plans.

### **Third Party Credit Risk**

We may be exposed to third party credit risk through our contractual arrangements with our current or future joint venture partners, marketers of our petroleum and natural gas production and other parties. In addition, we may be exposed to third party credit risk from operators of properties in which we have a working or royalty interest. In the event such entities fail to meet their contractual obligations to us, such failures may have a material adverse effect on our business, financial condition, results of operations and prospects. In addition, poor credit conditions in the industry, generally, and of any potential joint venture partners may affect a joint venture partner's willingness to participate in our ongoing capital program, potentially delaying the program and the results of such program until we find a suitable alternative partner. To the extent that any of such third parties go bankrupt, become insolvent or make a proposal or institute any proceedings relating to bankruptcy or insolvency, it could result in us being unable to collect all or a portion of any money owing from such parties. Any of these factors could materially adversely affect our financial and operational results.

### **Conflicts of Interest**

Certain of our directors or officers may also be directors or officers of other oil and natural gas companies and as such may, in certain circumstances, have a conflict of interest. Conflicts of interest, if any, will be subject to and governed by procedures prescribed by the CBCA which require a director or officer of a corporation who is a party to, or is a director or an officer of, or has a material interest in any person who is a party to, a material contract or proposed material contract with us to disclose his or her interest and, in the case of directors, to refrain from voting on any matter in respect of such contract unless otherwise permitted under the CBCA. See "*Directors and Officers – Conflicts of Interest*".

### **Cost of New Technologies**

The petroleum industry is characterized by rapid and significant technological advancements and introductions of new products and services utilizing new technologies. Other companies may have greater financial, technical and personnel resources that allow them to implement and benefit from technological advantages. There can be no assurance that we will be able to respond to such competitive pressures and implement such technologies on a timely basis, or at an acceptable cost. If we do implement such technologies, there is no assurance that we will do so successfully. One or more of the technologies currently utilized by us or implemented in the future may become obsolete. In such case, our business, financial condition and results of operations could also be affected adversely and materially. If we are unable to utilize the most advanced commercially available technology, or are unsuccessful in implementing certain technologies, our business, financial condition and results of operations could also be adversely affected in a material way.

### **Alternatives to and Changing Demand for Petroleum Products**

Full conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas and technological advances in fuel economy and renewable energy generation systems could reduce the demand for oil, natural gas and liquid hydrocarbons. Recently, certain jurisdictions have implemented policies or incentives to decrease the use of fossil fuels and encourage the use of renewable fuel alternatives, which may lessen the demand for petroleum products and put downward pressure on commodity prices. Advancements in energy efficient products have a similar effect on the demand for oil and natural gas products. We cannot predict the impact of changing demand for oil and natural gas products,

and any major changes may have a material adverse effect on our business, financial condition, results of operations and cash flows from operating activities by decreasing our profitability, increasing our costs, limiting our access to capital and decreasing the value of our assets.

## **Climate Change**

### **Our Chronic Climate Change Risks**

Our exploration and production facilities and other operations and activities emit GHGs which may require us to comply with federal and/or provincial GHG emissions legislation. Climate change policy is evolving at regional, national and international levels, and political and economic events may significantly affect the scope and timing of climate change measures that are ultimately put in place to prevent climate change or mitigate its effects. The direct or indirect costs of compliance with GHG-related regulations may have a material adverse effect on our business, financial condition, results of operations and prospects. Some of our significant facilities may ultimately be subject to future regional, provincial and/or federal climate change regulations to manage GHG emissions.

Climate change has been linked to long-term shifts in climate patterns, including sustained higher temperatures. As the level of activity in the Canadian oil and natural gas industry is influenced by seasonal weather patterns, long-term shifts in climate patterns pose the risk of exacerbating operational delays and other risks posed by seasonal weather patterns. See “*Seasonality and Extreme Weather Conditions*” in these Risk Factors. In addition, long-term shifts in weather patterns such as water scarcity, increased frequency of storm and fire and prolonged heat waves may, among other things, require us to incur greater expenditures (time and capital) to deal with the challenges posed by such changes to our premises, operations, supply chain, transport needs, and employee safety. Specifically, in the event of water shortages or sourcing issues, we may not be able to, or will incur greater costs to, carry out hydraulic fracturing operations.

Concerns about climate change have resulted in a number of environmental activists and members of the public opposing the continued exploitation and development of fossil fuels which has influenced investors' willingness to invest in the oil and natural gas industry. Historically, political and legal opposition to the fossil fuel industry focused on public opinion and the regulatory process. More recently, however, there has been a movement to more directly hold governments and oil and natural gas companies responsible for climate change through climate litigation. In November 2018, ENvironment JEUnesse, a Quebec advocacy group, applied to the Quebec Superior Court to certify all Quebecois under 35 as a class in a proposed class action lawsuit against the Government of Canada for climate related matters. While the application was denied, the group has stated it plans to appeal. In January 2019, the City of Victoria became the first municipality in Canada to endorse a class action lawsuit against oil and natural gas producers for alleged climate-related harms. The Union of British Columbia Municipalities defeated the City of Victoria's motion to initiate a class action lawsuit to recover costs it claims are related to climate change.

Given the evolving nature of climate change policy and the control of GHG and resulting requirements, it is expected that current and future climate change regulations will have the effect of increasing our operating expenses and in the long-term potentially reducing the demand for oil and natural gas production, resulting in a decrease in our profitability and a reduction in the value of our assets or requiring asset impairments for financial statement purposes. See “*Industry Conditions – Regulatory Authorities and Environmental Regulation*” and “*Industry Conditions – Climate Change Regulation*”, and “*Non-Governmental Organizations*”, “*Reputational Risk Associated with Our Operations*” and “*Changing Investor Sentiment*” in these Risk Factors.

## **Acute Climate Change Risk**

Climate change has been linked to extreme weather conditions. Extreme hot and cold weather, heavy snowfall, heavy rainfall and wildfires may restrict our ability to access our properties and cause operational difficulties, including damage to machinery and facilities. Extreme weather also increases the risk of personnel injury as a result of dangerous working conditions. Certain of our assets are located in locations that if subjected to a wildfire or flood could lead to significant downtime and/or damage to such assets. Moreover, extreme weather conditions may lead to disruptions in our ability to transport produced oil and natural gas as well as goods and services in our supply chain.

## **Dilution**

We may make future acquisitions or enter into financings or other transactions involving the issuance of our securities, which may be dilutive to shareholders.

## **Geopolitical Risks**

Political changes in North America and political instability in the Middle East and elsewhere may cause disruptions in the supply of oil that affects the marketability and price of oil and natural gas acquired or discovered by us. Conflicts, or conversely peaceful developments, arising outside of Canada, including changes in political regimes or parties in power, may have a significant impact on the price of oil and natural gas. Any particular event could result in a material decline in prices and result in a reduction of our net production revenue.

## **Non-Governmental Organizations**

The oil and natural gas exploration, development and operating activities conducted by us may, at times, be subject to public opposition. Such public opposition could expose us to the risk of higher costs, delays or even project cancellations due to increased pressure on governments and regulators by special interest groups including Indigenous groups, landowners, environmental interest groups (including those opposed to oil and natural gas production operations) and other non-governmental organizations, blockades, legal or regulatory actions or challenges, increased regulatory oversight, reduced support of the federal, provincial or municipal governments, delays in, challenges to, or the revocation of regulatory approvals, permits and/or licenses, and direct legal challenges, including the possibility of climate-related litigation. See "*Industry Conditions – Transportation Constraints and Market Access*". There is no guarantee that we will be able to satisfy the concerns of the special interest groups and non-governmental organizations and attempting to address such concerns may require us to incur significant and unanticipated capital and operating expenditures.

## **Indigenous Claims**

Indigenous peoples have claimed aboriginal title and rights in portions of Western Canada. We are not aware that any claims have been made in respect of our properties and assets. However, if a claim arose and was successful, such claim may have a material adverse effect on our business, financial condition, results of operations and prospects. In addition, the process of addressing such claims, regardless of the outcome, is expensive and time consuming and could result in delays in the construction of infrastructure systems and facilities which could have a material adverse effect on our business and financial results.

## **Information Technology Systems and Cyber-Security**

We have become increasingly dependent upon the availability, capacity, reliability and security of our information technology infrastructure and our ability to expand and continually update this infrastructure, to conduct daily operations. We depend on various information technology systems to estimate reserve quantities, process and record financial data, manage our land base, manage financial resources, analyze seismic information, administer our contracts with our operators and lessees and communicate with employees and third party partners.

Further, we are subject to a variety of information technology and system risks as a part of our normal course operations, including potential breakdown, invasion, virus, cyber-attack, cyber-fraud, security breach, and destruction or interruption of our information technology systems by third parties or insiders. Unauthorized access to these systems by employees or third parties could lead to corruption or exposure of confidential, fiduciary or proprietary information, interruption to communications or operations or disruption to our business activities or our competitive position. In addition, cyber phishing attempts, in which a malicious party attempts to obtain sensitive information such as usernames, passwords, and credit card details (and money) by disguising as a trustworthy entity in an electronic communication, have become more widespread and sophisticated in recent years. If we become a victim to a cyber-phishing attack it could result in a loss or theft of our financial resources or critical data and information, or could result in a loss of control of our technological infrastructure or financial resources. Our employees are often the targets of such cyber phishing attacks, as they are and will continue to be targeted by parties using fraudulent "spoof" emails to misappropriate information or to introduce viruses or other malware through "Trojan horse" programs to our computers. These emails appear to be legitimate emails, but direct recipients to fake websites operated by the sender of the email or request recipients to send a password or other confidential information through email or to download malware.

Despite any efforts that we may make to mitigate such cyber phishing attacks through education and training, cyber phishing activities remain a serious problem that may damage our information technology infrastructure. Disruption of critical information technology services, or breaches of information security, could have a negative effect on our performance and earnings, as well as on our reputation, and any damages sustained may not be adequately covered by our current insurance coverage, or at all. The significance of any such event is difficult to quantify, but may in certain circumstances be material and could have a material adverse effect on our business, financial condition, results of operations and the market value of the Corporation's securities.

## **Public Market Risk**

There can be no assurance that an active trading market in the Corporation's securities will be sustained. The market price for the Corporation's securities could be subject to wide fluctuations. Factors such as commodity prices, government regulation, interest rates, share price movements of the Corporation's peer companies and competitors, as well as overall market movements, may have a significant impact on the market price of the securities of the Corporation. The stock market has from time to time experienced extreme price and volume fluctuations, particularly in the oil and gas sector, which have often been unrelated to the operating performance of particular companies.

## **Failure to Maintain Listing of the Class B Shares**

The Class B Shares are currently listed for trading on the facilities of the TSXV. The failure of the Corporation to meet the applicable listing or other requirements of the TSXV in the future may result in the Class B Shares ceasing to be listed for trading on the TSXV, which would have a material adverse effect

on the value of the Class B Shares. There can be no assurance that the Class B Shares will continue to be listed for trading on the TSXV.

### **Structure of the Corporation**

From time to time, the Corporation may take steps to organize its affairs in a manner that minimizes taxes and other expenses payable with respect to the operation of the Corporation and its subsidiaries. If the manner in which the Corporation structures its affairs is successfully challenged by a taxation or other authority, the Corporation and its prospects may be adversely affected.

### **Expansion into New Activities**

The operations and expertise of our management are currently focused primarily on oil and natural gas production, exploration and development in Southeast Saskatchewan. In the future, we may acquire or move into new industry related activities or new geographical areas and may acquire different energy related assets; as a result, we may face unexpected risks or, alternatively, our exposure to one or more existing risk factors may be significantly increased, which may in turn result in our future operational and financial conditions being adversely affected.

### **Social Media**

Increasingly, social media is used as a vehicle to carry out cyber phishing attacks. Information posted on social media sites, for business or personal purposes, may be used by attackers to gain entry into our systems and obtain confidential information. We monitor the social media activity of our employees on company-shared platforms and websites and designate certain individuals to carry out the release of information. Despite these efforts, as social media continues to grow in influence and access to social media platforms becomes increasingly prevalent, there are significant risks that we may not be able to properly regulate social media use and preserve adequate records of business activities and client communications conducted through the use of social media platforms.

### **Forward-Looking Information**

Shareholders and prospective investors are cautioned not to place undue reliance on our forward-looking information. By its nature, forward-looking information involves numerous assumptions, known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking information or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate. Additional information on the risks, assumption and uncertainties are found under the heading “*Forward-Looking Statements*” of this Annual Information Form.

## **LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

### **Legal Proceedings**

To the knowledge of the management of the Corporation, there are no outstanding legal proceedings material to the Corporation to which the Corporation is a party or in respect of which any of its properties are subject, nor are there any such proceedings known to be contemplated.

### **Regulatory Actions**

During the year ended December 31, 2020, there were (i) no penalties or sanctions imposed against the Corporation by a court relating to securities legislation or by a securities regulatory authority; (ii) no other penalties or sanctions imposed by a court or regulatory body against the Corporation that it believes would likely to be considered important to a reasonable investor in making an investment decision; and (iii) no settlement agreements entered into by the Corporation with a court relating to securities legislation or with a securities regulatory authority.

## **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

Except as may be disclosed elsewhere in this AIF, none of the directors, executive officers, any person or company that is the direct or indirect beneficial owner of, or who exercises control or direction over, more than 10 percent of any class or series of outstanding voting securities of the Corporation, nor any associate or affiliate of the foregoing persons had any material interest, direct or indirect, in any transaction or proposed transaction during the three most recently completed financial years or during the current financial year that has materially affected or is reasonably expected to materially affect the Corporation. Cameron Taylor, the Chief Executive Officer and a director of the Corporation, owns approximately 12.2% of the issued and outstanding Class B Shares, either directly or indirectly.

## **TRANSFER AGENT AND REGISTRAR**

The transfer agent and registrar for the Class B Shares is TSX Trust Company at its office located in Calgary, Alberta.

## **MATERIAL CONTRACTS**

The Corporation has entered into the following contracts or agreements during the recently completed financial years which remain in effect and which would be considered to be material to the Corporation as set forth below:

1. Glen Ewen Purchase Agreement;
2. Steel Reef Gas Handling Agreement- 5-14-3-1 Battery; and
3. Steel Reef Gas Handling Agreement- 9-23-2-1 Battery.

### **Material Contracts entered into subsequent to the year ended December 31, 2020**

1. Carnduff Purchase Agreement;
2. Florence Non-Operated Purchase Agreement;
3. Florence Operated Purchase Agreement;

4. Steel Reef Gas Handling Agreement- 1-10-2-1 Battery; and
5. Carievale Farmout Agreement.

For a description of the particulars of the contracts listed above, please see “*DEVELOPMENT OF THE BUSINESS – Relevant Three Year History*” in this AIF.

#### **INTERESTS OF EXPERTS**

KPMG LLP has confirmed that it is independent of the Corporation in accordance with the relevant rules and related interpretation prescribed by the Institute of Chartered Accountants of Alberta.

#### **ADDITIONAL INFORMATION**

Additional information relating to the Corporation may be found on SEDAR at [www.sedar.com](http://www.sedar.com). Additional information, including directors’ and officers’ remuneration and indebtedness, principal holders of the Corporation’s securities and securities authorized for issuance under equity compensation plans, if applicable, are contained in the Corporation’s most recent information circular dated November 16, 2020 and available on SEDAR. Additional financial information is also provided in the Corporation’s consolidated financial statements and MD&A for the year ended December 31, 2020.

## **SCHEDULE “A” MANDATE OF THE AUDIT COMMITTEE**

### **Role and Objective**

The Audit Committee (the “**Committee**”) is a committee of the Board of Directors of ROK Resources Inc. (“**ROK**” or the “**Corporation**”) to which the Board has delegated its responsibility for oversight of the nature and scope of the annual audit, management’s reporting on internal accounting standards and practices, financial information and accounting systems and procedures, financial reporting and statements and recommending, for Board of Director approval, the audited financial statements and other mandatory disclosure releases containing financial information. The objectives of the Committee are as follows:

- To assist Directors to meet their responsibilities in respect of the preparation and disclosure of the financial statements and related matters.
- To provide better communication between directors and external auditors.
- To ensure the external auditors’ independence.
- To increase the credibility and objectivity of financial reports.
- To strengthen the role of the outside directors by facilitating in-depth discussions between directors on the Committee, management and external auditors.

### **Mandate and Responsibilities of Committee**

It is the responsibility of the Committee to satisfy itself on behalf of the Board with respect to ROK’s internal control systems, including in particular relating to derivative instruments, identifying, monitoring and mitigating business risks and ensuring compliance with legal and regulatory requirements.

It is a primary responsibility of the Committee to review the annual and quarterly financial statements prior to their submission to the Board of Directors for approval. The process should include but not be limited to:

- reviewing changes in accounting principles, or in their application, which may have a material impact on the current or future years’ financial statements;
- reviewing significant accruals, reserves or other estimates such as the ceiling test calculation;
- reviewing accounting treatment of unusual or non-recurring transactions;
- ascertaining compliance with covenants under any loan agreements;
- reviewing financial reporting relating to asset retirement obligations;
- reviewing disclosure requirements for commitments and contingencies;
- reviewing adjustments raised by the external auditors, whether or not included in the financial statements;
- reviewing unresolved differences between management and the external auditors;
- obtain explanations of significant variances with comparative reporting periods; and determine through inquiry if there are any related party transactions and ensure the nature and extent of such transactions are properly disclosed.

The Committee is to review the financial statements and related information included in prospectuses, management discussion and analysis (“**MD&A**”), information circular-proxy statements and annual information forms (“**AIF**”), prior to Board approval.

With respect to the appointment of external auditors by the Board, the Committee shall:

- be directly responsible for overseeing the work of the external auditors engaged for the purpose of issuing an auditors' report or performing other audit, review or attest services for ROK, including the resolution of disagreements between management and the external auditor regarding financial reporting;
- review management's recommendation for the appointment of external auditors and recommend to the Board appointment of external auditors and the compensation of the external auditors;
- review the terms of engagement of the external auditors, including the appropriateness and reasonableness of the auditors' fees;
- when there is to be a change in auditors, review the issues related to the change and the information to be included in the required notice to securities regulators of such change; and
- review and approve any non-audit services to be provided by the external auditors' firm and consider the impact on the independence of the auditors.

Review with external auditors (and internal auditor if one is appointed by ROK) their assessment of the internal controls of ROK, their written reports containing recommendations for improvement, and management's response and follow-up to any identified weaknesses.

The Committee shall also review annually with the external auditors their plan for their audit and, upon completion of the audit, their reports upon the financial statements of ROK and its subsidiaries.

Review all public disclosure containing audited or unaudited financial information before release.

Review financial reporting relating to risk exposure.

Satisfy itself that adequate procedures are in place for the review of the Corporation's public disclosure of financial information from the Corporation's financial statements and periodically assess the adequacy of those procedures.

Establish procedures for:

- the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and
- the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

Review any other matters that the Audit Committee feels are important to its mandate or that the Board chooses to delegate to it.

Undertake annually a review of this mandate and make recommendations to the Board of Directors as to proposed changes.

### **Composition**

This Committee shall be composed of at least three individuals appointed by the Board from amongst its members, all of which members will be independent (within the meaning of Multilateral Instrument 52-110 Audit Committees) unless the Board determines to rely on an exemption in NI 52-110. "Independent" generally means free from any business or other direct or indirect material relationship with ROK that could, in the view of the Board of Directors, reasonably interfere with the exercise of the member's independent judgment.

The Secretary to the Board shall act as Secretary of the Committee.

A quorum shall be a majority of the members of the Committee.

All of the members must be financially literate within the meaning of NI 52-110 unless the Board has determined to rely on an exemption in NI 52-110. Being “financially literate” means members have the ability to read and understand a set of 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 the Corporation’s financial statements.

### **Meetings**

The Committee shall meet at least four times per year and/or as deemed appropriate by the Committee Chair.

The Committee shall meet not less than quarterly with the auditors, independent of the presence of management.

Agendas, with input from management, shall be circulated to Committee members and relevant management personnel along with background information on a timely basis prior to the Committee meetings.

Minutes of each meeting shall be prepared by the Secretary to the Committee.

The Chief Executive Officer and the Chief Financial Officer or their designates shall be available to attend at all meetings of the Committee upon the invitation of the Committee.

The Controller, Treasurer and such other staff as appropriate to provide information to the Committee shall attend meetings upon invitation by the Committee.

### **Reporting / Authority**

Following each meeting, in addition to a verbal report, the Committee will report to the Board by way of providing copies of the minutes of such Committee meeting at the next Board meeting after a meeting is held (these may still be in draft form).

Supporting schedules and information reviewed by the Committee shall be available for examination by any director.

The Committee shall have the authority to investigate any financial activity of the Corporation and to communicate directly with the external auditors. All employees are to co-operate as requested by the Committee.

The Committee may retain, and set and pay the compensation for, persons having special expertise and/or obtain independent professional advice to assist in fulfilling its duties and responsibilities at the expense of ROK.

**SCHEDULE “B”**  
**COMPENSATION OF EXECUTIVE OFFICERS**

The Corporation has a compensation committee (the “**Compensation Committee**”) comprised of Kent McDougall, Peter Yates and David Hergenhein. The Compensation Committee utilizes several different resources identified by management and approved by the Compensation Committee in reviewing elements of executive compensation and making compensation decisions. However, the Compensation Committee’s results are ultimately an exercise of business judgment and discretion rather than purely formulaic performance measures. The design of each compensation element and 2020 pay decisions are described further in the sections that follow.

The objectives of the Corporation’s compensation program are as follows: (i) to attract and retain the best talent available in the energy sector to the Corporation; (ii) to align the short-term and long-term behaviour of senior management with the interests of Shareholders; and (iii) to motivate senior management by rewarding both individual and corporate performance. The Corporation’s compensation program is designed to reward the chief executive officer, chief financial officer and other senior employees of the Corporation.

In this Circular, Named Executive Officer (“**NEO**”) means each Chief Executive Officer, each Chief Financial Officer and each of the three most highly compensated executive officers, other than each Chief Executive Officer and Chief Financial Officer, or each individual who would be a NEO but for the fact that the individual was neither an executive officer of the company, nor acting in a similar capacity at the end of the most recently completed fiscal year and whose total salary and bonus exceeds \$150,000. For the financial year ended December 31, 2020, the Named Executive Officers were Cam Taylor, Chief Executive Officer of the Corporation (the “**CEO**”); Lynn Chapman, Chief Financial Officer of the Corporation (the “**CFO**”); Bryden Wright, Vice-President, Engineering of the Corporation (the “**VPE**”); and Jared Lukomski, Senior Vice-President, Land and Business Development of the Corporation (the “**VPL**”).

The Compensation Committee’s primary focus in 2020 was to set levels of compensation for the Named Executive Officers and other members of management (collectively, the “**Management**”) that properly recognized and rewarded the role of the Management in the operations of the Corporation, while providing a base package of incentives to future performance. In doing so, the Compensation Committee employed three forms of compensation: base salary, cash bonus and the grant of Options. The relative role of each in the 2020 compensation of the Management is described below.

Base salary provides an immediate cash incentive for the Corporation’s executive officers. Effective January 1, 2017, the Corporation established a base annual salary of \$135,000 for the CFO. The base salary was recommended by the Compensation Committee after an internal analysis of the Corporation’s industry peers and based on the fact that the Corporation had divested of all of its assets and was intended to represent the mean salary amount paid by such peers. The Compensation Committee will review the base salaries of Management at least annually. In recommending an adjustment in the base salaries to the Board, the Compensation Committee considered an internal analysis of the base salaries paid by industry peers with similar production or cash flow profiles and the scope and complexity of the duties of the Named Executive Officers in light of the Corporation’s activities during 2017. In September 2017, in an effort to conserve capital in connection with a potential merger or business combination transaction, the Corporation decided to suspend payments to all directors and officers of the Corporation. From this date until October 1, 2018, no salaries were paid to the Named Executive Officers. Following this date, and given the fact that the business combination which gave rise to the elimination of executive salaries was aborted, the Corporation reinstated salaries for the Named Executive Officers at a reduced salary, given the limited operations of the Corporation, such that from this date until November 27, 2019, the CFO earned \$50,000 per annum. As of November 28, 2019, with the completion of the transaction with ROK Resources Inc., then a private

Saskatchewan company and prior to the amalgamation with the Corporation, the CEO, VPE, and VPL were employed by the Corporation, at initial salaries of \$90,000 per annum to the VPE and VPL and \$57,000 per annum to the CEO. The CFO maintained the same salary of \$50,000 per annum. As such, the figures described herein reflect payments made during the 2020 calendar year.

Bonuses are intended to reward performance by the Corporation's executive officers in the achievement of the Corporation's strategic goals and objectives. The Corporation did not pay bonuses to the Management of the Corporation during the 2020 year. Bonuses are typically recommended by the Compensation Committee based on its assessment of the contributions of Management in the expansion of the Corporation since December 2009 when the Corporation began significant operations in South America. The Compensation Committee also typically considers performance parameters established by the Corporation which include traditional industry measures.

Grants of Options under the Plan are intended to provide the Corporation's executive officers with a long term incentive to increase shareholder value. In 2020, no Options were granted by the Corporation. Subsequent to year end, the Corporation granted a total of 4,150,000 Options.

In determining the 2020 compensation of the Management, the Compensation Committee followed a relatively simple process, primarily involving discussion among Compensation Committee members and the executive officers of the Corporation as to appropriate compensation, as well as internal surveys of the compensation paid by the Corporation's peers and data within the Mercer Total Compensation Survey for the Energy Sector. The Compensation Committee did not engage any outside consultants to assist in setting the 2020 compensation, nor did it develop and adopt a formal and specific group of the Corporation's peers against which it could establish performance benchmarks.

**The compensation paid to the Named Executive Officers during the Corporation's three most recently completed financial years is as set out below:**

Name and principal position	Year	Salary (\$)	Share-based awards (\$)	Option-based awards <sup>(5)</sup> (\$)	Non-equity incentive plan compensation (\$)		Pension value (\$)	All other compensation <sup>(6)</sup> (\$)	Total compensation (\$)
					Annual incentive plans	Long-term incentive plans			
Cam Taylor <sup>(1)</sup> CEO	2020	56,667	Nil	Nil	Nil	Nil	Nil	Nil	56,667
	2019	7,500	Nil	54,951	Nil	Nil	Nil	Nil	62,451
	2018	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Lynn Chapman <sup>(2)</sup> CFO	2020	50,000	Nil	Nil	Nil	Nil	Nil	Nil	50,000
	2019	50,000	Nil	Nil	Nil	Nil	Nil	Nil	50,000
	2018	12,500	Nil	15,584	Nil	Nil	Nil	Nil	28,084
Bryden Wright <sup>(3)</sup> VPE	2020	90,000	Nil	Nil	Nil	Nil	Nil	2,607	92,607
	2019	7,500	Nil	54,951	Nil	Nil	Nil	Nil	62,451
	2018	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Jared Lukowski <sup>(4)</sup> VPL	2020	90,000	Nil	Nil	Nil	Nil	Nil	2,607	92,607
	2019	7,500	Nil	54,951	Nil	Nil	Nil	Nil	62,451
	2018	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes:

- (1) Mr. Taylor commenced employment with the Corporation as President and Chief Executive Officer on November 28, 2019.
- (2) Mr. Chapman commenced employment with the Corporation on October 3, 2011, as the Manager of Financial Reporting of the Corporation. He was subsequently appointed to the position of Controller on February 1, 2012, and then to the position of Vice-President, Finance and Chief Financial Officer on January 28, 2016.
- (3) Mr. Wright commenced employment with the Corporation as Vice-President, Engineering on November 28, 2019.

- (4) *Mr. Lukomski commenced employment with the Corporation as Vice-President, Land and Business Development on November 28, 2019.*
- (5) *Option based awards amounts do not represent cash received. They represent the theoretical value ascribed to options granted to the NEO during the period, which is determined using the Black-Scholes model with various assumptions made at the time of grant relating to share volatility and discount interest rates.*
- (6) *All other compensation includes certain employment benefits provided by the Corporation, and any severance amounts paid upon termination of employment with the Corporation.*

### **Long-Term Incentive Plan Awards**

Long term incentive plan awards (“**LTIP**”) means “a plan providing compensation intended to motivate performance over a period greater than one financial year”. LTIPs do not include option or stock appreciation rights plans or plans for compensation through shares or units that are subject to restrictions on resale. The Corporation did not award any LTIPs to any NEO during the most recently completed financial year.

### **Stock Appreciation Rights**

Stock appreciation rights (“**SARs**”) means a right, granted by the Corporation or any of its subsidiaries as compensation for services rendered or in connection with office or employment, to receive a payment of cash or an issue or transfer of common shares based wholly or in part on changes in the trading price of the Corporation's Shares. No SARs were granted to, or exercised by, any NEO or any directors during the most recently completed financial year.

### **Compensation Governance**

The Corporation has a Compensation Committee that determines the compensation of the directors and executive officers of the Corporation. For details concerning the composition of the Compensation Committee and the responsibilities, powers and operation of the Compensation Committee, see above under the heading “Corporate Governance - Compensation”. The Compensation Committee is chaired by David Hergenhein with Peter Yates and Kent McDougall as the other members of the Committee. All members of the Compensation Committee are independent within the meaning of NI 52-110. Please refer to the individual biographies for the members of the Compensation Committee above under the heading “*Directors and Officers of the Corporation*” for a description of the skills and experience of each member of the Compensation Committee as it relates to their ability to make decisions as to the suitability of the Corporation’s compensation policies and practices.

### **Option Grants During the Most Recently Completed Financial Year**

#### ***Outstanding Option-Based Awards and Share-Based Awards***

The following table (presented in accordance with Form 51-102F6) sets forth for each NEO all awards outstanding at the end of the most recently completed financial year, including awards granted before the most recently completed financial year. Options granted during the current financial year and described herein will be reported in the Annual Information Form for the year ended December 31, 2021.

Name	Number of securities underlying unexercised options (#)	Option-based Awards			Share-based Awards	
		Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options <sup>(1)</sup> (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)
Cam Taylor, CEO	450,000	0.15	December 3, 2024	13,500	Nil	Nil

Name	Number of securities underlying unexercised options (#)	Option-based Awards			Share-based Awards	
		Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options <sup>(1)</sup> (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)
Lynn Chapman, CFO <sup>(2)</sup>	420,000	0.10	July 18, 2023	33,600	Nil	Nil
	150,000	0.10	November 14, 2021	12,000	Nil	Nil
Bryden Wright, VPE	450,000	0.15	December 3, 2024	13,500	Nil	Nil
Jared Lukomski, VPL	450,000	0.15	December 3, 2024	13,500	Nil	Nil

Notes:

- (1) Based on the closing price of the shares at December 31, 2020 which was \$0.18 per share.  
(2) Mr. Chapman exercised the 150,000 options exercisable at \$0.10 during fiscal 2021.

### Aggregate Option Exercises during the Most Recently Completed Financial Year and Financial Year-End Option Values

#### Incentive Plan Awards – Value Vested or Earned During the Year

The following table (presented in accordance with Form 51-102F6) sets forth details of the value vested or earned during the most recently completed financial year for each incentive plan award.

Name	Option-based awards - Value vested during the year <sup>(1)</sup> (\$)	Share-based awards - Value vested during the year (\$)	Non-equity incentive plan compensation - Value earned during the year (\$)
Cam Taylor, CEO	Nil	Nil	Nil
Lynn Chapman, CFO	Nil	Nil	Nil
Bryden Wright, VPE	Nil	Nil	Nil
Jared Lukomski, VPL	Nil	Nil	Nil

Notes:

- (1) Represents the difference between the market price of the share and the exercise price on the date of vesting.

### Director Compensation

The following table (presented in accordance with Form 51-102F6) sets out all amounts of compensation provided to the directors for the Corporation's most recently completed financial year:

Name	Fees Earned (\$)	Share-Based Awards (\$)	Option-Based Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Pension Value (\$)	All Other Compensation (\$)	Total (\$)
David Hergenhein	5,000	Nil	Nil	Nil	Nil	Nil	5,000
Peter Yates	5,000	Nil	Nil	Nil	Nil	Nil	5,000
Kent McDougall	1,916	Nil	Nil	Nil	Nil	Nil	1,916
Jeff Chisholm	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Chris Reid <sup>(1)</sup>	2,500	Nil	Nil	Nil	Nil	Nil	2,500

Note:

- (1) Mr. Reid resigned as a director during 2020 and the amount disclosed above represents the fees that he earned during fiscal 2020.

## Outstanding Share-Based Awards and Option-Based Awards

The following table (presented in accordance with Form 51-102F6) sets out for each director all awards outstanding at the end of the most recently completed financial year, including awards granted before the most recently completed financial year.

Name	Option-based Awards				Share-based Awards	
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options <sup>(1)</sup> (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)
David Hergenhein	210,000	0.10	July 18, 2023	16,800	Nil	Nil
	75,000	0.10	November 14, 2021	6,000	Nil	Nil
Peter Yates <sup>(2)</sup>	210,000	0.10	July 18, 2023	16,800	Nil	Nil
	75,000	0.10	November 14, 2021	6,000	Nil	Nil

Notes:

- (1) Based on the closing price of the shares at December 31, 2020 which was \$0.18 per share.  
(2) Mr. Yates exercised the 75,000 options expiring November 14, 2021 and exercisable at \$0.10 during fiscal 2021.

## Incentive Plan Awards – Value Vested or Earned During the Year

The following table (presented in accordance with Form 51-102F6) sets out details of the value vested or earned by each director during the most recently completed financial year for each incentive plan award.

Name	Option-based awards - Value vested during the year <sup>(1)</sup> (\$)	Share-based awards - Value vested during the year (\$)	Non-equity incentive plan compensation - Value earned during the year (\$)
David Hergenhein	Nil	Nil	Nil
Peter Yates	Nil	Nil	Nil

Notes:

- (1) Represents the difference between the market price of the share and the exercise price on the date of vesting.

## Termination of Employment, Change in Responsibilities and Employment Contracts

Cam Taylor entered into a full-time executive employment agreement with the Corporation to be Chairman of the Board of Directors and Chief Executive Officer of the Corporation effective as of November 28, 2019, with an annual salary for the first six months of employment of \$90,000 and an increased annual salary of \$150,000 thereafter, and four weeks paid vacation per year. Lynn Chapman entered into a full-time executive employment agreement with the Corporation to be Vice President, Finance and Chief Financial Officer of the Corporation effective as of January 27, 2016, with an annual salary of \$135,000 and four weeks paid vacation per year. Bryden Wright entered into a full-time executive employment agreement with the Corporation to be Vice-President, Engineering of the Corporation effective as of November 28, 2019, with an annual salary for the first six months of employment of \$90,000 and an increased annual salary of \$165,000 thereafter, and four weeks paid vacation per year. Jared Lukomski entered into a full-time executive employment agreement with the Corporation to be Vice-President, Land and Business Development of the Corporation effective as of November 28, 2019, with an annual salary for the first six months of employment of \$90,000 and an increased annual salary of \$165,000 thereafter, and four weeks paid vacation per year (the agreements for each of the aforementioned individuals are collectively referred to herein as the “**Executive Agreements**”). Notwithstanding the terms of the Executive

Agreements, the members of the management team has voluntarily agreed to continue with the lower salary amounts beyond the initial six month term of such agreements in order to assist the Corporation with preserving capital for future growth.

Each Executive Agreement shall continue indefinitely until terminated upon mutual written agreement of the parties or as a result of the death, disability, retirement or termination of the executive. The Corporation may terminate any executive for just cause without payment to the executive, save and except for the pro-rata annual base salary earned for services rendered up to and including the termination date, plus any accrued vacation pay and reimbursable expenses. An executive may resign from his employment with the Corporation by providing the Corporation with thirty (30) days written notice of termination to the Corporation, in which case the Corporation shall pay the executive the pro-rata annual base salary earned for services rendered up to and including the termination date, plus any accrued vacation pay and reimbursable expenses. If the Executive is terminated by the Corporation other than for Just Cause (as defined in the Executive Agreements), the Executive shall be entitled to receive, and the Corporation shall pay to the Executive, immediately following termination, the pro-rata annual base salary earned for services rendered up to and including the termination date, plus a cash amount equal to one (1.0) times the annual base salary, plus the average of the bonus paid for the past two years or, if the Executive has not been continuously employed by the Corporation for a period of two (2) years prior to termination, the last annual bonus paid to the Executive prior to the termination of the Executive, all of which shall be subject to required statutory deductions and withholdings. In addition, any outstanding options which would have vested within twelve (12) months of the termination date shall have their vesting accelerated. If any of the remaining NEO's were terminated without Just Cause on December 31, 2020, the Corporation would be required to compensate such executives in the following amounts: \$150,000 for Mr. Taylor, \$135,000 for Mr. Chapman, \$165,000 for Mr. Wright, and \$165,000 for Mr. Lukomski. If any of the NEO's were terminated as a result of a Triggering Event following a Change in Control (as such terms are defined below), the Corporation would be required to compensate such Executives in the following amounts: \$150,000 for Mr. Taylor, \$135,000 for Mr. Chapman, \$165,000 for Mr. Wright, and \$165,000 for Mr. Lukomski.

If a Change in Control (as defined in the Executive Agreements) occurs and if, in respect of the Executive, a Triggering Event (as defined in the Executive Agreements) subsequently occurs within one (1) year of the Change in Control, the Executive shall be entitled to elect to terminate his employment with the Corporation and to receive a payment from the Corporation in an amount equal to the pro-rata annual base salary earned for services rendered up to and including the termination date plus an amount equal to one (1.0) times his then current annual base salary. With regards to the Executive Agreements, a Change in Control means a transaction or series of transactions whereby directly or indirectly (i) any person or combination of persons obtains a sufficient number of securities of the Corporation to affect materially the control of the Corporation; (ii) the Corporation shall consolidate or merge with or into, amalgamate with, or enter into a statutory arrangement with, any other person and, in connection therewith, all or part of the outstanding voting shares shall be changed in any way, reclassified or converted into, exchanged or otherwise acquired for shares or other securities of the Corporation or any other person or for cash or any other property; (iii) any other person shall consolidate or merge with or into, amalgamate with, or enter into a statutory arrangement with, the Corporation, and, in connection therewith, all or part of the outstanding voting shares shall be changed in any way, reclassified or converted into, exchanged or otherwise acquired for shares or other securities of the Corporation or any other person or for cash or any other property; (iv) the Corporation shall sell or otherwise transfer, including by way of the grant of a leasehold interest, property or assets aggregating more than 50% of the consolidated assets of the Corporation or 50% of the operating revenue of the Corporation from the last year; or (v) there occurs a change in the composition of the Board, which occurs at a single meeting of the shareholders whereby such individuals who were members of the Board immediately prior to such meeting cease to constitute a majority of the Board.

A Triggering Event is defined as: (i) a change (other than those that are clearly consistent with a promotion) in the NEO's position or duties, responsibilities, title or office in effect immediately prior to a change in control; (ii) a reduction by the Corporation in the NEO's annual base salary or any failure by the Corporation to increase the NEO's annual base salary payable by the Corporation in a manner consistent with practices in effect immediately prior to a change in control or with practices implemented subsequent to a change in control with respect to the senior executives of the Corporation; (iii) any failure by the Corporation to continue in effect or materially changing the terms of any benefit plans in which the NEO is participating or entitled to participate immediately prior to a change in control; (iv) a change in the municipality in which the NEO is regularly required to carry out the terms of his employment with the Corporation at the date of a change in control; (v) any failure by the Corporation to provide the NEO with the number of paid vacation days to which he was entitled immediately prior to a change in control or the Corporation failing to increase such paid vacation on a basis consistent with practices in effect immediately prior to a change in control or with practices implemented subsequent to a change in control with respect to the senior executives of the Corporation; (vi) the Corporation taking any action to deprive the NEO of or materially adverse change any material fringe benefit not hereinbefore mentioned and enjoyed by him immediately prior to a change in control; (vii) any material breach by the Corporation of any provision of the executive employment agreement; (viii) the good faith determination by the NEO that, as a result of a change in control or any action or event thereafter, the NEO's status or responsibility in the Corporation has been diminished or the NEO is being effectively prevented from carrying out his duties and responsibilities as they existed immediately prior to a change in control; or (ix) the failure by the Corporation to obtain, in a form satisfactory to the NEO, an effective assumption of its obligations hereunder by any successor to the Corporation, including a successor to a material portion of its business. Further, in such an event, all unvested options held by the Executive shall have their vesting accelerated. The before-mentioned payments to the respective NEO will not be realized if the triggering event follows a change in control which involves a sale of securities or assets of the Corporation with which the respective NEO is involved as a purchaser in any manner. All termination rights of such NEO are conditional upon the NEO electing to exercise such rights by notice given to the Corporation within one hundred and twenty (120) days of the Triggering Event. The NEO shall be entitled to a payment by the Corporation of the amount calculated above if a Triggering Event does not occur but the NEO is dismissed from his employment with the Corporation without just cause within one (1) year of the change in control.