

## **Income Tax Considerations - Frequently Asked Questions - October 6, 2021**

For the convenience of investors, below are answers to four questions frequently asked by taxable Canadian shareholders of Perpetual Energy Inc. (“**Perpetual**”). You should consult your own tax advisor to determine the tax consequences of the Arrangement based on your particular circumstances, including the application and effect of the income and other tax laws of any country, province, territory, state or local jurisdiction.

For more information, see the section entitled, “Certain Canadian Federal Income Tax Considerations”, in the Management Information Circular in respect of the Arrangement.

### **Q1: Will my exchange of a fraction of my Perpetual Common Share for a Rubellite Common Share be tax deferred?**

**A1:** Under the Arrangement, shareholders exchanged a fraction (“**Exchange Fraction**”) of each common share of Perpetual (“**Perpetual Common Share**”) for 1/46<sup>th</sup> of a common share of Rubellite Energy Inc. (“**Rubellite Common Share**”).

The Exchange Fraction is equal to the fair market value (“**FMV**”) of 1/46<sup>th</sup> of a Rubellite Common Share divided by the 20-day volume weighted average trading price (“**20-day VWAP**”) of a Perpetual Common Share, all as of closing of the Arrangement. Management of Perpetual has estimated the FMV of a Rubellite Common Share at the relevant time to be \$2.00 and the 20-day VWAP of a Perpetual Common Share to be \$0.3419, such that the Exchange Fraction is estimated to be approximately 0.1272.

Generally, a taxable Canadian shareholder should not realize a capital gain or capital loss as a result of the Arrangement unless the shareholder chooses to report that gain or loss in their applicable federal income tax return. A shareholder who does not include any portion of the gain or loss in their Canadian federal income tax return for the year in which the Arrangement occurs (“**Tax-Deferred Shareholder**”) generally should have their exchange of fraction(s) of their Perpetual Common Share(s) for Rubellite Common Share(s) occur on a tax-deferred basis. However, a taxable Canadian shareholder can choose to include the gain (or, subject to certain restrictions, loss) in their Canadian federal income tax return for the year in which the Arrangement occurs (“**Taxable Shareholder**”) such that the exchange will not be tax-deferred.

### **Q2: What are the ACBs of my Perpetual Common Shares and Rubellite Common Shares following the Arrangement?**

**A2:** For Tax-Deferred Shareholders, the aggregate adjusted cost base (“**ACB**”) of the Perpetual Common Shares held by a shareholder immediately before the Arrangement is allocated between the Perpetual Common Shares and the Rubellite Common Shares that the shareholder held immediately after the Arrangement. Based upon the estimated Exchange Fraction, such allocation is expected to be approximately 87.28% to the Perpetual Common Shares and approximately 12.72% to the Rubellite Common Shares.

As an example, if a Tax-Deferred Shareholder held 10,000 Perpetual Common Shares prior to the Arrangement with an aggregate ACB to the shareholder prior to the Arrangement of \$10,000, following the Arrangement the aggregate ACB of the 10,000 Perpetual Common Shares held by the shareholder would be \$8,728 and the aggregate ACB of the 217 Rubellite Common Shares held by the shareholder would be \$1,272. This estimated allocation is not binding on the Canada Revenue Agency or on any particular shareholder.

For Taxable Shareholders, the aggregate ACB of the Perpetual Common Shares is allocated between the Perpetual Common Shares held immediately after the Arrangement and the Exchange Fractions of the Perpetual Common Shares disposed of by the Taxable Shareholder in exchange for Rubellite Common Shares. Based upon the estimated Exchange Fraction, such allocation is expected to be approximately 87.28% to the Perpetual Common Shares held immediately after the Arrangement and 12.72% to the Exchange Fractions of Perpetual Common Shares disposed of by the Taxable Shareholder. This latter ACB is relevant in computing the capital gain or capital loss on the disposition of Exchange Fractions of Perpetual Common Shares. The ACB to a Taxable Shareholder of the Rubellite Common Shares should be equal to the FMV of the Rubellite Common Shares at the time the Taxable Shareholder acquires such shares. As noted above, management of Perpetual has estimated the FMV of Rubellite Common Shares to be \$2.00.

As an example, if a Taxable Shareholder held 10,000 Perpetual Common shares prior to the arrangement with an aggregate ACB to the shareholder prior to the Arrangement of \$10,000, following the Arrangement the aggregate ACB of the 10,000 Perpetual Common Shares held by the shareholder immediately after the Arrangement generally should be \$8,728. The Taxable Shareholder's ACB of the Exchange Fractions of Perpetual Common Shares disposed of as part of the Arrangement generally should be \$1,272 and the proceeds of disposition generally should be the FMV of the 217 Rubellite Common Shares received therefor, which generally should be \$434. Subject to certain restrictions, this should give rise to a capital loss of \$838. The Taxable Shareholder's ACB of their 217 Rubellite Common Shares immediately after the Arrangement should be \$434. Again, this estimated allocation is not binding on the Canada Revenue Agency or on any particular shareholder.

**Q3: What is the ACB of my Rubellite Warrants following the Arrangement?**

**A3:** Generally, a shareholder's ACB of their Rubellite Warrants immediately following the Arrangement should be nil.

**Q4: What will the ACB of my Rubellite Common Shares be after exercising Rubellite Warrants?**

**A4:** Generally, the initial cost to a shareholder of a Rubellite Common Share acquired on the exercise of a Rubellite Warrant should be equal to the amount of the \$2 exercise price of the Rubellite Warrant plus any exercise expenses. However, the ACB to a shareholder of a Rubellite Common Share acquired on the exercise of a Rubellite Warrant should be averaged with the aggregate ACB of any other Rubellite Common Shares held by the shareholder.