

2.6 Share Consolidation

Shareholders will be asked at the Meeting to approve a special resolution authorizing the Board to effect, at such time as the Board deems appropriate, but in any event no later than one year after the Meeting, a share consolidation (or reverse stock split) of our issued and outstanding Common Shares (the “**Share Consolidation**”) at a Share Consolidation ratio to be determined by our Board but within the range of one post-consolidation Common Share for every five (5) to ten (10) pre-consolidation Common Shares, subject to our Board’s authority to decide not to proceed with the Share Consolidation.

The full text of the special resolution to be considered and if thought advisable, passed, by shareholders is set forth below (the “**Share Consolidation Resolution**”).

Our Board believes that a range of Share Consolidation ratios will provide it with the flexibility to implement the Share Consolidation in a manner designed to optimize the anticipated benefits of the Share Consolidation to us and our shareholders.

In determining which precise Share Consolidation ratio within the range of ratios to implement, if any, following the receipt of shareholder approval, the Board may consider, among other things, factors such as:

- the historical trading prices and trading volume of the Common Shares;
- the then prevailing trading price and trading volume of the Common Shares and the anticipated impact of the Share Consolidation on the trading of our Common Shares;
- threshold prices of brokerage houses or institutional investors that could impact their ability to invest or recommend investments in our Common Shares;
- minimum listing requirements of the TSX; and
- prevailing general market and economic conditions and outlook for the trading of our Common Shares.

Background to and Reasons for the Share Consolidation

Our primary objective in proposing the Share Consolidation is to attempt to raise the trading price of our Common Shares. Our Board is of the opinion that it may be in our and our shareholders best interests to consolidate our Common Shares, to enhance their marketability. Additionally, an increase in the price per Common Shares could increase the interest of institutional and other investors in our Common Shares and may expand the pool of investors that may consider investing in our Common Shares. For example, certain institutional investors may have policies that prohibit them from purchasing stock below a minimum price and the Share Consolidation may help to attract such investors.

Although approval for the Share Consolidation is being sought at the Meeting and, if approved, the Share Consolidation would not become effective until the Board determines it to be in our and our shareholders best interests and articles of amendment are filed to implement the Share Consolidation. The special resolution will also authorize the Board to elect not to proceed with, and abandon, the Share

Consolidation at any time if it determines, in its sole discretion, that the Share Consolidation is not in our and our shareholders best interests. The Share Consolidation is subject to shareholder approval and acceptance by the TSX.

Effects of the Share Consolidation

General

If the Share Consolidation is implemented, its principal effect will be to proportionately decrease the number of issued and outstanding Common Shares by a factor equal to the consolidation ratio. At the close of business on March 25, 2024, the closing price of the Common Shares on the TSX was \$0.88 per share, and there were 239,663,989 Common Shares issued and outstanding. Based on the number of Common Shares issued and outstanding on March 25, 2024, immediately following the completion of the Share Consolidation, for illustrative purposes only, (i) assuming a Share Consolidation ratio of one (1) for five (5), the number of new Common Shares issued and outstanding (disregarding any resulting fractional shares) will be 47,932,798 shares; and (ii) assuming a Share Consolidation ratio of one (1) for ten (10), the number of new Common Shares issued and outstanding (disregarding any resulting fractional shares) will be 23,966,399 shares.

We do not expect the Share Consolidation itself will have any economic effect on holders of Common Shares or securities convertible into or exercisable to acquire Common Shares, except to the extent the Share Consolidation will result in fractional shares. See "No Fractional Shares" below.

Our shares will continue to be listed on the TSX under the symbol "CET", or such symbol as may be authorized by the TSX following the name change. The post-Share Consolidation shares will be considered a substituted listing with new CUSIP and ISIN numbers. Voting rights and other rights of the holders of shares prior to the implementation of the Share Consolidation will not be affected by the Share Consolidation, other than as a result of the creation and disposition of fractional shares as described below. For example, a holder of 2% of the voting power attached to the outstanding shares immediately prior to the implementation of the Share Consolidation will generally continue to hold 2% of the voting power attached to the shares immediately after the implementation of the Share Consolidation. The number of registered shareholders will not be affected by the Share Consolidation.

The Share Consolidation may result in some shareholders owning "odd lots" of fewer than 100 shares. Odd lot shares may be more difficult to sell and increase transaction cost. The Board believes, however, that these potential effects are outweighed by the anticipated benefits of the Share Consolidation.

Effect on Stock Options

Subject to TSX approval, where required:

- The exercise or conversion price and/or the number of our Common Shares issuable under any of our outstanding stock options will be proportionately adjusted upon the implementation of the Share Consolidation;
- The number of our Common Shares reserved for issuance under the Stock Option Plan will be proportionately reduced.

Effect on Beneficial Shareholders

Beneficial shareholders (i.e. non-registered shareholders) holding Common Shares through an intermediary (a securities broker, dealer, bank or financial institution) should be aware that the intermediary may have different procedures for processing the Share Consolidation than those that will be put in place for registered shareholders. If shareholders hold their Common Shares through an intermediary and they have questions in this regard, they are encouraged to contact their intermediaries.

Effect on Share Certificates

If the Share Consolidation is approved by shareholders and subsequently implemented, those registered shareholders who will hold at least one new post-Share Consolidation Common Share will be required to exchange their share certificates representing old pre-Share Consolidation Common Shares for new share certificates representing new post-Share Consolidation Common Shares or, alternatively, a Direct Registration System (a DRS) Advice/Statement representing the number of new post-Share Consolidation Common Shares they hold following the Share Consolidation. The DRS is an electronic registration system which allows shareholders to hold Common Shares in their name in book-based form, as evidenced by a DRS Advice/Statement rather than a physical share certificate.

If the Share Consolidation is implemented, we or our transfer agent will mail to each registered shareholder a letter of transmittal. Each registered shareholder must complete and sign a letter of transmittal after the Share Consolidation takes effect. The letter of transmittal will contain instructions on how to surrender to the transfer agent the certificate(s) representing the registered shareholder's old pre-Share Consolidation Common Shares. The transfer agent will send to each registered shareholder who follows the instructions provided in the letter of transmittal a new share certificate representing the number of new post-Share Consolidation Common Shares to which the registered shareholder is entitled rounded up or down to the nearest whole number or, alternatively, a DRS Advice/Statement representing the number of new post-Share Consolidation Common Shares the registered shareholder holds following the Share Consolidation. Beneficial shareholders (i.e., non-registered shareholders) who hold their Common Shares through intermediaries (securities brokers, dealers, banks, financial institutions, etc.) and who have questions regarding how the Share Consolidation will be processed should contact their intermediaries with respect to the Share Consolidation. See "Effect on Beneficial Shareholders" above.

Until surrendered to the transfer agent, each share certificate representing old pre-Share Consolidation Common Shares will be deemed for all purposes to represent the number of new post-Share Consolidation Common Shares to which the registered shareholder is entitled as a result of the Share Consolidation. Until registered Shareholders have returned their properly completed and duly executed letter of transmittal and surrendered their old share certificate(s) for exchange, registered shareholders will not be entitled to receive any distributions, if any, that may be declared and payable to holders of record following the Share Consolidation.

Any registered shareholder whose old certificate(s) have been lost, destroyed or stolen will be entitled to a replacement share certificate only after complying with the requirements that we and our transfer agent customarily apply in connection with lost, stolen or destroyed certificates.

The method chosen for delivery of share certificates and letters of transmittal to our transfer agent is the responsibility of the registered shareholder and neither we nor our transfer agent will have any liability in respect of share certificates and/or letters of transmittal which are not actually received by the transfer agent.

REGISTERED SHAREHOLDERS SHOULD NEITHER DESTROY NOR SUBMIT ANY SHARE CERTIFICATE UNTIL HAVING RECEIVED A LETTER OF TRANSMITTAL.

No Fractional Shares

No fractional shares will be issued pursuant to the Share Consolidation. In lieu of any such fractional shares, each registered shareholder otherwise entitled to a fractional share following the implementation of the Share Consolidation will receive the nearest whole number of post Share Consolidation Common Shares. For example, any fractional interest representing less than 0.5 of a post Share Consolidation Common Share will not entitle the holder thereof to receive a post-Share Consolidation Common Share and any fractional interest representing 0.5 or more of a post-Share Consolidation Common Share will entitle the holder thereof to receive one whole post-Share Consolidation Common Share. In calculating such fractional interests, all Common Shares registered in the name of each registered shareholder will be aggregated.

No Dissent Rights

Shareholders are not entitled to exercise any statutory dissent rights with respect to the proposed Share Consolidation.

Accounting Consequences

If the Share Consolidation is implemented, net income or loss per share, and other per share amounts, will be increased because there will be fewer shares issued and outstanding. In future financial statements, net income or loss per share and other per share amounts for periods ending before the Share Consolidation took effect would be recast to give retroactive effect to the Share Consolidation.

Risks Associated with the Share Consolidation

No Guarantee of an Increased Share Price or Improved Trading Liquidity

Reducing the number of issued and outstanding shares through the Share Consolidation is intended, absent other factors, to increase the per share market price of the post-Share Consolidation shares. However, the market price of the shares will also be affected by our financial and operational results, our financial position, including our liquidity and capital resources, industry conditions, the market's perception of our business and other factors, which are unrelated to the number of shares outstanding. Having regard to these other factors, there can be no assurance that the market price of the shares will increase following the implementation of the Share Consolidation.

Although we believe that establishing a higher market price for our shares could increase investment interest for our shares by potentially expanding the pool of investors that may consider investing in our shares, including investors whose internal investment policies prohibit or discourage them from purchasing stocks trading below a certain minimum price, there is no assurance that implementing the Share Consolidation will achieve this result.

If the Share Consolidation is implemented and the market price of our shares (adjusted to reflect the Share Consolidation ratio) declines, the percentage decline as an absolute number and as a percentage of our overall market capitalization may be greater than would have occurred if the Share Consolidation had not been implemented. Both our total market capitalization and the adjusted market price of our shares following a consolidation or reverse split may be lower than they were before the consolidation or reverse

split took effect. The reduced number of shares that would be outstanding after the Share Consolidation is implemented could adversely affect the liquidity of the shares.

Shareholders may hold Odd Lots following the Share Consolidation

The Share Consolidation may result in some shareholders owning "odd lots" of fewer than 100 shares on a post-Share Consolidation basis. Odd lot shares may be more difficult to sell, or may attract greater transaction costs per share to sell, and brokerage commissions and other costs of transactions in odd lots may be higher than the costs of transactions in "round lots" of even multiples of 100 shares. If the Share Consolidation results in a substantial number of shareholders holding an odd lot, it could adversely affect the liquidity of the shares.

Form of Special Resolution

The full text of the Share Consolidation Resolution is set forth below. The Share Consolidation Resolution will require approval by two-thirds of the votes cast on the matter at the meeting.

"BE IT RESOLVED as a special resolution of the Corporation that:

- (a) Cathedral Energy Services Ltd. (the "**Corporation**") be and it is hereby authorized to file articles of amendment under the *Business Corporations Act* (Alberta) to amend its articles of amalgamation to change the number of issued and outstanding common shares of the Corporation (the "**Common Shares**") by consolidating the issued and outstanding Common Shares on the basis of up to one (1) new post-consolidation Common Share for every ten (10) pre-consolidation Common Shares and no less than one (1) new post-consolidation Common Share for every five (5) pre-consolidation Common Shares (the "**Share Consolidation**"), such amendment to become effective at a date in the future to be determined by the board of directors when the board of directors considers it to be in the best interests of the Corporation to implement such a Share Consolidation, but in any event not later than one year after the date on which this resolution is approved, subject to approval of the Toronto Stock Exchange;
- (b) the amendment to the articles of amalgamation giving effect to the Share Consolidation will provide that no fractional Common Shares will be issued in connection with the Share Consolidation and that the number of post-consolidation Common Shares to be received by a registered shareholder will be rounded up, in the case of a fractional interest that is 0.5 or greater, or rounded down, in the case of a fractional interest that is less than 0.5, to the nearest whole number of Common Shares that such holder would otherwise be entitled to receive upon the implementation of the Share Consolidation;
- (c) notwithstanding that this special resolution has been duly adopted by the shareholders of the Corporation, the board of directors of the Corporation be and it is hereby authorized, in its sole discretion, to revoke this special resolution in whole or in part at any time prior to its being given effect without further notice to, or approval of, the shareholders of the Corporation; and
- (d) any director or any officer of the Corporation be, and each of them is hereby, authorized and directed for and in the name and on behalf of the Corporation, to execute and deliver such notices and documents, including, without limitation, the articles of amendment to the Registrar under the *Business Corporations Act* (Alberta), and to do such acts and things as in the opinion of that person, may be necessary or desirable to give effect to this special resolution, such determination

to be conclusively evidenced by the execution and delivery of such documents or the doing of any such act or thing.”

The Board of Cathedral recommends that shareholders vote FOR the Share Consolidation Resolution.