



## KONTROL ENERGY CORP.

### Up to \$2,000,000 Non-Brokered Private Placement Offering of Convertible Debentures August 2019

#### About Kontrol

**Kontrol Energy Corp.** (CSE: KNR) (OTCQB: KNRLF) (FSE: 1K8) is a leader in the energy efficiency sector through IoT, Cloud and SaaS technology. With a disciplined mergers and acquisition strategy, combined with organic growth, Kontrol Energy Corp. provides market-based energy solutions to our customers designed to reduce their overall cost of energy while providing a corresponding reduction in greenhouse gas (GHG) emissions.



Additional information about Kontrol Energy can be found by reviewing its profile on SEDAR at [www.sedar.com](http://www.sedar.com)

#### Convertible Debenture Financing

Issuer:	KONTROL ENERGY CORP. (the “ <b>Company</b> ”)
Issue Size:	Up to \$2,000,000
Offered Securities:	Up to 2,000 unsecured convertible debentures (each, a “ <b>Convertible Debenture</b> ” and collectively the “ <b>Convertible Debentures</b> ”), convertible into common shares of the Company (“ <b>Common Shares</b> ”) at the Conversion Price (as defined below).
Issue Price:	\$1,000 per \$1,000 principal amount Convertible Debenture (the “ <b>Issue Price</b> ”).
Interest:	The Convertible Debentures shall bear interest at a rate of 8.0% per annum from and including their date of issue until the earlier of their date of conversion and the Maturity Date (as defined below), payable semi-annually in arrears in cash on December 31 and June 31 of each year. The first interest payment shall be on December 31, 2019 for the period from the Closing Date to December 31, 2019.
Conversion Privilege:	The Convertible Debentures may be converted in full or in part, at the holders’ option into Common Shares, at any time prior to the Maturity Date, at a conversion price (subject to adjustment from

time to time) of **\$0.80** (the “**Conversion Price**”). Holders converting their Convertible Debentures will receive a cash payment equal to accrued and unpaid interest thereon for the period from and including the date of the latest interest payment date to, and including, the date of conversion. Fractional Common Shares will not be issued on any conversion and in lieu thereof the Company will make a cash payment equal in value to such fractional Common Shares.

- Mandatory Conversion: At any time after the date that is eighteen months following the Closing Date, the Company may force the conversion of the principal amount of the then outstanding Convertible Debentures at the Conversion Price on not less than 30 days’ notice if the volume weighted average trading price of the Common Shares on the CSE for any 20 consecutive trading day period is greater than \$1.25.
- Maturity Date: The Convertible Debentures will mature on August 31, 2024 (the “**Maturity Date**”).
- Trust Indenture: The Convertible Debentures will be issued pursuant to the terms of a trust indenture (the “**Note Indenture**”) to be entered into as of the Closing Date between the Company and a trust company. The Trust Indenture will be consistent with the terms set out in this term sheet.
- Change of Control: Upon a Change of Control (as hereinafter defined) of the Company, holders of the Convertible Debentures will have the right, in their sole discretion, to require the Company to:
- (i) repurchase their Convertible Debentures, in whole or in part at a price equal to 104.0% of the principal amount of the Convertible Debentures then outstanding plus accrued interest thereon;
  - (ii) if the Change of Control results in a new issuer, convert the Convertible Debenture into a replacement debenture of the new issuer in the aggregate principal amount of 104.0% of the aggregate principal amount of the Convertible Debenture; or
  - (iii) convert the Convertible Debentures at the Conversion Price.

For the purpose hereof, a “**Change of Control**” means (i) any event as a result of or following which any person, or group of persons “acting jointly or in concert” within the meaning of applicable Canadian securities laws, beneficially owns or exercises control or direction over an aggregate of more than 50.0% of the then outstanding Common Shares; (ii) the Company’s amalgamation, consolidation or merger with or into any other person, any merger of

another person into the Company, unless the holders of voting securities of the Company immediately prior to such amalgamation, consolidation or merger hold securities representing 50.0% or more of the voting control or direction in the Company or the successor entity upon completion of the amalgamation, consolidation or merger, or (iii) the sale or other transfer of all or substantially all of the consolidated assets of the Company to a third party. A Change of Control will not include a sale, merger, reorganization or other similar transaction if the previous holders of the Common Shares hold at least 50.0% of the voting shares of such merged, reorganized or other continuing entity.

- Rank:** The Convertible Debentures will be unsecured obligations of the Company and shall rank *pari passu* in right of payment of principal and interest with all other Convertible Debentures issued under the private placement and all previously existing and future unsecured indebtedness of the Company.
- Placement Basis:** The Convertible Debentures shall be offered for sale on a private placement basis in: (i) Canada to “accredited investors” within the meaning of National Instrument 45-106 or s.83.3(1) of the *Securities Act* (Ontario) and other exempt purchasers in each province of Canada, as agreed upon by the Company and the Agent (as hereinafter defined), (ii) in the United States to Qualified Institutional Buyers (within the meaning of Rule 144A) in compliance with applicable United States federal and state securities laws, and (iii) outside Canada and United States on a basis which does not require the qualification or registration of the Convertible Debentures or issuable Common Shares.
- Eligibility:** The Convertible Debentures and the underlying Common Shares will be qualified investments under the *Income Tax Act* (Canada) for RRSPs, RRIFs, RESPs, RDSPs, TFSAs and DPSPs.
- Use of Proceeds:** The Company intends to use the net proceeds for future acquisitions, organic growth and general corporate purposes.
- Exchange Listing:** The existing Common Shares are currently listed on the Canadian Securities Exchange under the symbol “KNR”.
- Hold Period:** The Convertible Debentures, and any Common Shares issued on the conversion thereof, will be subject to a statutory hold period in Canada of four months and one day after the Closing Date.
- Commission:** The Company shall pay a cash commission (the “**Commission**”) to finders and brokers equal to 7.0% of the gross proceeds from the sale of the Convertible Debentures attributable to such finders or brokers.

In addition, the Company agrees to grant to finders and brokers common share purchase warrants (the “**Compensation Warrants**”)

equal to the quotient obtained by dividing 6.0% of the gross proceeds attributable to such finders or brokers by \$0.80. Each Compensation Warrant shall be exercisable to purchase one Common Share of the Company at a price of \$0.80 for a period of 24 months from the Closing Date.

Closing Date:

The Offering may be completed in multiple tranches, with the initial closing to occur on or about August 31<sup>st</sup>, 2019 (the “**Closing Date**”).