

# Pieridae Announces Successful Refinancing, Lower Cost of Debt, Addition of Commodity Hedges and Issue of Warrants

15.06.2023 | [GlobeNewswire](#)

CALGARY, June 15, 2023 - [Pieridae Energy Ltd.](#) ("Pieridae", "PEL", or the "Company") (TSX: PEA) is pleased to announce that its wholly-owned subsidiary Pieridae Alberta Production Ltd. ("PAPL" or the "Borrower") has successfully completed a debt refinancing transaction, resulting in new credit facilities with Prudential Private Capital ("Prudential") and Voya Investment Management ("Voya") (together, the "Noteholders"), totaling USD \$150 million (the "Financing"). The Financing retires Pieridae's existing debt in advance of its upcoming maturity and materially reduces the Company's cost of capital while providing significant flexibility and liquidity to enable execution of the Company's strategic objectives. The Financing consists of:

- A USD \$120 million 45-month senior secured credit facility (the "Senior Facility") that bears interest at Secured Overnight Financing Rate ("SOFR") + 6.75%, consisting of (i) a USD \$25 million revolving loan, (ii) a USD \$85 million amortizing term loan, and (iii) a USD \$10 million delayed-draw amortizing term loan.
- A USD \$30 million 51-month subordinated term loan (the "Subordinated Notes") that bears interest at a 13% fixed rate.

PEL has also secured a CAD \$20 million senior secured 18-month term loan (the "Bridge Term Loan") from Third Eye Capital Corporation ("TEC"), the proceeds of which have been contributed to PAPL for general corporate purposes and repayment of indebtedness.

Concurrent with completion of the Financing and the Bridge Term Loan, the Company fully extinguished its previous 15% fixed rate senior secured term loan (the "Previous Term Loan"), also held by TEC, in advance of its October 2023 maturity date. PAPL settled these outstanding obligations for CAD \$184.7 million including principal and accrued interest.

"Pieridae is pleased to have completed this refinancing transaction with our new lenders Prudential and Voya," said Adam Gray, CFO. "The terms of this new loan structure will materially benefit Pieridae by lowering our cost of capital, adding flexible repayment features, improving liquidity, and providing credit for a commodity price hedging strategy aligned with our risk management program. The successful conclusion of this transaction is a key step in our previously announced strategy to improve financial flexibility and reduce leverage."

Alvarez & Marsal Canada Securities ULC acted as exclusive financial advisor to Pieridae.

## STRUCTURE OF THE FINANCING<sup>1</sup>

USD \$120 million, 45-month Senior Facility:

- Borrower: PAPL
- Noteholders: Prudential and Voya
- USD \$25 million revolving loan (USD \$12 million drawn at close)
- USD \$85 million amortizing term loan (fully drawn at close)
- USD \$10 million amortizing delayed draw term loan (undrawn at close) available between Q3 2023 and Q4 2024 to partially fund the upcoming Waterton Plant Turnaround
- Maturity date: March 13, 2027
- Variable Interest: SOFR + 6.75%, per annum, payable monthly or quarterly
- Amortization: 2% quarterly (USD \$1.7-\$1.9 million per quarter), plus excess cash sweep (after capex) to accelerate debt repayment

USD \$30 million, 51-month Subordinated Notes:

- Borrower: PAPL
- Noteholder: Prudential
- Maturity date: September 13, 2027
- Fully drawn at close
- Fixed Interest: 13%, per annum, payable quarterly
- Amortization: none
- Includes 18,596,322 common share purchase warrants issued by PEL at exercise price of \$0.49 per common share with a term of 7 years

Key Senior Facility Financial Covenants (PAPL):

- Ratio of Senior Debt : EBITDAX<sup>2</sup> < 2.0x
- Ratio of Total Debt : EBITDAX < 2.5x
- Ratio of Adjusted PDP Value<sup>3</sup> : Total Debt > 2.0x
- Ratio of EBITDAX : Interest Expense > 2.0x

Senior Facility Rolling Hedge Requirement:

*% forecast Proved Developed Producing ("PDP") natural gas and condensate production, net of annualized royalties.*

- 75% months 1-24
- 65% months 25-36
- 45% months 37-48

BRIDGE TERM LOAN

CAD \$20 million, 18-month Bridge Term Loan

- Borrower: PEL (no recourse against PAPL)
- Lender: TEC affiliated entities
- Maturity date: December 13, 2024
- Fixed Interest: 18% per annum, accrued and payable at maturity
- Amortization: none
- Optional Prepayment: 30-day notice without penalty
- Optional Conversion Right: convertible to common shares of PEL, subject to required regulatory and shareholder approvals

It is intended that proceeds from the disposition of certain non-core assets of the Company will be sufficient to satisfy the repayment of the Bridge Term Loan; however, to provide increased flexibility, PEL has agreed, pursuant to a letter agreement with TEC dated June 13, 2023, to seek disinterested shareholder approval to amend the Bridge Term Loan credit agreement to permit the conversion of the Bridge Term Loan into common shares of PEL. Disinterested shareholder approval of the amendment will be sought at a special meeting of shareholders of the Company to be held within 6 months of the Bridge Term Loan. If disinterested shareholder approval is obtained, and subject to receipt of required regulatory approvals and opinions, the Bridge Term Loan credit agreement will automatically be amended to provide for the option of PEL or TEC, on behalf of the Bridge Term Loan lenders, to convert the outstanding principal amount and accrued and unpaid interest thereon and a conversion fee equal to 20% of the principal amount still outstanding, into common shares in the capital of PEL, at any time after such shareholder approval and prior to the maturity date of the Bridge Term Loan, at a conversion price equal to the five day volume weighted average trading price prior to the date of the notice of conversion. If disinterested shareholder approval is not obtained, the Bridge Term Loan will continue to be repayable in cash in accordance with its original terms, and along with the Subordinated Notes, will be subject to an interest premium.

Multilateral Instrument 61-101 - *Protection of Minority Security Holders in Special Transactions* ("MI 61-101")

An affiliate of TEC currently controls 23,255,813 common shares of PEL, representing approximately 14.6% of the issued and outstanding common shares of PEL, and 5,000,000 common share purchase warrants of PEL, with an exercise price of \$0.70. As a result of TEC's participation, the Bridge Term Loan constitutes a "related party transaction" within the meaning of MI 61-101. The Company was exempt from the requirements to obtain a formal valuation or minority shareholder approval in connection with the Bridge Term Loan in reliance on sections 5.5(c) and 5.7(1)(f) of MI 61-101, as the Bridge Term Loan was obtained

by the Company from a related party, which: (i) involved only cash consideration in the nature of a loan on reasonable commercial terms that are not less advantageous than if the loan were obtained from an arm's length person; and (ii) the Bridge Term Loan is not convertible into, or repayable (as to principal or interest) in, directly or indirectly, equity or voting securities of the Company or its subsidiaries. The Company did not file a material change report 21 days before completion of the Financing and the Bridge Term Loan as the final terms and provisions of the Financing and the Bridge Term Loan were not known at that time.

#### WARRANT ISSUANCE

Pieridae has issued 18,596,322 common share purchase warrants (the "Warrants") to Prudential (the "Holder") as additional consideration for the Subordinated Notes. Each Warrant shall be exercisable to purchase one common share in the capital of the Company at an exercise price of \$0.49 per common share. As an alternative to payment of the aggregate exercise price of the Warrants upon exercise, the Warrants permit the Holder to exercise on a net basis without the exchange of any funds. The expiration date of the Warrants is June 13, 2030. The Warrants represent 9.9% of the issued and outstanding common shares of PEL on a fully diluted basis and 11.7% of basic shares currently outstanding. Prior to the Financing, the Holder did not own any of Pieridae's share purchase warrants.

An early warning report relating to this warrant issuance will be filed by the Holder on SEDAR, under the Company's profile at [www.sedar.com](http://www.sedar.com). A copy of that report may be obtained by contacting William H. Bulmer at [william.bulmer@prudential.com](mailto:william.bulmer@prudential.com), by telephone at (214) 720-6204, or by mail at PCEP Canadian Holdco, LLC, 2200 Ross Avenue, Suite 4300W, Dallas, Texas, 75201.

#### REPAYMENT OF PREVIOUS TERM LOAN

On October 16, 2019, PAPL entered a senior secured fully drawn non-revolving long-term loan facility with a fixed interest rate of 15.0% per annum, repayable in full on October 16, 2023. The Company may repay the principal at any time prior to October 16, 2023, upon 90 days' written notice, without penalty. The outstanding principal, accrued interest, and deferred fee due at maturity on the Previous Term Loan was repaid in full on June 15, 2023 in the amount of CAD \$184.7 million, fully extinguishing these obligations.

#### HEDGE POSITION

The Company continues to execute a risk management program governed by its hedge policy and in compliance with the thresholds required by the Financing. Pieridae hedges to mitigate commodity price, interest rate and foreign exchange volatility to protect the cash flow required to fund the Company's maintenance capital requirements and debt service obligations, while allowing the Company to participate in future commodity price upside.

PAPL has already satisfied the minimum hedging requirements of the Financing and entered several new senior secured financial commodity hedge contracts with terms ranging from 5 to 48 months, augmenting the Company's previously disclosed physical and financial hedge positions. PAPL's consolidated hedge position as at June 15, 2023 is summarized below:

#### Physical Forward Sales Hedging Contracts

Contract Type	Hedged Quantity	Time Period	Weighted Avg Fixed Price
Fixed Price - Natural Gas Sales	50,000 GJ/d	Jun 2023 - Oct 2023	CAD \$4.38/GJ
Fixed Price - Natural Gas Sales	5,000 GJ/d	Nov 2023 - Oct 2026	CAD \$3.31/GJ
Fixed Price - AECO/Nymex Differential	7,500 MMbtu/d	Jun 2023	USD \$(0.88)/MMbtu
Fixed Price - AECO/Nymex Differential	7,500 MMbtu/d	Jul 2023 - Oct 2023	USD \$(1.18)/MMbtu
Fixed Price - Power Purchases	52 MW/h	Jun 2023 - Dec 2023	CAD \$71.86/MWh
Fixed Price - Power Purchases	53 MW/h	Jan 2024 - Dec 2024	CAD \$68.38/MWh
Fixed Price - Power Purchases	52 MW/h	Jan 2025 - Dec 2025	CAD \$79.05/MWh
Fixed Price - Power Purchases	47 MW/h	Jan 2026 - Dec 2026	CAD \$75.88/MWh

#### Financial Derivative Hedging Contracts

Contract Type	Hedged Quantity	Time Period	Contract Price
AECO Natural Gas Swap	2,500 GJ/d	Jun 2023	CAD \$3.94/GJ

AECO Natural Gas Swap	30,000 GJ/d	Jun 2023 - Oct 2023	CAD \$1.89/GJ
AECO Natural Gas Swap	30,000 GJ/d	Jun 2023 - May 2026	CAD \$3.10/GJ
AECO Natural Gas Swap	50,000 GJ/d	Nov 2023 - May 2026	CAD \$3.30/GJ
AECO Natural Gas Swap	25,000 GJ/d	Nov 2023 - May 2027	CAD \$3.62/GJ
AECO Natural Gas Swap	35,000 GJ/d	Jun 2026 - May 2027	CAD \$3.95/GJ
WTI Crude Oil Swap	500 bbl/d	Jun 2023 - Sep 2023	CAD \$107.64/bbl
C5 to WTI Basis Differential Swap	500 bbl/d	Jun 2023 - Sep 2023	CAD \$(4.67)/bbl
WTI Crude Oil Collar	1,424 bbl/d	Jun 2023 - Dec 2023	CAD \$80.00/bbl - \$90.75/bbl
WTI Crude Oil Collar	1,405 bbl/d	Jan 2024 - Dec 2024	CAD \$80.00/bbl - \$90.75/bbl
WTI Crude Oil Collar	1,235 bbl/d	Jan 2025 - Dec 2025	CAD \$80.00/bbl - \$90.75/bbl
WTI Crude Oil Collar	917 bbl/d	Jan 2026 - Dec 2026	CAD \$80.00/bbl - \$90.75/bbl
WTI Crude Oil Collar	761 bbl/d	Jan 2027 - May 2027	CAD \$80.00/bbl - \$90.75/bbl

#### LONG TERM DEBT AND LIQUIDITY

With the success of this refinancing, Pieridae's balance sheet has been significantly improved and the Company expects to benefit from a lower cost of capital, greater financial flexibility, lower revenue volatility and enhanced overall stability.

The table below summarizes the debt obligations of the Company as of June 15, 2023 as compared to March 31, 2023, our most recently reported fiscal quarter:

Debt Capital Structure (CAD\$ million) <sup>4</sup>	June 15, 2023	March 31, 2023
Previous Term Loan (including fully amortized deferred fee)	-	189.2
Senior Term Loan (USD \$85 million)	113.1	-
Senior Delayed Draw Term Loan (USD \$10 million)	-	-
Senior Revolver (USD \$12 million drawn - \$25 million capacity)	16.0	-
Subordinated Term Loan (USD \$30 million)	39.9	-
PAPL Total Debt	169.0	189.2
Bridge Term Loan	20.0	-
PEL Total Debt	189.0	189.2

As a result of the Financing, Pieridae's liquidity is significantly improved, with access to a revolving credit facility (48% utilized) and a delayed draw term loan. The table below summarizes the available liquidity of the Company as of June 15, 2023 as compared to March 31, 2023, our most recently reported fiscal quarter:

Available Liquidity (CAD\$ million) <sup>3</sup>	June 15, 2023	March 31, 2023
Cash and Cash Equivalents	5.0	8.8
Undrawn Delayed Draw Term Loan (USD \$10 million)	13.3	-
Undrawn Senior Revolver (USD \$13 million undrawn - \$25 million capacity)	17.3	-
Total Available Liquidity	35.6	8.8

#### ABOUT PIERIDAE

Pieridae is a Canadian energy company headquartered in Calgary, Alberta. Through corporate and asset acquisitions, we have grown into a significant upstream and midstream producer with assets concentrated in the Canadian Foothills, producing conventional natural gas, NGLs, condensate and sulphur. Pieridae provides the energy to fuel people's daily lives while supporting the environment and the transition to a lower-carbon economy. Pieridae's common shares trade on the TSX under the symbol "PEA".

For further information please contact:

Alfred Sorensen, Chief Executive Officer Adam Gray, Chief Financial Officer  
 Telephone: (403) 261-5900 Telephone: (403) 261-5900  
 Investor Relations

investors@pieridaenergy.com

#### FORWARD-LOOKING STATEMENTS

Certain statements contained herein may constitute "forward-looking statements" or "forward-looking information" within the meaning of applicable securities laws (collectively "forward-looking statements"). Words such as "may", "will", "should", "could", "anticipate", "believe", "expect", "intend", "plan", "potential", "continue", "shall", "estimate", "expect", "propose", "might", "project", "predict", "forecast" and similar expressions may be used to identify these forward-looking statements.

Forward-looking statements involve significant risk and uncertainties. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements including, but not limited to, risks associated with oil and gas exploration, development, exploitation, production, marketing and transportation, loss of markets, volatility of commodity prices, currency fluctuations, imprecision of resources estimates, environmental risks, competition from other producers, incorrect assessment of the value of acquisitions, failure to realize the anticipated benefits or synergies from acquisitions, delays resulting from or inability to obtain required regulatory approvals and ability to access sufficient capital from internal and external sources and other risks and factors outlined in reports on file with Canadian securities regulatory authorities.

Forward-looking statements are based on a number of factors and assumptions which have been used to develop such forward-looking statements, but which may prove to be incorrect. Although Pieridae believes that the expectations reflected in such forward-looking statements are reasonable, undue reliance should not be placed on forward-looking statements because Pieridae can give no assurance that such expectations will prove to be correct. In addition to other factors and assumptions which may be identified in this document, assumptions have been made regarding, among other things: the impact of increasing competition; the general stability of the economic and political environment in which Pieridae operates; the timely receipt of any required regulatory and shareholder approvals; the ability of Pieridae to obtain qualified staff, equipment and services in a timely and cost efficient manner; the ability of the operator of the projects which Pieridae has an interest in, to operate the field in a safe, efficient and effective manner; the ability of Pieridae to obtain financing on acceptable terms; the ability to replace and expand oil and natural gas resources through acquisition, development and exploration; the timing and costs of pipeline, storage and facility construction and expansion and the ability of Pieridae to secure adequate product transportation; future commodity prices; currency, exchange, inflation and interest rates; the regulatory framework regarding royalties, taxes and environmental matters in the jurisdictions in which Pieridae operates; timing and amount of capital expenditures, future sources of funding, acquisition and divestiture activities, production levels, weather conditions, success of exploration and development activities, access to gathering, processing and pipeline systems, advancing technologies, and the ability of Pieridae to successfully market its oil and natural gas products.

Forward-looking statements contained herein concerning the oil and gas industry and Pieridae's general expectations concerning this industry are based on estimates prepared by management using data from publicly available industry sources as well as from reserve reports, market research and industry analysis and on assumptions based on data and knowledge of this industry which Pieridae believes to be reasonable. However, this data is inherently imprecise, although generally indicative of relative market positions, market shares and performance characteristics. While Pieridae is not aware of any misstatements regarding any industry data presented herein, the industry involves risks and uncertainties and is subject to change based on various factors.

Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could affect Pieridae's operations and financial results are included in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website ([www.sedar.com](http://www.sedar.com)), and at Pieridae's website ([www.pieridaenergy.com](http://www.pieridaenergy.com)). Although the forward-looking statements contained herein are based upon what management believes to be reasonable assumptions, management cannot assure investors that actual results will be consistent with these forward-looking statements. Investors should not place undue reliance on forward-looking statements. These forward-looking statements are made as of the date hereof and Pieridae assumes no obligation to update or review them to reflect new events or circumstances except as required by applicable securities laws.

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<sup>1</sup> Transaction documents were entered into on June 13, 2023 in furtherance of completion of the refinancing on June 15, 2023.

<sup>2</sup> EBITDAX: Earnings before interest, taxes, depreciation, depletion, amortization, and exploration expense.

<sup>3</sup> Adjusted PDP value: PV10 value of Proved Developed Producing ("PDP") reserves adjusted for cash on hand and mark to market of hedge position.

<sup>4</sup> USD denominated amounts converted to CAD at 1.33

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