

# Pine Cliff Energy Ltd. Announces Strategic Acquisition, New Term Debt Facility and Monthly Dividend

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Calgary, October 31, 2023 - [Pine Cliff Energy Ltd.](#) (TSX: PNE) (OTCQX: PIFYF) ("Pine Cliff" or the "Company") is pleased to announce that it has entered into a definitive agreement (the "Agreement") to offer to acquire all of the issued and outstanding common shares (the "Common Shares") of Certus Oil & Gas Inc ("Certus"), a privately held oil and natural gas producer, for a cash purchase price of \$100.0 million (the "Offer"). The Offer will be funded through a combination of available cash and a new secured term debt facility ("Term Debt Facility"). The board of directors of both Pine Cliff and Certus have unanimously approved the Offer. The Offer is expected to close by the end of 2023, subject to certain customary conditions and regulatory approvals.

## Acquisition Highlights

Pine Cliff expects the proposed acquisition of Certus (the "Acquisition") will have the following benefits:

- Expands Pine Cliff's core operations into the Caroline area of Western-Central Alberta, adding production (September 2023) of approximately 5,300 Boe/d<sup>1</sup> (49% liquids).
- Adds an initially identified 31 gross (15.4 net) deep basin liquids rich natural gas and oil development locations<sup>2</sup> that are expected to compete for capital in Pine Cliff's annual spending program for the next several years.
- Strengthens Pine Cliff's operating netback<sup>3</sup> through increased exposure to crude oil and natural gas liquids ("NGLs") production.
- Before-tax PDP<sup>4</sup> reserve value of the acquired reserves at a 10% discount rate is \$112.5 million based on externally estimated PDP reserves of 12.3 MMBoe<sup>5</sup> effective July 1, 2023.
- Based on September 2023 average production, the Certus assets are expected to generate net operating income<sup>6</sup> of approximately \$38.4 million in 2024 at strip pricing.
- Pine Cliff's pro forma base production decline rate is expected to remain less than 10%, ranking among the lowest for publicly traded Canadian upstream oil and gas companies.

## Strategic Rationale

Since inception, Pine Cliff has grown by acquiring strategic, low decline assets through an ongoing commitment to providing reliable returns to its shareholders. The Acquisition is consistent with this strategy and is expected to improve Pine Cliff's operating netback at current commodity prices by increasing its liquids exposure while adding future development locations that offer attractive economic returns. Funding the Acquisition without equity will result in accretion to per share metrics and is expected to increase the free funds flow<sup>3</sup> generated by Pine Cliff at current commodity prices.

Since introducing a dividend in June 2022, Pine Cliff's conservative balance sheet has helped backstop the monthly dividend payment, with cumulative dividends paid from adjusted funds flow<sup>3</sup>. The Company will continue with a prudent hedging program to support the dividend and debt repayment post-acquisition. Pine Cliff expects to issue annual guidance in the first quarter of 2024.

## New Term Debt Facility

Pine Cliff has entered into a non-binding term sheet for a three-year Term Debt Facility provided by a private institutional investor (the "Lender"). The Company expects to enter into a binding commitment with the Lender concurrent with the closing of the Offer. The Term Debt Facility will be subject to interest of Canadian Prime Rate plus 3.65 percent and includes scheduled amortization with options for prepayment after twelve

months.

Pine Cliff will maintain its current demand operating loan of \$8.0 million with a Canadian chartered bank as part of its normal course of business.

#### Dividend

Pine Cliff has declared a regular monthly dividend of \$0.01083 per common share to be paid November 30, 2023, to shareholders of record on November 15, 2023. The dividend is designated as an eligible dividend for Canadian income tax purposes.

#### Transaction Details

Under the Agreement, Pine Cliff has agreed to mail the Offer and accompanying take-over bid circular, notice of guaranteed delivery and letters of transmittal (collectively, the "Offer Documents") to all registered shareholders of Certus and other persons who are entitled to receive these documents under applicable law. Concurrently, the board of directors of Certus will mail to shareholders a directors' circular containing the unanimous recommendation of the board that shareholders accept and tender their Common Shares to the Offer.

In connection with the Offer, certain shareholders of Certus who collectively hold approximately 51% of the Common Shares, have entered into lock-up agreements with Pine Cliff agreeing to, among other things, deposit their Common Shares under the Offer.

As specified in further detail in the Offer Documents, the Agreement contains customary deal protections in favour of Pine Cliff for a transaction of this kind. Full details of the Offer will be set out in Offer Documents which will be mailed to shareholders and filed on Pine Cliff's SEDAR+ profile at [www.sedarplus.ca](http://www.sedarplus.ca).

#### Advisors

Haywood Securities Inc and Paradigm Capital are both acting as financial advisors to Pine Cliff with respect to the Offer.

TPH&Co, the energy business of Perella Weinberg Partners, is acting as the strategic advisor to Pine Cliff with respect to the Offer.

Stifel Canada is acting as strategic advisor to Certus with respect to the Offer.

#### About Pine Cliff Energy

Pine Cliff is a natural gas focused company with a long-term view of creating shareholder value. Further information relating to Pine Cliff may be found on [www.sedarplus.ca](http://www.sedarplus.ca) as well as on Pine Cliff's website at [www.pinecliffenergy.com](http://www.pinecliffenergy.com).

#### Reader Advisories

#### Currency

All amounts in this news release are stated in Canadian dollars unless otherwise specified.

#### Notes to the Press Release



1. September estimated production comprised of approximately 51% conventional natural gas, 26% NGLs and 23% light and medium crude oil and condensate. Annual decline rate is estimated at 16%.
2. Estimated by Pine Cliff based on internal review. There is no certainty that Pine Cliff will drill all unbooked drilling locations and if drilled there is no certainty that such locations will result in additional oil and natural gas reserves, resources or production. The drilling locations on which Pine Cliff will actually drill wells, including the number and timing thereof is ultimately dependent upon the availability of funding, regulatory approvals, seasonal restrictions, oil and natural gas prices, costs, actual drilling results, additional reservoir information that is obtained and other factors.
3. See Non-GAAP Measures.
4. Reserves have been externally estimated by independent reserve evaluators, McDaniel & Associate Consultants Ltd. in accordance with National Instrument 51-101 - Standards of Disclosure of Oil and Gas Activities and the Canada Oil and Gas Evaluation Handbook with an effective date July 1, 2023 using the average forecast price and costs of McDaniel & Associate Consultants Ltd., GLJ Ltd and Sproule Associated Ltd. as of April 1, 2023 before income taxes.
5. July 1, 2023 PDP Reserves comprised of 49% conventional natural gas, 34% NGLs, 15% light and medium crude oil and 2% condensate.
6. Net operating income is calculated using expected revenue \$77.9 million less royalties of \$11.8 million, transportation costs of \$2.5 million and operating expenses of \$25.2 million, based on annualized September production of 5,304 Boe/d (51% conventional natural gas, 26% NGL's and 23% light and medium crude oil and condensate) at October 26, 2023 strip prices of \$102.60/Bbl Edmonton light oil, \$3.01/mcf AECO natural gas and US\$0.725/C\$.

## Reserves Data

The reserves data set forth in this news release is based on estimates prepared by McDaniel & Associates in accordance with National Instrument 51-101 - Standards of Disclosure of Oil and Gas Activities and the Canada Oil and Gas Evaluation Handbook with an effective date July 1, 2023. There are numerous uncertainties inherent in estimating quantities of crude oil, natural gas and NGL reserves and the future cash flows attributed to such reserves. The reserve and associated cash flow information set forth above are estimates only. In general, estimates of economically recoverable crude oil, natural gas and NGL reserves and the future net cash flows therefrom are based upon a number of variable factors and assumptions, such as historical production from the properties, production rates, ultimate reserve recovery, timing and amount of capital expenditures, marketability of oil and natural gas, royalty rates, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary materially. For those reasons, estimates of the economically recoverable crude oil, NGL 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. Pine Cliff's actual production, revenues, taxes and development and operating expenditures with respect to its reserves will vary from estimates thereof and such variations could be material.

## BOE Equivalency

Natural gas liquids and oil volumes are recorded in barrels of oil ("Bbl") and are converted to a thousand cubic feet equivalent ("Mcf") using a ratio of one (1) Bbl to six (6) thousand cubic feet. Natural gas volumes recorded in thousand cubic feet ("Mcf") are converted to barrels of oil equivalent ("Boe") using the ratio of six (6) thousand cubic feet to one (1) Bbl. This conversion ratio is based on energy equivalence primarily at the burner tip and does not represent a value equivalency at the wellhead. The terms Boe or Mcfe may be misleading, particularly if used in isolation.

Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of oil, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

## Non-GAAP and Other Financial Measures

This news release uses the terms "adjusted funds flow", "free funds flow", "net operating income" and "operating netback" which are not recognized under International Financial Reporting Standards ("IFRS") and may not be comparable to similar measures presented by other companies. These measures should not be considered as an alternative to, or more meaningful than, IFRS measures including net income and cash

provided by operating activities. The Company uses these measures to evaluate its performance, leverage and liquidity. Adjusted funds flow is a non-Generally Accepted Accounting Principles ("non-GAAP") measure that represents the total of funds provided by operating activities, before adjusting for changes in non-cash working capital and decommissioning obligations settled. Free funds flow is a non-GAAP measure calculated as adjusted funds flow less decommissioning obligations settled and capital expenditures. Net operating income is a non-GAAP measure calculated as revenue before financial hedges less royalties, transportation costs and operating expenses. Operating netback is a non-GAAP measure calculated as net operating income divided by average daily production. Please refer to the annual report for additional details regarding non-GAAP measures and their calculations.

### Cautionary Statements

This news release contains forward-looking information and statements (collectively, "forward-looking information") within the meaning of applicable securities laws. The use of any of the words "forecast", "expect", "anticipate", "continue", "estimate", "objective", "ongoing", "on track", "may", "will", "project", "should", "believe", "plans", "intends" and similar expressions are intended to identify forward-looking information. More particularly and without limitation, this news release contains forward-looking information concerning Pine Cliff's plans and other aspects of its anticipated future operations, management focus, objectives, strategies, financial, operating and production results and business opportunities, including the following: the completion of the Offer including the timing and terms thereof; the benefits of the Offer and the characteristics of the acquired assets including that the Offer is expected to be accretive to the Pine Cliff's free funds flow and per share metrics in 2024, the anticipated net operating income to be generated from the acquired assets, and that Pine Cliff expects potential debt repayment in 2024 at current commodity prices. The forward-looking information is based on certain key expectations and assumptions made by Pine Cliff, including expectations and assumptions concerning the following: prevailing and future commodity prices and currency exchange rates; applicable royalty rates and tax laws; interest rates; future well production rates and reserve volumes; operating costs, the timing of receipt of regulatory approvals including in connection with the Offer; the performance of existing wells; the success obtained in drilling new wells; anticipated timing and results of capital expenditures; the sufficiency of budgeted capital expenditures in carrying out planned activities; the timing, location and extent of future drilling operations; the successful completion of the Offer and the benefits to be derived therefrom; the state of the economy and the exploration and production business; the availability and cost of financing, labour and services; and ability to market crude oil, natural gas and NGL successfully. Without limitation of the foregoing, future dividend payments, if any, and the level thereof is uncertain, as the Pine Cliff's dividend policy and the funds available for the payment of dividends from time to time is dependent upon, among other things, free funds flow, financial requirements for the Pine Cliff's operations and the execution of its development strategy, fluctuations in working capital and the timing and amount of capital expenditures, debt service requirements and other factors beyond the Pine Cliff's control. Further, the ability of Pine Cliff to pay dividends is subject to applicable laws (including the satisfaction of the solvency test contained in applicable corporate legislation) and contractual restrictions contained in the instruments governing its indebtedness, including its credit facility.

Statements relating to "reserves" are also deemed to be forward looking information, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described exist in the quantities predicted or estimated and that the reserves can be profitably produced in the future.

All such forward-looking information is based on certain assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate in the circumstances. The risks, uncertainties and assumptions are difficult to predict and may affect operations, and may include, without limitation: foreign exchange fluctuations; equipment and labour shortages and inflationary costs; general economic conditions; industry conditions; changes in applicable environmental, taxation and other laws and regulations as well as how such laws and regulations are interpreted and enforced; the ability of oil and natural gas companies to raise capital; the effect of weather conditions on operations and facilities; the existence of operating risks; volatility of oil and natural gas prices; oil and gas product supply and demand; risks inherent in the ability to generate sufficient cash provided by operating activities to meet current and future obligations; increased competition; stock market volatility; opportunities available to or pursued by us; and other factors, many of which are beyond our control. The foregoing factors are not exhaustive.

Actual results, performance or achievements could differ materially from those expressed in, or implied by, this forward-looking information and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking information will transpire or occur, or if any of them do, what benefits will

be derived there from. Except as required by law, Pine Cliff disclaims any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise.

Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could affect Pine Cliff, or its operations or financial results, are included in the Pine Cliff's most recently filed Management's Discussion and Analysis (See "Forward-Looking Statements" therein), Annual Information Form (See "Risk Factors" and "Forward-Looking Statements" therein) and other reports on file with applicable securities regulatory authorities and may be accessed through the SEDAR+ website ([www.sedarplus.ca](http://www.sedarplus.ca)) or Pine Cliff's website ([www.pinecliffenergy.com](http://www.pinecliffenergy.com)).

The forward-looking information contained in this news release is made as of the date hereof and Pine Cliff undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, unless expressly required by applicable securities laws.

**Certain Definitions:**

MMBoe millions barrels of oil equivalent  
Boe/d barrel of oil equivalent per day  
PDP proved developed producing

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