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Prairie Provident Announces Completion of Recapitalization Transactions and Closing of Fully Subscribed C$4 Million Equity Financing

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CALGARY, Alberta, May 16, 2023 (GLOBE NEWSWIRE) -- Prairie Provident Resources Inc. (TSX:PPR) (the "**Company**"), is pleased to announce the completion of its previously announced recapitalization transactions (collectively, the "**Recapitalization**"). The Recapitalization included the following principal transactions:

- closing today of the Company's brokered private placement offering of units of the Company (the "**Units**") at a price of C$0.09 per Unit, for aggregate gross proceeds to the Company of C$4 million (the "**Equity Financing**");
- completion on March 30, 2023 of the Company's issuance and sale of second lien notes due December 31, 2024 in the principal amount of US$3.64 million (approximately C$5 million at the then-prevailing exchange rate) to certain affiliates of the Former Noteholder (as defined herein);
- settlement today of all outstanding indebtedness under the outstanding subordinated notes ("**Subordinated Notes**") previously held by PCEP Canadian Holdco, LLC (the "**Former Noteholder**"), in the aggregate amount of US$53.4 million (approximately C$72.0 million at the current exchange rate), through the issuance of 514.4 million common shares of the Company ("**Common Shares**") at an agreed repayment price equal to C$0.14 per Common Share (representing a 56% premium to the Unit offering price under the Equity Financing) (the "**Subordinated Notes Settlement**");
- concurrently with the Subordinated Notes Settlement, exercise by the Former Noteholder, on a cashless basis, of the 34,292,360 warrants of the Company held by it and exercisable at C$0.0192 per share, for an issuance of an additional 26.5 million Common Shares (the "**Warrant Exercise**"); and
- amendments to the agreement governing its senior secured credit facility to, among other things, waive certain defaults, provide additional covenant flexibility, and extend the maturity date to July 1, 2024.

Completion of the Recapitalization positions the Company with the flexibility and capital to execute its long-term strategy to optimize its current producing assets as well as develop its currently undeveloped land base. Significant improvements to the Company's overall leverage and non-cash interest burden are expected to allow the Company to direct more of its operating cash flow towards additional low-risk well reactivations, optimization, and development drilling, and execute on non-dilutive, non-core asset dispositions and/or other transaction opportunities.

Based on its year-end 2022 reserves data evaluation, the Company's estimated net present value of future net revenue from **proved plus probable (2P) reserves (NPV10%)[1] is C$588.8 million, or C$0.676 per Common Share** on a fully diluted basis, and its 2P reserve life index[2] is 20.1 years (based on estimated 2P reserves and current production levels). The Company has **approximately C$860 million in tax pools** (C$560 million of which are available as tax shelter against current income) to complement its reserves value. These tax pools represent significant potential value to the Company and its shareholders; if all of the pools were immediately deductible, they could shelter an equivalent amount of the Company's income, thus representing up to C$0.18 per Common Share in value.

In connection with the Subordinated Notes Settlement, the Former Noteholder has agreed with the Company to certain 'lock-up' restrictions pursuant to which it will not, without the Company's consent, dispose of Common Shares acquired by it pursuant to the Subordinated Notes Settlement, otherwise than in connection with a business combination, a reorganization or restructuring, or an acquisition of all or substantially all of the Common Shares, or pursuant to a private sale, or to an affiliate or other related party. The lock-up restrictions will cease to apply as to 33⅓% of all such Common Shares on each of the 6-month, 12-month and 18-month anniversaries, respectively, of the Subordinated Notes Settlement.

The Former Noteholder now has the right to nominate and/or have appointed a majority of the directors of the Company and will do so at or before the Company's annual meeting of shareholders to be held in June 2023.

Equity Financing

The Company has closed its previously announced Equity Financing, and issued 44,444,444 Units at a price of C$0.09 per Unit for aggregate gross proceeds to the Company of C$4 million. The Equity Financing was led by Research Capital Corporation as the sole agent and sole bookrunner (the "**Agent**").

Each Unit is comprised of one Common Share and one warrant (a "**Warrant**") with each warrant entitling the holder thereof to subscribe for and purchase one Common Share at an exercise price of C$0.10 for a 5-year term ending May 16, 2028.

The net proceeds from the Equity Financing will be used for ongoing field operations, working capital requirements and other general corporate purposes.

Pursuant to the Equity Financing, 28,309,425 Units were issued in reliance on the 'listed issuer financing exemption' (LIFE) in Part 5A of National Instrument 45-106 – *Prospectus Exemptions* ("**NI 45-106**") (the "**Listed Issuer Financing Exemption**") to purchasers resident in Canada, except Québec, and other qualifying jurisdictions. The balance of the total Equity Financing, being 16,135,019 Units were issued in reliance on the 'accredited investor' exemption under Section 2.3 of NI 45-106 (the "**Accredited Investor Exemption**") and other available exemptions from the prospectus requirements of applicable Canadian securities laws, to eligible purchasers resident in Canada and other qualifying jurisdictions. All Common Shares and Warrants issued in reliance on the Accredited Investor Exemption (and any Common Shares issued on exercise of such Warrants) are subject to a restricted hold period of four months and one day, ending September 17, 2023.

The Company is pleased to announce that White Tundra Investments was a significant participant in the equity offering. White Tundra Investments is a Canadian oil and gas focused private fund specializing in combining technical property evaluation, financial special situations, and boots on the ground experience and connections to generate returns through structural bull cycles in the oil and gas sector.

Certain directors and officers of the Company participated in the Equity Financing under applicable securities laws, acquiring 7,424,423 Units in total. Insider participation in the Equity Financing constituted a "related party transaction" within the meaning of Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* ("**MI 61-101**"), for which the Company was exempt from the formal valuation and minority shareholder approval requirements of MI 61-101 pursuant to sections 5.5(a) and 5.7(1)(a) thereof, as neither the fair market value (as determined under MI 61-101) of the securities issued to insiders under the Equity Financing nor the consideration paid by insiders exceeded 25% of the Company's market capitalization, all as determined under MI 61-101. The Company did not file a material change report 21 days before closing of the Equity Financing as the details of the insider participation was not known at that time.

In connection with the Equity Financing, the Agent received a cash commission equal to 8.0% of the gross proceeds from the sale of Units pursuant to the brokered portion of the Equity Financing, as well as 2,627,604 broker warrants. Each broker warrant entitles the holder to subscribe for and purchase one Unit at an exercise price of C$0.09 per Unit for a 5-year term ending May 16, 2028.

The Agent also received an advisory fee of $83,500 plus an additional 927,951 advisory broker warrants, each having the same terms as the broker warrants.

Early Warning Disclosure – PCEP Canadian Holdco, LLC

The Former Noteholder, PCEP Canadian Holdco, LLC, acquired 514,408,902 Common Shares pursuant to the Subordinated Notes Settlement, and a further 26,516,207 Common Shares pursuant to the Warrant Exercise, for an aggregate holding of 540,925,109 Common Shares (collectively, the "**Acquired Shares**"). The Acquired Shares were not acquired in a market. The Common Shares acquired pursuant to the Subordinated Notes Settlement were in settlement and satisfaction of US$53,397,528.20 of indebtedness (C$72,017,246.28 based on the exchange rate of 1.3487 quoted by the Bank of Canada on May 15, 2023). The Common Shares acquired pursuant to the Warrant Exercise were on the cashless exercise of 34,292,360 previously-issued warrants.

Immediately before the Subordinated Notes Settlement and the Warrant Exercise, the Former Noteholder held the 34,292,360 warrants exercised in the Warrant Exercise, which at that time represented approximately 20.8% of the Common Shares then outstanding on a partially-diluted basis, assuming only the exercise of the warrants but no other convertible securities of the Company.

Immediately after the Subordinated Notes Settlement and the Warrant Exercise, the Former Noteholder holds the 540,925,109 Acquired Shares, which represent approximately 75.6% of the total Common Shares now outstanding on a non-diluted basis. The Former Noteholder does not hold any securities of the Company other than the Acquired Shares.

The Subordinated Notes Settlement and Warrant Exercise were undertaken in furtherance of the Recapitalization, and the Acquired Shares are now held for investment purposes. The Former Noteholder may in the future acquire additional securities, or may in the future sell the securities, in either case in the open market, through private transactions, or otherwise, depending on market conditions, alternative investment opportunities, changing priorities, and other relevant factors.

An early warning report relating to the Subordinated Notes Settlement and Warrant Exercise will be filed by the Former Noteholder on SEDAR, under the Company's profile at www.sedar.com. A copy of that report may be obtained by contacting William H. Bulmer at 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.

The Former Noteholder is a Delaware limited liability company.

*This news release does not constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of any of the securities in any jurisdiction in which such offer, solicitation or sale would be unlawful. The securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**1933 Act**") or any state securities laws and may not be offered or sold within the United States or to, or for account or benefit of, U.S. Persons (as defined in Regulation S under the 1933 Act) except pursuant to an available exemption under the 1933 Act and compliance with, or exemption from, applicable U.S. state securities laws.*

(1) Based on the Company's year-end 2022 independent reserves data evaluation by Sproule Associates Limited, independent qualified reserves evaluator, effective as of December 31, 2022 and based on forecast prices and costs at the effective date.

(2) Reserve life index (RLI) is an oil and gas metric calculated by dividing total company share reserves by annualized production. RLI provides a summary measure of the relative magnitude of the Company's reserves through an indication as to how long they would last based on a current, annualized production rate and assuming no additions to reserves.

ABOUT PRAIRIE PROVIDENT

Prairie Provident is a Calgary-based company engaged in the exploration, development and production of its low decline, long life oil reserves in Alberta. The Company is currently producing oil and gas in western Canada with significant growth opportunities from a deep inventory of low-risk horizontal drilling locations and waterflood potential.

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Advisory and Caution Regarding Forward-Looking Information

This news release contains certain statements which constitute forward-looking statements or information under applicable Canadian securities laws, including statements relating to the expected use of proceeds from the Equity Financing and business plans and strategies of the Company. Such forward-looking statements are subject to numerous known and unknown risks, uncertainties and other factors, some of which are beyond the Company's control, which could cause actual results or events to differ materially from those stated, anticipated or implied in the forward-looking statements. These risks and uncertainties include general economic and capital markets conditions, and stock market volatility. Although the Company believes that the forward-looking statements in this news release are reasonable, they are based on factors and assumptions, based on currently available information, concerning future events, which may prove to be inaccurate. As such, readers are cautioned not to place undue reliance on the forward-looking statements, as no assurance can be provided as to future plans, operations, results, levels of activity or achievements. The forward-looking statements contained in this news release are made as of the date of this news release and, except as required by applicable law, the Company does not undertake any obligation to publicly update or to revise any of the forward-looking statements, whether as a result of new information, future events or otherwise.