Prairie Provident Announces Loan Amendments and $13.2 Million Equity Rights Offering With $12 Million of Committed Participation

Calgary, Alberta – September 13, 2024 – Prairie Provident Resources Inc. ("Prairie Provident" or the "Company") (TSX:PPR) announces an agreement to extend the maturity of its senior secured credit facility (the "First Lien Loan") to March 31, 2026 and enhance its flexibility with modified covenants. The Company also announces a $13.2 million rights offering (the "Rights Offering") supported by participation commitments of $12 million, comprised of $11.6 million from its largest shareholder, PCEP Canadian Holdco, LLC ("PCEP"), and $400,000 from directors and management, as well as complementary amendments to its outstanding second lien notes.

Net proceeds from the Rights Offering are expected to fund a capital program focused on drilling at least two wells in the Basal Quartz formation before the end of 2024, workovers to enhance the productivity of existing wells and general corporate purposes. A portion of the net proceeds will be directed towards settlement of a US$2.3 million advance under the Company's second lien note facility received in May 2024, by way of a $3.13 million setoff (being the Canadian dollar equivalent of the advance) against the subscription price payable by PCEP under the Rights Offering.

Prairie Provident expects that these transactions will improve financial flexibility and significantly increase the capital available to execute its strategy to optimize its producing assets as well as develop its land base. The Company plans to use the forecasted cash flow from incremental production from the initial Basal Quartz drilling program to fund additional Basal Quartz wells in 2025 as it continues to expand its participation in this emerging play. Prairie Provident has 167,869 net acres in its Michichi core area with approximately 40 Basal Quartz potential drilling opportunities targeting light/medium oil. The Company is excited by the results achieved from offsetting industry activity.

Loan Amendments

The amendments to the First Lien Loan (the "First Lien Amendments") include:

- extension of the maturity date to March 31, 2026, subject to acceleration if (i) PCEP's basic subscription commitment under the Rights Offering for $10.0 million is not completed by September 30, 2024 or (ii) the Company does not raise at least $12.0 million in total equity capital (which amount includes PCEP's $10.0 million basic subscription commitment) by October 31, 2024, with these two requirements intended to be satisfied by the $10.0 million basic subscription commitment of PCEP under the Rights Offering, $400,000 in aggregate subscription commitments by directors and management, and a $1.6 million standby commitment for the Rights Offering from PCEP, all as more particularly described below;

- deferral of a portion of cash interest obligations on amounts owed under the First Lien Loan, through capitalization as additional principal of all accrued interest amounts through December 31, 2024; and

- adjustment of financial covenants, to replace existing covenants with new measures and thresholds that align with the Company's current expectations for the remaining term to maturity.

Amendments have also been agreed with respect to the Company's outstanding second lien notes (the "Second Lien Amendments"), to extend the maturity date to September 30, 2026 and amend the covenants for consistency with the amended covenants under the First Lien Loan.

The First Lien Amendments and Second Lien Amendments are subject to receipt of necessary approvals of the TSX.

Rights Offering

Pursuant to the Rights Offering, each holder of record of Prairie Provident common shares at the close of business on September 24, 2024 (the "Record Date") will receive one subscription right (a "Right") for each common share held. Each Right will entitle the holder to subscribe for 0.739474 of a common share, at a subscription price (the "Subscription Price") of $0.025 per whole common share (the "Basic Subscription Privilege"). Rights are exercisable for whole common shares only, and holders will therefore need to exercise 1.352313 Rights to purchase one additional common share under the Basic Subscription Privilege. Up to 529,579,000 common shares are issuable under the Rights Offering for an aggregate Subscription Price, if fully subscribed, of $13,239,475.

The Subscription Price per share represents a 29% discount to the 5-day volume weighted average trading price of the common shares on the Toronto Stock Exchange (the "TSX") for the last 5 trading days, and is consistent with TSX requirements that securities offered in a rights offering be priced at a minimum 25% discount to the market price.

The Rights Offering is expected to expire at 5:00 p.m. (Mountain time) (the "Expiry Time") on October 28, 2024 (the "Expiry Date"). Any Rights not exercised at or before the Expiry Time on the Expiry Date will be void and will have no value. The Rights are expected to be listed for trading on the Toronto Stock Exchange ("TSX") under the trading symbol "PPR.RT", commencing on September 24, 2024, and remain posted for trading until 12:00 p.m. (Eastern time) on the Expiry Date.

In accordance with applicable securities regulations, eligible holders of Rights who fully exercise their Rights with respect to the Basic Subscription Privilege will also be entitled to subscribe for additional common shares, at the Subscription Price, that are not validly subscribed for under the Basic Subscription Privilege (the "Additional Subscription Privilege"), subject to certain limitations set out in the rights offering notice and circular of the Company for the Rights Offering (the "Rights Offering Documents"), including a pro rata allocation if more additional shares are subscribed for under the Additional Subscription Privilege than are available.

Completion of the Rights Offering is conditional upon the satisfaction of certain conditions, including receipt of all necessary approvals of the TSX.

Full details of the Rights Offering are contained in the Rights Offering Documents, which will be filed on SEDAR+ under the Company's issuer profile at www.sedarplus.ca on or before September 16, 2024.

Immediately before the Rights Offering, the Company has 716,155,736 common shares outstanding. Upon closing of the Rights Offering, if all Rights are exercised in full, there will be 1,245,734,736 common shares outstanding.

Committed Participation

The Company's largest shareholder, PCEP, has agreed to subscribe for its pro rata share (approximately 75.5%) of the Rights Offering, amounting to 400,000,000 common shares for an aggregate Subscription Price of $10.0 million (partially payable by way of a $3.13 million setoff in respect of a US$2.3 million advance under the Company's second lien note facility received in May 2024), and directors and management have agreed to subscribe for an aggregate of 16,000,000 common shares under the Rights Offering for an aggregate of Subscription Price of $400,000 (the "D&O Commitments").

PCEP has agreed to exercise its Rights with respect to the Basic Subscription Privilege as soon as practicable and in any event not later than September 30, 2024 (approximately four weeks before the Expiry Date), and the Company intends to close the subscription immediately thereafter. Subscriptions under the D&O Commitments are required to be submitted and funded by September 30, 2024, and will be closed on conclusion of the Rights Offering.

In addition, PCEP has also provided a $1.6 million standby commitment for the Rights Offering, to purchase up to 64,000,000 additional common shares, less the total number of common shares acquired under the Rights Offering on the exercise of Rights by holders other than PCEP and directors and management pursuant to the D&O Commitments (the "Standby Commitment").

Fulfillment of the Standby Commitment, together with PCEP's exercise of its Basic Subscription Privilege and the D&O Commitments, will result in the aggregate Subscription Price for all Common Shares being at least $12.0 million, as required under the First Lien Amendments.

If no Rights are exercised other than by PCEP with respect to its Basic Subscription Privilege and by directors and management pursuant to the D&O Commitments, and the Standby Commitment is fully performed by PCEP, then upon completion of the Rights Offering, PCEP will hold approximately 84.0%, and directors and management will in aggregate hold approximately 2.6%, of the common shares outstanding on completion of the Rights Offering.

TSX Approvals and Financial Hardship Exemption

Completion of the Rights Offering, the First Lien Amendments and the Second Lien Amendments are subject to and conditional upon receipt of all necessary approvals of the TSX. Pursuant to TSX rules, the First Lien Amendments and Second Lien Amendments, taken together, would ordinarily require approval of the Company's disinterested shareholders under section 501(c) of the TSX Company Manual, on the basis that: (i) the lenders under the First Lien Loan and holders of the second lien notes are deemed to be "insiders" of the Company for purposes of the TSX Company Manual as being affiliates of PCEP; and (ii) the absolute quantum of interest amounts that will be paid or capitalized, as the case may be, over the extended term of the First Lien Loan (approximately $9.9 million) and second lien notes (approximately

$1.6 million), plus a $1.5 million amendment fee payable in respect of the First Lien Amendments, when aggregated with interest on the First Lien Loan (approximately $3.7 million) and second lien notes (approximately $0.5 million) during the prior 6-month period, is collectively greater than 10% of the Company's current market capitalization of approximately $25 million.

The Company has applied to the TSX pursuant to the 'financial hardship' provisions of section 604(e) of the TSX Company Manual for an exemption from any such shareholder approval requirement, on the basis that the Company is, as consequence of the looming maturity of the First Lien Loan, in serious financial difficulty, as it does not have the capital resources to repay the amounts owing thereunder by the current maturity date of September 20, 2024. Absent an extension, as contemplated by the First Lien Amendments, the lenders under the First Lien Loan would thereupon have the right to demand immediate repayment of all amounts due under the First Lien Loan and exercise creditors' remedies against the Company, which would threaten its ability to continue operations and have a significant adverse effect on the Company and its stakeholders. The Company had explored prospects for refinancing the First Lien Loan but did not identify any practicable alternatives that would offer improved terms. Accordingly, an extension of the existing debt on terms that are commercially reasonable in the circumstances, as contemplated by the First Lien Amendments, is the favored outcome.

The Company's reliance on the 'financial hardship' exemption also applies to the fixing of the Subscription Price for the Rights Offering before disclosure of the First Lien Amendments and Second Lien Amendments. The Rights Offering, First Lien Amendments and Second Lien Amendments are inter-related transactions and cross-conditional, each dependent on completion of the others.

Prairie Provident expects that, as a consequence of its 'financial hardship' exemption application, the TSX will place the Company under a remedial delisting review, which is normal practice when a listed issuer seeks to rely on this exemption. Although the Company believes that it will be in compliance with all continued listing requirements of the TSX upon conclusion of a delisting review, no assurance can be provided as to the outcome of that review and, therefore, on Prairie Provident's continued qualification for listing on the TSX. Similarly, there is no certainty that the TSX will approve the Rights Offering, or accept the Company's application to rely on the 'financial hardship' exemption with respect to the First Lien Amendments.

A committee of the Prairie Provident board of directors comprised of Matthew Shyba, an independent director who is unrelated to the lenders under First Lien Loan and free from any interest in the First Lien Amendments, and similarly unrelated to PCEP and the holders of the second lien notes and disinterested with respect to the Rights Offering and Second Lien Amendments, reviewed the transaction terms and, in the circumstances, recommended that the Company make application to the TSX under the 'financial hardship' provisions. Upon review and consideration of the committee recommendation, the board of directors unanimously determined that Prairie Provident is in serious financial difficulty, and that the First Lien Amendments, together with the Rights Offering and Second Lien Amendments, are reasonable in the circumstances and designed to improve the Company's financial situation.

Insofar as the lenders under the First Lien Loan and the holders of the Company's second lien notes are or may be affiliates of PCEP, which is a control person of Prairie Provident under applicable securities laws, each such lender and holder is itself a "related party" of the Company within the meaning of Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* ("MI 61-101") and, accordingly, the First Lien Amendments and Second Lien Amendments would each constitute a "related party transaction" for the Company under MI 61-101. The amendments are, though, related party transactions of a type that are not subject to the formal valuation requirements of MI 61-101, and are exempt from the minority shareholder approval requirements of MI 61-101, pursuant to section 5.7(f) thereof, on the basis of being on reasonable commercial terms that are not less advantageous to Prairie Provident than if the loan or credit facility were obtained from a person dealing at arm's length with the Company, and not involving borrowings that are convertible, directly or indirectly, into equity or voting securities of Prairie Provident or any of its subsidiaries or otherwise participating in nature, or repayable as to principal or interest, directly or indirectly, in equity or voting securities of Prairie Provident or any of its subsidiaries. The Company will not be filing a material change report in respect of the First Lien Amendments and Second Lien Amendments at least 21 days before closing of the amendments, as the amendments must be made effective before September 20, 2024, when the First Lien Loan would otherwise have matured and been payable. Further information required by MI 61-101 will be set forth in the Company's material change report to be filed on SEDAR+ under the Company's issuer profile at www.sedarplus.ca if and as required by MI 61-101.

ABOUT PRAIRIE PROVIDENT

Prairie Provident is a Calgary-based company engaged in the exploration and development of oil and natural gas properties in Alberta, including a position in the emerging Basal Quartz trend in the Michichi area of Central Alberta.

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Forward-Looking Information

Certain of the 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", "would", "intends", "expects", "anticipates", "assumes", "increase", "reduce", "accelerate", "growing", "condition", "completion", "vision", "project", "future", "strategy", "proposition", "ongoing" and other similar words and expressions may be used to identify the forward-looking statements contained herein. These statements reflect management's current beliefs and are based on information currently available to management. Forward-looking statements contained herein include, without limitation: expected gross proceeds under the Rights Offering; intended use of proceeds from the Rights Offering; anticipated benefits of the Rights Offering, including, but not limited to, accelerating the Company's strategic execution, improving financial flexibility and the Basal Quartz drilling program; anticipated shareholder participation in the Rights Offering; expectations with respect to the completion of the PCEP basic subscription and completion of any standby commitment of PCEP; expectations with respect to the completion of any basic subscriptions from directors or management and completion of any standby agreement entered into by directors or management; compliance with the TSX listing requirements and the results of any TSX delisting review; the anticipated number of Rights to be issued under the Rights Offering and number of Common Shares that will be outstanding following completion of the Rights Offering and expectations with respect to the closing of the Rights Offering, including timing thereof.

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, the risks associated with oil and gas exploration, development, exploitation, production, processing, 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 of acquisitions, delays resulting from or inability to obtain required regulatory approvals including from the TSX, and ability to access sufficient capital from internal and external sources. These and other risk factors are discussed in more detail under "Risk Factors" and elsewhere in Prairie Provident's Annual Information Form for the year ended December 31, 2023 and under "Risk Factors" in the Circular, copies of which are available on the Company's profile on SEDAR+ at www.sedarplus.ca. Additional risk factors include, but are not limited to: the Rights Offering may not be completed, or may not be completed on the terms and timeline as currently expected, including with respect to the Standby Commitment.*

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 Prairie Provident believes that the expectations reflected in such forward-looking statements are reasonable, undue reliance should not be placed on forward-looking statements because Prairie Provident 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 Prairie Provident operates; the ability of Prairie Provident to obtain and retain qualified staff, equipment and services in a timely and cost efficient manner; the ability of the operator of the projects which Prairie Provident has an interest in to operate the field in a safe, efficient and effective manner; the ability of Prairie Provident 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 Prairie Provident to secure adequate product transportation; future oil and natural gas prices; currency, exchange and interest rates; the regulatory framework regarding royalties, taxes and environmental matters in the jurisdictions in which Prairie Provident operates; timing and amount of capital expenditures; future sources of funding; production levels; weather conditions; success of exploration and development activities; access to gathering, processing and pipeline systems; advancing technologies; and the ability of Prairie Provident to successfully market its oil and natural gas products.

Readers are cautioned that the foregoing list of assumptions and risk factors is not exhaustive. Additional information on these and other factors that could affect Prairie Provident'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.sedarplus.ca), and at Prairie Provident's website (www.ppr.ca).

Although the forward-looking statements contained herein are based upon what management believes to be reasonable assumptions, management cannot assure 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 Prairie Provident assumes no obligation to update or review them to reflect new events or circumstances except as required by applicable securities laws.

Forward-looking statements contained herein concerning the oil and gas industry and Prairie Provident'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 Prairie Provident believes to be reasonable. However, this data is inherently imprecise, although generally indicative of relative market positions, market shares and performance characteristics. While Prairie Provident 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.

Neither TSX nor its Regulation Services Provider (as that term is defined in policies of the TSX) accepts responsibility for the adequacy or accuracy of this release.

Oil and Gas Reader Advisories

<u>Potential Drilling Opportunities</u>. This news release refers to potential drilling opportunities. References in this news release to potential drilling opportunities are references to locations for which there are no attributed reserves or

resources, but which the Company internally estimates can be drilled based on current land holdings, industry practice regarding well density, and internal review of geologic, geophysical, seismic, engineering, production and resource information. There is no certainty that the Company will drill any particular locations, or that drilling activity on any locations will result in additional reserves, resources or production. Locations on which Prairie Provident in fact drills wells will ultimately depend upon the availability of capital, regulatory approvals, seasonal restrictions, commodity prices, costs, actual drilling results, additional reservoir information and other factors. There is a higher level of risk associated with locations that are potential drilling opportunities and not booked locations. Prairie Provident generally has less information about reservoir characteristics associated with locations that are potential drilling opportunities and, accordingly, there is greater uncertainty whether wells will ultimately be drilled in such locations and, if drilled, whether they will result in additional reserves, resources or production.