



News Release

Pine Cliff Energy Ltd. Announces Strategic Acquisition, Update on Fourth Quarter Drilling Program and New Demand Loan Facility

CALGARY, Alberta – (Newsfile Corp. – December 20, 2021) - Pine Cliff Energy Ltd. (“**Pine Cliff**” or the “**Company**”) (TSX: **PNE**) is pleased to announce that it has entered into a definitive agreement (the “**Agreement**”) to acquire all of the issued and outstanding common shares of a privately held oil and gas company for a cash purchase price of \$22.2 million, prior to working capital adjustments (the “**Acquisition**”). The Acquisition further consolidates Pine Cliff’s core Ghost Pine area and is expected to close on or before December 31, 2021 (the “**Closing Date**”). The Acquisition will be paid entirely with cash without the use of debt or issuance of equity.

Acquisition Highlights

The Acquisition will add approximately 1,900 Boe/d (approximately 71% natural gas, 23% crude oil and 6% natural gas liquids) of low decline production and 100% ownership in strategic crude oil and natural gas infrastructure that will lower Pine Cliff’s Ghost Pine area operating costs. Pine Cliff has also identified development drilling opportunities in the acquired assets which appear to be comparable to the Company’s recent Pekisko crude oil and Mannville natural gas drilling locations.

The Acquisition metrics are as follows:

Production ⁽¹⁾	\$11,605 per flowing Boe
Forecast adjusted funds flow multiple ⁽²⁾	1.7 times
PDP Reserve value at NPV 10 ⁽³⁾	\$41.5 million
2P Reserve value at NPV 10 ⁽³⁾	\$55.5 million

⁽¹⁾ Based on the November 2021 production month average.

⁽²⁾ Based on the estimated adjusted funds flow for the 12 months following the Closing Date, assuming a WTI crude oil price of US\$70.00 per Bbl, CAD/USD FX of 1.274, MSW differential of \$4.96 per Bbl and an AECO natural gas price of \$3.50 per Mcf. Readers are cautioned that this information may not be appropriate for other purposes. This is a non-GAAP measure, see “**Non-GAAP Measures**” for further information.

⁽³⁾ Based on an independent engineering reserve report dated October 1, 2021.

Strategic Rationale of the Acquisition

Pine Cliff has primarily grown by acquiring low decline and low operating cost assets in an ongoing effort to build a company that can return capital to its shareholders. The Acquisition is another one of those purchases, and has the added advantage of increasing Pine Cliff’s drilling inventory that can deliver economic rates of return at current commodity prices. The results of Pine Cliff’s recent development drilling program in 2021 added to the motivation to complete the Acquisition.

For further details on the Acquisition, please see the Company's most recent corporate presentation on its website found at <http://www.pinecliffenergy.com>.

With the combination of Pine Cliff's recent drilling results discussed below and the Acquisition, the Company expects to enter 2022 with production volumes exceeding 21,000 Boe/d, weighted 89% to natural gas. Pine Cliff believes that this increased production base and additional funds flow, combined with the ongoing strength of commodity prices, will permit Pine Cliff to implement a sustainable dividend model in the second half of 2022.

Update on Fourth Quarter Development Drilling Program

During the month of November, 2021, the Company's two gross (2.0 net) Pekisko wells drilled in the Ghost Pine area during the third quarter of 2021, averaged a combined 360 Boe/d (201 Bbls/d crude oil; 30 Bbls/d natural gas liquids and 776 Mcf/d of natural gas).

In November, Pine Cliff drilled and completed one gross (0.9 net) Mannville natural gas well in the Ghost Pine area that was tested and placed on production on December 11, 2021. Pine Cliff is evaluating the area for additional Mannville natural gas locations.

Pine Cliff also drilled two additional Pekisko oil wells (1.4 net) in December in the Ghost Pine area which are expected to be placed on production in early January, 2022.

Demand Loan Facility

Pine Cliff is also pleased to announce that it has entered into a demand loan facility (the "**Facility**") with Canadian Western Bank (the "**Lender**"), whereby the Lender will provide up to \$5.0 million of borrowings at an interest rate of Canadian Prime rate plus 2.0%. Amounts can be drawn, repaid, and redrawn by the Company at any time and amounts outstanding under the Facility are repayable on demand. The Facility, which is currently undrawn, is expected to assist with working capital management and is not required to fund the Acquisition.

About Pine Cliff

Pine Cliff is an oil and natural gas company with a long-term view of creating shareholder value. Further information relating to Pine Cliff may be found on www.sedar.com as well as on Pine Cliff's website at www.pinecliffenergy.com.

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Cautionary Statements

Certain statements contained in this news release include statements which contain words such as “anticipate”, “estimate”, “could”, “should”, “expect”, “seek”, “may”, “intend”, “likely”, “will”, “believe” and similar expressions, statements relating to matters that are not historical facts, and such statements of our beliefs, intentions and expectations about developments, results and events which will or may occur in the future, constitute “forward-looking information” within the meaning of applicable Canadian securities legislation and are based on certain assumptions and analysis made by us derived from our experience and perceptions. Forward-looking information in this news release includes, but is not limited to: future capital expenditures, including the amount, nature and completion thereof; future drilling opportunities and Pine Cliff’s ability to generate reserves and production from the undrilled locations; future production volumes and their effects on Pine Cliff’s operating costs; oil and natural gas prices and demand; expansion and other development trends of the oil and natural gas industry; business strategy and guidance; working capital management; expansion and growth of our business and operations; maintenance of existing customer, supplier and partner relationships; Pine Cliff’s dividend model; supply channels; accounting policies; risks; Pine Cliff’s ability to generate funds flow; and other such matters.

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 and interest 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; carbon emission reduction capabilities; the ability of oil and natural gas companies to raise capital; future capital expenditures; 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; the effects of COVID-19 on global crude oil demand and pricing; risks inherent in the ability to generate sufficient cash flow from operations 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.

Natural gas liquids and crude 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.

Abbreviations:

AECO: the natural gas storage facility in Alberta connected to TC Energy’s Alberta System

MSW; Mixed sweet blend, the benchmark in Canadian dollars for conventionally produced light sweet crude oil in Western Canada, also referred to Edmonton Par differential

WTI: West Texas Intermediate, the reference price paid in U.S. dollars at Cushing

All dollars referenced in this press release are Canadian dollars unless otherwise noted.

The forward-looking information contained in this news release is expressly qualified by this cautionary statement.

NON-GAAP Measures

This press release uses the terms “adjusted funds flow” and “adjusted funds flow multiple” 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 (loss) or 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. Adjusted funds flow multiple is a non-GAAP measure calculated as the purchase price of the Acquisition divided by the estimated adjusted funds flow for the 12 months from the Closing Date. Please refer to the Annual Report for additional details regarding non-GAAP measures and their calculation.

The TSX does not accept responsibility for the accuracy of this release.