



## Obsidian Energy Announces Acquisition of 45 Percent Partnership Interest in Peace River Oil Partnership, Up to \$22.5 Million Equity Issue and Preliminary Third Quarter 2021 Results

- *Acquisition to provide additional production and reserves, full operational and funding control*
- *Increased third quarter funds flow from operations from higher commodity prices and dedicated focus on managing cost structure*

CALGARY, November 2, 2021 - OBSIDIAN ENERGY LTD. (TSX – OBE, OTCQX – OBELF) (“**Obsidian Energy**”, the “**Company**”, “**we**”, “**us**” or “**our**”) is pleased to announce it has entered into a purchase and sale agreement (the “**Agreement**”) to acquire the remaining 45 percent partnership interest in the Peace River Oil Partnership (“**PROP**”) asset from our joint venture partner (the “**Vendor**”), through a wholly-owned subsidiary (the “**Acquisition**”). Total consideration paid will be \$43.5 million prior to closing adjustments with an effective date of July 1, 2021. The Acquisition will be funded by a combination of cash and, if necessary, Obsidian Energy common shares (“**Common Shares**”) issued to the Vendor.

“With this acquisition, we will have 100 percent interest and full operating and funding control of PROP”, said Stephen Loukas, Obsidian Energy’s Interim President and CEO. “This acquisition allows us to better execute future development programs in the area, maximize cost efficiencies and further optimize production. In addition, improved economic returns from higher oil prices makes future development of the Peace River area highly compelling, and allows us to access the depth of our existing inventory and the resource potential of this asset.”

The cash consideration for the Acquisition will be funded by a \$16.3 million limited-recourse loan secured by the 45 percent interest in PROP, which will be acquired pursuant to the Acquisition and proceeds from a new equity offering. The Company has filed and been receipted for a preliminary short form prospectus with the securities commissions in each of the provinces of Canada, other than Québec, in connection with a “best efforts” marketed equity offering of subscription receipts (“**Subscription Receipts**”) for minimum gross proceeds of \$12.5 million and maximum gross proceeds of \$22.5 million (the “**Offering**”). Final pricing of the Subscription Receipts offered under the Offering (the “**Offering Price**”) and the determination of the number of Subscription Receipts to be sold pursuant to the Offering will be determined in the context of the market prior to the filing of the amended and restated form prospectus in respect of the Offering. If the Company receives the maximum proceeds, no Common Shares will be issued to the Vendor. If the Company receives less than the maximum proceeds, the Vendor will receive Common Shares valued at the Offering Price in payment of the balance of the purchase price of \$43.5 million less customary adjustments payable at closing of the Acquisition; any Common Shares issued to the Vendor will be subject to a four-month hold period. The breakdown of the consideration payable at closing under the Agreement under the minimum and maximum Offering outcomes is as follows:

(\$ millions)	Minimum Equity Offering	Maximum Equity Offering
Purchase Price	\$43.5	\$43.5
Closing Adjustments <sup>1</sup>	(\$7.2)	(\$7.5)
<b>Consideration at Closing</b>	<b>\$36.3</b>	<b>\$36.0</b>
Limited-Recourse Debt Proceeds	\$16.0	\$16.0
Equity Proceeds for Closing <sup>2</sup>	\$11.6	\$20.0
Value of Shares issued to Vendor	\$8.7	Nil
<b>Consideration at Closing</b>	<b>\$36.3</b>	<b>\$36.0</b>

(1) Estimated closing adjustments assuming closing occurs on or before November 15, 2021. Closing adjustments are \$0.3 million lower if Common Shares are issued to Vendor.

(2) Prior to assuming the exercise of the Over-Allotment Option (as defined below).

## ACQUISITION HIGHLIGHTS

- Increases Obsidian Energy's ownership interest to 100 percent in PROP, resulting in full operational and funding control to efficiently execute the Company's development plan in the area. PROP's characteristics include:
  - A large, contiguous cold-flow heavy oil resource developed with multi-leg horizontal wells targeting the Bluesky formation
  - Resource upside potential from the emerging Clearwater formation oil play
- Adds approximately 2,400 boe/d of current production
- Adds the following reserves<sup>1</sup>:
  - Proved developed producing ("PDP") reserves of 3.497 million boe resulting in a purchase price of \$12.44/boe;
  - Proved ("1P") reserves of 4.760 million boe resulting in a purchase price of \$9.14/boe;
  - Proved plus probable ("2P") reserves by 6.746 million boe resulting in a purchase price of \$6.45/boe.
- Contributes a third quarter 2021 estimated netback of approximately \$37.00/boe
- Includes a decommissioning liability of approximately \$25.0 million on an undiscounted, uninflated basis with an asset liability rating of approximately 4.5 times

## ACQUISITION LIMITED-RECOURSE LOAN

Obsidian Energy has received a term sheet in respect of a \$16.3 million limited-recourse loan (the "Loan") with a Calgary-based institutional lender. The Loan will bear an interest rate of 10.5 percent, have security limited to the 45 percent partnership interest in PROP to be acquired by Obsidian Energy through a wholly owned subsidiary, and a maturity of December 31, 2022. Under the terms of the Loan, we are required to hedge our production, based on WTI, on the 45 percent of production acquired at the following levels:

- Fourth quarter 2021 (from closing date): 90 percent of net after royalty production,
- First quarter 2022: 80 percent net after royalty production,
- Second quarter 2022: 70 percent net after royalty production, and
- Third and fourth quarter 2022: 40 percent net after royalty production.

<sup>1</sup> All reserves data presented herein in respect of the acquired PROP interest is derived from the report prepared by Sproule Associated Limited dated October 29, 2021, where they evaluated the crude oil, natural gas and natural gas liquids reserves attributable to the PROP interest of the PROP assets and the net present value of future net revenue attributable to those reserves effective July 1, 2021 (the "Partnership Interest Reserves Report").

We expect the Loan to be repaid by the end of the third quarter of 2022 given the hedge profile and our ability to repay the Loan up to a maximum of approximately \$1.6 million per month without penalty from the acquired asset's free cash flow.

## PRELIMINARY THIRD QUARTER 2021 RESULTS

In association with the Acquisition, Obsidian Energy is providing preliminary unaudited third quarter 2021 results. The third quarter of 2021 benefitted from higher pricing for both oil and natural gas, which improved our funds flow from operations to approximately \$59.3 million or \$0.79 per basic per share. Our second half development program advanced quickly with capital expenditures of approximately \$45.1 million, drilling 11 (10.2 net) operated wells, which brought three (3.0 net) wells on production in the quarter. A further eight (7.2 net) wells were brought on production in October.

Net operating costs continued to improve, decreasing from \$13.71 per boe in the second quarter 2021 to \$13.28 per boe in the third quarter 2021. We maintained our strong G&A record with third quarter 2021 costs of approximately \$1.82 per boe, up slightly from \$1.69 per boe in the second quarter of 2021. Our strong well results and fourth quarter capital expenditure program have laid the foundation for production growth and positive results in the fourth quarter of 2021. The Company's net debt at September 30, 2021 is estimated to be \$428.1 million, comprised of \$340.0 million drawn against our \$440 million senior credit facility ("**Facility**"), \$58.9 million of senior notes and approximately a \$29.2 million working capital deficiency. Our Facility has been repaid by \$55 million since the beginning of the year, and we have \$95 million of available borrowing capacity at September 30, 2021. Obsidian Energy's full third quarter 2021 results are expected to be released on November 8, 2021.

## ACQUISITION SUMMARY AND PRO-FORMA 2021 GUIDANCE

<b>Acquisition Summary</b>		
Purchase Price	\$ millions	43.5
Total Net Consideration	\$ millions	36.0 – 36.3
Acquired Production (Q3/21)	boe/d	2,400
Netback (Q3/21)	\$/boe	37.00
Land	net acres	120,000
Drilling Locations (2P)	net booked	8
Reserves <sup>1</sup>		
PDP	MMboe	3.497
1P	MMboe	4.760
2P	MMboe	6.746
2P RLI	years	7.75
Total Decommissioning Liability	\$ millions	25.0

(1) "**Reserve Life Index**" or "**RLI**" is calculated by dividing reserves volumes by estimated production from the Partnership Interest Reserves Report. RLIs are not necessarily comparable between different issuers as there may be variation in calculation methodology. Management views RLI as a useful measure of the length of time the reserves would be produced at the estimated rate of production. See "*Oil and Gas Metrics*" in Advisories.

The following table summarizes Obsidian's pro-forma guidance for 2021 after giving effect to the Acquisition, assuming that the Acquisition closes in the first half of November 2021 and based on the preliminary unaudited third quarter and nine-month 2021 results set out in the table below. Using the mid-point of our post-acquisition guidance, we expect fourth quarter 2021 production to average approximately 26,730 boe/d, generating funds flow from operations of approximately \$88 million.

		Preliminary Unaudited Third Quarter 2021 Results	Preliminary Unaudited Nine Month 2021 Results	2021E Post-Acquisition Guidance
Production <sup>1</sup>	boe/d	24,164	24,017	24,600 – 24,800
% Oil and NGLs	%	63%	64%	64%
Capital Expenditures <sup>2</sup>	\$ millions	45.1	96.1	141 - 143
Decommissioning Expenditures <sup>3</sup>	\$ millions	1.6	5.4	8
Net Operating Costs	\$/boe	13.28	13.50	12.95 – 13.15
General & Administrative	\$/boe	1.82	1.73	1.70 – 1.80
<b>Based on midpoint of above guidance</b>				
WTI Range	US\$/bbl	70.56	64.87	75.00 – 80.00
Funds Flow from Operations <sup>4, 5, 6</sup>	\$ millions	59.3	137.9	223 – 228
Free Cash Flow <sup>2, 4, 5, 6</sup>	\$ millions	12.6	36.4	72 – 77
Net Debt	\$ millions	428.1	428.1	404 – 409

(1) Mid-point of guidance range: 10,660 bbl/d light oil, 2,900 bbl/d heavy oil, 2,205 bbl/d NGLs and 53.6 mmcf/d natural gas.

(2) Includes capital cost updates for PROP Q4 drilling at 100% OBE.

(3) Decommissioning expenditures do not include grants and allocations to be utilized by the Company under the ASRP.

(4) Includes approximately \$15 million of estimated charges for full year 2021 related to the deferred share units, preferred share units and non-treasury incentive plan cash compensation amounts which are based on the Company's closing share price on September 30, 2021 of \$4.51 per share. The charge is primarily due to the Company's increased share price in 2021 compared to the closing price on December 31, 2020 of \$0.87 per share.

(5) Includes actual WTI and natural gas prices for the first nine months of 2021. Pricing assumptions outlined are forecasted for the fourth quarter of 2021. Risk management (hedging) adjustments incorporated into 2021 guidance as at October 26, 2021.

(6) Includes actual AECO prices for the first nine months of 2021 and AECO forward strip pricing as of October 26, 2021.

## ACQUISITION DETAILS

Pursuant to the Agreement, Obsidian Energy will acquire the remaining 45 percent interest in PROP for aggregate consideration of \$43.5 million, prior to closing adjustments, which are anticipated to reduce the consideration payable at closing to approximately \$36 million.

### *The Equity Offering*

The Offering is being conducted by lead agents and joint bookrunners, Raymond James Ltd. and Stifel Nicolaus Canada Inc. (the "**Agents**"). The Agents propose to sell, on a "best-efforts" marketed basis, Subscription Receipts at the Offering Price for minimum gross proceeds of \$12.5 million and maximum gross proceeds of \$22.5 million, prior to the exercise of any Over-Allotment Option (defined below). The Offering is subject to customary closing conditions, including, but not limited to, the execution of an agency agreement and the receipt of all necessary regulatory approvals, including the approval of the securities regulatory authorities and the Toronto Stock Exchange. The net proceeds from the Offering will be used to repay and permanently reduce on a pro rata basis the non-revolving term loan of the Company's Facility and our Senior Notes. Funds will subsequently be redrawn from the revolving term loan of the Facility and loaned to the wholly-owned entity of Obsidian Energy to fund the Acquisition. In connection with the closing of the Acquisition, the Company has agreed to certain amendments to the Facility as outlined below.

The Company has granted the Agents an option (the "**Over-Allotment Option**") to offer and sell that numbers of additional Subscription Receipts as is equal to 15 percent of the aggregate number of Subscription Receipts sold under the Offering on the same terms and conditions as the Offering. The Over-Allotment Option is exercisable at any time for a period of 30 days after the closing of the Offering.

The Subscription Receipts will be offered in all Canadian provinces, excluding Québec, by way of a short form prospectus, and in the United States on a private placement basis to a limited number of "accredited investors" pursuant to the registration exemption provided by Rule 506(b) of Regulation D under the *United States Securities Act of 1933*, as amended (the "**U.S. Securities Act**").

The gross proceeds from the sale of Subscription Receipts pursuant to the Offering will be held in escrow pending the completion of the Acquisition. If all conditions to the completion of the Acquisition are satisfied or waived (other than funding the portion of the purchase price therefor to be financed with the net proceeds of the Offering) and Obsidian Energy has confirmed the same to the Agents before 5:00 p.m. (Calgary time) on December 31, 2021, the net proceeds from the sale of the Subscription Receipts will be released from escrow to Obsidian Energy, and each Subscription Receipt will automatically be exchanged for one Common Share for no additional consideration and without any action on the part of the holder. If: (i) the Acquisition is not completed at or before 5:00 p.m. (Calgary time) on December 31, 2021; (ii) the Agreement is terminated in accordance with its terms; or (iii) the Company advises the Agents or formally announces to the public by way of a news release or otherwise that it does not intend to proceed with the Acquisition then the purchase price for the Subscription Receipts will be returned pro rata to subscribers, together with a pro rata portion of interest earned on the escrowed funds. There can be no assurance as to whether or when the Offering may be completed, or as to the actual size or terms of the Offering.

The Offering is expected to close during the week of November 15, 2021.

No securities regulatory authority has either approved or disapproved of the contents of this news release. The Subscription Receipts and underlying Common Shares, have not been and will not be registered under the U.S. Securities Act or any state securities laws. Accordingly, the securities described herein may not be offered or sold within the "United States" unless registered under the U.S. Securities Act and applicable state securities laws or pursuant to exemptions from such registration requirements. This news release does not constitute an offer to sell or a solicitation of an offer to buy any securities of Obsidian Energy in any jurisdiction in which such offer, solicitation or sale would be unlawful.

### **Senior Credit Facility and Senior Notes**

In connection with the closing of the Acquisition, the Company has agreed with our syndicate of bank lenders to certain required consents and amendments to our Facility. The Company also agreed with our lenders to reduce the outstanding obligations under the Facility in aggregate by \$25.0 million through a repayment of outstanding amounts under the non-revolving term facility with the net proceeds from the Offering (less the pro rata amount of such proceeds repayable to the holders of the Senior Notes), with the amount of any shortfall being funded by way of a draw under the revolving facility. Pro forma our September 30, 2021 Facility balance, we estimate we will have approximately \$70 million of available borrowing capacity under the Facility post-closing of the Acquisition. All other material terms of the Facility remain the same with the next borrowing base redetermination scheduled for November 30, 2021 and a term out date of November 30, 2022. At December 31, 2021, the Facility commitment amount will be reduced such that the Company will begin 2022 with \$35 million of available capacity under the Facility as previously disclosed.

The Company has agreed with holders of our Senior Notes to corresponding and substantively the same consents and amendments as approved by its syndicate of lenders in connection with the closing of the Acquisition.

At the closing of the Acquisition, the Company will also repay approximately \$3.3 million of the Senior Notes, which will leave approximately US\$43.7 million outstanding with a maturity date of November 30, 2022. In 2022, we plan to refinance our debt structure with the objective of incorporating senior and subordinated debt in the structure in order to provide the Company a stable capital source that provides operational liquidity and a longer-term maturity profile.

## ADDITIONAL READER ADVISORIES

### PRELIMINARY FINANCIAL INFORMATION

The Company's expectations for its Net Operating Costs, general and administrative expenses, capital expenditures, decommissioning expenditures, Funds Flow from Operations, Free Cash Flow and Net Debt (see "*Non-GAAP Financial Measures*") following completion of the Acquisition are based on, among other things, Obsidian Energy's anticipated financial results for the three and nine months ended September 30, 2021 and for the three months and year ending December 31, 2021. The Company's anticipated financial results are unaudited and preliminary estimates that: (i) represent the most current information available to management as of the date of hereof; (ii) are subject to completion of interim review procedures that could result in significant changes to the estimated amounts; and (iii) do not present all information necessary for an understanding of the Company's financial condition as of, and the Company's results of operations for such periods. The anticipated financial results are subject to the same limitations and risks as discussed under "*Forward Looking Statements*" below. Accordingly, Obsidian Energy's anticipated financial results for such periods may change upon the completion and approval of the financial statements for such periods and the changes could be material.

### OIL AND GAS METRICS

This news release contains certain oil and gas metrics, including Reserve Life Index or "**RLI**", which do not have standardized meanings or standard methods of calculation. Therefore such measures may not be comparable to similar measures used by other companies and should not be used to make comparisons. Such metrics have been included herein to provide readers with additional measures to evaluate the Company's performance; however, such measures are not reliable indicators of the future performance of the Company and future performance may not compare to the performance in previous periods, and therefore such metrics should not be unduly relied upon.

### BARREL OF OIL EQUIVALENCY

Barrels of oil equivalent ("**boe**") may be misleading, particularly if used in isolation. A boe conversion ratio of six thousand cubic feet of natural gas to one barrel of crude oil is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. 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 conversion ratio of 6:1, utilizing a conversion on a 6:1 basis is misleading as an indication of value. Boe/d means barrels of oil equivalent per day.

### ABBREVIATIONS

#### Oil

bbl	barrel or barrels
bbl/d	barrels per day
boe	barrel of oil equivalent
boe/d	barrels of oil equivalent per day
MMboe	million barrels of oil equivalent
WCS	Western Canadian Select
WTI	West Texas Intermediate

#### Natural Gas

mcf	thousand cubic feet
mcf/d	thousand cubic feet per day
mmcf/d	million cubic feet per day
AECO	Alberta benchmark price for natural gas

### OIL AND GAS ADVISORIES

The recovery and reserve estimates of reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered.

Certain information in this document may constitute “analogous information” as defined in National Instrument 51-101 – *Standards of Oil and Gas Disclosure* (“**NI 51-101**”), including but not limited to, information relating to the areas in geographical proximity to lands that are or may be held by Obsidian Energy. Such information has been obtained from government sources, regulatory agencies or third parties which source the same from government sources or regulatory agencies. Obsidian Energy believes the information is relevant as it helps to define the reservoir characteristics in which Obsidian Energy may hold an interest. Obsidian Energy is unable to confirm that the analogous information was prepared by a qualified reserves evaluator or auditor. Such information is not an estimate of the reserves or resources attributable to lands held or potentially to be held by Obsidian Energy and there is no certainty that the reservoir data and economics information for the lands held or potentially to be held by Obsidian Energy will be similar to the information presented herein. The reader is cautioned that the data relied upon by Obsidian Energy may be in error and/or may not be analogous to such lands to be held by Obsidian Energy.

References to light oil, NGLs or natural gas production in this news release refer to the light and medium crude oil, natural gas liquids and conventional natural gas product types, respectively, as defined in NI-51-101.

## DRILLING LOCATIONS

This news release discloses proved and probable drilling inventory derived from Partnership Interest Reserves Report and account for drilling locations that have associated proved and probable reserves. The drilling locations considered for future development will ultimately depend upon the availability of capital, regulatory approvals, seasonal restrictions, oil and natural gas prices, costs, actual drilling results, additional reservoir information that is obtained and other factors.

## UNDERLYING ASSUMPTIONS

The material budget and underlying assumptions used by the Company in preparation of its pro-forma guidance for 2021 after giving effect to the Acquisition are as follows:

		<b>2021E Post-Acquisition<sup>1</sup></b>
WTI <sup>2</sup>	US\$/bbl	75.00 – 80.00
NGL Price <sup>2</sup>	\$/boe	60.00 – 63.50
AECO <sup>4</sup>	\$/GJ	5.41
Foreign Exchange Rate	CDN\$/US\$	1.25
Production	boe/d	24,600 – 24,800
Royalties	\$/boe	5.32 – 5.55
Net Operating Costs	\$/boe	12.95 – 13.15
Transportation	\$/boe	2.23
Interest	\$/boe	3.30
General and Administrative	\$/boe	1.70 – 1.80
Hedging gain (loss) <sup>3</sup>	\$/boe	(1.17) – (1.51)
Capital Expenditures	\$ millions	141 – 143
Decommissioning Expenditures	\$ millions	8
Net Debt	\$ millions	404 – 409
Funds Flow from Operations	\$ millions	223 – 228
Free Cash Flow	\$ millions	72 – 77

(1) Assumes the Acquisition closes on November 15, 2021.

(2) Includes actual WTI/NGL prices for the first nine months of 2021. Pricing assumptions outlined are forecasted for the fourth quarter of 2021.

(3) Risk management (hedging) adjustments incorporated into 2021 guidance as at October 26, 2021. Includes estimate of required financial hedge of 90% of net after royalty oil volumes from new wholly owned OBE subsidiary owning net 45% of PROP from November 15, 2021 to December 31, 2021.

(4) Includes actual AECO prices for the first nine months of 2021 and AECO forward strip pricing as shown in the Table as of October 26, 2021 for the fourth quarter of 2021.

## PRODUCTION BREAKDOWN BY PRODUCT TYPE

Disclosure of production on a per boe basis in this news release consists of the constituent product types as defined in NI-51-101 and their respective quantities disclosed in the table below:

	Light and Medium Crude Oil (bbls/d)	Heavy Oil (bbls/d)	NGLs (boe/d)	Conventional Natural Gas (MMcf/d)	Total (boe/d)
Preliminary Unaudited Third Quarter 2021 Results	10,314	2,688	2,213	54	24,164
Preliminary Unaudited Nine-Month 2021 Results	10,389	2,712	2,144	53	24,017
Acquired Production (Third Quarter 2021)	-	2,004	2	3	2,434
Fourth Quarter 2021 Estimate Post-Acquisition <sup>1</sup>	11,465	3,465	2,390	57	26,730
2021E Post-Acquisition <sup>1</sup>	10,660	2,900	2,205	54	24,700

(1) With respect to forward-looking production guidance, product type breakdown is based upon management's expectations based on reasonable assumptions but are subject to variability based on actual well results.

## UNITED STATES ADVISORY

This news release does not represent an offer of securities for sale in the United States. Any such securities may not be offered or sold in the United States absent registration or an available exemption from the registration requirements of the *U.S. Securities Act of 1933*, as amended (the "**U.S. Securities Act**") and applicable U.S. state securities laws. Obsidian Energy will not make any public offering of securities in the United States. This news release shall not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities, in any jurisdiction in which such offer, solicitation or sale would be unlawful.

## FUTURE-ORIENTED FINANCIAL INFORMATION

This news release contains future-oriented financial information ("**FOFI**") and financial outlook information relating to the Company's prospective results of operations, operating costs, expenditures, production, Funds Flow from Operations, Free Cash Flow, and Net Debt, in each case for the three and nine months ended September 30, 2021 and for the three months and year ending December 31, 2021, which are subject to the same assumptions, risk factors, limitations, and qualifications as set forth below under "*Forward-Looking Statements*". The Company's actual results, performance or achievement could differ materially from those expressed in, or implied by, such FOFI, or if any of them do so, what benefits the Company will derive therefrom. The Company has included this FOFI in order to provide readers with a more complete perspective on the Company's business following the completion of the Acquisition and such information may not be appropriate for other purposes. This FOFI is prepared as of the date of this news release.

## NON-GAAP MEASURES

Included in this news release are references to terms "Funds Flow from Operations", "Free Cash Flow", "Netback", "Net Debt" and "Net Operating Costs" which do not have a standardized meaning prescribed by International Financial Reporting Standards ("**IFRS**") and therefore may not be comparable with the calculation of similar measures by other companies. These non-GAAP measures are described and defined in the management's discussion and analysis dated July 29, 2021 for the three and six months ended June 30, 2021 (the "**Interim MD&A**"), as summarized below. See the Interim MD&A for additional information including rationale for use of such measures and reconciliations to the nearest IFRS measure, as applicable.



**“Free Cash Flow”** is calculated as funds flow from operations less both capital and decommissioning expenditures.

**“Funds Flow from Operations”** is cash flow from operating activities before changes in non-cash working capital, decommissioning expenditures, onerous office lease settlements, the effects of financing related transactions from foreign exchange contracts and debt repayments, restructuring charges, transaction costs and certain other expenses and is representative of cash related to continuing operations. Funds flow from operations is used to assess the Company's ability to fund its planned capital programs.

**“Netback”** is the per unit of production amount of revenue less royalties, net operating expenses, transportation expenses and realized risk management gains and losses, and is used in capital allocation decisions and to economically rank projects.

**“Net Debt”** is the total of long-term debt and working capital deficiency and is used by the Company to assess our liquidity.

**“Net Operating Costs”** are calculated by deducting processing income and road use recoveries from operating costs and is used to assess the Company's cost position.

## **FORWARD-LOOKING STATEMENTS**

Certain statements contained in this news release constitute forward-looking statements. These statements relate to future events or future performance. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as “seek”, “anticipate”, “plan”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “predict”, “potential”, “targeting”, “intend”, “could”, “might”, “should”, “believe” and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Obsidian Energy believes the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this news release should not be unduly relied upon. These statements speak only as of the date of this news release.

This news release contains, without limitation, forward-looking statements pertaining to the following: the anticipated closing date of the Acquisition; the expected terms and conditions of the Acquisition; the total aggregate purchase price of the Acquisition; the expected sources of funding for the Acquisition; statements with respect to the Company's strategy; the Company's expectations regarding prospective results of operations, operating costs, expenditures, production, Funds Flow from Operations, Free Cash Flow, Netback, Net Operating Costs and Net Debt; the reserves associated with the assets underlying the 45 percent partnership interest in PROP; the expected attributes and benefits to be derived by Obsidian Energy pursuant to the Acquisition; the expected amount to be repaid under the Facility and the Senior Notes; the expected timeline for repayment of the Loan; the Acquisition summary and pro-forma 2021 guidance after giving effect to the Acquisition; the anticipated closing date of the Offering; the anticipated uses of the net proceeds from the Offering; the expected draw on the revolving term loan of the Facility to fund the Acquisition; the anticipated jurisdictions in which subscription receipts will be offered; the estimated available borrowing capacity under the Facility following the closing of the Acquisition; the anticipated reduction of the Facility commitment amount and corresponding capacity under the Facility at the beginning of 2022; the anticipated repayment under the Senior Notes and the amounts remaining thereunder; the anticipated restructuring of the Company's long term debt; and the future-oriented financial information identified above under *“Future-Oriented Financial Information”*.

With respect to forward-looking statements contained in this news release, Obsidian Energy has made assumptions regarding, among other things: the Company's ability to close the Offering, the Loan, the amendments to the Facility, the amendments to the Senior Notes and the Acquisition, including the transactions and financings contemplated thereby, on a timely basis and on the terms expected; the assumptions set forth above under *“Underlying Assumptions”*; fulfillment by the Agents in respect of the of

their obligations pursuant to the agency agreement and the entering into thereof; the Company's ability to repay the Loan each month and in the amounts anticipated; the satisfaction of all conditions to the completion of the Acquisition or the waiver thereof; the receipt of all required regulatory approvals in respect of the Offering; the anticipated closing adjustments to be applied to the Acquisition purchase price; the timing of the Acquisition and the Offering; commodity prices; availability of skilled labour; timing and amount of future capital expenditures; future exchange and interest rates; future oil and natural gas production rates; the ability of Obsidian Energy to use its current tax pools and attributes in the future and that the use of such tax pools and attributes will not be successfully challenged by any taxing authority; the impact of increasing competition; conditions in general economic and financial markets; access to capital; availability of drilling and related equipment; effects of regulation by governmental agencies; royalty rates and future operating costs.

Some of the risks that could affect the Company's future results and could cause actual results to differ materially from those expressed in the forward-looking statements include: the continuing impact of COVID-19 and developments related to the variants thereof on economic activity and demand for oil and natural gas; volatility in market prices for oil and natural gas; incorrect assumptions associated with the location and pace of development on the assets of PROP; liabilities inherent in oil and natural gas operations; uncertainties associated with estimating oil and natural gas reserves; competition for, among other things, capital, acquisitions of royalty reserves, undeveloped lands and skilled personnel; incorrect assessments of the value of acquisitions, including the Acquisition; risks related to the environment and changing environmental laws, such as, carbon tax and methane emissions regulations; geological, technical, drilling, and processing problems; currency exchange rate, fluctuations; changes in income tax laws or changes in tax laws and incentive programs relating to the oil and gas industry; and the inability of the Company to complete some or all of the financings required to fund the purchase price for the Acquisition (on acceptable terms or at all) or to satisfy all of the conditions to closing the Acquisition.

Readers are cautioned that the foregoing lists of factors are not exhaustive. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking information. Obsidian Energy gives no assurance that any of the events anticipated will transpire or occur, or if any of them do, what benefits Obsidian Energy will derive from them. To the extent any guidance or forward-looking statements herein constitute a financial outlook, they are included herein to provide readers with an understanding of management's plans and assumptions for budgeting purposes and readers are cautioned that the information may not be appropriate for other purposes. The forward-looking statements contained in this news release are expressly qualified by this cautionary statement. Except as required by law, the Company does not undertake any obligation to publicly update or revise any forward-looking statements. Readers should also carefully consider the matters discussed under the heading "*Risk Factors*" in Obsidian Energy's annual information form for the year ended December 31, 2020, which is available under Obsidian Energy's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

Obsidian Energy shares are listed on both the Toronto Stock Exchange in Canada and the OTCQX Market in the United States under the symbol "OBE" and "OBELF" respectively.

All figures are in Canadian dollars unless otherwise stated.

## Contact

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