



## LNG Energy Group Reiterates Value Proposition and Announces Financing and Process to Review Strategic Initiatives

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### **Highlights:**

- LNG Energy Group announces initiatives to increase production at Colombian operations, optimize costs and enhance its liquidity position.
- LNG Energy Group proposes senior secured convertible debenture financing of up to U.S.\$15 million in order to accelerate drilling in Colombia.
- Before-tax NPV10 for Proved (1P) reserves of **U.S.\$171 million** representing NPV10 of **C\$1.55 per share** in respect of the Colombian assets as at December 31, 2023.<sup>1</sup>
- Before-tax NPV10 for Proved (1P) reserves of **U.S.\$261 million** representing NPV10 of **C\$2.37 per share** in respect of assets related to CPPs in Venezuela as at April 30, 2024.<sup>2</sup>
- Existing assets include three drilling rigs and other non-core assets appraised at approximately **U.S.\$11 million**.

TORONTO, Dec. 04, 2024 -- LNG Energy Group Corp. (TSXV: LNGE) (TSXV: LNGE.WT) (OTCQB: LNGNF) (FWB: E26) (the "**Company**" or "**LNG Energy Group**") is pleased to announce a private placement of senior secured convertible debentures in the amount of up to U.S.\$15 million ("**Private Placement**") in order to drill two development wells, two to three exploration wells and conduct an active workover and stimulation campaign in Colombia.

The Private Placement is undertaken in the context of a broader strategic review process the Company is conducting with the authorization of its Board of Directors, to explore and evaluate a range of potential alternatives for the Company to maximize shareholder value, with the assistance of ECM Capital Advisors, Eight Capital and Haywood Securities Inc. The potential initiatives may include, but are not limited to financings, corporate reorganization, strategic partnerships, acquisitions, divestitures and/or farm-outs, sale, and other forms of business combination.

Pablo Navarro, Chairman and Chief Executive Officer of LNG Energy Group commented, "It has been a challenging year. Many issues have arisen with which we are dealing. Changes are being made and solutions are being implemented. Bottom line, the asset base is exceptional, and the future is bright. The turnaround is working, and we will work relentlessly to catapult the trajectory of the Company through a series of strategic initiatives that should ultimately contribute to meeting Colombia's need for natural gas."

### **Strategic Initiatives**

#### ***Drilling Campaign***

Upon a successful Private Placement, farm-out and/or JV Contribution (as defined herein), the Company will commence a drilling and recompletion campaign in Colombia.

#### ***Chemical Stimulations***

The Company completed successfully the workover of the BN-1 well consisting of a chemical stimulation that increased the well's production by approximately 3x, offsetting losses caused by the presence of asphaltenes, fines and residues from drilling fluids.

Prior to the stimulation, the well was producing at an average production of approximately 112 Mcf/d with a WHP of 72 psi on a 36/64" choke. Initial results of the stimulation showed an immediate production increase to 822 Mcf/d with a WHP of 328 psi on a 26/64" choke. The well is currently producing 350 Mcf/d with 114 psi in WHP and on a 22/64" choke.

The Company intends to apply this technology to several other wells that also experienced a production decline due to the same root causes.

#### ***Costs Optimization***

In order to reduce costs, the Company has implemented a corporate reorganization initiative which is expected to result in savings of approximately \$1.5 to \$2.0 million per annum. The Company continues to review ways to optimize its business and operations, including strategic partnerships with vendors, and rationalization of suppliers, inventory optimization, and adjusting the organizational structure of the Company to the current production context.

## Capital Strengthening

The Company is in the process of farming out a part of its participating interest in the VIM-41 Block located onshore Colombia and pursuing a well development financing (the “**JV Contribution**”) to raise capital to initiate the drilling of the B5 well located onshore Colombia. Furthermore, the Company intends to review options to optimize cash flow available for drilling vis a vis its financial obligations.

## Secured Convertible Debenture Financing

In conjunction with its near-term development plans, the Company is pleased to announce that it has entered into an agreement with Eight Capital, as lead agent and bookrunner, on behalf of a syndicate of agents including Eight Capital, Haywood Securities Inc. and ECM Capital Advisors, (together, the “**Agents**”) pursuant to which the Company has launched a proposed Private Placement on a “best efforts” agency basis in the aggregate principal amount of up to U.S.\$15 million (the “**Offering**”) senior secured convertible debentures (the “**Convertible Debentures**”) to eligible investors.

The terms and any applicable conditions precedent for the Convertible Debentures will be defined within the context of the market and should present a competitive opportunity for investors while unlocking shareholder value.

Upon closing of the Offering, the Company will pay to the Agents a cash commission equal to 6% of the gross proceeds of the Offering. The Company is entitled to a President’s List in the amount of up to U.S.\$2 million pursuant to which no fees shall be paid to the Agents.

The net proceeds of the Offering will be primarily used for the Company’s next phase of drilling, workover and stimulation activities as well as for general working capital purposes.

The Company expects that insiders and current stakeholders will participate in the Offering and, to date, has received interest from potential investors in the Offering.

The insiders’ participation in the Offering constitutes a “related party transaction” as defined under Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* (“**MI 61-101**”). Such participation is exempt from the formal valuation and minority shareholder approval requirements of MI 61-101 as neither the fair market value of the securities anticipated to be acquired by insiders, nor the consideration for the securities paid by such insiders, exceed 25% of the Company’s market capitalization. As the specific participation of each related party that the Company expects will participate in the Offering has not been confirmed as of the date of this news release, additional information required under MI 61-101 will be provided in the Company’s material change report with respect to the Offering, including a description of the interest of all related parties in the Offering, and where applicable, a description of the effect on the percentage of the securities of the Company held by related parties participating.

The securities being offered have not, nor will they be registered under the United States Securities Act of 1933, as amended, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons in the absence of U.S. registration or an applicable exemption from the U.S. registration requirements. This news release does not constitute an offer for sale of securities in the United States. The Offering is scheduled to close at a date the Company and the Agents deem appropriate and is subject to certain conditions including, but not limited to, the execution of an agency agreement and the receipt of all necessary regulatory and other approvals including that of the TSX Venture Exchange. All securities (and underlying securities) issued in connection with the Offering will be subject to a hold period of four months plus a day from the date of issuance in accordance with applicable securities legislation.

## Other Initiatives

The Board of Directors, in consultation with its legal and business advisors, are actively considering other initiatives to enhance shareholder value. The Company may initiate a share consolidation or other capital reorganizations. Certain of the foregoing initiatives may require approval from the Company’s senior lenders.

## Existing Asset Base

The Company’s current assets consist of the following:

Country	Asset	Value (U.S.\$MMs)	Value Per Share (C\$) <sup>(1)</sup>
Colombia	Oil and Gas <sup>(2)</sup>	\$171	\$1.55
Colombia	Rigs	\$8	\$0.07
Venezuela	CPPs <sup>(3)</sup>	\$261	\$2.37
<b>Totals</b>		<b>\$440</b>	<b>\$3.99</b>

<sup>(1)</sup> Based upon a U.S.\$ to C\$ exchange rate of 1.00 : 1.41.

<sup>(2)</sup> Calculated by dividing the Before-Tax NPV10 value of the Proved reserves as at December 31, 2023 by 155,534,426 common shares issued and outstanding as at December 31, 2023 and using a U.S.\$:C\$ exchange rate of \$1.41. The per share valuation excludes the value of the Company’s non-oil and gas assets and net indebtedness.

<sup>(3)</sup> Calculated by dividing the Before-Tax NPV10 value of the Proved reserves as at October 29, 2024 by 155,534,426 common shares issued and outstanding as at October 29, 2024 and using a U.S.\$:C\$ exchange rate of \$1.41. Please see the

Company's news release dated November 25, 2024 for more information. The per share valuation excludes the value of the Company's non-oil and gas assets and net indebtedness.

**Neither the TSXV nor its Regulation Services Provider accept responsibility for the adequacy or accuracy of this news release.**

## **About LNG Energy Group**

The Company is focused on the acquisition and development of natural gas production and exploration assets in Latin America. For more information, please visit [www.lngenergygroup.com](http://www.lngenergygroup.com).

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## **CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS:**

*This news release contains "forward-looking information" and "forward-looking statements" (collectively, "forward-looking statements") within the meaning of applicable Canadian securities laws. All statements other than statements of historical fact are forward-looking statements, and are based on expectations, estimates and projections as at the date of this news release. Any statement that involves discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions, future events or performance, often using phrases such as "expects", "anticipates", "plans", "budget", "scheduled", "forecasts", "estimates", "believes" or "intends", or variations of such words and phrases, or stating that certain actions, events or results "may" or "could", "would", "should", "might" or "will" be taken to occur or be achieved, are not statements of historical fact and may be forward-looking statements.*

*Specifically, this news release includes, but is not limited to, forward-looking statements relating to: the Company's business plans, strategies, priorities and development plans, including the strategic initiatives being considered by the Company and the corporate reorganization and anticipated annual savings therefrom; the application of the stimulation technology used for the BN-1 well workover on other wells of the Company; the anticipated benefits of the completion of various strategic initiatives being considered by the Company; the completion of the JV Contribution and completion of other options to optimize cash flow; the ability of the Company to book additional reserves in the future; the completion of the Offering; receipt of all regulatory approvals, including the approval of the TSXV, in connection with the Offering; the anticipated insider participation in the Offering; and the anticipated use of proceeds from the Offering. The Company's actual decisions, activities, results, performance, or achievement could differ materially from those expressed in, or implied by, such forward-looking statements and accordingly, no assurances can be given that any of the events anticipated by the forward-looking statements will transpire or occur or, if any of them do, what benefits that the Company will derive from them.*

*Information and statements relating to reserves are by their nature forward-looking statements as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described exist in the quantities predicted or estimated, and can be profitably produced in the future. The recovery and reserve estimates of the Company's reserves provided herein are estimates only, and there is no guarantee that the estimated reserves will be recovered. Consequently, actual results may differ materially from those anticipated in the forward-looking statements (see the other advisories contained in this news release).*

*Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable, are subject to known and unknown risks, uncertainties and other factors which may cause actual results and future events to differ materially from those expressed or implied by such forward-looking statements. Such factors include: the Company's ability to complete the Offering on the terms described herein or at all or to access sufficient capital from internal and external sources, and/or inability to access sufficient capital on favourable terms; and the delay or failure to receive regulatory or other approvals, including any approvals of the TSXV and the Company's senior lenders, for the Offering; general business, economic, competitive, political and social uncertainties; risks related to the Company's ability to complete any of the proposed strategic initiatives described in this news release on the terms described herein or at all; risks related to commodity prices; delay or failure to receive any necessary board, shareholder or regulatory approvals, factors may occur which impede or prevent LNG Energy Group's future business plans; and other factors beyond the control of LNG Energy Group. The intended use of the proceeds of the Offering by the Company might change if the Board of Directors of the Company determines that it would be in the best interests of LNG Energy Group. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on the forward-looking statements contained in this news release. Except as required by law, LNG Energy Group assumes no obligation to update the forward-looking statements, whether they change as a result of new information, future events or otherwise.*

Please see the Company's news releases dated April 24, 2024 and October 21, 2024 for additional information with respect to the CPPs. There can be no guarantee that the Company or LNG Venezuela shall be able to complete the acquisition terms required by PPSA.

The CPPs were executed within the term of General License 44 issued by OFAC. The Company intends to operate in full compliance with the applicable U.S. economic sanctions laws.

### **Advisory Note Regarding Oil and Gas Information**

The reserves information contained in this news release has been prepared in accordance with NI 51-101, but only presents a portion of the disclosure required thereunder. Complete reserves disclosure required in accordance with NI 51-101 in respect of the Company's Colombian assets for the year ended December 31, 2023 is available in the AIF. Complete reserves disclosure required in accordance with NI 51-101 in respect of the Company's Venezuelan assets will be available on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca) concurrently with or before the filing of the Company's financial statements for the year ended December 31, 2024. Actual oil and natural gas reserves and future production may be greater than or less than the estimates provided in this news release. There is no assurance that forecast prices and costs assumed in the reserves reports referred to in this news release and presented in this news release, will be attained and variances from such forecast prices and costs could be material. The estimated future net revenue from the production of the disclosed oil and natural gas reserves in this news release does not represent the fair market value of these reserves.

The estimates of reserves and future net revenue for individual properties may not reflect the same confidence level as estimates of reserves and future net revenue for all properties, due to the effects of aggregation.

There are numerous uncertainties inherent in estimating quantities of crude oil, 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 and natural gas 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 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.

The Company'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. All evaluations and reviews of future net revenue are stated prior to any provisions for interest costs or general and administrative costs and after the deduction of estimated future capital expenditures for wells to which reserves have been assigned. The tax calculations used in the preparation of the reserves reports referred to in this news release are done at the field level in accordance with standard practice, and do not reflect the actual tax position at the corporate level which may be significantly different.

Definitions:	
1P	Proved reserves
Mcf	Thousand cubic feet
Mcf/d	Thousand cubic feet per day
NPV10	net present value using a 10% discount rate

**"Proved"** reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves. There is a 90 percent probability that the quantities actually recovered will equal or exceed the sum of proved reserves.

Light crude oil is crude oil with a relative density greater than 31.1 degrees API gravity, medium crude oil is crude oil with a relative density greater than 22.3 degrees API gravity and less than or equal to 31.1 degrees API gravity, and heavy crude oil is crude oil with a relative density greater than 10 degrees API gravity and less than or equal to 22.3 degrees API gravity.

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<sup>1</sup> Reserves included herein are stated on a company gross basis (working interest before deduction of royalties without including any royalty interests). Information presented herein in respect of reserves and related information in respect of the Company's Colombian assets is based on the Company's independent reserves evaluation for the year ended December 31, 2023 prepared by DeGolyer and MacNaughton, details of which were provided in the Company's annual information form dated May 31, 2024 for the year ended December 31, 2023 (the "AIF").

<sup>2</sup> Reserves included herein are stated on a company gross basis (working interest before deduction of royalties without including any royalty interests). Information presented herein in respect of reserves and related information in respect of the Company's Venezuela assets is based on the Company's independent reserves evaluation dated October 28, 2024, with an effective date of April 30, 2024 prepared by Petrotech Engineering Ltd., details of which were provided in our press release issued on November 25, 2024.