

A copy of this amended and restated preliminary short form prospectus has been filed with the securities regulatory authorities in each of the provinces of Canada other than the province of Québec, but has not yet become final for the purpose of the sale of securities. Information contained in this amended and restated preliminary short form prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the short form prospectus is obtained from the securities regulatory authorities.

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. These 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, accordingly, may not be offered or sold within the United States unless registered under the 1933 Act and applicable state securities laws or in certain transactions exempt from the registration requirements of the 1933 Act and applicable state securities laws. This short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of these securities within the United States or its territories or possessions. See "Plan of Distribution".

Information has been incorporated by reference in this short form prospectus from documents filed with the securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Corporate Secretary of Obsidian Energy Ltd., at 200, 207 – 9th Avenue SW Calgary, Alberta T2P 1K3, phone number (403) 218-8933, and are also available electronically at www.sedar.com.

New Issue

November 4, 2021

**AMENDED AND RESTATED PRELIMINARY SHORT FORM PROSPECTUS
Amending and Restating the Preliminary Prospectus dated November 2, 2021**



**Minimum Offering: \$12,500,000 (2,840,909 Subscription Receipts)
Maximum Offering: \$22,500,000 (5,113,636 Subscription Receipts)**

Obsidian Energy Ltd. ("**Obsidian Energy**" or the "**Corporation**") is hereby qualifying for distribution a minimum of 2,840,909 (the "**Minimum Offering**") and up to a maximum of 5,113,636 (the "**Maximum Offering**") subscription receipts (the "**Subscription Receipts**") at a price of \$4.40 per Subscription Receipt (the "**Offering**"), each of which will entitle the holder thereof to receive, upon the occurrence of the Release Time (as defined herein), and without payment of additional consideration or further action, one common share of the Corporation (a "**Common Share**").

The gross proceeds from the sale of the Subscription Receipts (the "**Escrowed Funds**") will be held by TSX Trust Company, as subscription receipt agent (the "**Subscription Receipt Agent**") and invested in approved investments set out in the Subscription Receipt Agreement (as defined herein), as directed in writing by Obsidian Energy, pending the fulfillment or waiver of all the Release Conditions (as defined herein) in respect of the Acquisition (as defined herein). See "*Recent Developments – The Acquisition*", "*Details of the Offering*", "*Use of Proceeds*", "*Plan of Distribution*" and "*Risk Factors*".

If the Release Conditions are satisfied prior to 5:00 p.m. (Mountain Standard Time) on December 31, 2021 (the "**Deadline**") and Obsidian Energy is able and prepared to complete the Acquisition, but for the release of the Escrowed Funds, Obsidian Energy will forthwith execute and deliver to the Subscription Receipt Agent and to Raymond James Ltd. ("**Raymond James**") and Stifel Nicolaus Canada Inc. ("**Stifel**" and, together with Raymond James, the "**Agents**"), an Acquisition Certificate (as defined herein) and will issue and deliver to the Subscription Receipt Agent (or otherwise authorize the issuance of) one Common Share for each Subscription Receipt then outstanding (subject to any applicable adjustment). The Common Shares will be available for delivery commencing on the second business day after the delivery of such Acquisition Certificate. The holders of Subscription Receipts will receive, without payment of any additional consideration or further action, one Common Share for each Subscription Receipt. Forthwith upon the Release Time occurring and the required Acquisition Certificate being delivered to the Subscription Receipt Agent, the Escrowed Funds will be released to Obsidian Energy (less any Escrowed Funds used to pay the remaining 50% of the

Agents' fee) or as it may otherwise direct to be used for the completion of the Acquisition. See "*Details of the Offering*", "*Use of Proceeds*", "*Plan of Distribution*" and "*Risk Factors*".

In the event that (i) the Release Time does not occur prior to the Deadline, (ii) Obsidian Energy advises the Agents in writing or discloses to the public that it no longer intends to proceed to complete the Acquisition prior to the Deadline or (iii) the PSA (as defined herein) is terminated prior to the Deadline (in any such case, a "**Termination**"), then the Subscription Receipt Agent will pay to each holder of Subscription Receipts, commencing at 5:00 p.m. (Mountain Standard Time) on the second business day following the date on which the Termination occurs (the "**Termination Date**"), an amount equal to the Termination Payment (as defined herein). See "*Details of the Offering*", "*Plan of Distribution*" and "*Risk Factors*".

The issued and outstanding Common Shares are listed on the Toronto Stock Exchange (the "**TSX**") under the symbol "OBE". On November 1, 2021, the last trading day before the date of the public announcement of the Offering, the closing price of the Common Shares on the TSX was \$5.18. On November 3, 2021, the last trading day before the date of this short form prospectus, the closing price of the Common Shares on the TSX was \$4.75. **There is no market through which the Subscription Receipts may be sold and purchasers may not be able to resell Subscription Receipts purchased under this prospectus. This may affect the pricing of the Subscription Receipts in the secondary market, the transparency and availability of trading prices, the liquidity of the Subscription Receipts and the extent of issuer regulation.** See "*Risk Factors*".

The offering price of \$4.40 per Subscription Receipt was determined by negotiation between the Corporation and the Agents, on a marketed basis.

Price: \$4.40 per Subscription Receipt

	Price to the Public	Agents' fee ⁽¹⁾	Net Proceeds to the Corporation ⁽²⁾
Per Subscription Receipt	\$4.40	\$0.264	\$4.136
Minimum Offering ⁽³⁾⁽⁴⁾	\$12,500,000	\$750,000	\$11,750,000
Maximum Offering ⁽⁴⁾	\$22,500,000	\$1,350,000	\$21,150,000

Notes:

- (1) One-half of the Agents' fee is payable at the closing of the Offering. The other one-half of the Agents' fee is payable only if the Acquisition is completed prior to the Termination Date and the required Acquisition Certificate has been delivered to the Subscription Receipt Agent and the Agents. See "*Plan of Distribution*". If a Termination occurs, the Agents' fee will be reduced to the amount payable upon closing of the Offering. For the purposes of this short form prospectus, the Agents' fee has been calculated on the basis of 6.0% for all sales, notwithstanding the fact that a reduced commission of 2.0% is payable in respect of sales to certain purchasers designated by Obsidian Energy on a president's list up to a maximum of \$1,500,000.
- (2) Net proceeds to the Corporation excludes any interest or income generated on the Escrowed Funds and are calculated before deducting the expenses of the Offering (estimated at \$400,000). The expenses, together with the 50% of the Agents' fee payable on the Closing Date (as defined herein), will be paid out of Obsidian Energy's general funds. If the Release Time occurs, the balance of the Agents' fee will be paid out of the gross proceeds of the Offering. See "*Plan of Distribution*".
- (3) Pursuant to the terms of the Agency Agreement, all subscription funds received from subscribers will be retained in trust by Raymond James until the Minimum Offering is obtained. Once the Minimum Offering has been obtained the sale of the Subscription Receipts shall be completed in accordance with the Agency Agreement.
- (4) The Corporation has also granted to the Agents an option (the "**Over-Allotment Option**") to offer and sell up to an additional 15% of the number of Subscription Receipts sold under the Offering at a price of \$4.40 per Subscription Receipt on the same terms and conditions as the Offering, exercisable from time to time, in whole or in part, at any time until the date that is 30 days after the closing of the Offering, to cover over-allotments, if any, and for market stabilization purposes. A purchaser who acquires Subscription Receipts forming part of the Over-Allotment Option acquires those Subscription Receipts under this short form prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. If the Minimum Offering is completed and the Over-Allotment Option is exercised in full, the total Offering, Agents' fee and net proceeds to the Corporation (before deducting expenses of the Offering) will be \$14,375,000, \$862,500 and \$13,512,500, respectively. If the Maximum Offering is completed and the Over-Allotment Option is exercised in full, the total Offering, Agents' fee and net proceeds to the Corporation (before deducting expenses of the Offering) will be \$25,875,000, \$1,552,500 and \$24,322,500, respectively. This short form prospectus also qualifies for distribution the issuance of Subscription Receipts pursuant to the exercise of the Over-Allotment Option. See "*Plan of Distribution*". In the event the Over-Allotment Option is exercised following the occurrence of the Release Time,

the exercise of the Over-Allotment Option at such time shall entitle the Agents to purchase Common Shares at a price of \$4.40 per Common Share.

The following table sets forth the number of Subscription Receipts that may be offered by the Corporation pursuant to the Over-Allotment Option.

<u>Agents' Position</u>	<u>Maximum size or number of securities held</u>	<u>Exercise period</u>	<u>Exercise price</u>
Over-Allotment Option		For a period commencing on closing of the Offering until	\$4.40 per Subscription Receipt
Minimum Offering	426,136 Subscription Receipts	30 days after the closing of	
Maximum Offering	767,045 Subscription Receipts	the Offering	

The Offering is not underwritten or guaranteed by any person. The Offering is being conducted on a 'best efforts' agency basis by the Agents who will conditionally offer the Subscription Receipts in the provinces of Canada other than Québec, subject to prior sale, if, as and when issued by the Corporation and accepted by the Agents in accordance with the conditions to be contained in the Agency Agreement (as defined herein) referred to under "*Plan of Distribution*" and subject to approval of certain legal matters relating to the Offering on behalf of the Corporation by Burnet, Duckworth & Palmer LLP and on behalf of the Agents by Torys LLP. The Corporation has been advised by the Agents that, in connection with the Offering, the Agents may effect transactions that stabilize or maintain the market price of the Subscription Receipts or the Common Shares at levels other than those that might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time. See "*Plan of Distribution*".

An investment in the securities offered hereunder is speculative and involves a high degree of risk. The risk factors identified under the heading "*Risk Factors*" in this short form prospectus and in the AIF (as defined herein) should be carefully reviewed and evaluated by prospective purchasers before purchasing the securities being offered hereunder. An investment in the Subscription Receipts is suitable only for those investors who are willing to risk a loss of their entire investment.

Subscriptions for Subscription Receipts will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. The Closing Date is expected to occur during the week of November 15, 2021 and, for securities regulatory purposes, the Offering may not close later than 90 days from the date of the receipt for the final short form prospectus (in any such case, the "**Closing Date**").

Each of John Brydson, Michael J. Faust and Stephen E. Loukas are directors, and in the case of Mr. Loukas an executive officer, of the Corporation that reside outside of Canada and have appointed Burnet, Duckworth & Palmer LLP at 2400, 525 – 8th Avenue S.W., Calgary, Alberta T2P 1G1 as their agent for service of process. Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person that resides outside of Canada, even if the party has appointed an agent for service of process. See "*Enforceability of Judgments*".

The head, principal and registered office of the Corporation is located at 200, 207 – 9th Avenue S.W. Calgary, Alberta T2P 1K3.

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ADVISORIES

Forward-Looking Statements

Certain statements contained in this short form prospectus, and in certain documents incorporated by reference herein, 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, or incorporated by reference into, this short form prospectus should not be unduly relied upon. These statements speak only as of the date of this short form prospectus or as of the date specified in the documents incorporated by reference into this short form prospectus, as the case may be.

In addition to the forward-looking statements contained in the documents incorporated by reference herein, this short form prospectus contains, without limitation, forward-looking statements pertaining to the following: statements with respect to the Corporation's strategy; the benefits of the Acquisition; statements with respect to the Corporation's anticipated preliminary unaudited results for the three and nine month periods ended September 30, 2021; statements with respect to the Corporation's forecast for anticipated results for the three month period and year ending December 31, 2021; the anticipated Closing Date; the estimated expenses of the Offering; the expected terms and conditions of the Acquisition; the expected consideration payable at the closing of the Acquisition; the Corporation'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 Partnership Interest; the expected amount to be repaid under the Credit Facilities and Senior Notes (as each is defined herein); the expected terms and conditions of the Credit Facility Amendments and the PROP 45 Facility (as each is defined herein) and the aggregate amounts to be outstanding thereunder on closing of the Acquisition; the anticipated restructuring of the Corporation's long term debt and the results and implications thereof; the timing for completion of the Acquisition; the total aggregate purchase price of the Acquisition; the expected attributes and benefits to be derived by Obsidian Energy pursuant to the Acquisition; and the future-oriented financial information identified below under "*Advisories – Future-Oriented Financial Information*".

With respect to forward-looking statements contained in this short form prospectus, Obsidian Energy has made assumptions regarding, among other things: the Corporation's ability to close the Offering, the PROP 45 Financing, the Credit Facility Amendments, the Senior Note Amendments and the Acquisition, including the transactions and financings contemplated thereby, on a timely basis and on the terms expected; the assumptions set forth below under "*Recent Developments – The Acquisition*"; fulfillment by the Agents of their obligations pursuant to the Agency Agreement and the entering into thereof; commodity prices; availability of skilled labour; timing and amount of future capital expenditures; the Corporation's ability to restructure its long term debt and ability to pay dividends; 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 Corporation'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 the Partnership;
- 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;
- the inability of the Corporation 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; and
- the other factors discussed under "*Risk Factors*".

For additional assumptions and risks relating to the forward-looking statements in the documents incorporated by reference readers should refer to the advisories with respect to forward-looking statements in such documents.

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 short form prospectus and the documents incorporated by reference herein are expressly qualified by this cautionary statement. Except as required by law, none of the Corporation nor any of the Agents undertakes any obligation to publicly update or revise any forward-looking statements and readers should also carefully consider the matters discussed under the heading "*Risk Factors*" in this short form prospectus and in the AIF.

Future-Oriented Financial Information

This short form prospectus contains future-oriented financial information ("**FOFI**") and financial outlook information relating to the Corporation'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 above under "*Forward-Looking Statements*". Obsidian Energy'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 Obsidian Energy will derive therefrom. Obsidian Energy has included this FOFI in order to provide readers with a more complete perspective on Obsidian Energy'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 short form prospectus.

Presentation of Financial Statements

Unless otherwise indicated, all financial information included and incorporated by reference in this short form prospectus is determined using IFRS, which for Canadian entities is considered Canadian generally accepted accounting principles ("**GAAP**"). The financial statements incorporated by reference herein have been prepared in accordance with GAAP, which differ from U.S. generally accepted accounting principles. Therefore, the comparative consolidated financial statements which are incorporated by reference in this short form prospectus may not be comparable to financial statements prepared in accordance with U.S. generally accepted accounting principles.

PRELIMINARY FINANCIAL INFORMATION

The Corporation's expectations for its operating expenses, general and administrative expenses, Funds Flow from Operations, Free Cash Flow and Net Debt (see "*Non-GAAP Financial Measures*") following completion of the Acquisition, as set forth under "*Recent Developments – The Acquisition*", are based on, among other things, Obsidian Energy's anticipated financial results for the three and nine month periods ended September 30, 2021. The Corporation'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 Corporation's financial condition as of, and the Corporation's results of operations for, such periods. The anticipated financial results are subject to the same limitations and risks as discussed under

"*Advisories – Forward Looking Statements*" above. 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.

NON-GAAP FINANCIAL MEASURES

References are made herein, and in certain of the documents incorporated by reference herein, to terms commonly used in the oil and natural gas industry. The Corporation uses "Funds Flow from Operations", "Free Cash Flow", "Net Debt", "Net Operating Costs" and "Netback", which do not have a standardized meaning prescribed by 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 2021 Q2 MD&A (as defined herein). See the 2021 Q2 MD&A for additional information including rationale for use of such measures and reconciliations to the nearest GAAP 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 Corporation's ability to fund its planned capital programs.

"**Netback**" is the per unit of production amount of revenue less royalties, Net Operating Costs (as defined herein), 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 Corporation to assess its liquidity.

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

OIL AND GAS METRICS

This short form prospectus contains certain oil and gas metrics, including PDP Decline, which do not have standardized meanings or standard methods of calculation and 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 Corporation's performance; however, such measures are not reliable indicators of the future performance of the Corporation and future performance may not compare to the performance in previous periods and therefore such metrics should not be unduly relied upon.

"**PDP Decline**" is calculated by dividing the 2022 proved developed producing forecasted rate by the 2021 proved developed producing forecasted rate (as each is set out in the Partnership Interest Reserves Report (as defined herein)) and subtracting the result from the number 1.

CONVENTIONS

Certain terms used and incorporated by reference herein but not defined herein are defined in NI 51-101 (as defined herein) and, unless the context otherwise requires, shall have the same meanings herein as in NI 51-101.

CONVERSIONS

The following table sets forth certain conversions between Standard Imperial Units and the International System of Units (or metric units).

<u>To Convert From</u>	<u>To</u>	<u>Multiply By</u>
Mcf	cubic metres	28.317
cubic metres	cubic feet	35.315
Bbls	cubic metres	0.159
cubic metres	Bbls	6.289
Feet	Metres	0.305
Metres	Feet	3.281
Miles	Kilometres	1.609
Kilometres	Miles	0.621
Acres	hectares	0.405
Hectares	Acres	2.471
Gigajoules	MMbtu	0.950
MMbtu	gigajoules	1.0526

ABBREVIATIONS

Oil and Natural Gas Liquids

Bbl	barrel
Bbls	barrels
Bbls/d	barrels per day
Mbbls	thousand barrels
MMbbls	million barrels
NGLs	natural gas liquids

Natural Gas

Mcf	thousand cubic feet
MMcf	million cubic feet
Mcf/d	thousand cubic feet per day
MMbtu	million British Thermal Units
GJ	Gigajoule

Other

AECO	the natural gas storage facility located at Suffield, Alberta, connected to TransCanada's Alberta System
Boe	barrel or barrels of oil equivalent, using the conversion factor of 6 Mcf of natural gas being equivalent to one barrel of oil
Boe/d	barrels of oil equivalent per day
US\$	United States dollars
Mboe	thousand barrels of oil equivalent.
McFe	thousand cubic feet of gas equivalent
MMboe	million barrels of oil equivalent
WTI	West Texas Intermediate, the reference price paid in US\$ at Cushing, Oklahoma for the crude oil standard grade
\$000s	thousands of dollars
\$MM	millions of dollars

DRILLING LOCATIONS

This short form prospectus discloses drilling inventory in two categories: (i) proved locations; and (ii) probable locations. Proved locations and probable locations are derived from Partnership Interest Reserves Report and account for drilling locations that have associated proved and/or probable reserves, as applicable. Of the 8.1 net drilling locations identified herein, 5.4 are proved locations and 2.7 are probable locations. 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.

BARREL OF OIL EQUIVALENCY

To provide a single unit of production for analytical purposes, natural gas production and reserves volumes are converted mathematically to equivalent barrels of oil ("Boe"). Obsidian Energy uses the industry-accepted standard conversion of six thousand cubic feet of natural gas to one barrel of oil (6 Mcf = 1 Bbl). The 6:1 Boe ratio is based on an energy equivalency conversion method primarily applicable at the burner tip. It does not represent a value equivalency at the wellhead and is not based on either energy content or current prices. While the Boe ratio is useful for comparative measures and observing trends, it does not accurately reflect individual product values and might be misleading, particularly if used in isolation. As well, given that the value ratio based on the current price of crude oil to natural gas is significantly different from the 6:1 energy equivalency ratio, using a conversion ratio on a 6:1 basis may be misleading as an indication of value.

GLOSSARY OF TERMS

In this short form prospectus, the following terms shall have the meanings set forth below, unless otherwise indicated:

"**1933 Act**" means *United States Securities Act of 1933*, as amended;

"**2020 Acquisition Circular**" means the management information circular of the Corporation dated October 16, 2020 relating to the special meeting of Shareholders held on November 23, 2020;

"**2020 Information Circular**" means the management information circular of the Corporation dated June 15, 2020 relating to the annual and special meeting of Shareholders held on July 20, 2020;

"**2021 Information Circular**" means the management information circular of the Corporation dated April 30, 2021 relating to the annual and special meeting of Shareholders held on June 16, 2021;

"**2021 Q2 Financial Statements**" has the meaning ascribed thereto under "*Documents Incorporated by Reference*";

"**2021 Q2 MD&A**" has the meaning ascribed thereto under "*Documents Incorporated by Reference*";

"**ABCA**" means the *Business Corporations Act (Alberta)*, R.S.A. 2000, c. B-9, as amended, including the regulations promulgated thereunder;

"**Acquisition**" means the proposed acquisition of the Partnership Interest pursuant to the PSA as further set forth under "*Recent Developments – The Acquisition*";

"**Acquisition Certificate**" means a certificate executed by a duly appointed officer of the Corporation, and acknowledged by the Agents, certifying that the Release Conditions have been satisfied, in substantially the form attached to the Subscription Receipt Agreement;

"**Agency Agreement**" means the agreement to be entered into by the Corporation and the Agents in respect of the Offering;

"**Agents**" has the meaning ascribed thereto on the face page of this short form prospectus;

"**AIF**" means the annual information form of the Corporation for the year ended December 31, 2020 dated March 26, 2021;

"**Amended Credit Agreement**" has the meaning ascribed thereto under "*Recent Developments – Amendments to Credit Facilities and Senior Notes*";

"**Award Plan**" means the restricted and performance share unit plan of Obsidian Energy, as amended and restated from time to time;

"**Board**" means the board of directors of Obsidian Energy;

"**CDS**" means CDS Clearing and Depository Services Inc.;

"**Closing Date**" is anticipated to be during the week of November 15, 2021;

"**Common Shares**" has the meaning ascribed thereto on the face page of this short form prospectus;

"**Counsel**" has the meaning ascribed thereto under "*Canadian Federal Income Tax Considerations*";

"**CRA**" means the Canada Revenue Agency;

"**Credit Agreement**" has the meaning ascribed thereto in note (1) to the table set forth in "*Consolidated Capitalization of the Corporation*";

"**Credit Facilities**" has the meaning ascribed thereto in note (1) to the table set forth in "*Consolidated Capitalization of the Corporation*";

"**Credit Facility Amendments**" has the meaning ascribed thereto under "*Recent Developments – Amendments to Credit Facilities and Senior Notes*";

"**Deadline**" means 5:00 pm (Mountain Standard Time) on December 31, 2021;

"**Deferred Share Unit Plan**" means the Corporation's deferred share unit plan;

"**DSUs**" means the deferred share units issued and issuable under the Deferred Share Unit Plan;

"**DPSP**" means a deferred profit sharing plan;

"**Escrowed Funds**" means the gross proceeds from the sale of Subscription Receipts;

"**Exempt Plan**" has the meaning ascribed thereto under "*Eligibility for Investment*";

"**GAAP**" has the meaning ascribed thereto under "*Advisories – Presentation of Financial Statements*";

"**IFRS**" means International Financial Reporting Standards;

"**Lenders**" has the meaning ascribed thereto under "*Consolidated Capitalization of the Corporation*";

"**Maximum Offering**" has the meaning ascribed thereto on the face page of this short form prospectus;

"**Minimum Offering**" has the meaning ascribed thereto on the face page of this short form prospectus;

"**NI 41-101**" means National Instrument 41-101 – *General Prospectus Requirements*;

"**NI 44-101**" means National Instrument 44-101 – *Short Form Prospectus Distributions*;

"**NI 51-101**" means National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities*;

"**Non-Resident Holder**" means a holder of Subscription Receipts who, for purposes of the Tax Act, is not, and is not deemed to be, resident in Canada, is not an insurer who carries on an insurance business in Canada and elsewhere and is not, and deals at arm's length with, a "specified shareholder" (as defined in subsection 18(5) of the Tax Act) of Obsidian Energy;

"**Non-Revolver Facility**" has the meaning ascribed thereto in note (1) to the table set forth in "*Consolidated Capitalization of the Corporation*";

"**Note Agreement**" has the meaning ascribed thereto in note (2) to the table set forth in "*Consolidated Capitalization of the Corporation*";

"**Obsidian Energy**" or the "**Corporation**" means Obsidian Energy Ltd., a corporation existing under the ABCA and unless the context otherwise requires, includes its predecessors, its subsidiaries and partnerships;

"**Offering**" has the meaning ascribed thereto on the face page of this short form prospectus;

"**Option**" means a right to purchase a Common Share issued under the Stock Option Plan;

"**Over-Allotment Option**" means the option granted to the Agents to purchase up to an additional 15% of the number of Subscription Receipts sold under the Offering on the same terms and conditions as the Offering, exercisable from time to time, in whole or in part, at any time until the date that is 30 days after closing of the Offering to cover over-allotments, if any, and for market stabilization purposes;

"**Partnership**" means Peace River Oil Partnership;

"**Partnership Interest**" means the 45% interest in the Partnership held by the Vendor;

"**Partnership Interest Reserves Report**" means the report prepared by Sproule dated October 29, 2021 wherein they evaluated the crude oil, natural gas and natural gas liquids reserves attributable to the assets underlying the Partnership Interest and the net present value of future net revenue attributable to those reserves as at July 1, 2021;

"**Preferred Shares**" means the preferred shares in the capital of Obsidian Energy;

"**PROP 45**" means PROP Energy 45 Limited Partnership, an Alberta partnership that is directly and indirectly wholly-owned by Obsidian Energy;

"**PROP 45 Facility Agreement**" has the meaning ascribed thereto under "*Recent Developments – PROP 45 Facility*";

"**PROP 45 Facility**" has the meaning ascribed thereto under "*Recent Developments – PROP 45 Facility*";

"**PROP 45 Financing**" has the meaning ascribed thereto under "*Recent Developments – PROP 45 Facility*";

"**PSA**" means the purchase and sale agreement between PROP 45 and the Vendor dated November 2, 2021 in respect of the Acquisition;

"**PSU**" means a performance share unit issued under the Award Plan;

"**Q3 2021**" means the three month period ended September 30, 2021;

"**Q4 2021**" means the three month period ended December 31, 2021;

"**RDSP**" means a registered disability savings plan;

"**Release Conditions**" means all conditions, undertakings and other matters to be satisfied, completed or otherwise met prior to the completion of the Acquisition (in accordance with the PSA and without waiver or material amendment of the terms and conditions thereof, in whole or in part, by any of the parties thereto unless the consent of the Agents is given for such waiver or amendment, such consent not to be unreasonably withheld) have been satisfied, completed or otherwise met, but for the payment of the purchase price, which is to be satisfied in part by the release of the Escrowed Funds pursuant to the terms of the Subscription Receipt Agreement;

"**Release Time**" means the time at which the Acquisition Certificate has been delivered to the Subscription Receipt Agent;

"**Resident Holder**" is a holder of Subscription Receipts who, for purposes of the Tax Act, is resident, or is deemed to be resident, in Canada;

"**RESP**" means a registered education savings plan;

"**Revolving Facility**" has the meaning ascribed thereto in note (1) to the table set forth in "*Consolidated Capitalization of the Corporation*";

"**RRIF**" means a registered retirement annuity fund;

"**RRSP**" means a registered retirement savings plan;

"**RSU**" means an incentive award issued under the Award Plan;

"**Securities**" has the meaning ascribed thereto under "*Canadian Federal Income Tax Considerations*";

"**Senior Note Amendments**" has the meaning ascribed thereto under "*Recent Developments – Amendments to Credit Facilities and Senior Notes*";

"**Senior Notes**" means Obsidian Energy's guaranteed senior secured notes consisting of US\$47 million principal amount of notes, as described under the heading "*Consolidated Capitalization of the Corporation*";

"**Shareholders**" means the holders from time to time of Common Shares;

"**Sproule**" means Sproule Associates Limited;

"**Stock Option Plan**" means the stock option plan of Obsidian Energy, as amended and restated from time to time;

"**Subscription Receipt Agent**" means TSX Trust Company, in its capacity as subscription receipt agent pursuant to the Subscription Receipt Agreement;

"**Subscription Receipt Agreement**" has the meaning ascribed thereto under "*Details of the Offering*";

"**Subscription Receipts**" means the subscription receipts offered under this short form prospectus;

"**Subsidiaries**" has the meaning ascribed thereto in the *Securities Act* (Alberta) and, for greater certainty, includes all corporations and partnerships owned, controlled or directed, directly or indirectly, by Obsidian Energy.

"**Tax Act**" means the *Income Tax Act* (Canada), R.S.C. 1985, c.1, 5th Supplement, as amended, including the regulations thereunder;

"**TCP Conditions**" has the meaning ascribed thereto under "*Canadian Federal Income Tax Considerations – Holders Not Resident in Canada – Other Dispositions of Subscription Receipts*";

"**Termination**" means the earliest to occur of the following: (i) the Release Time does not occur prior to the Deadline; (ii) Obsidian Energy advises the Subscription Receipt Agent and the Agents in writing or discloses to the public by way of a press release or otherwise that it does not intend to proceed with the Acquisition; or (iii) the PSA is terminated in accordance with its terms;

"**Termination Date**" means the date of occurrence of a Termination;

"**Termination Payment**" means an amount payable to each holder of Subscription Receipts equal to the full subscription price for such Subscription Receipts plus such holder's pro rata share of any interest earned or income generated on the Escrowed Funds;

"**TFSA**" means a tax-free savings account;

"**TSX**" means the Toronto Stock Exchange;

"**United States**" or "**U.S.**" means the United States of America; and

"**Vendor**" means the vendor of the Partnership Interest under the PSA.

Words importing the singular number only include the plural, and vice versa, and words importing any gender include all genders. All dollar amounts set forth in this short form prospectus are in Canadian dollars, except where otherwise indicated.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents of the Corporation, filed with the various securities commissions or similar authorities in the provinces of Canada, are specifically incorporated by reference into and form an integral part of this short form prospectus:

1. the AIF;

2. the audited consolidated financial statements of the Corporation as at and for the years ended December 31, 2020 and 2019, together with the notes thereto and the auditor's report thereon;
3. the management's discussion and analysis of the financial condition and results of operations of the Corporation for the year ended December 31, 2020;
4. the unaudited interim condensed consolidated financial statements of the Corporation as at June 30, 2021 and for the three and six months ended June 30, 2021 and 2020, together with the notes thereto ("**2021 Q2 Financial Statements**");
5. the management's discussion and analysis of the financial conditions and results of operations of the Corporation for the three and six months ended June 30, 2021 ("**2021 Q2 MD&A**");
6. the 2020 Information Circular;
7. the 2021 Information Circular;
8. the "template version" (as such term is defined in NI 44-101) of the term sheet for the Offering dated November 2, 2021; and
9. the investor presentation of the Corporation in respect of the Offering dated November 2, 2021.

Any documents of the type required by NI 44-101 to be incorporated by reference in a short form prospectus including any material change reports (excluding confidential reports), interim financial statements, annual financial statements and the auditors' report thereon, management's discussion and analysis of financial condition and results of operations, information circulars, annual information forms and business acquisition reports filed by the Corporation with the securities commissions or similar authorities in the provinces of Canada subsequent to the date of this short form prospectus and prior to the termination of this distribution are deemed to be incorporated by reference in this short form prospectus. However, notwithstanding the foregoing, the 2020 Acquisition Circular, including the documents incorporated by reference therein, is not incorporated by reference in this prospectus. See "*Exemptions*".

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this short form prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is, or is deemed to be, incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this short form prospectus.

MARKETING MATERIALS

A "template version" of any "marketing materials" (as such terms are defined in NI 41-101) that are utilized by the Agents in connection with the Offering are not part of this short form prospectus to the extent that the contents of the template version of the marketing materials have been modified or superseded by a statement contained in this short form prospectus. Any template version of any other marketing materials relating to the Offering filed on SEDAR after the date of the final short form prospectus and before the termination of the distribution under the Offering (including any amendments to, or an amended version of, any template version of any marketing materials) is deemed to be incorporated by reference into this short form prospectus.

OBSIDIAN ENERGY LTD.

Obsidian Energy has approximately 240 full-time staff and contractors. Obsidian Energy's strategy is to focus on maintaining operational excellence, improving its debt leverage and delivering top quartile shareholder returns. Obsidian Energy believes its

dominant Cardium land position and deep inventory of high-return wells, with low decline production profiles, can be used to accelerate development and execute its strategy.

The head, principal and registered offices of Obsidian Energy is 200, 207 – 9th Avenue S.W. Calgary, Alberta T2P 1K3. See "*General and Organizational Structure*" in the AIF which is incorporated by reference herein.

RECENT DEVELOPMENTS

The Acquisition

On November 2, 2021, PROP 45, an indirectly wholly-owned Subsidiary of Obsidian Energy, entered into the PSA with the Vendor to acquire the Partnership Interest for an aggregate purchase price, subject to adjustment, of approximately \$43.5 million (collectively, the "**Acquisition**"). The purchase price is payable by Obsidian Energy in cash and Common Shares, where the aggregate net proceeds of the Offering (see "*Use of Proceeds*") and the net proceeds of the PROP 45 Financing (\$16 million) will be equal to the aggregate amount of cash payable by Obsidian Energy and the remainder of the purchase price (if any) will be payable in Common Shares at a deemed issuance price equal to the offering price of the Subscription Receipts.

Upon completion of the Acquisition, Obsidian Energy will be, directly and indirectly, the sole owner of the Partnership. Obsidian Energy currently holds a 55 percent working interest in and operatorship of the Partnership. The Partnership currently operates in the Peace River development area, which is a heavy oil play located in Northwestern Alberta. With 100% control of the Partnership, Obsidian Energy will be able to better control the pace and development of the Partnership's assets including the development of the existing Bluesky formation heavy oil play and the potential emerging Clearwater formation resource oil play. The Acquisition will create improved efficiencies and provide full funding control with no integration concerns. The Clearwater formation resource heavy oil play has grown rapidly over the previous four years and management believes the Acquisition will provide funding control over a significant horizontal well inventory that has a competitive royalty structure.

The PSA contains customary representations, warranties, covenants and conditions and closing of the Acquisition is expected to occur during the week of November 15, 2021. In addition to such customary conditions, the PSA provides a condition in favour of PROP 45 that it shall have entered into definitive documentation with a lender to fund \$16 million of the cash amount payable to the Vendor at closing of the Acquisition, and all conditions under such documentation have been either satisfied or waived. The PSA also provides for adjustments to the purchase price, based on the working capital or net cash flow of the Partnership at closing of the Acquisition. It is currently anticipated that such adjustments will reduce the aggregate amount payable at closing by \$7.5 million, assuming the Acquisition closes in mid-November 2021 and completion of the Maximum Offering. A copy of the PSA will be filed on the Corporation's profile on SEDAR at www.sedar.com.

The Acquisition and assets underlying the Partnership Interest have the following characteristics:

Total net consideration ⁽¹⁾	\$MM	36
Acquired Production (Q3 2021) ⁽²⁾	Boe/d	2,400
Netback (Q3 2021) ⁽³⁾	\$/Boe	37
Land	net acres	120,000
Drilling locations ⁽⁴⁾	Net booked	8.1
PDP Decline ⁽⁵⁾	%	23
Reserve Volumes ⁽⁵⁾		
Proved Developed Producing reserves	MMboe	3.497
Total Proved reserves	MMboe	4.760
Total Proved Plus Probable reserves	MMboe	6.746
Total Decommissioning Liability ⁽⁵⁾⁽⁶⁾	\$MM	25

Notes:

- (1) Assumes the Acquisition closes on November 15, 2021 and closing adjustments of (\$7.5 million).
- (2) See "*Production Breakdown by Product Type*".
- (3) See "*Non-GAAP Financial Measures*" and "*Preliminary Financial Information*".
- (4) See "*Drilling Locations*" for additional details regarding drilling locations.
- (5) As derived from the Partnership Interest Reserves Report. Proved developed producing reserves of 3.5 MMboe at June 30, 2021 consisting of 0 MMbbl of light and medium crude oil (0%), 2.9 MMbbl of heavy oil (83%), 0 MMbbl of NGLs (0%) and 3,587 MMcf

of conventional natural gas (17%). Total proved reserves of 4.8 MMboe at June 30, 2021 consisting of 0 MMbbl of light and medium crude oil (0%), 4.0 MMbbl of heavy oil (83%), 0 MMbbl of NGLs (0%) and 4,758 MMcf of natural gas (17%). Total proved plus probable reserves of 6.7 MMboe at June 30, 2021 consisting of 0 MMbbl of light and medium crude oil (0%), 5.6 MMbbl of heavy oil (84%), 0 MMbbl of NGLs (0%) and 6,536 MMcf of natural gas (16%).

- (6) On an undiscounted, uninflated basis.

The Acquisition is not a probable "significant acquisition" under applicable Canadian securities laws.

Updated Pro-forma 2021 Corporate Guidance and Preliminary Unaudited Q3 2021 Results

The following table summarizes Obsidian Energy's pro-forma guidance for fiscal 2021 after giving effect to the Acquisition, based on the preliminary unaudited Q3 2021 results and certain assumptions as each are further set out below. See "Advisories", "Preliminary Financial Information" and "Non-GAAP Financial Measures".

	Preliminary Unaudited Q3 2021 Results	Preliminary Unaudited Nine Month 2021 Results	2021 Estimate Post-Acquisition ⁽¹⁾⁽²⁾
Production (Boe/d) ⁽³⁾	24,164	24,017	24,600 – 24,800
% Oil and NGLs	63%	64%	64%
Capital Expenditures (\$MM) ⁽⁴⁾	45.1	96.1	141 – 143
Decommissioning Expenditures (\$MM) ⁽⁵⁾	1.6	5.4	8
Net Operating Costs (\$/Boe) ⁽⁶⁾	13.28	13.50	12.95 – 13.15
General & Administrative Costs (\$/Boe)	1.82	1.73	1.70 – 1.80
Funds Flow from Operations (\$MM) ⁽⁶⁾⁽⁷⁾	59.3	137.9	223 – 228
Free Cash Flow (\$MM) ⁽⁶⁾⁽⁷⁾	12.6	36.4	72 – 77
Net Debt (\$MM) ⁽⁶⁾⁽⁷⁾⁽⁸⁾	428.1	428.1	404 – 409

Notes:

- (1) See "Underlying Assumptions" below for additional details regarding material assumptions used in development of forward-looking information in this table.
- (2) Assumes the Acquisition closes on November 15, 2021 and closing adjustments of (\$7.5 million) and based on 2021 pre-Acquisition estimated production of 24,300 – 24,500 Boe/d.
- (3) See "Production Breakdown by Product Type".
- (4) Capital expenditures exclude acquisitions.
- (5) Decommissioning expenditures do not include grants and allocations to be utilized by the Corporation under the Alberta Site Rehabilitation Program.
- (6) See "Non-GAAP Financial Measures" for additional details.
- (7) Includes approximately \$15 million of estimated charges for full year 2021 related to the DSUs, PSUs and non-treasury incentive plan cash compensation amounts which are based on the Corporation's closing share price on September 30, 2021 of \$4.51 per share. The charge is primarily due to the Corporation's increased share price in 2021 compared to the closing price on December 31, 2020 of \$0.87 per share.
- (8) Assumes completion of the Maximum Offering, does not account for the exercise of the Over-Allotment Option and assumes capital costs incurred by the Partnership are (directly or indirectly) 100% allocated to Obsidian Energy.

Using the mid-point of the Corporation's post-Acquisition guidance, Obsidian Energy expects Q4 2021 production to average approximately 26,730 Boe/d and generate Funds Flow From Operations of approximately \$88 million. See "Production Breakdown by Product Type".

Underlying Assumptions

The material budget and underlying assumptions used by the Corporation in preparation of its pro-forma guidance for 2021 including the fourth quarter thereof after giving effect to the Acquisition (assuming the Acquisition closes on November 15, 2021) are as follows: See "Advisories", "Preliminary Financial Information" and "Non-GAAP Financial Measures".

WTI	US\$/Bbl	75.00 – 80.00
NGL Price	\$/Boe	60.00 – 63.50

AECO	\$/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 Costs	\$/Boe	1.70 – 1.80
Hedging gain (loss)	\$/Boe	(1.17) – (1.51)
Capital Expenditures	\$MM	141 – 143
Decommissioning Expenditures	\$MM	8
Net Debt	\$MM	404 – 409
Funds Flow from Operations	\$MM	223 – 228
Free Cash Flow	\$MM	72 – 77

Notes:

- (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 Q4 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 per PROP 45 Facility from Nov 15, 2021 to Dec 31, 2021.
- (4) Includes actual AECO prices for the first nine months of 2021 and AECO forward strip pricing as of October 26, 2021 for Q4 2021.

Production Breakdown by Product Type

Disclosure of production on a per Boe basis in this short form prospectus consists of the constituent product types as defined in NI 51-101 and their respective quantities disclosed in the table below: See "Advisories", "Preliminary Financial Information" and "Conventions".

	Light and Medium Crude oil (Bbls/d)	Heavy Oil (Bbls/d)	NGLs (Boe/d)	Conventional Natural gas (MMcf/d)	Total (Boe/d)
Preliminary Unaudited Q3 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 – Preliminary Unaudited Q3 2021 Results	-	2,004	2	3	2,434
Q4 2021 Estimate Post-Acquisition	11,465	3,465	2,390	57	26,730 ⁽¹⁾⁽³⁾
2021 Estimate Post-Acquisition	10,660	2,900	2,205	54	24,700 ⁽²⁾⁽³⁾

Notes:

- (1) This reflects the mid-point of the Corporation's pro-forma Acquisition Q4 2021 production outlook range of 26,300 to 27,100 Boe/d.
- (2) This reflects the mid-point of the Corporation's pro-forma Acquisition fiscal 2021 production outlook range of 24,600 – 24,800 Boe/d.
- (3) 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.

Amendments to Credit Facilities and Senior Notes

In connection with entering into the PSA and in connection with the PROP 45 Financing, Obsidian Energy entered into discussions with its Lenders with respect to certain consents and amendments to its Credit Agreement to permit the transactions contemplated by the PSA and the PROP 45 Financing (collectively, the "Credit Facility Amendments" and the Credit Agreement so amended being the "Amended Credit Agreement"). On October 29, 2021 the Lenders provided their written consent to the transactions contemplated by the PSA and the PROP 45 Financing, however the Credit Facility Amendments will be subject to execution of definitive documentation by Obsidian Energy and its Lenders with respect to the same. The net proceeds of the Offering will be applied, on a pro rata basis, to repay both the Non-Revolver Facility and the Senior Notes. The Credit Facility Amendments will require that \$25 million of the outstanding amounts under the Non-Revolver Facility be repaid, through a combination of the pro rata net proceeds from the Offering payable to the Lenders and, to the extent of any shortfall, a draw for the remainder of such \$25

million repayment amount under the Revolving Facility. Upon such repayment of the Non-Revolving Facility, the Lenders will advance an amount under the Revolving Facility equal to the lesser of (x) the aggregate net proceeds of the Offering and (y) the difference between the adjusted purchase price of the Acquisition and the proceeds of the PROP 45 Financing to allow PROP 45 to pay a portion of the cash consideration payable upon closing of the Acquisition. In the event the Over-Allotment Option is exercised following closing of the Acquisition, the additional net proceeds received from such Over-Allotment Option (approximately \$1.76 million in the case of the Minimum Offering and \$3.17 million in the case of the Maximum Offering) will be required to be applied, on a pro rata basis, to the Credit Facility and the Senior Notes, to permanently repay amounts owing under the Non-Revolving Facility and the Senior Notes. The Credit Facility Amendments will include certain other miscellaneous conforming amendments needed in connection with the PSA and the PROP 45 Financing. Aside from the Credit Facility Amendments, all other material terms of the Credit Facilities 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 commitment amount will be reduced such that the Corporation will begin 2022 with \$35 million of available capacity under the Credit Facilities. For more information with respect to the Credit Facilities, including the Credit Facility Amendments, see note (1) to the table set forth in "*Consolidated Capitalization of the Corporation*".

In connection with the Acquisition and the PROP 45 Financing, Obsidian Energy entered into discussions with the holders of its Senior Notes with respect to certain consents and amendments to the Note Agreement to permit the transactions contemplated by the PSA and the PROP 45 Financing, including miscellaneous conforming amendments substantively the same as those approved by the Lenders (the "**Senior Note Amendments**"). On October 29, 2021 the holders of the Senior Notes provided their written consent to the transactions contemplated by the PSA and the PROP 45 Financing, however the Senior Note Amendments will be subject to execution of definitive documentation by Obsidian Energy and the holders of the Senior Notes with respect to the same. The Corporation will also be required to repay approximately \$3.3 million of the Senior Notes, which amount will be paid from the net proceeds of the Offering and, to the extent any part of the repayments made to outstanding amounts under the Non-Revolving Facility are made using proceeds from a draw on the Revolving Facility, from a draw under the Revolving Facility. In the event the Over-Allotment Option is exercised following closing of the Acquisition the Senior Notes will be repaid, on a pro rata basis with amounts outstanding under the Credit Facility, an additional \$0.2 million, in the case of the Minimum Offering, and an additional \$0.4 million, in the case of the Maximum Offering. Aside from the Senior Note Amendments, all other material terms of the Note Agreement remain the same. For more information with respect to the Note Agreement, including the Senior Note Amendments, see note (2) to the table set forth in "*Consolidated Capitalization of the Corporation*".

In 2022, Obsidian Energy plans to reduce debt through free cash flow and to refinance its debt structure with the objective of incorporating senior and subordinated debt in the structure in order to provide the Corporation a stable capital source that provides operational liquidity, a longer-term maturity profile and allow the possibility of introducing a dividend.

PROP 45 Facility

In connection with the Acquisition, a term sheet has also been provided by a Calgary based institutional lender, to provide a \$16.3 million senior secured non-revolving term facility (the "**PROP 45 Facility**") to PROP 45 (the "**PROP 45 Financing**"). The PROP 45 Facility is a single draw facility and will be available solely to finance (directly or indirectly) the Acquisition and costs or fees incurred in connection therewith. The outstanding amounts under the PROP 45 Facility will mature and be payable in full on December 31, 2022 and will be secured on a first-priority basis over the entire equity interest in the Partnership held by PROP 45. The principal of the PROP 45 Facility will be payable starting in the month following the closing of the Acquisition at an amortization rate of 20% per annum, payable monthly. In addition, starting in the month following the closing of the Acquisition all excess free cash flow generated by PROP 45, up to \$1,575,000 per month, will be directed towards principal repayments. The PROP 45 Facility will bear interest at a fixed annual interest rate of 10.50%, payable monthly at a rate of 0.875% based on the monthly opening balance of the PROP 45 Facility. The agreement governing the PROP 45 Facility (the "**PROP 45 Facility Agreement**") will also include three financial covenants: (a) senior debt to EBITDA (as each is defined and used in the PROP 45 Facility Agreement) shall not exceed 1.00x; (b) total debt to EBITDA (as each is defined and used in the PROP 45 Facility Agreement) shall not exceed 1.50x until December 31, 2021, and 1.25x thereafter; and (c) asset coverage (as is defined and used in the PROP 45 Facility Agreement) shall not be less than 1.50x. The PROP 45 Facility Agreement will also include (x) a cash reserve covenant requiring PROP 45 to maintain not less than \$1.6 million in a cash reserve account at all times and (y) a hedging covenant requiring PROP 45 to maintain hedges on (i) 90% of projected net production underlying the Partnership Interest during the fourth quarter of 2021, (ii) 80% of projected net production underlying the Partnership Interest during the first quarter of 2022, (iii) 70% of projected net production underlying the Partnership Interest during the second quarter of 2022 and (iv) not less than 40% of projected net production underlying the Partnership Interest thereafter.

DESCRIPTION OF CAPITAL STRUCTURE

The authorized capital of Obsidian Energy consists of an unlimited number of Common Shares without nominal or par value and 90,000,000 Preferred Shares without nominal or par value. As of the date hereof, there are 74,852,877 Common Shares and no Preferred Shares issued and outstanding. The following is a summary of the rights, privileges, restrictions and conditions which are attached to the Common Shares and Preferred Shares.

Common Shares

Shareholders are entitled to notice of, to attend and to one vote per Common Share held at any meeting of the shareholders of Obsidian Energy (other than meetings of a class or series of shares of Obsidian Energy other than the Common Shares).

Shareholders are entitled to receive dividends as and when declared by the Board on the Common Shares as a class, subject to prior satisfaction of all preferential rights to dividends attached to shares of other classes of shares of Obsidian Energy ranking in priority to the Common Shares in respect of dividends.

The holders of Common Shares are entitled in the event of any liquidation, dissolution or winding-up of Obsidian Energy, whether voluntary or involuntary, or any other distribution of the assets of Obsidian Energy among its shareholders for the purpose of winding-up its affairs, and subject to prior satisfaction of all preferential rights to return of capital on dissolution attached to all shares of other classes of shares of Obsidian Energy ranking in priority to the Common Shares in respect of return of capital on dissolution, to share rateably, together with the holders of shares of any other class of shares of Obsidian Energy ranking equally with the Common Shares in respect of return of capital on dissolution, in such assets of Obsidian Energy as are available for distribution.

Preferred Shares

Preferred Shares of Obsidian Energy may at any time or from time to time be issued in one or more series. Before any shares of a particular series are issued, the Board shall, by resolution, fix the number of shares that will form such series and shall, subject to the limitations set out in Obsidian Energy's articles, by resolution fix the designation, rights, privileges, restrictions and conditions to be attached to the Preferred Shares of such series, including, but without in any way limiting or restricting the generality of the foregoing, the rate, amount or method of calculation of dividends thereon, the time and place of payment of dividends, the consideration for and the terms and conditions of any purchase for cancellation, retraction or redemption thereof, conversion or exchange rights (if any), and whether into or for securities of Obsidian Energy or otherwise, voting rights attached thereto (if any), the terms and conditions of any share purchase or retirement plan or sinking fund, and restrictions on the payment of dividends on any shares other than Preferred Shares or payment in respect of capital on any shares in the capital of Obsidian Energy or creation or issue of debt or equity securities; the whole subject to filing of Articles of Amendment setting forth a description of such series, including the designation, rights, privileges, restrictions and conditions attached to the shares of such series. Notwithstanding the foregoing, other than in the case of a failure to declare or pay dividends specified in any series of Preferred Shares, the voting rights attached to the preferred shares shall be limited to one vote per Preferred Share at any meeting where the Preferred Shares and Common Shares vote together as a single class.

CONSOLIDATED CAPITALIZATION OF THE CORPORATION

The following table sets forth the consolidated capitalization of the Corporation: (i) as at June 30, 2021 before giving effect to the Offering and the Acquisition; (ii) as at June 30, 2021 after giving effect to the Minimum Offering and the Acquisition; and (iii) as at June 30, 2021 after giving effect to the Maximum Offering and the Acquisition:

	As at June 30, 2021 before giving effect to the Offering and the Acquisition (unaudited)	As at June 30, 2021 after giving effect to the Minimum Offering and the Acquisition (unaudited)	As at June 30, 2021 after giving effect to the Maximum Offering and the Acquisition (unaudited)
<i>(in millions, except Common Shares)</i>			
Long-Term Debt			
Credit Facilities ⁽¹⁾	\$370.0	\$372.0 ⁽⁸⁾	\$370.8 ⁽⁸⁾⁽⁹⁾
Senior Notes ⁽²⁾	\$57.3	\$54.0 ⁽⁸⁾	\$54.0 ⁽⁸⁾⁽⁹⁾
PROP 45 Facility ⁽³⁾	-	\$16.3	\$16.3
Common Shares (unlimited) ⁽⁴⁾⁽⁵⁾	\$2,189.5 (74,850,297 Common Shares)	\$2,209.8 ⁽⁶⁾⁽¹⁰⁾ (79,666,206 Common Shares)	\$2,210.3 ⁽⁷⁾⁽¹⁰⁾ (79,963,933 Common Shares)

Notes:

- (1) As of June 30, 2021, Obsidian Energy had a reserve-based syndicated credit facility which is subject to a semi-annual borrowing base redetermination. The aggregate amount available under the syndicated credit facility is \$440 million which consists of a \$225 million revolving syndicated credit facility (the "**Revolving Facility**") and a \$215 million non-revolving term loan (the "**Non-Revolving Facility**") and, together with the Revolving Facility, the "**Credit Facilities**") under an amended and restated credit agreement dated March 26, 2021, as amended from time to time (the "**Credit Agreement**"), among Obsidian Energy, as borrower, Royal Bank of Canada, as administrative agent, and certain lenders (the "**Lenders**"). Obsidian Energy is required to comply with various covenants under the Credit Agreement including that total debt to capitalization (as each is defined and used in the Credit Agreement) shall not at any time exceed 75%. As at June 30, 2021 and as at the date hereof, the Corporation was and is in compliance with all covenants and material terms under the Credit Agreement. For additional information regarding the Credit Facilities, see Note 4 to Obsidian Energy's 2021 Q2 Financial Statements, and "*Financing*" and "*Liquidity and Capital Resources*" in the 2021 Q2 MD&A. As noted under "*Recent Developments – Amendments to Credit Facilities and Senior Notes*", the Credit Facility Amendments will require that \$25 million of the outstanding amounts under the Non-Revolving Facility be repaid, through a combination of the pro rata net cash proceeds from the Offering payable to the Lenders and, to the extent of any shortfall, a draw for the remainder of such \$25 million repayment amount under the Revolving Facility. All other material terms of the Credit Facilities will 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 commitment amount will be reduced such that the Corporation will begin 2022 with \$35 million of available capacity under the Credit Facilities.
- (2) Obsidian Energy has issued the Senior Notes under an amended, restated and consolidated note purchase agreement dated March 26, 2021, as amended from time to time, among Obsidian Energy and the holders of the Senior Notes (the "**Note Agreement**"). The aggregate outstanding principal amount of the Senior Notes is US\$47 million. The Senior Notes are guaranteed by Obsidian Energy's material Subsidiaries and are secured and rank equally with the Credit Facilities. As noted under "*Recent Developments – Amendments to Credit Facilities and Senior Notes*", in connection with the Acquisition and the PROP 45 Financing, the Corporation has agreed to the Senior Note Amendments and will be required to repay approximately \$3.3 million of the Senior Notes upon closing of the Acquisition. Aside from the Senior Note Amendments, all other material terms of the Note Agreement will remain the same. For additional information regarding the Senior Notes, including the material terms of the same, see "*Capitalization of Obsidian Energy – Debt Capital – Senior Notes*" in the AIF, Note 4 to Obsidian Energy's 2021 Q2 Financial Statements, and "*Financing*" and "*Liquidity and Capital Resources*" in the 2021 Q2 MD&A.
- (3) In connection with the Acquisition, a term sheet has also been provided by a Calgary based institutional lender to provide the \$16.3 million PROP 45 Facility to finance a portion of the cash purchase price payable pursuant to the Acquisition. See "*Recent Developments – PROP 45 Facility*".
- (4) As at June 30, 2021, there were 1,190,990 RSUs and 1,138,465 PSUs outstanding. For additional information respecting the Award Plan, see "*Summaries of Equity Compensation Plans – Restricted and Performance Share Unit Plan*" in the 2021 Information Circular.
- (5) As at June 30, 2021, there were 3,036,867 Options outstanding. For additional information respecting the Stock Option Plan, see "*Summaries of Equity Compensation Plans – Stock Option Plan*" in the 2021 Information Circular.
- (6) Assumes closing adjustments of \$7.2 million and based on the issuance of 1,975,000 Common Shares under the PSA to the Vendor at a deemed issuance price equal to the offering price of the Subscription Receipts and 2,840,909 Common Shares upon the exchange of 2,840,909 Subscription Receipts, for aggregate gross proceeds of approximately \$12.50 million less the Agents' fee of approximately \$0.75 million and expenses of the Offering estimated to be \$0.40 million with the estimated net proceeds of approximately \$11.35 million. If the Over-Allotment Option is exercised in full, the aggregate gross proceeds, Agents' fee, estimated expenses of the Offering

- and net proceeds will be approximately \$14.4 million, \$0.86 million, \$0.40 million and \$13.14 million, respectively, and the aggregate number of Common Shares and Common Share value will be, respectively, 80,092,342 and approximately \$2.212 million on a gross basis (based on the issuance of 1,975,000 Common Shares under the PSA at a deemed issuance price equal to the offering price of the Subscription Receipts and 3,267,045 Common Shares upon the exchange of 3,267,045 Subscription Receipts).
- (7) Assumes closing adjustments of \$7.5 million and based on the issuance of nil Common Shares under the PSA to the Vendor and 5,113,636 Common Shares upon the exchange of 5,113,636 Subscription Receipts, for aggregate gross proceeds of approximately \$22.50 million less the Agents' fee of approximately \$1.35 million and expenses of the Offering estimated to be \$0.40 million with the estimated net proceeds of approximately \$20.75 million. If the Over-Allotment Option is exercised in full, the aggregate gross proceeds, Agents' fee, estimated expenses of the Offering and net proceeds will be approximately \$25.86 million, \$1.55 million, \$0.40 million and \$23.91 million, respectively, and the aggregate number of Common Shares and Common Share value will be, respectively, 80,730,979 and approximately \$2,213 million (based on the issuance of nil Common Shares under the PSA and 5,880,682 Common Shares upon the exchange of 5,880,682 Subscription Receipts).
- (8) The net proceeds of the Offering, in the amount of approximately \$11.35 million (assuming the Minimum Offering) and \$20.75 million (assuming the Maximum Offering) together with the net proceeds of the exercise of the Over-Allotment Option if exercised prior to closing of the Offering (\$13.14 million if the Over-Allotment Option is exercised in full assuming a Minimum Offering and \$20.91 million if the Over-Allotment Option is exercised in full assuming a Maximum Offering), will be utilized to repay, on a pro rata basis, outstanding indebtedness under the Non-Revolver Facility and the Senior Notes. Upon such repayment of amounts outstanding under the Non-Revolver Facility, the Lenders will advance an amount under the Revolver Facility equal to the lesser of (x) the aggregate net proceeds of the Offering and (y) the difference between the adjusted purchase price of the Acquisition and the proceeds of the PROP 45 Financing to allow PROP 45 to pay a portion of the cash consideration payable upon closing of the Acquisition. In the event the Over-Allotment Option is exercised following closing of the Acquisition, the additional net proceeds received from such Over-Allotment Option (approximately \$1.76 million in the case of the Minimum Offering and \$3.17 million in the case of the Maximum Offering) will be required to be applied, on a pro rata basis, to the Credit Facility and the Senior Notes, to permanently repay amounts owing under the Non-Revolver Facility and Senior Notes. See *Recent Developments – Amendments to Credit Facilities and Senior Notes*".
- (9) The approximate \$3.3 million to be repaid under the Senior Notes will be paid in part from the net proceeds of the Offering and, to the extent any part of the repayments made to outstanding amounts under the Non-Revolver Facility are made using proceeds from a draw on the Revolver Facility, from a draw under the Revolver Facility. In the event the Over-Allotment Option is exercised following closing of the Acquisition, an additional \$0.2 million, in the case of the Minimum Offering, and \$0.4 million, in the case of the Maximum Offering, will be repayable under the Senior Notes.
- (10) Common Share values do not include the tax effect of the Agents' fees and the estimated expenses of the Offering.
- (11) There have been no material changes to the consolidated capitalization of the Corporation since June 30, 2021 other than as described above and elsewhere in this short form prospectus. The amounts disclosed above do not include the fees and expenses that may be incurred by the Corporation in connection with Acquisition, the Credit Facility Amendments, the Senior Note Amendments or the PROP 45 Facility.

PRIOR SALES

Other than as described below, the Corporation did not issue any Common Shares or securities convertible into Common Shares during the 12-month period prior to the date of this short form prospectus.

The Corporation issued the following Common Shares as well as the following RSUs, PSUs and Options redeemable, exchangeable or exercisable, as applicable, to acquire an equal number of Common Shares (less tax withholding and subject to adjustments for the number of Common Shares (if any) issuable on the settlement of PSUs arising from applicable performance metrics and payout multipliers) pursuant to the Award Plan and Stock Option Plan for the periods indicated in the following table:

<u>Date of Issuance</u>	<u>Type of Transaction</u>	<u>Number of Securities</u>	<u>Price Per Security</u>
November 10, 2020	Vesting of RSUs	3,571 Common Shares	\$0.42
January 11, 2021	Vesting of RSUs	6,897 Common Shares	\$1.13
April 8, 2021	Vesting of RSUs	725,689 Common Shares	\$1.85
April 19, 2021	Vesting of RSUs	1,486 Common Shares	\$1.54
May 17, 2021	Vesting of RSUs	600,000 Common Shares	\$1.99
May 17, 2021	Grant of RSUs	190,500 RSUs	\$1.99
May 17, 2021	Grant of PSUs	684,620 PSUs	\$1.99
May 17, 2021	Grant of Options	2,116,120 Options	\$1.99
July 12, 2021	Vesting of RSUs	2,580 Common Shares	\$4.66

PRICE RANGE AND TRADING VOLUME OF THE COMMON SHARES

The Common Shares are listed and traded on the TSX. The trading symbol on the TSX for the Common Shares is "OBE". The following sets forth the price range and consolidated trading volume of the Common Shares on the TSX for the periods indicated.

	Price Range		Volume
	High (\$)	Low (\$)	
2020			
November	0.59	0.39	979,902
December	0.94	0.54	2,024,303
2021			
January	1.39	0.87	2,376,279
February	1.88	1.03	2,004,539
March	2.45	1.67	2,946,884
April	1.99	1.46	1,984,570
May	2.17	1.67	2,680,791
June	4.51	2.17	11,107,185
July	5.15	3.16	7,931,578
August	3.96	2.80	4,696,624
September	4.69	3.17	7,502,404
October	5.06	4.51	5,348,276
November (1 - 3)	5.42	4.60	2,370,326

DIVIDENDS

The Corporation has not declared a dividend in the last three financial years. The Corporation does not currently anticipate paying any dividends in the future but will review that policy from time to time as circumstances warrant. Any decision to declare and pay dividends in the future will be made at the discretion of the Board and will depend on, among other things, the Corporation's results of operations, current and anticipated cash requirements and surplus, financial condition, solvency tests imposed by corporate law, contractual restrictions and financing agreement covenants, if any, and other factors that the Board may determine relevant. See "*Risk Factors*" in the AIF.

The Credit Agreement and the Note Agreement also contain provisions which restrict the Corporation's ability to pay dividends to Shareholders in the event of the occurrence of certain events of default. The full text of the Credit Agreement (including the amendments thereto) and the Note Agreement (including the amendments thereto) are available on SEDAR at www.sedar.com. For additional information regarding the Credit Facilities and the Senior Notes, see "*Recent Developments – Amendments to Credit Facilities and Senior Notes*", "*Consolidated Capitalization of the Corporation*" and "*Capitalization of Obsidian Energy – Debt Capital*" in the AIF.

USE OF PROCEEDS

In the event of the Minimum Offering, the net proceeds to the Corporation from the Offering are estimated to be approximately \$11.35 million after deducting the fees of approximately \$0.75 million payable to the Agents and the estimated expenses of the Offering of \$0.40 million. If the Over-Allotment Option is exercised in full in the event of a Minimum Offering, the net proceeds from the sale of the Subscription Receipts pursuant to the Offering are estimated to be approximately \$13.11 million after deducting the fees of approximately \$0.86 million payable to the Agents and the estimated expenses of the Offering of \$0.40 million.

In the event of the Maximum Offering, the net proceeds to the Corporation from the Offering are estimated to be approximately \$20.75 million after deducting the fees of approximately \$1.35 million payable to the Agents and the estimated expenses of the Offering of \$0.40 million. If the Over-Allotment Option is exercised in full in the event of a Maximum Offering, the net proceeds from the sale of the Subscription Receipts pursuant to the Offering are estimated to be approximately \$23.92 million after deducting the fees of approximately \$1.55 million payable to the Agents and the estimated expenses of the Offering of \$0.40 million. See "*Plan of Distribution*".

The gross proceeds from the sale of the Subscription Receipts will be held in escrow, pending the Release Time occurring and the Acquisition Certificate being delivered to the Subscription Receipt Agent and the Agents. One-half of the Agents' fee is payable at

the closing of the Offering from the general funds of the Corporation. Upon the release of the Escrowed Funds at the Release Time, a portion thereof will be used to pay the remaining 50% of the Agents' fee. See "*Details of the Offering*". The net proceeds of the Offering will be used to repay, on a pro rata basis, outstanding indebtedness under the Non-Revolving Facility and the Senior Notes and an amount equal to the aggregate net proceeds of the Offering will then be drawn under the Revolving Facility to finance a portion of the cash consideration due at closing of the Acquisition. In the event the Over-Allotment Option is exercised following closing of the Acquisition, the additional net proceeds will be used to permanently repay, on a pro rata basis, amounts owing under the Non-Revolving Facility (an additional \$1.76 million in the case of the Minimum Offering and \$3.17 million in the case of the Maximum Offering) and the Senior Notes (an additional \$0.2 million in the case of the Minimum Offering and \$0.4 million in the case of the Maximum Offering). See "*Recent Developments – Acquisition*" and "*Consolidated Capitalization of the Corporation*".

DETAILS OF THE OFFERING

The following summary of the material attributes and characteristics of the Subscription Receipts does not include a description of all of the terms of the Subscription Receipts, and reference should be made to the Subscription Receipt Agreement for a complete description of the terms of the Subscription Receipts. Following the Closing Date a copy of the Subscription Receipt Agreement may be viewed under Obsidian Energy's profile on SEDAR at www.sedar.com.

The Subscription Receipts will be issued on the Closing Date pursuant to an agreement to be dated as of the Closing Date and entered into among Obsidian Energy, the Agents and the Subscription Receipt Agent governing the terms of the Subscription Receipts (the "**Subscription Receipt Agreement**"). The Escrowed Funds will be delivered to and held by the Subscription Receipt Agent and invested in short-term interest bearing or discount debt obligations issued or guaranteed by the Government of Canada or a province or one or more of the five largest Canadian chartered banks or such other approved investments as may be set out in the Subscription Receipt Agreement, as directed in writing by Obsidian Energy, pending the Release Time occurring.

If the Release Time occurs prior to the Deadline, Obsidian Energy will forthwith execute and deliver the Acquisition Certificate to the Subscription Receipt Agent and the Agents and will issue and deliver to the Subscription Receipt Agent (or otherwise authorize the issuance of) one Common Share for each Subscription Receipt then outstanding (subject to any applicable adjustment). The Common Shares will be available for delivery commencing on the second business day after the delivery of such Acquisition Certificate. The holders of Subscription Receipts will receive, without payment of any additional consideration or further action, one Common Share for each Subscription Receipt held. Forthwith upon the Release Time occurring and the required Acquisition Certificate being delivered to the Subscription Receipt Agent, the remaining Escrowed Funds, together with interest earned and income generated thereon (less the Escrowed Funds used to pay one half of the Agents' fee) will be released to Obsidian Energy or as it may otherwise direct.

In the event that (i) the Release Time does not occur prior to the Deadline, (ii) Obsidian Energy advises the Agents in writing or discloses to the public that it no longer intends to proceed to complete the Acquisition, or (iii) the PSA is terminated prior to the Deadline, then the Subscription Receipt Agent will pay to holders of Subscription Receipts, commencing at 5:00 p.m. (Mountain Standard Time) on the second business day following the Termination Date, an amount equal to the Termination Payment. The Escrowed Funds will be applied toward payment of the Termination Payment provided that if the balance of the Escrowed Funds, together with any interest earned or income generated thereon, is insufficient to cover the full amount of the Termination Payment, under the Subscription Receipt Agreement, the Corporation will be required to pay to the Subscription Receipt Agent, as agent on behalf of holders of Subscription Receipts, the deficiency, if any, between the amount of Escrowed Funds, together with any such interest or income, on the Termination Date and the Termination Payment.

In the event that, prior to the date the Common Shares become issuable pursuant to the Subscription Receipts, there is a subdivision, consolidation, reclassification or other change of the Common Shares or any reorganization, amalgamation, merger or sale of all or substantially all of Obsidian Energy's assets, the Subscription Receipts will thereafter evidence the right of the holder to receive the securities, property or cash deliverable in exchange for or on conversion of or in respect of the Common Shares to which the holder of a Subscription Receipt would have been entitled immediately after such event if it had been a holder of such Common Shares prior to such event. Similarly, any distribution to all or substantially all of the holders of Common Shares of rights, options, warrants, evidences of indebtedness or assets (other than dividends in the ordinary course) will result in an adjustment in the number of Common Shares to be issued to holders of Subscription Receipts. Alternatively, such securities, evidences of indebtedness or assets may, at Obsidian Energy's option, be issued to the Subscription Receipt Agent and delivered to holders of Subscription Receipts following the closing of the Acquisition.

Under the Subscription Receipt Agreement, original purchasers of Subscription Receipts will have a contractual right of rescission against Obsidian Energy both prior to and following the issuance of the underlying Common Shares to such purchasers to receive the amount paid for the Subscription Receipts if this short form prospectus (including the documents incorporated by reference herein) and any amendment contains a misrepresentation or is not delivered to such purchaser, provided such remedy for rescission is exercised within 180 days of closing of the Offering. This contractual right of rescission will be consistent with the statutory right of rescission as described under the heading "*Statutory Rights of Withdrawal and Rescission*" in this short form prospectus and in addition to any right or remedy available to original purchasers under the securities legislation of certain provinces of Canada or otherwise at law.

Original purchasers of Subscription Receipts are further advised that in certain provinces the statutory right of action for damages in connection with a prospectus misrepresentation is limited to the amount paid for the convertible, exchangeable or exercisable security that was purchased under a prospectus, and therefore, a further payment at the time of conversion, exchange or exercise may not be recoverable in a statutory action for damages. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights, or consult a legal advisor.

Subject to applicable law, Obsidian Energy will be entitled to purchase the Subscription Receipts in the open market or by private agreement or otherwise.

The Subscription Receipt Agreement provides for modifications and alterations to the Subscription Receipts issued thereunder by way of an extraordinary resolution. The term "extraordinary resolution" is defined in the Subscription Receipt Agreement to mean, in effect, a resolution proposed at a meeting of holders of Subscription Receipts duly convened for that purpose and held in accordance with the Subscription Receipt Agreement at which there are present in person or by proxy at least two holders of Subscription Receipts entitled to receive more than 25% of the aggregate number of Common Shares issuable upon the exchange of the Subscription Receipts which could be received pursuant to all the then-outstanding Subscription Receipts and passed by the affirmative votes of holders of Subscription Receipts entitled to receive not less than 66 $\frac{2}{3}$ % of the aggregate number of such Common Shares which could be received pursuant to all the then-outstanding Subscription Receipts represented at the meeting and voted on the poll upon such resolution.

The holders of Subscription Receipts are not Shareholders. Holders of Subscription Receipts are entitled only to receive Common Shares issuable upon the exchange of their Subscription Receipts or to receive from the Subscription Receipt Agent an amount equal to the Termination Payment.

PLAN OF DISTRIBUTION

Under the Agency Agreement to be entered into between the Corporation and the Agents, the Agents will agree to offer for sale to the public on a 'best efforts' agency basis, and the Corporation will agree to issue and sell, 2,840,909 Subscription Receipts in the case of the Minimum Offering and 5,113,636 Subscription Receipts in the case of the Maximum Offering, subject to the terms and conditions to be contained in the Agency Agreement, at a price of \$4.40 per Subscription Receipt for total consideration of \$12.5 million in the case of the Minimum Offering and up to \$22.5 million in the case of the Maximum Offering, payable in cash against delivery of the Subscription Receipts. While the Agents have agreed to use their best efforts to sell the Subscription Receipts, the Agents are not obligated to purchase any Subscription Receipts that are not sold.

The Agency Agreement will provide that the Corporation will pay the Agents a fee equal to 6% of the gross proceeds of the Offering, subject to a reduced fee equal to 2.0% in respect of sales of Subscription Receipts to certain purchasers designated by Obsidian Energy on a president's list up to a maximum of \$1,500,000. One-half of the Agents' fee in respect of the Offering is payable on the Closing Date and the other one-half of the Agents' fee is payable only if the Acquisition is completed prior to the Termination Date and the Acquisition Certificate has been delivered to the Subscription Receipt Agent. If a Termination occurs, the Agents' fee will be reduced to the amount payable upon closing of the Offering. The terms of the Offering and the offering price for the Subscription Receipts offered under this short form prospectus were determined by negotiation between the Corporation and the Agents on a marketed basis.

The Corporation has granted to the Agents the Over-Allotment Option to offer and sell up to an additional 15% of the number of Subscription Receipts sold under the Offering at a price of \$4.40 per Subscription Receipt on the same terms and conditions as the Offering, exercisable from time to time, in whole or in part, at any time until the date that is 30 days after the closing of the Offering, to cover over-allotments, if any. A purchaser who acquires Subscription Receipts forming part of the Over-Allotment Option

acquires those Subscription Receipts under this short form prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. If Minimum Offering is completed and the Over-Allotment Option is exercised in full, the total Offering, Agents' fee (subject to a reduction by 50% if a Termination occurs) and net proceeds to the Corporation (before deducting expenses of the Offering) will be \$14,375,000, \$862,500 and \$13,512,500, respectively. If Maximum Offering is completed and the Over-Allotment Option is exercised in full, the total Offering, Agents' fee (subject to a reduction by 50% if a Termination occurs) and net proceeds to the Corporation (before deducting expenses of the Offering) will be \$25,875,000, \$1,552,500 and \$24,322,500.00, respectively. This short form prospectus also qualifies for distribution the issuance of Subscription Receipts pursuant to the exercise of the Over-Allotment Option.

The Offering is not underwritten or guaranteed by any person. The closing of the Offering is expected to occur during the week of November 15, 2021 or such later date as the Corporation and the Agents may agree but in no event later than the date that is 90 days after the date of the receipt for the final short form prospectus. Pending closing of the Offering, all subscription funds will be deposited and held by Raymond James in trust. If the Minimum Offering is not met or the Closing Date does not occur within 90 days from the date a receipt is issued for the final short form prospectus or such other time as may be permitted by applicable securities legislation and consented to by persons or companies who subscribed within that period and the Agents, the Offering will be discontinued and all subscription monies will be returned to subscribers without interest, set-off or deduction.

Subject to applicable laws and in connection with the Offering, the Agents may over-allot or effect transactions which stabilize or maintain the market price of the Subscription Receipts at levels other than those which might otherwise prevail in the open market in accordance with applicable stabilization rules. Such transactions, if commenced, may be discontinued at any time.

Subscriptions for the Subscription Receipts will be received subject to rejection or allotment in whole or in part and the Agents reserve the right to close the subscription books at any time without notice.

Pursuant to the terms and conditions of the Agency Agreement, the Corporation is expected to agree to indemnify and save harmless the Agents, and each of its affiliates, directors, officers, employees and partners against certain liabilities, including civil liabilities under Canadian provincial securities legislation, or contribute to any payments the Agents may be required to make in the foregoing respect.

Under the Agency Agreement, the Corporation is expected to agree with the Agents that it will not, without the prior written consent of the Agents, such consent not to be unreasonably withheld or delayed, directly or indirectly, offer, issue, sell, grant, secure, pledge, or otherwise transfer, dispose of or monetize, or engage in any hedging transaction, or enter into any form of agreement or arrangement the consequence of which is to alter economic exposure to, or announce any intention to do so, in any manner whatsoever, any Common Shares or securities convertible into, exchangeable for, or otherwise exercisable to acquire Common Shares or other equity securities of the Corporation for a period beginning on the date hereof and ending 90 days after the Closing Date, without the prior written consent of the Agents, such consent not to be unreasonably withheld, except in conjunction with: (i) the PSA; (ii) the issuance of equity compensation securities in the normal course pursuant to any existing equity compensation plans of the Corporation; (iii) the issuance of securities of the Corporation upon the conversion, exercise of exchange of convertible, exercisable or exchangeable securities existing on the date hereof or upon exercise or vesting of equity compensation securities granted in accordance with (ii) above; (iv) the issuance of securities of the Corporation in connection with an arm's length acquisition of assets or securities of a company; (v) the Offering; (vi) limited other circumstances agreed upon by the Agents and the Corporation. In addition, under the Agency Agreement, the Corporation is expected to agree to use reasonable commercial efforts to cause its directors and senior officers to enter into lock up agreements in favor of the Agents, pursuant to which they will agree not to sell, transfer or pledge, or otherwise dispose of, any securities of the Corporation, during the period commencing on the Closing Date and ending 90 days thereafter without the prior written consent of the Agents, such consent not to be unreasonably withheld or delayed, except (i) transfers for bona fide tax or estate planning purposes, provided that each transferee shall, as a condition precedent to such transfer, agree to enter into a substantially similar lock-up letter agreement in favour of the Agents; or (ii) pursuant to a take-over bid or any other similar business combination transaction, including, without limitation, a merger, arrangement or amalgamation of the Corporation.

There is no market through which the Subscription Receipts may be sold and purchasers may not be able to resell Subscription Receipts purchased under this short form prospectus.

Except in certain limited circumstances: (i) the Subscription Receipts will be issued and deposited in electronic form with CDS or its nominee pursuant to the book-based system administered by CDS; (ii) certificates evidencing the Subscription Receipts will not be issued to subscribers; and (iii) subscribers will receive only a customer confirmation from the Agents or other registered dealer

who is a CDS participant and from or through whom a beneficial interest in the Subscription Receipts are purchased. Subscribers who are not issued a certificate evidencing the Subscription Receipts which are subscribed for by them at closing are entitled under the ABCA to request that a certificate be issued in their name. Such a request will need to be made through the CDS participant through whom the beneficial interest in the securities are held at the time of the request. Notwithstanding the foregoing, unless otherwise agreed by the Corporation and the Agents, Subscription Receipts sold to certain non-institutional purchasers pursuant to the exemption from the registration requirements of the 1933 Act provided by Rule 506(b) of Regulation D thereunder, will be represented by individual, definitive certificates registered in the names of the purchasers thereof or their nominees.

This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities in the United States. The Subscription Receipts and the Common Shares for which the Subscription Receipts may be exchanged have not been, and will not be, registered under the 1933 Act, or any state securities laws, and accordingly may not be offered or sold within the United States, except in transactions exempt from the registration requirements of the 1933 Act and applicable state securities laws. The Agency Agreement permits the Agents to offer and resell the Subscription Receipts and Common Shares for which the Subscription Receipts may be exchanged to certain "qualified institutional buyers" (as defined in Rule 144A under the 1933 Act) in the United States who are also "accredited investors" within the meaning of Rule 501(a) of Regulation D under the 1933 Act, provided such offers and sales are made in accordance with the exemption from the registration requirements of the 1933 Act provided by Rule 506(b) of Regulation D thereunder and pursuant to similar exemptions under applicable state securities laws. Moreover, the Agency Agreement provides that the Agents will offer and sell the Subscription Receipts and the Common Shares for which the Subscription Receipts may be exchanged outside the United States only in accordance with Rule 903 of Regulation S under the 1933 Act.

In addition, until 40 days after the commencement of the Offering, an offer or sale of Subscription Receipts or Common Shares within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the 1933 Act if such offer or sale is made otherwise than in accordance with an exemption from registration under the 1933 Act.

INTEREST OF EXPERTS

Certain legal matters relating to the Offering will be passed upon by Burnet, Duckworth & Palmer LLP on behalf of the Corporation, and by Torys LLP on behalf of the Agents. As at the date hereof, the partners and associates of Burnet, Duckworth & Palmer LLP, as a group, and Torys LLP, as a group, each own, directly or indirectly, less than 1% of the Common Shares, respectively.

None of the designated professionals of Sproule, have any registered or beneficial interests, direct or indirect, in any of Obsidian Energy's securities or other property or of Obsidian Energy's associates or affiliates either at the time they prepared the statements, reports or valuations prepared by it, at any time thereafter or to be received by them.

In addition, none of the aforementioned persons or companies, nor any director, officer or employee of any of the aforementioned persons or companies, is or is expected to be elected, appointed or employed as a director, officer or employee of the Corporation or of any associate or affiliate of the Corporation.

In connection with the audit of the Corporation's annual financial statements for the year ended December 31, 2020, Ernst and Young LLP, the former auditors of the Corporation, confirmed they were independent within the meaning of the Rules of Professional Conduct of CPA Alberta.

See "*Interests of Experts*" in the AIF.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Burnet, Duckworth & Palmer LLP, counsel to the Corporation, and Torys LLP, counsel to the Agents (together, "**Counsel**"), the following is, as of the date hereof, a fair and adequate summary of the principal Canadian federal income tax considerations pursuant to the Tax Act generally applicable to a subscriber who acquires, as beneficial owner, Subscription Receipts pursuant to the Offering and who, for purposes of the Tax Act, at all relevant times: (i) holds the Subscription Receipts and will hold the Common Shares (collectively, the "**Securities**") as capital property; (ii) deals at arm's length with, and is not affiliated with, Obsidian Energy and the Agents or any subsequent purchaser of the Securities; and (iii) is not exempt from tax under Part I of the Tax Act. Generally, the Securities will be considered to be capital property to a holder provided the holder does not hold the Securities in the course of carrying on a business of trading or dealing in securities and has not acquired them in one or more transactions considered to be an adventure in the nature of trade.

This summary is not applicable to: (i) a holder that is a "financial institution", subject to the "mark-to-market" rules; (ii) a holder an interest in which would be a "tax shelter investment"; (iii) a holder that is a "specified financial institution"; (iv) a holder whose functional currency for purposes of the Tax Act is the currency of a country other than Canada; or (v) a holder that has or will enter into a "derivative forward agreement" or a "synthetic equity arrangement" with respect to the Securities (in each case within the meaning of the Tax Act).

This summary does not address the possible application of the "foreign affiliate dumping" rules that may be applicable to a holder of Securities that is a corporation resident in Canada (for the purposes of the Tax Act) that is, or that becomes as part of a transaction or event or series of transactions or events that includes the acquisition of the Subscription Receipts or Common Shares, controlled by a non-resident corporation, individual or trust (or group of such persons that do not deal at arm's length) for the purposes of the "foreign affiliate dumping" rules in section 212.3 of the Tax Act. **Any such holder should consult its own tax advisor with respect to an investment in the Securities. In addition, this summary does not address the deductibility of interest by an investor who has borrowed money to acquire Subscription Receipts under this Offering.**

This summary is based upon the provisions of the Tax Act in force as of the date hereof and Counsel's understanding of the current published administrative and assessing practices of the CRA. This summary also takes into account all specific proposals to amend the Tax Act that have been publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "**Tax Proposals**"), and assumes that all such Tax Proposals will be enacted in the form proposed. No assurance can be given that the Tax Proposals will be enacted as proposed or at all. This summary does not otherwise take into account or anticipate changes in law or in the administrative or assessing practices of the CRA, whether by legislative, governmental or judicial action, nor does it take into account provincial, territorial or foreign tax considerations.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any prospective purchaser or holder of Securities, and no representations with respect to the income tax consequences to any prospective purchaser or holder are made. Consequently, prospective holders of Securities should consult their own tax advisors with respect to their particular circumstances.

Holders Resident in Canada

The following portion of the summary is applicable to a Resident Holder.

Certain holders resident in Canada who might not otherwise be considered to hold their Common Shares as capital property may, in certain circumstances, be entitled to have them treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. This election is not available in respect of the Subscription Receipts.

Holding and Disposing of Subscription Receipts

Acquisition of Common Shares Pursuant to Terms of the Subscription Receipts

No gain or loss will be recognized by a Resident Holder on the acquisition of Common Shares pursuant to the Subscription Receipts.

The cost to a Resident Holder of a Common Share acquired pursuant to a Subscription Receipt will generally be equal to the cost of the Subscription Receipt at the time of the exchange (see "*Holders Resident in Canada – Holding and Disposing of Subscription Receipts – Cost of Subscription Receipts*" below). The cost of Common Shares received will generally be averaged with the cost of all other Common Shares held by the Resident Holder as capital property to determine the adjusted cost base of each Common Share held by the Resident Holder.

Other Dispositions of Subscription Receipts

A disposition or deemed disposition by a Resident Holder of Subscription Receipts (other than on the exchange thereof for a Common Share) will generally result in the Resident Holder realizing a capital gain (or capital loss) equal to the amount, if any, by which the proceeds of disposition are greater (or less) than the aggregate of the Resident Holder's adjusted cost base thereof and any reasonable costs of disposition (See "*Holders Resident in Canada – Holding and Disposing of Subscription Receipts – Cost of Subscription Receipts*") below. Such capital gain (or capital loss) will be subject to the tax treatment described below under "*Holders Resident in Canada – Taxation of Capital Gains and Capital Losses*".

Cost of Subscription Receipts

The cost to a Resident Holder of a Subscription Receipt will generally be the amount paid to acquire the Subscription Receipt. The adjusted cost base of a Subscription Receipt acquired at any time will be determined by averaging the cost of such Subscription Receipt immediately before such time with the adjusted cost base of any other Subscription Receipts owned by the Resident Holder as capital property at such time.

If a Termination Occurs

In the event of a Termination, the Termination Payment will be funded from: (i) the Escrowed Funds; and (ii) interest credited or received on the Escrowed Funds.

The repayment of the issue price of the Subscription Receipt out of the Escrowed Funds as a consequence of a Termination will generally result in the Resident Holder realizing a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition received in respect of the Subscription Receipt exceed (or are less than) the aggregate of the adjusted cost base to the Resident Holder thereof and any reasonable costs of disposition (See "*Holders Resident in Canada – Holding and Disposing of Subscription Receipts – Cost of Subscription Receipts*" above). Any part of the Termination Payment that represents interest credited or received on the Escrowed Funds will be excluded from the Resident Holder's proceeds of disposition of the Subscription Receipt.

Any part of the Termination Payment that represents interest credited or received on the Escrowed Funds must be included in the income of the Resident Holder.

Pro Rata Share of Interest

A Resident Holder that is a corporation, partnership, unit trust or any trust of which a corporation or a partnership is a beneficiary will be required to include in computing its income for a taxation year the amount of any interest accrued to the Resident Holder to the end of the Resident Holder's taxation year, or that is receivable or received by the Resident Holder before the end of that taxation year, except to the extent that such interest was included in computing the Resident Holder's income for a preceding taxation year. This will include any interest credited or received on the Escrowed Funds which is received or receivable by such Resident Holder pursuant to a Termination Payment.

Any other Resident Holder, including an individual, that is entitled to receive a share of interest credited or received on the Escrowed Funds will be required to include in computing income for a taxation year such interest that is receivable or received by the Resident Holder in that taxation year, depending upon the method regularly followed by the Resident Holder in computing income.

A Resident Holder that is, throughout the relevant taxation year, a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay a refundable tax on its "aggregate investment income" (as defined in the Tax Act) for the year, which includes interest income.

Holding and Disposing of Common Shares

Disposition of Common Shares

A disposition or a deemed disposition of a Common Share by a Resident Holder (except to Obsidian Energy, unless purchased by Obsidian Energy in the open market in the manner in which shares are normally purchased by any member of the public in the market) will generally result in the Resident Holder realizing a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition of the Common Share exceed (or are less than) the aggregate of the adjusted cost base to the Resident Holder thereof and any reasonable costs of disposition. Such capital gain (or capital loss) will be subject to the tax treatment described below under "*Holders Resident in Canada – Taxation of Capital Gains and Capital Losses*".

For the purpose of determining the adjusted cost base to a Resident Holder of Common Shares, when a Common Share is acquired other than pursuant to the terms of a Subscription Receipt, the cost of the newly-acquired Common Share will be averaged with the adjusted cost base of all of the Common Shares owned by the Resident Holder as capital property immediately before that acquisition. The adjusted cost base of a Common Share to a Resident Holder will be the cost to the Resident Holder of the Common Share, with certain adjustments.

Taxation of Capital Gains and Capital Losses

Generally, one-half of any capital gain (a "taxable capital gain") realized by a Resident Holder in a taxation year must be included in the Resident Holder's income for the year, and one-half of any capital loss (an "allowable capital loss") realized by a Resident Holder in a taxation year must be deducted from taxable capital gains realized by the Resident Holder in that year. Allowable capital losses in excess of taxable capital gains realized in a taxation year generally may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized in such years, to the extent and under the circumstances described in the Tax Act.

The amount of any capital loss realized by a Resident Holder that is a corporation on the disposition of a Common Share may be reduced by the amount of dividends received or deemed to be received by it on such Common Share (or on a share for which the Common Share has been substituted) to the extent and under the circumstances described by the Tax Act. Similar rules may apply where a corporation is a member of a partnership or a beneficiary of a trust that owns Common Shares, directly or indirectly, through a partnership or a trust.

A Resident Holder that is, throughout the relevant taxation year, a "Canadian-controlled private corporation", as defined in the Tax Act, may be liable to pay a refundable tax on its "aggregate investment income" (as defined in the Tax Act) for the year, which includes taxable capital gains.

Capital gains realized by an individual (including certain trusts) may give rise to liability for alternative minimum tax as calculated under the detailed rules set out in the Tax Act. Resident Holders who are individuals should consult their own tax advisors in this regard.

Holders Not Resident in Canada

This portion of the summary applies to a Non-Resident Holder. Prospective holders of Subscription Receipts who are not resident in Canada should consult their own tax advisors with respect to their particular circumstances in their country of residence.

Holding and Disposing of Subscription Receipts

Acquisition of Common Shares pursuant to terms of the Subscription Receipts

A Non-Resident Holder will not realize a capital gain or loss on the issuance of a Common Share pursuant to a Subscription Receipt.

Other Dispositions of Subscription Receipts

On a disposition of a Subscription Receipt (other than on the acquisition of a Common Share pursuant to the terms of Subscription Receipts as discussed above), a Non-Resident Holder will not be subject to tax under the Tax Act in respect of any capital gain realized by such Non-Resident Holder, unless the Subscription Receipt constitutes "taxable Canadian property" (as defined in the Tax Act) of the Non-Resident Holder at the time of disposition and the Non-Resident Holder is not entitled to relief under an applicable income tax convention.

As long as the Common Shares are then listed on a designated stock exchange (which currently includes the TSX) at the time of disposition, Subscription Receipts will not constitute "taxable Canadian property" to a Non-Resident Holder at the time of the disposition or deemed disposition thereof unless at any particular time during the 60-month period immediately preceding the disposition the following two conditions have been met concurrently: (a) the Non-Resident Holder, persons with whom the Non-Resident Holder does not deal at arm's length (within the meaning of the Tax Act), partnerships in which the Non-Resident Holder or a person with whom the Non-Resident Holder does not deal at arm's length (within the meaning of the Tax Act) holds a membership interest directly or indirectly through one or more partnerships, or any combination thereof owned 25% or more of any class of the capital stock of Obsidian Energy; and (b) more than 50% of the fair market value of the Common Shares was derived directly or indirectly from one or any combination of (i) real or immovable property situated in Canada, (ii) "Canadian resource properties" (as defined in the Tax Act), (iii) "timber resource properties" (as defined in the Tax Act) or (iv) an option, an interest or right in such property, whether or not such property exists (the conditions described in (a) and (b) are the "**TCP Conditions**"). Notwithstanding the foregoing, Subscription Receipts may be deemed to be "taxable Canadian property" in certain other

circumstances. A Non-Resident Holder contemplating a disposition of Subscription Receipts that may constitute taxable Canadian property should consult its own tax advisor prior to such disposition.

If a Termination Occurs

In the event of a Termination the Termination Payment will be funded from: (i) the Escrowed Funds; and (ii) interest credited or received on the Escrowed Funds.

A Non-Resident Holder will generally not be subject to Canadian withholding tax in respect of amounts paid or credited or deemed to have been paid or credited by the Subscription Receipt Agent as, on account or in lieu of payment of, or in satisfaction of, any such interest credited or received on the Escrowed Funds.

Holding and Disposing of Common Shares

Disposition of Common Shares

A Non-Resident Holder will not be subject to tax under the Tax Act in respect of any capital gain realized by such Non-Resident Holder on a disposition of a Common Share issuable pursuant to the terms of the Subscription Receipts, unless the Common Share constitutes "taxable Canadian property" (as defined in the Tax Act) of the Non-Resident Holder at the time of disposition and the Non-Resident Holder is not entitled to relief under an applicable income tax convention.

As long as the Common Shares are then listed on a designated stock exchange (which currently includes the TSX), Common Shares will not constitute "taxable Canadian property" to a Non-Resident Holder at the time of the disposition or deemed disposition thereof unless at any particular time during the 60-month period immediately preceding the disposition, the TCP Conditions are met. Notwithstanding the foregoing, Common Shares may be deemed to be "taxable Canadian property" in certain other circumstances. A Non-Resident Holder contemplating a disposition of Common Shares that may constitute taxable Canadian property should consult its own tax advisor prior to such disposition.

ELIGIBILITY FOR INVESTMENT

In the opinion of Counsel, based on the current provisions of the Tax Act, and as at the date hereof the Subscription Receipts and Common Shares will be, if issued on the date hereof, qualified investments at the time of acquisition by a trust governed by a RRSP, a RESP, a RRIF, a DPSP, a RDSP or a TFSA (each an "**Exempt Plan**") provided that, at the time of the acquisition by the Exempt Plan, (i) in the case of the Subscription Receipts: (a) the Common Shares are listed on a designated stock exchange at that time; (b) the Corporation is not, and deals at arm's length for purposes of the Tax Act with each person who is, an annuitant, a beneficiary, an employer or a subscriber under, or holder of, such Exempt Plan; and (c) the Escrowed Funds are invested in "qualified investments" (as defined in the Tax Act) for such Exempt Plan, and (ii) in the case of the Common Shares, either such shares are listed on a designated stock exchange or the Corporation is a "public corporation" (as defined in the Tax Act).

Notwithstanding the foregoing, if the Subscription Receipts or the Common Shares are "prohibited investments" (as defined in the Tax Act) for a trust governed by a TFSA, RRSP, RRIF, RESP or RDSP, the holder, annuitant or subscriber thereof, as the case may be, will be subject to a penalty tax as set out in the Tax Act. The Subscription Receipts and the Common Shares will not be prohibited investments for a trust governed by a TFSA, RRSP, RRIF, RESP or RDSP provided that the holder, annuitant or subscriber thereof, as the case may be, (a) deals at arm's length with the Corporation for purposes of the Tax Act, and (b) does not have a "significant interest" (as defined for purposes of the prohibited investment rules in the Tax Act) in the Corporation. In addition, the Common Shares will not be "prohibited investments" if the Common Shares are "excluded property" (as defined in the Tax Act) for a trust governed by a TFSA, RRSP, RRIF, RESP or RDSP. Prospective purchasers who intend to hold Subscription Receipts or Common Shares in an Exempt Plan are advised to consult their own tax advisors.

RISK FACTORS

An investment in the Subscription Receipts and the Common Shares issuable upon the exchange thereof is subject to certain risks due to the nature of Obsidian Energy's involvement in the exploration for, and the acquisition, development and production of, oil and natural gas reserves. Before deciding whether to invest in any Subscription Receipts and the Common Shares issuable upon the exchange thereof, prospective purchasers should carefully consider the risks described under the

heading "Risk Factors" in the AIF incorporated by reference in this short form prospectus, the risks identified elsewhere in this short form prospectus and in the other documents incorporated by reference herein and the risk factors set forth below.

Failure to Close the Acquisition

The closing of the Offering will occur before the closing of the Acquisition. The Acquisition may not close for a variety of reasons, including if the conditions to the closing of the Acquisition are not satisfied or waived, some of which are not within the control of the Corporation, including, but not limited to, the entering into of the PROP 45 Facility. In addition, even if the Acquisition closes, the Acquisition may not close on the terms or the timing currently expected. If the Acquisition does not close or if completed but the terms or timing are different than expected, it could have an adverse effect on the Corporation's future plans. If any of these events are to occur, the Corporation may be required to seek additional funding, which may or may not be available on acceptable terms or at all.

Pending the closing of the Acquisition, the holders of the Subscription Receipts are not Shareholders and the Subscription Receipts do not carry any voting rights whatsoever. If the Acquisition fails to close on or before the Deadline, the Subscription Receipt Agent will return to each holder of Subscription Receipts an amount equal to the Termination Payment. In such a case, the return received by a subscriber will be limited to a pro rata portion of interest earned on the Escrowed Funds. Each subscriber's subscription proceeds will be held in escrow pending a Termination, and accordingly subscribers will not be able to use such funds to take advantage of other investment opportunities that occur prior to a Termination. See "*Details of the Offering*".

Completion of the Offering

The completion of the Offering is subject to achievement of the Minimum Offering amount and there is no certainty such amount will be achieved. The completion of the Offering is also subject to receipt of approval from the TSX and all other applicable regulatory approvals, which approvals may not be obtained.

Availability of Funds under the Credit Facilities

The purchase price for the Partnership Interest will be partially funded by availability under the Credit Facilities and will require amendments to the Credit Facilities to permit the transactions contemplated by the PSA and the PROP 45 Financing. As noted under "*Recent Developments – Amendments to Credit Facilities and Senior Notes*", the Lenders and the holders of the Senior Notes each provided their written consent to the transactions contemplated by the PSA and the PROP 45 Financing, however the Credit Facility Amendments and the Senior Note Amendments will be subject to execution of definitive documentation by Obsidian Energy and its Lenders and Senior Note holders with respect to the same. There is no certainty that such documentation will be entered into. In addition, the reduction in availability resulting from using funds from the Credit Facilities to partially fund the purchase price of the Partnership Interest and to repay amounts under the Senior Notes could prevent Obsidian Energy from taking advantage of other business opportunities that may arise from time to time. There is no certainty that additional debt or equity funds would be available to take advantage of any such opportunities.

Nature of Acquisitions

Acquisitions of oil and gas entities are based in large part on engineering, environmental and economic assessments made by the acquirer or the person participating in such arrangements, independent engineers and consultants. These assessments include a series of assumptions regarding such factors as recoverability and marketability of oil and natural gas, environmental restrictions and prohibitions regarding releases and emissions of various substances, future prices of oil and gas and operating costs, future capital expenditures and royalties and other government levies which will be imposed over the producing life of the reserves. Many of these factors are subject to change and are beyond the control of Obsidian Energy. All such assessments involve a measure of geological, engineering, environmental and regulatory uncertainty that could result in lower production and reserves or higher operating or capital expenditures than anticipated.

Additional Indebtedness

Upon closing of the Acquisition, PROP 45 will obtain the PROP 45 Facility, which will be secured against PROP 45's interest in the Partnership and subject PROP 45 to certain ongoing and near term obligations. PROP 45 and or the Corporation may also need to find additional sources of financing to repay any indebtedness under the PROP 45 Facility when it becomes due. There can be no guarantee that PROP 45 or the Corporation will be able to obtain financing on terms acceptable to it or at all at such time. The

indebtedness incurred by PROP 45 under the PROP 45 Facility will represent an increase in the Corporation's interest costs and a potential reduction in the Corporation's net income and/or funds flow.

Significant Transaction Costs

The Corporation expects to incur significant costs associated with completing the Acquisition and the financing thereof that will be payable by the Corporation whether or not the Offering or Acquisition close.

Subscription Receipt Structure

The Subscription Receipts will be automatically exchanged for Common Shares upon the occurrence of the Release Time. Obsidian Energy may, if the consent of the Agents is given for such waiver or amendment (such consent not to be unreasonably withheld), waive certain closing conditions in Obsidian Energy's favour in the PSA or agree with the Vendor to amend the PSA and consummate the Acquisition on terms that may be substantially different from those contemplated in this prospectus. As a result, the expected benefits of the Acquisition may not be fully realized. See "*Recent Developments – The Acquisition*". There can be no assurance that the Release Conditions will be satisfied on or prior to the Deadline. If the Termination Date occurs, and there are not sufficient funds held in escrow to repay the full subscription price for the Subscription Receipts, holders will be required to rely on the Corporation to provide sufficient funds to cover the difference in accordance with the terms of the Subscription Receipt Agreement. Until the Release Time occurs and the Common Shares are delivered pursuant to the Subscription Receipt Agreement, holders of Subscription Receipts have the rights as described under "*Details of the Offering*" and do not have rights as Shareholders of Obsidian Energy.

Market for Securities

There is no market through which the Subscription Receipts may be sold and purchasers of Subscription Receipts may not be able to resell the Subscription Receipts purchased under this prospectus. The price offered to the public for the Subscription Receipts and the number of Subscription Receipts to be issued have been determined by negotiations between the Agents and Obsidian Energy in the context of a marketed offering. The price paid for each Subscription Receipt may bear no relationship to the price at which the Subscription Receipts will trade in the public market subsequent to the Offering. Obsidian Energy cannot predict at what price the Subscription Receipts will trade and there can be no assurance that an active trading market will develop for the Subscription Receipts or, if developed, that such market will be sustained.

Operational, Environmental and Reserves Estimates Risks Relating to the Acquisition

The risk factors set forth in the AIF relating to the oil and natural gas business, environmental matters and Obsidian Energy's operations and reserves apply equally to the Partnership Interest insofar as they apply to the assets held by, and the operations of, the Partnership.

Investment Eligibility

The Corporation will endeavour to ensure that the Subscription Receipts and the Common Shares continue to be qualified investments for trusts governed by an Exempt Plan. No assurance can be given in this regard. The Tax Act imposes penalties for the acquisition or holding of non-qualified investments by such plans.

COVID-19

Obsidian Energy has been closely monitoring developments related to COVID-19 (including the variants thereof) and other macro-economic conditions. These events have resulted in increased volatility in crude oil prices and increased economic uncertainty. Due to the uncertainty surrounding the magnitude, duration and potential outcomes of COVID-19, the Corporation is unable at this time to predict its long-term impact on its operations, liquidity, financial condition and results. The extent to which COVID-19 impacts the Corporation's results will ultimately depend on future developments, which are highly uncertain, and will include vaccination rates, the impact of variants, and the actions taken by governments and private businesses to attempt to contain COVID-19. The Corporation will continue to closely monitor this global health crisis. Any significant decrease in the demand for crude oil and natural gas could in turn disrupt the Corporation's business and the Corporation's counterparties' businesses, activities and operations.

ENFORCEABILITY OF JUDGMENTS

Each of John Brydson, Michael J. Faust and Stephen E. Loukas are directors, and in the case of Mr. Loukas an executive officer, of the Corporation that reside outside of Canada and have appointed Burnet, Duckworth & Palmer LLP at 2400, 525 – 8th Avenue S.W., Calgary, Alberta T2P 1G1 as their agent for service of process. Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person that resides outside of Canada, even if the party has appointed an agent for service of process.

EXEMPTIONS

The Corporation has applied for exemptive relief from the securities regulatory authority in each of Alberta and Ontario under NI 44-101 from the requirement under 11.1(1)(7) of Form 44-101F1 *Short Form Prospectus* to incorporate the 2020 Acquisition Circular, and the documents incorporated by reference therein, by reference in this prospectus.

STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the province in which the purchaser resides for the particulars of these rights or consult with a legal advisor.

In addition, under the Subscription Receipt Agreement, original purchasers of Subscription Receipts will have a contractual right of rescission against Obsidian Energy both prior to and following the issuance of underlying Common Shares to such purchasers to receive the amount paid for the Subscription Receipts if this short form prospectus (including the documents incorporated by reference herein) and any amendment contains a misrepresentation or is not delivered to such purchaser, provided such remedy for rescission is exercised within 180 days of closing of the Offering.

CERTIFICATE OF THE CORPORATION

Dated: November 4, 2021

This amended and restated short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces of Canada, other than the Province of Québec.

OBSIDIAN ENERGY LTD.

(signed) "*Stephen Loukas*"
Interim President and Chief Executive Officer

(signed) "*Peter Scott*"
Senior Vice President and Chief Financial Officer

On behalf of the Board of Directors

(signed) "*Gordon Ritchie*"
Director

(signed) "*Raymond Crossley*"
Director

CERTIFICATE OF THE AGENTS

Dated: November 4, 2021

To the best of our knowledge, information and belief, this amended and restated short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces of Canada, other than the Province of Québec.

RAYMOND JAMES LTD.

(signed) "Dion Degrand"

Managing Director, Head of Canadian Oil & Gas
Investment Banking

STIFEL NICOLAUS CANADA INC.

(signed) "Nathan M. Trainor"

Director, Investment Banking