CANADA GROWTH FUND ANNOUNCES STRATEGIC INVESTMENT IN ENTROPY INC AND CARBON CREDIT OFFTAKE COMMITMENT

Currency: CAD unless otherwise stated

CALGARY, AB, Dec. 20, 2023 /CNW/ - Today, Canada Growth Fund Inc. ("CGF") and Advantage Energy Ltd. (TSX: AAV) ("Advantage") announced that CGF has entered into a strategic investment agreement with Entropy Inc. ("Entropy" or the "Company"), a Calgary-based developer of technologically-advanced carbon capture and sequestration ("CCS") projects with the potential to significantly reduce emissions in Canada and worldwide.

CGF has agreed to a $200 million investment in Entropy coupled with a fixed-price carbon credit purchase agreement ("Carbon Credit Offtake Commitment" or "CCO") of up to one million tonnes per annum ("tpa"). This strategic growth partnership represents an important new investment in Canadian carbon markets. The features of the CCO—notably its large scale and its long-term fixed-price—represent a global first in compliance markets. This financeable structure helps to de-risk and accelerate private CCS investment by establishing carbon price certainty for Canadian projects.

"With its abundance of natural resources, access to high-quality geological storage, and sophisticated engineering know-how, Canada is the best place in the world to build a CCS industry," said Patrick Charbonneau, President and CEO of Canada Growth Fund Investment Management Inc. ("CGF Investment Management"). "The CGF Investment Management team is pleased to deliver this inaugural transaction in Alberta's carbon market, and we look forward to putting additional capital to work across Canada in the months ahead."

One pillar of CGF's mandate is to invest in projects and technologies, including CCS, that hold significant potential to reduce emissions across the Canadian economy. A second pillar is to scale promising Canadian clean technology champions that can help create value for Canadians.

"I am very proud of the investment, technical, and execution expertise that the Canada Growth Fund Investment Management team is bringing to the CGF mandate," said Deborah K. Orida, President and CEO of Public Sector Pension Investment Board ("PSP Investments"). "CGF is able to deliver complex transactions such as this thanks to PSP Investments' rigorous and established processes and arm's length governance model."

Entropy aligns well with both aspects of CGF's mandate: it is a Canadian-based CCS company with an innovative technology solution and a skilled team of Canadian experts focused on expanding the use of CCS technology in Canada and globally. Entropy's modular CCS technology is relevant across Canada's hard-to-abate industries, which represent an important challenge and opportunity for Canada to tackle as it works towards its emissions objectives.

"Entropy is excited to partner with CGF in re-establishing Canada as a world-leading CCS market," said Mike Belenkie, President and CEO of Entropy. "By creating a large-scale CCO to guarantee long-term carbon pricing and adding $200 million to our existing Brookfield funding for third-party projects, Entropy has a clear path to accelerating growth and reducing emissions, right here at home. While we will remain a global CCS developer, we believe our projects are likely to advance much more quickly in Canada than any other country in the world."

In March 2022, Entropy announced a strategic $300 million investment agreement with Brookfield, via the Brookfield Global Transition Fund, to scale up the deployment of Entropy's CCS technology globally. Today's announcement builds on this strong foundation and provides greater revenue certainty to accelerate Entropy's major investments in Canada.

"Carbon capture and sequestration is a vital technology for reducing emissions in carbon intensive sectors" said Jehangir Vevaina, Managing Partner and Chief Investment Officer for Renewable Power & Transition at Brookfield. "Our investment agreement with Entropy was designed to accelerate the deployment of this important technology in Canada and worldwide. We welcome the additional capital and revenue certainty that the Canada Growth Fund is providing to enable Entropy's success."

Transaction Highlights

- Definitive agreements between Entropy and CGF to accelerate the decarbonization of hard-to-abate industries in Canada;
- CGF to invest $200 million in Entropy for the development of Canadian CCS projects and for corporate purposes which, once fully drawn, could result in CGF owning approximately 20% of Entropy;
- Brookfield will continue to invest the balance of its existing $300 million hybrid security into the business, by which point it would be the largest shareholder and control Entropy;
- CGF to provide the first ever large-scale, long-term, fixed-price CCO in a compliance carbon market, committing to purchase up to one million tpa of carbon credits for 15 years;
- The initial allocation of CCO commitment will allow Entropy to proceed with its Glacier Phase 2 project, targeting the sale of up to 185,000 tpa of Alberta TIER carbon credits at an initial price of $86.50 per tonne for a term of 15 years;
- The balance of the remaining CCO will be available for Entropy to underwrite additional third-party projects on similar

terms in Canada;
- Post-investment, Entropy will have approximately $460 million of capital available which, together with investment tax credits, carbon capture incentives and project financing, establishes a path to execute over $1 billion of CCS projects and abate more than 1 million metric tonnes per annum ("MMTPA") of emissions, with a focus on the Canadian market.

Deal Structure Overview

CGF's investment in Entropy is via a hybrid security similar to the prior investment from Brookfield (please see Entropy news release dated March 28, 2022), though at a valuation that reflects the numerous advancements of the business in the last two years. The flexible structure ensures access to capital for Entropy and retains flexible liquidity options for all major investors including Brookfield, CGF and Advantage (the Company's controlling shareholder). Funding draws from Brookfield and CGF for Canadian projects and corporate purposes will proceed in tandem.

Coupled with the CGF investment, Entropy and CGF have entered into a CCO agreement whereby CGF has committed to purchase up to 9 million tonnes (up to 600,000 tpa over a 15-year term) of TIER or equivalent carbon credits from Entropy projects. The initial project to benefit from the CCO is intended to be Advantage Glacier Phase 2, drawing up to 185,000 tpa at an initial price of $86.50 per tonne, for a total of approximately 2.8 million tonnes over the 15-year term. With this CCO agreement in place, CGF has absorbed the carbon pricing risk for the project. Entropy is therefore pleased to announce provisional final investment decision of Glacier Phase 2.

Beyond Glacier Phase 2, CGF and Entropy intend to enter into separate CCO agreements for other Canadian projects, on terms that are expected to provide similar investment returns. Upon successful deployment of the initial 600,000 tpa of CCO, CGF may make available a further 400,000 tpa of CCOs for additional Entropy Canadian CCS projects.

CGF will nominate one member to the Entropy Board of Directors and is pleased to participate in the growth and evolution of this Canadian clean technology leader. Advantage and Brookfield will retain their existing Entropy board representation.

About Entropy Inc

Entropy was founded by Advantage and Allardyce Bower Consulting Inc. in 2020 with the goal of developing world-leading technology for post-combustion carbon capture. After partnering with University of Regina to acquire breakthrough technology and developing further advancements, Entropy designed and constructed the world's first commercial natural-gas-fired CCS project (Glacier Phase 1), which began capturing and storing carbon about 18 months ago. Entropy's team has industry-leading capabilities in all aspects of the CCS chain, including capture, compression, transportation, subsurface storage, carbon finance, regulatory, carbon markets and commercial structuring. This full-cycle approach allows Entropy to help third parties that would otherwise not have the capacity to take on these complex emissions-reduction investments. For further information, please visit www.entropyinc.com.

About Canada Growth Fund

CGF is a $15 billion arm's length public investment vehicle that will help attract private capital to build Canada's clean economy by using investment instruments that absorb certain risks in order to encourage private investment in low carbon projects, technologies, businesses, and supply chains.

CGF will make strategic investments to help Canada to meet the following national economic and climate policy goals:

1. reduce emissions and achieve Canada's climate targets;
2. accelerate the deployment of key technologies, such as low-carbon hydrogen and carbon capture, utilization, and storage (CCUS);
3. scale-up companies that will create jobs, drive productivity and clean growth across new and traditional sectors of Canada's industrial base;
4. encourage the retention of intellectual property in Canada; and
5. capitalize on Canada's abundance of natural resources and strengthen critical supply chains to secure Canada's future economic and environmental well-being.

Further information on CGF's mandate, strategic objectives, investment selection criteria, scope of investment activities, and range of investment instruments can be found in the technical backgrounder published by Finance Canada. You may also visit www.cgf-fcc.ca.

About CGF Investment Management

In Budget 2023, the Government of Canada announced that PSP Investments, through a wholly owned subsidiary, would act as investment manager for CGF. CGF Investment Management has been incorporated to act as the independent and exclusive investment manager of CGF.

Note: PSP Investments has a passive limited partner interest in the Brookfield Global Transition Fund I, and ownership of

Advantage's publicly traded common stock through index replication and externally managed funds. The foregoing is being disclosed in accordance with PSP Investments' Conflicts of Interest Policy. For more information, see the disclosure made under PSP Investments' Conflict of Interest Policy below.

About Brookfield

Brookfield Asset Management (NYSE: BAM, TSX: BAM) is a leading global alternative asset manager with over $850 billion of assets under management. Brookfield invests client capital for the long-term with a focus on real assets and essential service businesses that form the backbone of the global economy. Brookfield offers a range of alternative investment products to investors around the world — including public and private pension plans, endowments and foundations, sovereign wealth funds, financial institutions, insurance companies and private wealth investors.

Brookfield Renewable

Brookfield operates Brookfield Renewable Partners (NYSE: BEP, BEPC TSX: BEP.UN, BEPC), one of the world's largest publicly traded, pure-play renewable power platforms, with approximately 31,800 megawatts of installed renewable energy capacity and a development pipeline of approximately 143,400 megawatts of renewable power assets, 14 MMTPA of carbon capture and storage, 2 million tons of recycled material and 4 million metric million British thermal units of renewable natural gas production annually.

Advisors

Osler, Hoskin & Harcourt LLP and BMO Capital Markets acted as advisors to Canada Growth Fund Inc.

Burnet, Duckworth & Palmer LLP and TD Securities Inc. acted as advisors to Entropy Inc.

Forward-Looking Information

Certain statements contained in this press release constitute forward-looking statements or forward-looking information (collectively, "**forward-looking information**"). Forward-looking information relates to future events or future performance. All information other than statements of historical fact is forward-looking information. Forward-looking information are often, but not always, identified by the use of words such as "anticipate", "continue", "demonstrate", "expect", "may", "can", "will", "believe", "would" and similar expressions and include statements relating to, among other things, the anticipated benefits to be derived from the strategic investment agreement, the CCO and CGF's collaboration with Entropy; the anticipated use of the proceeds derived from the strategic investment agreement; the anticipated benefits to be derived from the CCO structure; expectations that Entropy's projects have the potential to significantly reduce emissions in Canada and worldwide; that CGF will pursue additional transactions in the months ahead; CGF's expectations that Entropy aligns well with both aspects of its mandate; Entropy's expectations that its projects are likely to advance much more quickly in Canada than any other country in the world; the anticipated volume of Alberta TIER carbon credits targeted by Entropy at its Glacier Phase 2 project, and the anticipated price and timing thereof; expectations that post-investment, Entropy will have approximately $460 million of capital available which, together with investment tax credits, carbon capture incentives and project financing, establishes a path to execute over $1 billion of CCS projects and abate more than 1 MMTPA of emissions, with a focus on the Canadian market; expectations that the CCO has absorbed the carbon pricing risk for the Glacier Phase 2 project; expectations that CGF and Entropy will enter into separate CCO agreements for other Canadian projects, on terms that are expected to provide similar investment returns; expectations that upon successful deployment of the 600,000 tpa of CCO Commitments, CGF may make available a further 400,000 tpa of CCOs for additional Entropy Canadian projects; CGF's expectations that it will make strategic investments to help Canada to meet certain national economic and climate policy goals; that Entropy will meet the conditions to draw on the committed capital; the anticipated benefits to be derived by CGF, Entropy, Advantage and Brookfield from the flexible investment structure of the strategic investment agreement; and Entropy's focus, strategies and plans for its technology. CGF's and Entropy's actual decisions, activities, results, performance or achievement could differ materially from those expressed in, or implied by, such forward-looking information and accordingly, no assurances can be given that any of the events anticipated by the forward-looking information will transpire or occur or, if any of them do, what benefits that CGF or Entropy will derive from them.

While CGF and Entropy believe the expectations and material factors and assumptions reflected in the forward-looking information contained herein are reasonable as of the date hereof, there can be no assurance that these expectations, factors and assumptions will prove to be correct. Forward-looking information is not a guarantee of future performance and actual results or events could differ materially from the expectations of CGF expressed in or implied by such forward-looking information. Accordingly, readers should not place undue reliance on forward-looking information. All forward-looking information is subject to a number of known and unknown risks and uncertainties, certain of which are beyond CGF's and Entropy's control, including, but not limited to; the risk that the flexible investment structure of the strategic investment agreement may not provide the anticipated benefits to CGF, Entropy, Advantage, or Brookfield; the risk that Entropy may not meet the conditions to draw on the committed capital; the risk that Entropy's projects may not reduce emissions in Canada or worldwide; the risk that CGF may not pursue additional transactions in the months ahead; the risk that Entropy may have less

capital available than anticipated post-investment; the risk that the CCO may not absorb the carbon pricing risk for the Glacier Phase 2 project; the risk that CGF and Entropy may not enter into separate CCO agreements for other Canadian projects, and that such COO agreements may not provide similar investment returns; changes in general economic, market and business conditions; industry conditions; actions by governmental or regulatory authorities including increasing taxes and changes in investment or other regulations; changes in tax laws and incentive programs; changes in carbon tax and credit regimes; competition; the lack of availability of qualified personnel or management; intellectual property and patent risks; credit risk; changes in laws and regulations including the adoption of new environmental laws and regulations and changes in how they are interpreted and enforced; ability to comply with current and future environmental or other laws; stock market volatility and market valuations; failure to achieve the anticipated benefits and results of Entropy's technology; ability to obtain required approvals of regulatory authorities; and ability to access sufficient capital from internal and external sources.

With respect to forward-looking information contained in this press release, Advantage and Entropy have made assumptions regarding, but not limited to: that Entropy's CCS projects will reach final investment decision; conditions in general economic and financial markets; effects of regulation by governmental agencies; current and future carbon prices and regimes; future exchange rates; future operating costs; availability of skilled labor; the impact of increasing competition; that Entropy will have sufficient cash flow, working capital, debt or equity sources or other financial resources required to fund its capital and operating expenditures and requirements as needed; that CGF's and Entropy's conduct and results of operations will be consistent with expectations; that Entropy will have the ability to develop its technology in the manner currently contemplated; current or, where applicable, proposed assumed industry conditions, laws and regulations will continue in effect or as anticipated; and the anticipated benefits and results from Entropy's technology are accurate in all material respects. Readers are cautioned that the foregoing lists of factors are not exhaustive.

Management has included the above summary of assumptions and risks related to forward-looking information above in order to provide shareholders with a more complete perspective on CFG's and Entropy's future operations and such information may not be appropriate for other purposes. CGF's and Entropy's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking information and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking information will transpire or occur, or if any of them do so, what benefits that CGF and Entropy will derive therefrom. Statements, including forward-looking information, are made as of the date of this press release and neither CGF nor Entropy undertake any obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise. The forward-looking information contained in this press release is expressly qualified by this cautionary statement.

This press release contains information that may be considered a financial outlook under applicable securities laws about CGF's and Entropy's potential financial position, including, but not limited to, the anticipated volume of Alberta TIER carbon credits targeted by Entropy at its Glacier Phase 2 project, and the anticipated price and timing thereof; and expectations that post-investment, Entropy will have approximately $460 million of capital available which, together with investment tax credits, carbon capture incentives and project financing, establishes a path to execute over $1 billion of CCS projects and abate more than 1 MMTPA of emissions; all of which are subject to numerous assumptions, risk factors, limitations and qualifications, including those set forth in the above paragraphs. The actual results of operations of CGF and Entropy and the resulting financial results will vary from the amounts set forth in this press release and such variations may be material. This information has been provided for illustration only and with respect to future periods are based on budgets and forecasts that are speculative and are subject to a variety of contingencies and may not be appropriate for other purposes. Accordingly, these estimates are not to be relied upon as indicative of future results. Except as required by applicable securities laws, neither CGF nor Entropy undertakes any obligation to update such financial outlook. The financial outlook contained in this press release was made as of the date of this press release and was provided for the purpose of providing further information about CGF's and Entropy's potential future business operations. Readers are cautioned that the financial outlook contained in this press release is not conclusive and is subject to change.

PSP Investments' Conflict of Interest Policy

PSP Investments has established a policy to address the risk of any real, potential or perceived conflicts of interest in the context of the services provided by Canada Growth Fund Investment Management Inc. to Canada Growth Fund Inc. ("CGF"), requiring PSP and CGF to disclose where they have overlapping investments.

CGF has entered into binding agreements pursuant to which CGF will participate in Entropy Inc. ("Entropy") through:

1. A delayed draw convertible debenture facility of up to$200 million, that could be converted into common equity of Entropy; and
2. A carbon credit offtake contract framework for the development of carbon capture and sequestration ("CCS") projects in Canada (together, the "Transaction").

Entropy was founded and is majority-owned by Advantage Energy Ltd (TSE: AAV) ("Advantage"), a listed pure-play natural gas and liquids producer headquartered in Calgary, Alberta. In March 2022, approximately one year prior to PSP Investments being named as the manager of CGF Inc., Entropy announced a $300 million funding arrangement with Brookfield Global Transition Fund I ("BGTF") to fund capital projects.

At the time of the approval of the Transaction, PSP Investments held: (i) a passive limited partner interest, representing no more than 4% of fund commitments, with no investment discretion or decision-making ability in BGTF, amounting to an indirect ownership interest in Entropy of no more than 1%; and (ii) ownership of Advantage's publicly traded common stock through index replication activities in an amount not exceeding 360,000 shares, as well as positions in Advantage through externally managed funds where PSP has no discretionary authority in an amount not exceeding 68,000 shares. Under the Transaction, at full deployment of BGTF and CGF's convertible debenture facilities, on an as-converted basis, PSP Investments will indirectly own no more than 1.5% of Entropy, excluding any indirect ownership through Advantage.

The foregoing is being disclosed in accordance with PSP Investments' Conflicts of Interest Policy.

SOURCE Advantage Energy Ltd.

For further information: Media Contacts: mediacgf@cgf-fcc.ca, info@entropyinc.com

---

https://advantageog.mediaroom.com/2023-12-20-CANADA-GROWTH-FUND-ANNOUNCES-STRATEGIC-INVESTMENT-IN-ENTROPY-INC-AND-CARBON-CREDIT-OFFTAKE-COMMITMENT