



Nova Bancorp Group

Press Release

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For Immediate Release
Vancouver, British Columbia

Nova Bancorp Outlines Reasons for Opposition to Pace Arrangement

Nova Bancorp announced on January 29 that it plans to vote against the proposed business combination (the "Arrangement") involving Pace Oil & Gas Ltd., AvenEx Energy Corp. and Charger Energy Corp. There are four main reasons for our opposition.

1. The limited sale process was not adequate

Nova Bancorp does not believe that Pace shareholders were well served last October when Pace engaged its financial advisor "with a mandate to, among other things, conduct a non-public, confidential, limited party sale process." The information circular advises that Pace only "evaluated three non-binding proposals including a proposal from AvenEx and Charger," Charger being a company with common directors with Pace. Market reaction appears to indicate that the limited sale process was inadequate. Since the Arrangement was announced on December 20, 2012, Pace shares have fallen approximately 5%. We believe there should have been a public and transparent process.

2. Pace shareholders would be unfairly diluted

Nova Bancorp believes that the Arrangement is unfair to Pace shareholders. There appears to be a significant deficiency in the value offered to Pace shareholders both on an absolute basis and on a relative basis when compared to consideration offered to the shareholders of Charger and AvenEx. The following tables provide a comparative summary of corporate values and the related per share calculations.

Comparative Corporate Values¹

	Pace		AvenEx		Charger		Total	
Net Asset Value ²	\$748	64%	\$281	24%	\$148	13%	\$1,177	100%
Break-Up Value ³	\$253	56%	\$158	35%	\$37	8%	\$448	100%
Cash Flow ⁴	\$45	64%	\$19	27%	\$7	9%	\$71	100%
Before Announcement ⁵	\$160	44%	\$180	50%	\$23	6%	\$363	100%
Proposed Transaction ⁶	\$151	47%	\$138	43%	\$30	9%	\$319	100%

Comparative Share Values

	Pace	AvenEx	Charger
Net Asset Value ²	\$15.95	\$5.18	\$2.20
Break-Up Value ³	\$5.40	\$2.91	\$0.55
Cash Flow ⁴	\$0.96	\$0.35	\$0.11

¹ All dollar amounts are millions.

² From publicly available information at December 31, 2011 (NPV 10% BT)

³ Based on Q3 2012 production volumes, \$57,500 per barrel for liquids, \$20,000 per boe for gas and September 30, 2012 net working capital

⁴ Funds from operations to September 30, 2012

⁵ Based on share prices on December 19, 2012

⁶ Based on closing price of AvenEx of \$2.47 on January 31, 2013 and the proposed exchange ratios

The first table highlights that based upon Spyglass' ownership structure, Pace shareholders are being materially diluted. It appears market values prior to announcement had a large influence on the exchange ratio. Pace shareholders are being unfairly penalized for management's failure to maximize share value and the market price of the shares.

The above tables also highlight Pace value in both aggregate value terms under varying perspectives and relative value for assessment of the current proposal. We are aware the net asset value (NAV) calculations are not representative of market values, and they are presented mainly for relative comparison. Further, the NAV calculation naturally underestimates the negative effects of overleverage, and we note that Charger brings the highest relative level of debt.

We feel the Break-Up Value assumptions are conservative. Some published transaction summaries for Q4 2012 (excluding Spyglass) indicated averages of approximately \$87,000 and \$30,000 per flowing barrel or equivalent for liquids and gas respectively. It should be pointed out that Pace's netbacks are competitive with most of its peers. We used the same metrics for all 3 companies, notwithstanding the fact that we believe Pace's assets are of higher quality when liquids weighting, cost structure, and decline rates are considered.

Cash Flow contributions speak for themselves. In an effort to be conservative, we have generously added 100% of general and administrative expenses back into AvenEx and Charger cash flows to account for economies of scale.

Break-Up Value is materially higher than Pace's current trading price, and the proposed exchange ratios undervalue Pace's contributions to the combined entity. Is the Arrangement fair to Pace shareholders? Does this transaction maximize shareholder value? The answer to both questions is NO.

3. The proposed dividend is not sustainable

Nova Bancorp does not believe the Spyglass dividend will be sustainable. This view is shared by certain other analysts from investment dealers not involved in the transaction. Utilizing the model's 20% decline and \$25,000 per barrel of oil equivalent per day capital efficiency, we determined that, for the nine months ending September 30, 2012, the pro-forma entity's production was short approximately 2,900 barrels per day. This was determined using Q4 2011 actual production, nine months ending September 30, 2012 actual capex and Q3 2012 actual production.

Whether the reason is optimistic declines or capital efficiency does not matter, more funds from operations will need to be invested in asset development as opposed to dividends. In addition, the information circular mentions, subject to board discretion, that Spyglass will not reduce its monthly dividend rate on the Spyglass shares for a period of six months following the closing. We are not surprised at such a limited and qualified undertaking. At current market prices, Spyglass would be yielding 14.5%, clearly a signal that the market also doubts the sustainability of the dividend.

4. The Arrangement does not improve the management of Pace assets

Nova Bancorp does not believe that the Arrangement improves management. Pace has been a chronic underperformer in comparison to its peers. It has historically traded at relatively low multiples to enterprise value, to boe per day and to DACF. While we acknowledge that the production characteristics and current leverage ratios contribute somewhat to the discount, we agree with many market watchers that the primary reason is a lack of confidence in management and its leadership abilities. In our opinion, the Arrangement looks more like a game of musical chairs than a serious attempt to improve management and bolster market confidence. We

believe the decline in Pace shares since the deal was announced further confirms this view. Sadly, shareholders are also being asked to accept significant cash payments being made to Pace management. The top five members of the Pace management team will receive total cash payments of \$5.3 million pursuant to the Arrangement. Some of these executives have only held their positions for a short period of time.

Keeping Pace – Next Steps

Nova Bancorp believes that if the Arrangement is not approved, that it will pave the way for a second process that will better reward Pace shareholders for the value of the company's assets. We disagree with the argument of some financial analysts that it will be difficult to find another buyer. Before deciding to formally oppose the transaction, Nova Bancorp contacted a number of oil & gas companies and investment dealers. We received sufficient encouragement to proceed with our opposition to the Arrangement. Since our announcement on January 29, we have received additional comfort that there are opportunities for superior arms-length opportunities in a second process.

No doubt some shareholders are wishing a white knight would simply emerge to make a bid for Pace. One advantage of voting against the Arrangement and starting over is that the \$9 million in break fees would not be paid.

In order that a second process has the requisite commitment and transparency, Nova Bancorp believes that shareholders would have to take all steps necessary to ensure that the board of directors properly managed the process. Under the current circumstances this will require certain changes to the board of directors. A small number of institutional and high net worth investors own a substantial percentage of Pace. If the transaction is voted down by the shareholders including some of the largest shareholders, Nova Bancorp believes that the Pace should be receptive to such changes as are reasonable in the circumstances. If this is not the case, Nova Bancorp can confirm today that another Pace shareholder owning more than 5% of the shares of Pace would support the initiative necessary to effect these and other changes if necessary.

This solicitation is being made by Nova Bancorp and not by or on behalf of the management of Pace. Except for the non-public solicitations, any solicitation will be made by broadcast, speech or publication. Nova Bancorp will bear all the costs and expenses associated with such solicitation. An affiliate of Nova Bancorp owns 65,200 Pace common shares. Nova Bancorp is a member of Nova Bancorp Group (www.novabancorp.com), a private investment company based in Vancouver. Nova Bancorp has considerable experience with oil & gas investments and with shareholder activist situations.

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Forward-Looking Statements

Certain statements in this press release contain forward-looking information within the meaning of applicable securities laws in Canada ("forward-looking information"). The words "anticipates", "believes", "budgets", "could", "estimates", "expects", "forecasts", "intends", "may", "might", "plans", "projects", "schedule", "should", "will", "would" and similar expressions are often intended to identify forward-looking information, although not all forward-looking information contains these identifying words.

The forward-looking information in this press release includes, but is not limited to: the timing and holding of the Pace meeting and the future prospects of Pace.

In connection with the forward-looking information contained in this news release, Nova Bancorp has made numerous assumptions. While Nova Bancorp considers these assumptions to be reasonable, these assumptions are inherently subject to significant uncertainties and contingencies. Additionally, there are known and unknown risk factors which could cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information contained herein.

All forward-looking information in this press release is qualified in its entirety by this cautionary statement and, except as may be required by law, Nova Bancorp undertakes no obligation to revise or update any forward-looking information as a result of new information, future events or otherwise after the date hereof.