

Blackbird Energy and Pennant Energy Announce Arrangement Agreement and Proposed Business Combination

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VANCOUVER, Feb. 18, 2014 - [Blackbird Energy Inc.](#) (TSX VENTURE:BBI) ("Blackbird") and [Pennant Energy Inc.](#) (TSX VENTURE:PEN) ("Pennant") are pleased to announce that they have entered into an arrangement agreement dated February 17, 2014 (the "Arrangement Agreement"), whereby Blackbird will acquire all of the outstanding shares of Pennant from the shareholders of Pennant (the "Pennant Shareholders") in exchange for shares of Blackbird on the basis of one Pennant share for 0.42857 corresponding shares of Blackbird (the "Transaction"). The Transaction is structured as a plan of arrangement (the "Arrangement") pursuant to the Business Corporations Act (British Columbia) (the "Act"), and is expected to result in Pennant becoming a wholly-owned subsidiary of Blackbird and Blackbird continuing to trade on the TSX Venture Exchange under the trading symbol "BBI". The consolidated entity is expected to carry on business as an oil and liquids focused emerging producer.

The Transaction is intended to provide Pennant Shareholders with the synergies and increased value of combining the Bigstone Montney and Mantario interests and the opportunity to participate in a growth-oriented emerging oil and liquids producer. In addition, the Transaction is intended to advance Blackbird's stated business plan of growth through acquisitions, with a management team that has had success growing and selling emerging producers. Upon closing of the Transaction (the "Closing"), Blackbird is expected to have assets in both Alberta and Saskatchewan which management believes will provide opportunities for drilling and leveraging capital efficiencies including, on a consolidated basis, a 50% working interest in the Bigstone Montney Project in Alberta, a 100% interest in the Mantario Project in the Mantario area of West Central Saskatchewan, a 100% interest in 21 sections in Greater Karr, Alberta and over 33 sections at Flaxcombe and Alsask, Saskatchewan. Completion of the Transaction is also expected to add approximately 60 BOE/D of liquids-rich gas and oil production for Blackbird. Blackbird intends to continue to grow through appropriate acquisitions that are accretive on a per share basis.

Following the Closing, Blackbird will continue to be led by its existing management team and board of directors. The Blackbird management team is led by Garth Braun as President and Chief Executive Officer, Darrell Denney as Chief Operating Officer, Ron Schmitz as Chief Financial Officer, Joshua Mann as Vice President, Business Development, and Ralph Allen as Vice President, Exploration.

Transaction Summary

Pursuant to the Arrangement Agreement, Blackbird has agreed to acquire all of the issued and outstanding shares of Pennant from the Pennant Shareholders in exchange for corresponding shares of Blackbird in accordance with the exchange ratio (the "Exchange Ratio") of 0.42857 common shares of Blackbird (each whole share, a "Blackbird Share") for each common share of Pennant (a "Pennant Share"). In other words, Pennant Shareholders will receive three Blackbird Shares for every seven Pennant Shares. The outstanding stock options, warrants and convertible debentures of Pennant will be adjusted, all according to their respective terms.

"This high quality acquisition will be a stepping stone as Blackbird begins the transition into a junior producer. We believe that the assets of the combined company will garner increased attention and will allow it to begin to unlock hidden value" said Garth Braun, President and Chief Executive Officer of Blackbird.

The Closing is subject to a number of conditions, including the receipt of requisite shareholder, court and regulatory approvals, and satisfaction of certain other closing conditions that are customary for a transaction of this nature. The Arrangement will need to be approved by not less than 66 2/3% of the votes cast by Pennant Shareholders, voting in person or by proxy, at a special meeting expected to be held on or about April 4, 2014 (the "Pennant Meeting"). Registered shareholders of Pennant may exercise rights of dissent in connection with the Transaction in accordance with the Arrangement Agreement and Sections 237 to 247 of the Act. It is a condition to Closing that dissent rights shall not have been exercised with respect to more than 5% of the issued and outstanding Pennant Shares. The Arrangement also requires the approval of the Supreme Court of British Columbia and the TSX Venture Exchange.

Upon Closing, the former shareholders of Pennant are expected to hold approximately 15.66% of the issued

and outstanding common shares of Blackbird on an undiluted basis, and approximately 14.65% of the issued and outstanding common shares of Blackbird on a fully-diluted basis assuming all of the outstanding Pennant stock options, warrants and convertible debentures are exercised for corresponding securities of Blackbird and that all of the outstanding stock options and warrants of Blackbird are also exercised.

Under the terms of the Arrangement Agreement, Pennant has agreed that it will not solicit or initiate any inquiries or discussions regarding any other business combination or sale of assets. Pennant has granted Blackbird the right to match any superior proposals. The Arrangement Agreement also provides for a reciprocal non-completion fee of \$250,000. For more information on the Arrangement and the Arrangement Agreement, please refer to the full text of the Arrangement Agreement, a copy of which will be filed by each of Blackbird and Pennant on SEDAR and will be available for viewing under their respective profiles on www.sedar.com.

The Pennant Board has unanimously approved the Arrangement Agreement and, based on a number of factors, determined that the Arrangement is in the best interests of Pennant, and unanimously resolved to recommend that Pennant Shareholders vote in favour of the Arrangement.

The Blackbird board of directors has also unanimously approved the Arrangement Agreement and, based on a number of factors, determined that the Arrangement is in the best interests of Blackbird.

The mailing of an information circular to the Pennant Shareholders regarding the Pennant Meeting is expected to occur in mid-March, 2014, and the Pennant Meeting is expected to occur on or about April 4, 2014. The Closing is expected to occur within ten days after the Pennant Meeting, provided that all shareholder, court and regulatory approvals are obtained and that all other conditions to Closing have been satisfied.

Transaction Metrics

Pursuant to the Transaction, Blackbird will acquire non-operated oil and liquid rich gas assets located in northwest and central Alberta which management of Blackbird believes are of merit. The Transaction has the following characteristics:

Total Transaction Price (including net debt) (1):	\$2.64 million
Production:	60 BOE/D
Proved plus probable reserves (2):	805 MBOE
Assumed net debt:	\$513,497

Notes:

(1) Assuming that 68,259,456 Pennant Shares will be acquired at a deemed price of \$0.03 per Pennant Share and that net Pennant debt of \$513,497 will be assumed by Blackbird, and inclusive of estimated Transaction costs of \$75,000.

(2) Company gross reserves being Pennant's working interest share before deduction of royalties and without including any royalty interests of Pennant. The proved reserves are 151 MBOE and the probable reserves are 653 MBOE. Based on the independent reserve report dated effective June 30, 2013, prepared by GLJ Petroleum Consultants (the "Report") in accordance with NI 51-101 and the COGE Handbook.

The Transaction is accretive to Blackbird on a per share basis on all key metrics. Using the \$0.03 implied price per Pennant Share, the Transaction metrics are as follows (net of undeveloped land value):

Production:	\$42,436 per BOE/D
Proved plus probable reserves:	\$3.16 per barrel

Strategic Rationale for the Transaction

The Transaction is intended to advance Blackbird's business plan of growth through carefully targeted acquisitions, and to provide Pennant Shareholders with the synergies of and increased value of combining the Bigstone Montney and Mantario interests and an opportunity to participate in a growth oriented emerging producer with a management team that has had success growing and selling emerging producers.

Management and the Board of Directors of each of Blackbird and Pennant believe that the Transaction will

provide significant benefits to both sets of shareholders and will have the following key characteristics:

- the pro forma company will be geared to increase production through further acquisitions and drilling opportunities;
- Pennant's assets are complimentary to Blackbird's existing portfolio - the pro forma company will control a 100% working interest at Mantario and 50% at Bigstone;
- Blackbird believes that there is significant unrealized value in the assets of the pro forma company;
- the pro forma company is expected to benefit from an experienced board of directors and technically focused management team with a proven track record of value creation in both public and private companies;
- the combined company will have significantly more cash flow per share and production per share than each of Blackbird and Pennant alone; and
- the integration of the operations of Blackbird and Pennant are intended to allow the combined company to realize improvements in operating costs and corporate overhead costs which are expected to result in improved netbacks and cash flow.

Key Attributes of Pro Forma Blackbird

Management and the Board of Directors of each of Blackbird and Pennant believe that the pro forma Blackbird will have the following key attributes following completion of the Transaction:

- a high quality, west central Saskatchewan and northwest Alberta focused asset base with strong netbacks and lower decline rates, providing the pro forma company with a sturdy platform of predictable cash flow as it makes its transition to a junior producer;
- high working interest properties which management believes have unrealized value;
- over 25 net sections of Montney land with current production of greater than 60 BOE/D;
- current corporate production of over 160 BOE/D;
- low decline assets;
- low general and administrative expenses allowing for funds to be deployed into value drivers such as drilling and accretive acquisitions; and
- 1.683 MMBOE of Proved plus Probable reserves with significant upside.(1)

Notes:

(1) Company gross reserves being the pro forma company's working interest share before deduction of royalties and without including any royalty interests of Pennant. Based on the Report, in accordance with NI 51-101 and the COGE Handbook.

Further Information

Blackbird Energy Inc. is a Western Canadian based company that explores, develops and produces oil and natural gas in Western Canada. The Company is managed by a proven technical team. Blackbird trades on the TSX Venture Exchange under the symbol BBI. Blackbird's team is focused on originating new high quality oil projects through the assembly of land positions in Saskatchewan and Alberta.

Pennant is an oil and liquids focused development and production company with non-operated assets located in Saskatchewan, and Alberta.

Further information about Blackbird and Pennant may be found in their respective continuous disclosure documents filed with Canadian securities regulators under each of their profiles on SEDAR at www.sedar.com. A copy of the Arrangement Agreement will be available under both Blackbird and Pennant's profiles on SEDAR at www.sedar.com. In addition, a detailed description of the Arrangement Agreement and the Transaction will be included in the management information circular which will be mailed to Pennant shareholders in advance of the Pennant Meeting and will be filed under Pennant's profile on SEDAR at

www.sedar.com.

Disclaimer for Forward Looking Statements

The term barrels of oil equivalent ("BOE") may be misleading, particularly if used in isolation. A BOE conversion ratio of six thousand cubic feet per barrel (6mcf/bbl) of natural gas to barrels of oil equivalence is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. All BOE conversions in the report are derived from converting gas to oil in the ratio mix of six thousand cubic feet of gas to one barrel of oil.

Original oil in place (OOIP) is the equivalent to Discovered Petroleum Initially In Place (DPIIP) for the purposes of this Release. DPIIP is defined as quantity of hydrocarbons that are estimated to be in place within a known accumulation, plus those estimated quantities in accumulations yet to be discovered. There is no certainty that it will be commercially viable to produce any portion of the resources.

Certain information included in this press release constitutes forward-looking information under applicable securities legislation. Forward-looking information typically contains statements with words such as "anticipate", "believe", "expect", "plan", "intend", "estimate", "propose", "project" or similar words suggesting future outcomes or statements regarding an outlook, or statements that certain events or conditions "may" occur. Forward-looking information in this press release includes, but is not limited to, statements regarding the expectations of management of Blackbird and Pennant regarding: (i) the Arrangement; (ii) completion of the Arrangement; (iii) the pro-forma consolidated company resulting from the Arrangement; (iv) pro-forma capitalization of the resulting issuer; (v) the assets of the resulting issuer; (vi) management of the resulting issuer; (vii) the Pennant Meeting; (viii) timing for the Pennant Meeting, delivery of meeting materials and timing for Closing; (ix) production, proved and probable reserves of the resulting issuer; (x) the intended benefits of the Transaction to both Blackbird and Pennant; and (xi) financial position and condition of the resulting issuer. Although Blackbird and Pennant believe that the expectations reflected in the forward-looking information are reasonable, there can be no assurance that such expectations will prove to be correct. Such forward-looking statements are subject to risks and uncertainties that may cause actual results, performance or developments to differ materially from those contained in the statements including, without limitation, the risks that: (1) the Arrangement may not be completed for any reason whatsoever, including that the shareholder, court and/or regulators may not approve the Transaction; (2) the resulting issuer may not have the key attributes or proposed benefits outlined in this press release; (3) the capitalization, assets and management of the resulting issuer may be different than expected; (4) the Pennant Meeting may not occur as scheduled or at all; (5) the materials for the Pennant Meeting may not be delivered to Pennant shareholders as scheduled or at all; (6) the production, proved and probable reserves of the resulting issuer may be different than what is anticipated in his news release; and (7) the financial position and condition of the resulting issuer may be different than anticipated. Although Blackbird and Pennant believe that the expectations reflected in its forward-looking information are reasonable, undue reliance should not be placed on forward-looking information because Blackbird and Pennant can give no assurance that such expectations will prove to be correct. In addition to other factors and assumptions which may be identified in this press release, assumptions have been made regarding and are implicit in, among other things, the timely receipt of any required regulatory approvals (including Court and shareholder approvals). Readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions which have been used. Forward-looking information is based on current expectations, estimates and projections that involve a number of risks and uncertainties which could cause actual results to differ materially from those anticipated by Blackbird and Pennant and described in the forward-looking information. The forward-looking information contained in this press release is made as of the date hereof and Blackbird and Pennant undertake no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, unless required by applicable securities laws. The forward looking information contained in this press release is expressly qualified by this cautionary statement.

The estimates of net debt and funds from operations contained in this press release are financial outlooks within the meaning of applicable securities laws. These financial outlooks have been prepared by management of Blackbird to provide an outlook of Blackbird's anticipated funds from operations for a full year of operations with its current assets and based on management's expectations and assumptions as to a number of factors, including commodity pricing, production, operating expenses and royalties. Readers are cautioned that this information may not be appropriate for any other purpose. Management does not have firm commitments for all of the costs, expenditures, prices or other financial assumptions used to prepare the financial outlooks or assurance that such results will be achieved. The actual results of Blackbird will likely vary from the amounts set forth in the financial outlooks and such variation may be material. Blackbird and its management believe that the financial outlooks have been prepared on a reasonable basis, reflecting the best estimates and judgments, and represent, to the best of management's knowledge and opinion, Blackbird's expected expenditures and results of operations following completion of the Transaction.

However, because this information is highly subjective and subject to numerous risks, including the risks discussed under the note regarding Forward Looking Statements, it should not be relied on as necessarily indicative of future results. Except as required by applicable securities laws, Blackbird undertakes no obligation to update this information.

This press release shall not constitute an offer to sell or the solicitation of an offer to buy securities in the United States, nor shall there be any sale of the securities in any jurisdiction in which such offer, solicitation or sale would be unlawful. The Blackbird Shares to be offered have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended and may not be offered or sold in the United States or to a U.S. person absent registration or an applicable exemption from the registration requirements.

THE TECHNICAL INFORMATION CONTAINED IN THIS RELEASE HAS NOT BEEN FULLY REVIEWED BY THE TSX VENTURE EXCHANGE AND, AS SUCH, REMAINS SUBJECT TO CONTINUING REVIEW AND ACCEPTANCE.

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