

Calvalley Petroleum Inc. announces restructuring and liquidation pursuant to a proposed plan of arrangement involving its wholly-owned subsidiary, Calvalley Energy Limited

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CALGARY, April 9, 2015 /CNW/ - [Calvalley Petroleum Inc.](#) ("Calvalley" or the "Company") announces that its board of directors has determined to restructure and liquidate the Company. The Company will enter into an arrangement agreement (the "Arrangement Agreement") with Calvalley Energy Limited (a wholly-owned subsidiary of Calvalley organized in Cyprus) ("CVE"), pursuant to which Calvalley and CVE will complete a plan of arrangement under the Canada Business Corporations Act (the "Arrangement").

Under the proposed terms of the Arrangement, each registered shareholder of Calvalley (a "Calvalley Shareholder") may submit an election form and will have a choice to elect to take: (i) a cash payment of approximately US\$0.807 per common share of Calvalley ("Calvalley Shares") (the "Liquidity Option"); (ii) ordinary shares of CVE held by the Company ("CVE Shares") (the "Participation Option"); or (iii) a combination of (i) and (ii) in respect to their holdings of Calvalley Shares. The cash payment of approximately US\$0.807 per share is payable in two installments. The first payment of US\$0.75 per share will be payable shortly following the date the Arrangement becomes effective and the balance of the payment, US\$0.057 per share, will be held in escrow and distributed to shareholders electing the Liquidity Option when the conditions outlined in the Arrangement are fulfilled. The Arrangement will, subject to receipt of all necessary approvals, result in the liquidation and the distribution of the assets of Calvalley as follows:

- CVE, which indirectly holds all of Calvalley's operating assets in the Republic of Yemen ("Yemen"), will indirectly maintain approximately US\$7 million in current assets (including approximately US\$5 million in cash) in order to meet its ongoing obligations and commitments.
- Calvalley will transfer to a new subsidiary of CVE ("AlbertaCo") certain of its assets, liabilities, commitments and obligations (with the exception of those to be transferred to CVE and the CVE Shares and cash to be distributed to former Calvalley Shareholders under the Arrangement) as well as approximately US\$4 million in cash to meet AlbertaCo's ongoing commitments in relation to such assumed obligations.
- Calvalley has allocated US\$60 million for distribution to Calvalley Shareholders on the basis of approximately US\$0.807 per Calvalley Share.
- Registered Calvalley Shareholders who elect to receive the Participation Option will receive 100% of the CVE Shares on a pro rata basis. CVE will continue as a non-listed company organized in Cyprus.
- Any remaining cash in Calvalley on the effective date of the Arrangement that is not distributed to former Calvalley Shareholders (as a result of Calvalley Shareholders electing to receive CVE shares under the Participation Option) will be invested in CVE in accordance with the terms of the Arrangement.
- Calvalley will be delisted from the Toronto Stock Exchange ("TSX") and cease to exist as a corporate entity.

Reasons for the Arrangement

The board of directors of Calvalley (the "Calvalley Board") believes that in the present circumstances it is prudent to provide Calvalley Shareholders with the opportunity to choose whether to continue their investment in Calvalley's assets for the following reasons:

- In recent years, Yemen's energy sector has been, and continues to be, in a state of flux, and the exploration, production and transportation of energy resources within the country has become increasingly complicated by its difficult security environment.

- As of March 31, 2015, Calvalley, together with its subsidiaries, has approximately US\$71 million of working capital on hand after allowance for current capital expenditure commitments (which allowance will be retained by CVE), approximately US\$69 million of which is in cash or held in near-cash investments. Calvalley is unable to carry out its development plan in Yemen until circumstances improve, and therefore this amount of cash is far greater than the funds realistically needed by Calvalley for the foreseeable future.
- The political instability and security issues in Yemen cause significant risks which are not suitable for risk averse investors and these risks are also reflected in the market value of the publicly traded shares of Calvalley. The twenty day volume weighted average trading price of the Calvalley Shares on the TSX as of April 8, 2015 was CDN\$0.66, providing Calvalley with a market capitalization of CDN\$49.4 million. Based on the uncommitted working capital of US\$71 million as of March 31, 2015 (CDN\$ 88.7 million using an exchange rate of \$1CAD = US\$0. 0.80), Calvalley is trading at a discount to its available working capital balance by approximately \$39 million.
- Calvalley Shareholders will have the ability to elect to receive approximately US\$0.807 in cash per Calvalley Share, which equates to approximately CDN\$1.009 per Calvalley Share using an exchange rate of \$1CAD = US\$0.80. The cash distribution represents a premium of approximately 52% to the volume weighted average trading price of the Calvalley Shares on the TSX for the twenty days ending April 8, 2015.
- Calvalley's efforts to source transactions to diversify out of Yemen, or sell the Company and/or its assets, have not resulted in compelling opportunities to maximize shareholder value.
- The impairment amount of approximately US\$88.1 million against Calvalley's investment in Calvalley Petroleum (Cyprus) Limited (a wholly-owned subsidiary of CVE, which owns and operates a 50% working interest in Block 9, Yemen) has reduced retained earnings significantly on Calvalley's balance sheet which in turn restricts the ability of the Calvalley Board to declare and pay taxable dividends out of retained earnings. Similarly, the ability of the Calvalley Board to make normal course issuer bids, similar to those completed by Calvalley in 2013 and 2014, is restricted by the liquidity requirements under applicable laws.
- Pursuant to the Arrangement, the Calvalley Shareholders will have the opportunity to receive either cash for their securities under the Liquidity Option or CVE Shares under the Participation Option, or a combination of cash and CVE Shares in respect of their holdings of Calvalley Shares. Accordingly, the Arrangement provides Calvalley Shareholders with an optional liquidity event for their investment.
- The Arrangement constitutes a tax efficient means of returning a significant portion of the cash resources of Calvalley to the securityholders of Calvalley.
- The Arrangement allows registered Calvalley Shareholders who elect the Participation Option to continue investment in Calvalley's indirectly held 50% interest in Block 9, Yemen, as a non-listed foreign entity.

Information Regarding the Arrangement

The Calvalley Board has unanimously determined that the Arrangement is fair to the Calvalley securityholders and is in the best interests of Calvalley and the Calvalley Shareholders. The Calvalley Board has unanimously approved the Arrangement and unanimously recommends that Calvalley securityholders vote in favour of the Arrangement. All of the directors and officers of Calvalley, Calvalley's major shareholders, Calvalley Financial Inc., Stefan Chaligné and Jean-Claude Chaligné (the "Major Shareholders"), and certain significant Calvalley Shareholders (who collectively hold approximately 49.9% of the outstanding Calvalley Shares on a non-diluted basis as at the date hereof) have entered into support agreements with Calvalley pursuant to which they have agreed to vote the Calvalley Shares and the options of Calvalley held by them in favour of the Arrangement. In addition, the Major Shareholders have committed to elect the Participation Option for 25% to 30% of their Calvalley Shares.

The Calvalley Board retained FirstEnergy Capital Corp. ("FirstEnergy") in connection with the assessment and evaluation of the Arrangement. FirstEnergy has provided the Calvalley Board with an opinion that, subject to review of final documentation, the consideration to be received pursuant to the Arrangement is fair, from a financial point of view, to Calvalley Shareholders. A copy of FirstEnergy's fairness opinion will be included in the information circular to be sent to Calvalley securityholders for the special meeting called to consider the Arrangement.

Completion of the Arrangement is subject to various conditions, including the receipt of all regulatory, securityholder and court approvals. Calvalley securityholders will be asked to vote on the Arrangement at a special securityholders' meeting and the completion of the transaction will require the approval of at least 66% of the votes cast by the Calvalley Shareholders and the holders of Calvalley options present in person or by proxy at the meeting, voting together as a single class.

An information circular regarding the Arrangement is expected to be mailed to Calvalley securityholders on

April 14, 2015 for a special meeting to take place on May 8, 2015, with closing expected to occur on or about May 12, 2015. An application for an interim order of the Court of Queen's Bench of Alberta in connection with the Arrangement is expected to be made on April 13, 2015.

A copy of the arrangement agreement and the information circular and related documents will be filed with Canadian securities regulators and will be available on Calvalley's profile at www.sedar.com.

Forward-looking Information

This press release contains certain forward-looking information within the meaning of applicable securities law. Words such as "may", "will", "believe", "expect", "plan", "continue", and similar expressions may have been used to identify this forward-looking information. In particular, but without limiting the foregoing, this press release contains forward-looking information and statements pertaining to, among other things, the following: the terms of the Arrangement, the effect of the Arrangement and the anticipated closing date of the Arrangement. The forward-looking information and statements contained in this press release reflect several material factors and expectations and assumptions of Calvalley including, without limitation, expectations and assumptions relating to the Company and CVE being able to receive all required regulatory approvals to consummate the Arrangement and the ability of the Company to obtain the required levels of securityholder approval for the Arrangement.

Calvalley believes the material factors, expectations and assumptions reflected in the forward-looking information and statements are reasonable at this time but no assurance can be given that these factors, expectations and assumptions will prove to be correct. The forward-looking information and statements included in this press release are not guarantees of future performance and should not be unduly relied upon. Such information and 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 information or statements including, without limitation: failure to realize the anticipated benefits of the transaction, failure to obtain the necessary approvals, or to otherwise satisfy the conditions of the transaction, in a timely manner, or at all; and certain other risks detailed from time to time in Calvalley's public disclosure documents including, without limitation, those risks identified in this press release, and in Calvalley's annual information form, copies of which are available on Calvalley's SEDAR profile at www.sedar.com.

Although the forward-looking information contained herein is based upon what management believes to be reasonable assumptions, management cannot assure that actual results will be consistent with this forward-looking information. Investors should not place undue reliance on forward-looking information. The forward-looking information contained herein is expressly qualified in its entirety by this cautionary statement. The forward-looking information included in this press release is made as of the date of this press release and Calvalley assumes no obligation to update or revise it to reflect new events or circumstances except as expressly required by applicable securities law.

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