

# Powder Mountain Announces Arrangement with Canamax Energy Ltd.

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Calgary - [Powder Mountain Energy Ltd.](#) (the "Powder Mountain" or the "Company") (TSXV:PDM) is pleased to announce that it has entered into an arrangement agreement dated June 14, 2015 (the "Arrangement Agreement") with [Canamax Energy Ltd.](#) (the "Canamax") whereby Canamax will acquire all of the issued and outstanding common shares of Powder Mountain (the "Arrangement") for total expected consideration of approximately \$27.4 million, payable through the issuance of Canamax common shares having a deemed value of \$0.60 per Canamax common share (the "Canamax Arrangement Shares"). The consideration paid is based on an attributed value of \$5.85 million for Powder Mountain's existing lands, production and reserves, in addition to Powder Mountain delivering cash and working capital of \$21.5 million at the closing of the Arrangement. The consideration payable by Canamax, and the number of Canamax Arrangement Shares issuable by Canamax, will be adjusted if Powder Mountain's cash and working capital balance either exceeds or is less than \$21.5 million at closing. Subject to any such adjustments, it is expected that Powder Mountain shareholders will receive approximately 45.6 million Canamax Arrangement Shares pursuant to the transaction. The Arrangement is subject to certain conditions, including among others: (i) the completion by Canamax of a recently announced private placement financing of \$15 million (gross) at \$0.60 per share of Canamax (the "Canamax Private Placement"); and (ii) the closing of Canamax's recently announced \$24.0 million property acquisition from an intermediate oil and gas company (the "Canamax Asset Acquisition") on or before the closing of the Arrangement. Subject to satisfaction of such conditions and the receipt of requisite approvals, it is anticipated that the Arrangement will close on or before July 31, 2015.

## Key Benefits of the Arrangement to Powder Mountain Shareholders

Closing of the Arrangement is expected to provide Powder Mountain shareholders with the following benefits:

1. Assuming closing of the Canamax Private Placement, Powder Mountain shareholders will own approximately 40 percent of Canamax at closing.
2. Assuming closing of the Canamax Asset Acquisition (such acquisition scheduled to close on or before July 31, 2015 and add an estimated 750 boe/d of production to Canamax), the combined assets provide critical mass from the estimated production rate of approximately 1,900 boe/d (56% oil & NGL) and a clean balance sheet with approximately \$3.0 to \$4.0 million of cash and working capital and undrawn credit facility.
3. Exposure to two core assets with the addition of Canamax's Greater Grimshaw Montney development asset in Alberta and Powder Mountain's existing Hardy and Coteau Lake assets in southeast Saskatchewan.
4. A fully funded capital expenditure program that is economically viable in the current commodity price environment. The Arrangement is expected to accelerate Canamax's planned drilling program on its core Greater Grimshaw area where it has a 100% working interest in 96 net sections of land, a solid production base and control over strategic infrastructure and facilities. Canamax has identified approximately 190 potential Montney oil drilling locations on these lands, many of which are deemed to be economic in the current commodity price environment.
5. Continued exposure to Powder Mountain's 100% working interest in 5.75 sections in its core Hardy Bakken area in southeast Saskatchewan with current production of approximately 100 bbl/d of light oil. In addition, Powder Mountain has a 100% working interest in 42.5 sections in the Coteau Lake area in southeast Saskatchewan that is prospective for Bakken and Torquay light oil.
6. Provides a platform to pursue further strategic corporate and property acquisitions should they become available.
7. Continues to build a strong shareholder base, including the potential addition of key institutional shareholders.

## Additional Information Regarding the Arrangement

In addition to the completion of the Canamax Private Placement and the Canamax Asset Acquisition, the

closing of the Arrangement is subject to a number of conditions, including but not limited to: (i) Powder Mountain delivering at least \$20.5 million in cash and working capital as at the closing of the Arrangement; and (ii) other customary conditions for a business combination of this nature by way of a plan of arrangement, including court and regulatory approvals (including the TSX Venture Exchange) and the approval of 66 2/3% of the votes cast by Powder Mountain shareholders represented in person or by proxy at the meeting of the Powder Mountain shareholders to be called to consider the Arrangement.

The Arrangement Agreement provides that the board of directors of the post-Arrangement Canamax will be comprised of four nominees of Canamax, three nominees of Powder Mountain and one independent nominee jointly appointed by Canamax and Powder Mountain. Under the Arrangement Agreement, the parties have agreed to reciprocal, non-solicitation provisions that includes a break fee in the amount of \$1.3 million that becomes payable in the event that either party terminates the Arrangement in the case of a superior acquisition proposal.

The annual general and special meeting of the shareholders of Powder Mountain to approve, among other things, the Arrangement, is expected to be held on July 29, 2015.

Concurrent with the execution and delivery of the Arrangement Agreement by Canamax and Powder Mountain, certain officers, directors and shareholders of Powder Mountain representing approximately 32% of the issued and outstanding common shares of Powder Mountain have entered into voting and support agreements with Canamax to support and vote in favour of the Arrangement.

### **Board of Directors Approvals and Recommendations**

The board of directors of Powder Mountain has unanimously recommended the approval of the Arrangement. National Bank Financial Inc., acting as Powder Mountain's financial advisor, has provided the board of directors with a verbal fairness opinion that, subject to its review of the final form of documentation effecting the Arrangement the consideration to be received by Powder Mountain shareholders pursuant to the terms of the Arrangement is fair, from a financial point of view to the Powder Mountain shareholders.

A copy of the Arrangement Agreement will be filed on the Company's SEDAR profile and will be available for viewing at [www.sedar.com](http://www.sedar.com).

### **About Powder Mountain**

Powder Mountain is a Calgary, Alberta based corporation engaged in the exploration, development and production of petroleum and natural gas in the Western Canadian Sedimentary Basin.

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### **Caution Respecting BOE**

*The term barrels of oil equivalent (BOE) may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcf:1 Bbl and an Mcfe conversion ratio of 1 Bbl:6 Mcf are based on an approximate energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Since the value ratio based on the current price of crude oil compared to natural gas is significantly different from the energy equivalency conversion ratio of 6:1, utilizing*

*a conversion based on a 6:1 ratio is misleading as an indication of value.*

### **Forward-Looking and Other Cautionary Statements**

*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"; "forecast"; "should"; "will"; or similar words suggesting future outcomes or statements regarding an outlook.*

*Forward-looking information in this press release may include, but is not limited to, timing for completion of the Arrangement, Canamax Asset Acquisition and the Canamax Private Placement, expectations with respect to the Arrangement, the characteristics and attributes of the assets to be acquired pursuant to the Business Combination and the effect of the Arrangement on the combined entity (assuming the Canamax Private Placement and the Canamax Asset Acquisition are completed), the anticipated benefits to the Company's shareholders of the Arrangement, the ability of the combined entity to exploit the Greater Grimshaw area, future production, decline rates, price forecasts, the speed of the combined entity's growth rate and the building of a strong shareholder base.*

*The forward-looking statements contained in this document are based on certain key expectations and assumptions made by Powder Mountain, which include, but are not limited to, the timing for completion of the Arrangement, the Canamax Asset Acquisition and the Canamax Private Placement financing, receiving all approvals in a timely manner, and the characteristics of the assets associated with the resulting combined entity arising from the Arrangement. Although Powder Mountain's management considers these expectations and assumptions to be reasonable based on information currently available to it, undue reliance should not be placed on the forward-looking statements because Powder Mountain can give no assurances that they may prove to be correct. Readers are cautioned that the foregoing list is not exhaustive of all expectations and assumptions which have been used.*

*Forward-looking statements necessarily involve known and unknown risks and uncertainties, including, without limitation, whether the Arrangement will be successfully completed, and if completed, the combined entity's ability to achieve financial and other benefits resulting from the Arrangement; the risks associated with oil and gas production; marketing and transportation; loss of markets; volatility of commodity prices; currency and interest rate fluctuations; imprecision of reserve estimates; environmental risks; competition; incorrect assessment of the value of acquisitions; failure to realize the anticipated benefits of acquisitions; inability to access sufficient capital from internal and external sources; changes in legislation, including but not limited to income tax, environmental laws and regulatory matters. Readers are cautioned that the foregoing list of factors is not exhaustive. In addition, the Arrangement is subject to certain conditions, including the completion of the Canamax Asset Acquisition and the Canamax Private Placement. Powder Mountain has no control over the completion of such transactions and there is no assurance that such transactions will be completed on a timely basis, if at all. Failure to satisfy any of these conditions may result in the Arrangement not being completed. In addition, statements relating to reserves are by their nature forward-looking information, as they involve the implied assessment, based on certain estimates and assumptions that the reserves described can be profitably produced in the future. The recovery and reserves estimates provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Please refer to Powder Mountain's Annual Information Form (AIF) dated April 20, 2015 for additional risk factors relating to Powder Mountain. The AIF is available for viewing under the Company's profile on [www.sedar.com](http://www.sedar.com).*

*The forward looking statements contained in this news release are made as of the date of this news release, and Powder Mountain does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as expressly required by securities law.*

*This press release does not constitute an offer to sell or a solicitation of an offer to buy any of the securities described herein. The securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), or any state securities laws and may not be offered or sold within the United States or to United States Persons unless registered under the U.S. Securities Act and applicable state securities laws or an exemption from such registration is available.*

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

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