

# Chinook Energy Announces Proposed Distribution of Shares of Craft Oil Ltd. to Chinook Shareholders and Provides Update in Respect of Craft Oil Ltd.

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CALGARY, Oct. 17, 2016 - [Chinook Energy Inc.](#) (TSX:CKE) ("Chinook" or the "Company") announced today that it will undertake a plan of arrangement (the "Arrangement") under the *Business Corporations Act* (Alberta) to effect the distribution of all of the common shares (the "Craft Shares") of [Craft Oil Ltd.](#) ("Craft") (formerly, Tournament Exploration Ltd.) acquired by Chinook pursuant to the asset divestiture to Craft announced on June 13, 2016. Pursuant to the Arrangement, a new class of class "A" common shares of Chinook (the "New Chinook Shares") will be created and each currently issued and outstanding common share (the "Chinook Shares") of Chinook will then be exchanged for one (1) New Chinook Share and a portion of the Craft Shares received in the asset disposition. Based on the 216,442,834 Chinook Shares issued and outstanding as at the date hereof (on a non-diluted basis), holders of Chinook Shares shall be entitled to receive one (1) New Chinook Share and approximately 0.7034 of a Craft Share, for each Chinook Share held at the time the Arrangement is completed. The final exact allocation of the Craft Shares will be determined at the time the Arrangement is completed based on the number of Chinook Shares then issued and outstanding.

Chinook has called a special meeting (the "Meeting") of the shareholders of Chinook to be held at 9:00 a.m. on December 12, 2016. At the Meeting, shareholders of Chinook will be asked to consider and vote upon the Arrangement. The Board of Directors of Chinook unanimously recommends that shareholders of Chinook vote their Chinook Shares in favour of the Arrangement. Further details on the proposed Arrangement, including relevant Canadian federal income tax information, will be included in an information circular and proxy statement which is expected to be mailed in mid-November 2016 to the shareholders of Chinook.

The Arrangement is being completed independent of the Company's strategic review process announced on August 2, 2016, which process is ongoing. The Company does not intend to provide further updates on its strategic review process until such time as the Company determines is appropriate. There can be no guarantee that the strategic review will result in a transaction, or if a transaction is undertaken, as to its terms or timing.

Chinook also announced today that Craft, an approximate 70% owned subsidiary of Chinook, has entered into a purchase and sale agreement to sell certain Alberta properties with production of approximately 1,934 barrels of oil equivalent per day ("boepd") (68% gas) for gross proceeds of \$13.5 million, comprised of \$9.0 million cash and \$4.5 million of tradeable debentures (the "Asset Disposition"). Craft anticipates that the Asset Disposition will occur on October 27, 2016 upon satisfaction of all conditions precedent thereto. Craft executed the purchase and sale agreement as part of a plan to reduce the number of its non-core properties and to focus on its core area of Grand Prairie, Alberta.

Upon closing of the Asset Disposition, Craft will have the following characteristics:

- production of approximately 2,400 boepd (69% gas);
- 83% of production focused in Craft's Grand Prairie, Alberta core area;
- net debt of less than \$6.0 million (excluding tradeable debentures mentioned above); and
- approximately 217 million common shares outstanding (approximately 253 million fully diluted).

About Chinook Energy Inc.

Chinook is a Calgary-based public oil and natural gas exploration and development company with multi-zone conventional production and resource plays in western Canada.

## Reader Advisory

### *Forward-Looking Statements in respect of Chinook*

This news release contains forward-looking statements as to Chinook's internal projections, forecasts, expectations or beliefs relating to future events or future performance, including: the date of the Meeting, the timing for the mailing of the information circular and proxy statement in respect of the Meeting, the anticipated timing for the completion of the Arrangement and the estimated pro rata entitlement to Craft Shares represented by a Chinook Share. In some cases, forward-looking statements can be identified by terminology such as "may", "will", "should", "expects", "projects", "plans", "anticipates" and similar expressions. These statements represent the expectations or beliefs of management of Chinook. The projections, estimates and beliefs contained in such forward-looking statements are based on certain assumptions that management of Chinook believes are reasonable at this time, including assumptions as to the time required to prepare meeting materials for the Meeting, the timing of receipt of the necessary regulatory approvals and the satisfaction of and time necessary to satisfy the conditions to the closing of the Arrangement, including all necessary court, stock exchange and other third party approvals and consents. These dates may change for a number of reasons, including unforeseen delays in preparing meeting materials, inability to secure necessary regulatory approvals in the time assumed or the need for additional time to satisfy the conditions to the completion of the Arrangement.

In addition, there are no assurances the Arrangement will be completed. The completion of the Arrangement also involves known and unknown risks and uncertainties, including the risks the assumptions set forth herein may not be accurate, that additional conditions or requirements to complete the Arrangement will be imposed such that the Arrangement and the Meeting cannot be completed and held, as applicable, in the manner set forth herein, or at all, which risks may cause actual results in the future to differ materially from any projections of future performance or results expressed or implied by such forward-looking statements. Accordingly, readers should not place undue reliance on the forward-looking statements and information contained in this news release concerning these times. Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could affect Chinook's operations or financial results are included in reports on file with applicable securities regulatory authorities and may be accessed through the SEDAR website ([www.sedar.com](http://www.sedar.com)), or Chinook's website ([www.chinookenergyinc.com](http://www.chinookenergyinc.com)). Furthermore, the forward-looking statements contained in this news release are made as at the date of this news release and Chinook does not undertake any obligation to update publicly or to revise any of the forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

The Chinook Shares, the New Chinook Shares and the Craft Shares have not 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 in the United States or to any U.S. person except in certain transactions exempt from the registration requirements of the U.S. Securities Act and applicable state securities laws.

### *Forward-Looking Statements in respect of Craft*

This news release also contains forward-looking statements as to Craft's internal projections, forecasts, expectations or beliefs relating to future events or future performance, including: the proposed Asset Disposition and the anticipated time of closing and the benefits of the Asset Disposition for Craft. In some cases, forward-looking statements can be identified by terminology such as "may", "will", "should", "expects", "projects", "plans", "anticipates" and similar expressions. These statements represent the expectations or beliefs of management of Craft. The projections, estimates and beliefs contained in such forward-looking statements are based on certain assumptions that management of Craft believes are reasonable at this time, including the assumption that the conditions to complete the Asset Disposition will be satisfied. The completion of the Asset Disposition also involves known and unknown risks and uncertainties, including the risks that the Asset Disposition may not be completed in the time frame or the manner contemplated or at all, which risks may cause actual results in the future to differ materially from any projections of future performance or results expressed or implied by such forward-looking statements. Accordingly, readers should not place undue reliance on the forward-looking statements and information contained in this news release concerning the Asset Disposition. Readers are cautioned that the foregoing list of factors is not exhaustive.

### *Craft Information*

The information concerning Craft in this news release has been provided by Craft. Although Chinook has no knowledge that would indicate that any of such information is untrue or incomplete, Chinook does not assume any responsibility for the accuracy or completeness of such information or the failure by Craft to disclose events which may have occurred or may affect the completeness or accuracy of such information but which are unknown to Chinook.

### *BOE Equivalent*

Barrel of oil equivalents or BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 mcf:1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different than the energy equivalency of 6:1, utilizing a 6:1 conversion basis may be misleading as an indication of value.

### *Net Debt*

The reader is cautioned that this news release contains the term net debt of Craft, which is not a recognized measure under IFRS and is calculated as bank debt adjusted for working capital excluding mark-to-market derivative contracts, current portion of decommissioning obligation and assets and liabilities held for sale. Working capital excluding mark-to-market derivative contracts, current portion of decommissioning obligation and assets and liabilities held for sale is calculated as current assets less current liabilities both of which exclude derivative contracts and assets and liabilities held for sale and current liabilities excludes any current portion of debt and decommissioning obligation. Management of Craft uses net debt to assist them in understanding liquidity at specific points in time. Mark-to-market derivative contracts are excluded from working capital, in addition to net debt, as management of Craft intends to hold each contract through to maturity of the contract's term as opposed to liquidating each contract's fair value or less.

**NOT FOR DISSEMINATION IN THE UNITED STATES. ANY FAILURE TO COMPLY WITH THIS RESTRICTION MAY CONSTITUTE A VIOLATION OF U.S. SECURITIES LAWS.**

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