

Canacol Energy Ltd. Announces Closing of Sale of Conventional Oil Assets and Return of Capital to Shareholders in the Form of Shares of Arrow Exploration Ltd.

28.09.2018 | [GlobeNewswire](#)

CALGARY, Sept. 28, 2018 - [Canacol Energy Ltd.](#) ("Canacol" or the "Corporation") (TSX:CNE; OTCQX:CNNEF; BVC:CNEC) is pleased to announce that it has closed the sale which include the majority of its remaining conventional oil assets in Colombia with Arrow Exploration Ltd. ("Arrow"). Aggregate consideration of US\$40 million consists of USD\$15 million cash (subject to customary closing adjustments), USD\$20 million common shares (the "Arrow Shares") of Arrow being 22,598,870 Arrow shares, and a USD\$5 million promissory note to be paid by Arrow within four months of closing (at an annual interest rate of 15%).

Canacol will be making a distribution to the shareholders of the Corporation ("Shareholders") of the 22,598,870 Arrow Shares by way of a return of capital (the "Return of Capital") valued at US\$20 million, as further described below.

Charle Gamba, President and CEO of Canacol, stated "This sale essentially completes our transformation to the premier natural gas exploration and production company in Colombia, and allows us to focus our capital and manpower on the development of our material and high potential gas business. With sales expected to increase to 230 MMscfd in early 2019 via the Promigas S.A. pipeline expansion to Cartagena and Baranquilla, Canacol is set to become the leading independent producer of natural gas in Colombia. Our resource auditors have assigned gross mean unrisked prospective gas resources of 2.6 TCF identified in over 140 prospects and leads located on our 1.1 million net operated acres of land in the Lower Magdalena Valley basin. This significant exploration portfolio ensures many years of exploration and potential reserves growth over the long term.

The disposal of the conventional oil assets to Arrow removes approximately US\$ 66 million in future exploration and transportation commitments which would have been required over the next 3 years. In addition, the Corporation expects to achieve a 20% reduction in G&A associated with the transfer of its oil field operating personnel and office personnel associated with the assets to Arrow.

The special dividend of US\$ 20 million of Arrow Shares allow our shareholders of note on the distribution date to participate with Arrow in the potential oil exploration and production upside associated with these assets. Arrow plans to invest significant capital in exploration drilling and producing well workovers within the next 2 years, which may result in increased oil production and reserves. Arrow's success in creating value will translate directly to the current shareholders of Canacol that receive shares in Arrow.

Transaction Details

The assets sold to Arrow include 6 producing oil fields with net production of 1,375 barrels of oil per day and approximately 8.6 million barrels of 2P reserves after royalties as of a December 31, 2017 reserves report. The assets also include 5 Exploration and Production Contracts, which have approximately US\$66 million in exploration and transportation commitments outstanding over the next 3 years.

Consideration

In addition to the USD\$40 million of consideration described above, if within five years of closing the proven and probable reserves associated with the sold properties increases to at least 18 million barrels of oil

equivalent, subject to certain adjustments, then Arrow will pay to Canacol a USD\$5 million bonus.

Also, in addition to the 22,598,870 Arrow Shares received as consideration (which will all be distributed to Canacol shareholders), Canacol subscribed for USD\$5 million of Arrow units as part of their recent brokered financing.

Return of Capital Mechanics

Through the Return of Capital, Canacol Shareholders will receive 0.127 Arrow Shares per each share of Canacol owned. No fractional shares will be distributed and fractional entitlements will be rounded down to the next lesser whole number. The Arrow Shares are expected to commence trading on the TSX Venture Exchange ("TSX-V") on or about October 5, 2018 following completion of the arrangement transaction with Front Range Resources. The Return of Capital will be paid to all registered shareholders of record as at the close of business on October 3, 2018 (the ex-distribution date is October 2, 2018). The distribution date of the Return of Capital will be November 6, 2018.

Shareholders are not required to pay for the Arrow Shares they receive by way of the Return of Capital, to tender or surrender their Canacol shares, or to take any other action in connection with the Return of Capital. The return of capital will not constitute a deemed dividend for Canadian tax purposes and as such no withholding will be done at source. Shareholders who hold their shares through the Colombian Stock Exchange ("BVC") should note that Arrow Shares will not be listed on the BVC. Such Shareholders should contact their respective brokerage firms to enquire as to how they may receive and trade such shares on the TSX-V. In general, international brokers or agents in Colombia have the ability to trade shares for their clients on the TSX-V either directly or through their non-Colombian subsidiaries. Shareholders may also contact any of the Canadian stock brokerage firms authorized to trade shares on the TSX-V (a list of such firms can be found at <https://www.tsx.com/trading/accessing-our-markets/member-firm-directory>). Further information regarding the procedure on the distribution of the Arrow Shares to such Shareholders will be published in www.superfinanciera.gov.co

Additional information regarding the sale of the assets, the related arrangement and Arrow can be found in [Front Range Resources Ltd.'s](#) ("Front Range") Information Circular dated August 24, 2018, together with the press releases of Front Range and Arrow dated June 4, 2018, August 27, 2018, September 17, 2018 and September 24, 2018 and published on Front Range's SEDAR profile at www.sedar.com.

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Canacol is an exploration and production company with operations focused in Colombia. The Corporation's common stock trades on the Toronto Stock Exchange, the OTCQX in the United States of America, and the Colombia Stock Exchange under ticker symbol CNE, CNNEF, and CNE.C, respectively.

Arrow Exploration Ltd is a corporation incorporated under the laws of Alberta and is a junior oil and gas exploration and development company with operations in Colombia.

This press release contains certain forward-looking statements within the meaning of applicable securities law. Forward-looking statements are frequently characterized by words such as "plan", "expect", "project", "intend", "believe", "anticipate", "estimate" and other similar words, or statements that certain events or conditions "may" or "will" occur, including without limitation statements relating to estimated production rates from the Corporation's properties and intended work programs and associated timelines. Forward-looking statements are based on the opinions and estimates of management at the date the statements are made and are subject to a variety of risks and uncertainties and other factors that could

cause actual events or results to differ materially from those projected in the forward‐looking statements. The Corporation cannot assure that actual results will be consistent with these forward looking statements. They are made as of the date hereof and are subject to change and the Corporation assumes no obligation to revise or update them to reflect new circumstances, except as required by law. Prospective investors should not place undue reliance on forward looking statements. These factors include the inherent risks involved in the exploration for and development of crude oil and natural gas properties, the uncertainties involved in interpreting drilling results and other geological and geophysical data, fluctuating energy prices, the possibility of cost overruns or unanticipated costs or delays and other uncertainties associated with the oil and gas industry. Other risk factors could include risks associated with negotiating with foreign governments as well as country risk associated with conducting international activities, and other factors, many of which are beyond the control of the Corporation.

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<https://www.rohstoff-welt.de/news/309549--Canacol-Energy-Ltd.-Announces-Closing-of-Sale-of-Conventional-Oil-Assets-and-Return-of-Capital-to-Shareholders>

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