

CALGARY, April 21, 2015 /CNW/ - [Connacher Oil and Gas Ltd.](#) (CLL - TSX; "Connacher" or the "Company") provides an update to the previously announced recapitalization transaction (the "Recapitalization") aimed at significantly reducing the Company's debt and annual interest expense, and providing additional liquidity to fund ongoing operations.

With the support of its lenders and shareholders, Connacher will seek to obtain a final order of the Court of Queen's Bench of Alberta (the "Court") to approve the plan of arrangement ("Plan"), as amended, to provide for the funding of the new USD equivalent of C\$30 million pursuant to the terms of the Term Loan Facility, and the Recapitalization. The hearing for the final order is scheduled to be heard on April 23, 2015 at 2:00 p.m. (Calgary time) at Calgary Courts Centre, 601 - 5th Street S.W., Calgary, Alberta.

The Recapitalization provides for, among other things:

- The exchange of approximately C\$1.0 billion of Connacher's debt for common shares of Connacher, including accrued and unpaid interest;
- The issuance by Connacher of US\$35 million aggregate principal amount of new second lien convertible notes due August 31, 2018 (the "New Convertible Notes");
- The Company will have the option to accrue and compound interest payments due on the New Convertible Notes;
- Reduction of annual interest expense by approximately C\$80 million; and
- Amendments to the existing First Lien Term Loan Credit Agreement dated May 23, 2014 ("Term Loan Facility") to increase the total commitments to provide for loans in the aggregate principal amount of the USD equivalent of C\$30 million to replace Connacher's existing revolving credit facility.

On April 2, 2015 the Court declined to approve a prior version of the Plan based upon, among other things, concerns related to the solvency of Connacher due to steps taken to accelerate the Term Loan Facility by the Agent ("Term Loan Agent"). Since the determination of the Court on April 2, the Company has amended the Plan and lenders under the Term Loan Facility ("First Lien Lenders") representing approximately 86 per cent of the First Lien Lenders, and the ad hoc committee of holders of approximately 75% of the second lien notes (the "Ad Hoc Committee") have now reached an agreement that has resulted in the Term Loan Agent under the Term Loan Facility being directed to:

- Support the Recapitalization; and
- Enter into a Consent and Waiver Agreement.

The Consent and Waiver Agreement provides, in connection with the implementation of the Recapitalization and subject to the terms of the Consent and Waiver Agreement, for, among other things:

- The waiver of any and all alleged or actual defaults existing prior to the date of implementation of the plan of arrangement ("Implementation Date") that are specified in the Acceleration and Demand Notice dated February 3, 2015 (the "Demand Notice") and/or in connection with or as a result of any step or element of the plan or arrangement, as revised (the "Defaults");
- The withdrawal of the Demand Notice;
- The withdrawal and rescission of the Complaint filed with the Supreme Court of the State of New York in the Country of New York by the Term Loan Agent dated March 16, 2015 (the "Complaint");
- The support of the First Lien Lenders for the Recapitalization; and
- The amendment of certain terms and conditions of the Term Loan Facility, which will be reflected in an amended and restated Term Loan Facility ("Amended Term Loan Facility").

In consideration for each of the First Lien Lenders granting the consent and waiver and for agreeing to the amendments to the Term Loan Facility, the Corporation shall:

- Pay each of the First Lien Lenders who confirms its acceptance and consent to the amendments to the Term Loan Facility prior to 5:00 p.m. (New York time) on April 22, 2015 (or as further extended), a fee, payable in cash, in an amount equal to 2% of the principal amount of the loans owing to such lender on the Implementation Date; and
- Pay default interest to each of the existing First Lien Lenders under the Term Loan Facility, the default interest rate set forth in the Term Loan Facility for the period from February 2, 2015 to the Implementation Date, without any acknowledgement in either case that there has been any default under the Term Loan Facility.

The terms of the Term Loan Facility will be amended as follows, concurrent with the Implementation Date and subject to the terms of the Consent and Waiver Agreement:

- The interest rate will increase by 2% cash and 2% payment in kind (PIK) per annum until December 31, 2016 and by 3% cash and 3.5% PIK commencing January 1, 2017 to maturity;
- The call protection provisions will be amended to be the following:
  - Implementation Date to May 23, 2015 - none
  - May 24, 2015 to May 23, 2016 - none
  - May 24, 2016 to May 23, 2017 - 102%
  - May 24, 2017 to maturity - 105%;

- The principal amount of the Term Loan Facility will increase by the USD equivalent of C\$30 million on the Implementation Date, to be provided by the noteholders who have entered into the Backstop Agreement dated January 30, 2015, under the terms of an Amended Term Loan Facility instead of pursuant to the New First Lien Facility as originally contemplated by the Backstop Agreement;
- In the event of any repayment by the Company of principal outstanding under the Amended Term Loan Facility at any time or realization by the Term Loan Agent or lenders under the Amended Term Loan Facility on account of collateral or otherwise, including in connection with enforcement actions, the first C\$50 million shall be applied towards the repayment of the existing First Lien Lenders under the Amended Term Loan Facility;
- The Amended Term Loan Facility will allow the Company to incur additional debt and security, on terms fully subordinated to the Amended Term Loan Facility ("Additional Subordinate Financing"), provided that no such Additional Subordinate Financing shall contain (i) any amortization payments, (ii) interest rates higher than those under the New Convertible Notes; or (iii) a maturity date on or prior to the maturity date under the Amended Term Loan Facility; and
- The Amended Term Loan Facility will eliminate the Company's ability to complete a "Permitted Second Lien Notes Restructuring" in the future.

Finally, Connacher has agreed with the Ad Hoc Committee to extend the deadline for Noteholders to withdraw their C\$350 million 8.75% Senior Secured Notes due August 1, 2018 and USD \$550 million 8.50% Senior Secured Notes due August 1, 2019 from CDS and/or DTC to effect a conversion of these Notes (as opposed to an exchange of Notes for common shares) under the plan of arrangement. The new deadline for withdrawal is now the close of business on May 1, 2015.

#### About Connacher

Connacher is a Calgary-based in-situ oil sands developer, producer and marketer of bitumen. The Company holds a 100 percent interest in approximately 440 million barrels of proved and probable bitumen reserves and operates two steam assisted gravity drainage facilities located on the Company's Great Divide oil sands leases near Fort McMurray, Alberta.

#### Forward-Looking Information

Certain information regarding the Company contained herein constitutes forward-looking information and forward-looking statements (collectively, "forward-looking statements") under the meaning of applicable securities laws. Forward-looking statements include estimates, plans, expectations, opinions, forecasts, projections, guidance, or other statements that are not statements of fact, including statements regarding the proposed Recapitalization and the timing of the hearing for the final order to approve the plan of arrangement, as amended, and the Recapitalization. Although Connacher believes that the assumptions underlying, and expectations reflected in, such forward-looking statements are reasonable, it can give no assurance that such assumptions and expectations will prove to have been correct. There are many factors that could cause forward-looking statements not to be correct, including, but not limited to, risks and uncertainties inherent in the Company's business and risks and uncertainties associated with securing the necessary approvals to implement the Recapitalization.

The forward-looking statements contained herein are made as of the date of this news release solely for the purpose of generally disclosing the status of Connacher's Recapitalization transaction. Connacher may, as considered necessary in the circumstances, update or revise the forward-looking statements, whether as a result of new information, future events, or otherwise, but Connacher does not undertake to update this information at any particular time, except as required by law. Connacher cautions readers that the forward-looking statements may not be appropriate for purposes other than their intended purposes and that undue reliance should not be placed on any forward-looking statement. The Company's forward-looking statements are expressly qualified in their entirety by this cautionary statement.

SOURCE [Connacher Oil and Gas Ltd.](#)

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