



# AKITA Drilling Ltd. and Xtreme Drilling Corp. Announce Strategic Business Combination

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CALGARY, Alberta, June 05, 2018 (GLOBE NEWSWIRE) -- AKITA Drilling Ltd. (TSX:AKT.A) (TSX:AKT.B) and Xtreme Drilling Corp. (TSX:XDC) are pleased to announce their entry into a definitive arrangement agreement to combine the two companies to create a leading intermediate North American land drilling contractor. The combined company, which will operate under the AKITA name, will have a fleet of 44 high-spec drilling rigs with operations in major resource basins in the US and Canada.

The combination will be completed by way of a plan of arrangement under the *Business Corporations Act* (Alberta).

The combination with Xtreme, which has a strong operating history and rig technology credentials in the US, provides AKITA with immediate scale in the US market, building upon its recent strategic expansion into the Permian.

The total transaction value is approximately \$209 million, including the assumption of approximately \$10 million of Xtreme's net debt (as at March 31, 2018). Under the terms of the transaction, Xtreme shareholders will receive 0.29 of an AKITA Class A non-voting common share and \$0.59 in cash for each share of Xtreme common stock. An Xtreme shareholder may elect to receive a different combination of AKITA Class A shares and cash, in each case subject to proration such that the aggregate consideration to be paid by AKITA will not exceed \$45 million in cash and will not exceed 22,235,458 AKITA Class A shares. The consideration to be received by Xtreme shareholders represents a 32% premium over the 20-day volume weighted average price of the Xtreme shares for the period ended June 4, 2018.

The cash consideration will be financed from AKITA's cash balances and new credit facilities of \$120 million and US\$5 million which have been committed by ATB Financial.

## STRATEGIC RATIONALE

The combination provides the following compelling benefits to the shareholders of both companies:

- 1 Combines two complementary companies, each with a focus on high-spec drilling rigs and disciplined operations that deliver leading performance for customers
- 1 Provides AKITA with immediate scale in the US market, building upon its recent strategic expansion into the Permian, and the potential for premium dayrates and margins
- 1 Maintains a leading position in active Canadian markets, including oil sands maintenance drilling operations, with leverage to a longer-term recovery in Canadian drilling activity
- 1 Expands operational and customer network across all major North American resource basins providing the flexibility to deploy high quality drilling rigs on both sides of the border to optimize utilization and returns
- 1 Provides greater financial capacity to support potential newbuilds, including on Xtreme's 850XE premium spec platform or AKITA's high spec multi rig platform design which both have a proven premium value proposition for pad development
- 1 Improves liquidity for all shareholders through increased scale and a larger public float, with a pro forma market capitalization of \$270 million
- 1 Offers meaningful value creation opportunity from an estimated \$8 million in annual recurring synergies and efficiencies
- 1 Provides a differentiated opportunity to invest in a pure play drilling contractor with both Canadian and US exposure that has a strong balance sheet and liquidity

"The transaction is a continuation of AKITA's strategy of capitalizing on the improving fundamentals in the US land drilling market," said Karl Ruud, AKITA's President & Chief Executive Officer. "Our highly experienced and capable leadership, which has run one of Canada's most successful and stable drilling contractors, will lead the combined company into a new stage of growth while continuing to deliver on AKITA's objective to increase shareowner value."

Linda Southern-Heathcott, Chair of the Board of AKITA, added: "In approving the transaction, the AKITA Board has reaffirmed its commitment to the company's growth strategy with the goal of increasing shareholder value."

Xtreme shareholders will have the opportunity to realize all of the benefits of the transaction through significant share ownership in the combined company in addition to realizing immediate liquidity through aggregate cash consideration of \$45 million.

Xtreme's President and Chief Executive Officer, Matt Porter, added, "The combined company will have a larger and stronger platform to continue Xtreme's strategy of providing high-spec drilling rigs with a premium value proposition for the US market. Together we will be better positioned to optimize existing assets and pursue new business opportunities. Our shareholders will be part of a strongly capitalized, historic dividend-paying and disciplined organization that will execute on growth while focusing on shareholder returns."

## DETAILS OF THE ARRANGEMENT

Under the terms of the transaction, Xtreme shareholders will receive 0.29 of an AKITA Class A non-voting common share and \$0.59 in cash for each share of Xtreme common stock. An Xtreme shareholder may elect to receive a different combination of AKITA Class A shares and cash, in each case subject to proration such that the aggregate consideration to be paid by AKITA will not exceed \$45 million in cash and will not exceed 22,235,458 AKITA Class A shares.

The transaction is expected to be completed in the third quarter of 2018 and is subject to customary TSX, Court and regulatory approvals

and other closing conditions. The transaction will require approval by a two-thirds majority of the Xtreme shares represented at a special meeting of Xtreme shareholders. The issuance of the AKITA Class A shares pursuant to the transaction will be subject to AKITA shareholder approval in accordance with TSX requirements. Pursuant to the requirements of the TSX, the AKITA shareholder approval is expected to be comprised of either an ordinary resolution approved by a majority of the holders of Class B Common Shares of AKITA or written evidence that holders of more than 50% of the Class B Common Shares of AKITA are familiar with the terms of the transaction and are in favour of it. In addition, and conditional upon the completion of the transaction, one member of the Xtreme board of directors will join the AKITA board at closing. At close, the AKITA board will continue to include Loraine Charlton, Linda Southern-Heathcott, Harish Mohan, Dale Richardson, Karl Ruud, Nancy Southern, Perry Spitznagel, Harry Wilmot, and Charles Wilson.

The transaction has received unanimous approval by the boards of directors of both AKITA and Xtreme, and each will recommend the transaction to their respective shareholders for approval.

In addition, all of the directors and officers of Xtreme have entered into support agreements to vote in favour of the transaction and the holder of the majority of Class B Common Shares of AKITA, has entered into a support agreement to vote in favor of the issuance of the AKITA shares.

Pursuant to the terms of the arrangement agreement, each of Xtreme and AKITA have agreed that they will not solicit or initiate discussions regarding any other business combination or sale of material assets. The Xtreme Board and AKITA Board may respond to unsolicited proposals, subject to certain requirements, including notification to the other party and matching rights. The transaction provides for a reciprocal non-completion fee of \$4.2 million payable in certain circumstances if it is not completed and a mutual third party expense reimbursement fee payable in the event of certain material breaches of the arrangement agreement.

Complete details of the terms of the transaction are set out in the arrangement agreement, which will be filed and available for viewing on SEDAR under each of AKITA and Xtreme's profiles at [www.sedar.com](http://www.sedar.com).

## **ADVISORS**

ATB M&A Advisory Services is acting as exclusive financial advisor, Bennett Jones LLP is acting as legal advisor and Felesky Flynn LLP is acting as tax advisor, to AKITA. Tudor, Pickering, Holt & Co. is acting as exclusive financial advisor, and Stikeman Elliott LLP is acting as legal advisor, to Xtreme.

## **ABOUT AKITA**

AKITA is an Alberta corporation engaged in the contract drilling business in Western Canada, the North, and the Permian Basin. The Company was an early adopter of pad rig technology and currently enjoys a dominant market share in heavy oil operations, with pad rigs making up approximately one-half of its deep capacity fleet. AKITA has been a pioneer among drilling companies in forming mutually beneficial joint ventures with the First Nations, Inuit and Metis people living proximate to areas of concentrated oil and gas development.

The Company recently celebrated its 25<sup>th</sup> anniversary as a public company and is listed on the Toronto Stock Exchange under the symbol AKT. More information about AKITA can be found at <http://www.akita-drilling.com>.

## **ABOUT XTREME**

Xtreme Drilling Corp. ("XDC" on the Toronto Stock Exchange) designs, builds, and operates a fleet of high specification AC drilling rigs featuring leading-edge proprietary technology. Currently, Xtreme operates one service line - Drilling Services (XDR) under contracts with oil and natural gas exploration and production companies and integrated oilfield service providers in the United States. For more information about the Company, please visit <http://www.xtremedrillingcorp.com>.

This news release shall not constitute an offer to sell or the solicitation of an offer to buy the shares in any jurisdiction. The shares offered will not be and have not been registered under the United States Securities Act of 1933 and may not be offered or sold in the United States or to a United States person, absent registration, or an applicable exemption therefrom.

## **CURRENCY**

All amounts are stated in Canadian dollars unless otherwise noted.

## **FORWARD-LOOKING STATEMENTS**

This press release contains certain forward-looking information (collectively referred to herein as "forward-looking statements") within the meaning of applicable Canadian securities laws. Forward-looking statements are often, but not always, identified by the use of words such as "anticipate", "believe", "plan", "potential", "intend", "focus", "estimate", "expect", "may", "will", "could", "should", or similar words suggesting future outcomes. More particularly, this press release contains statements concerning the proposed combination including the impact of the combination on AKITA and AKITA's plans, the timing and anticipated dates for the shareholder meetings to consider matters relating to the combination, the anticipated receipt of all Court and regulatory approvals in respect of the combination, the satisfaction of all parties to the conditions to closing of the combination, the anticipated closing time of the combination, the effect and benefits of the combination, the expected composition of the board of directors of AKITA following completion of the combination and the expected treatment of the securities of AKITA in connection with the Arrangement. The payment of any dividend by AKITA is at the discretion of the board of directors of AKITA and depends on the financial condition of AKITA and other factors.

The completion and timing of the combination are based on a number of assumptions, including the timely receipt of all required shareholder, Court and regulatory approvals for the combination and the satisfaction of other closing conditions in accordance with the terms of the Arrangement Agreement. The forward-looking statements contained in this document are based on certain key expectations and assumptions made by AKITA and Xtreme relating to the successful completion of the Combination, approval of the combination by Xtreme shareholders and the approval of the issuance of AKITA shares pursuant to the combination by the AKITA shareholders, prevailing commodity prices, the demand for drilling rigs and other oilfield services and the continued availability of capital and skilled personnel.

Although AKITA and Xtreme consider these assumptions to be reasonable based on information currently available, undue reliance should not be placed on the forward-looking statements because AKITA and Xtreme can give no assurance that they may prove to be correct.

Completion of the combination could be delayed if parties are unable to obtain the necessary regulatory, stock exchange, shareholder and Court approvals on the timeline planned. The combination will not be completed if all of these approvals are not obtained or some other condition of closing is not satisfied. Accordingly, there is a risk that the combination will not be completed within the anticipated time or at all.

By their very nature, forward-looking statements are subject to certain risks and uncertainties (both general and specific) that could cause actual events or outcomes to differ materially from those anticipated or implied by such forward-looking statements. The forward-looking statements contained in this press release are made as of the date hereof and AKITA and Xtreme do not undertake any obligation to update publicly or to revise any of the included forward-looking statements, except as required by applicable law. The forward-looking statements contained herein are expressly qualified by this cautionary statement.

#### **CONTACT INFORMATION FOR AKITA**

AKITA Drilling Ltd.

Karl Ruud  
President and Chief Executive officer  
+1 403 292 7414  
[www.akita-drilling.com](http://www.akita-drilling.com)

#### **CONTACT INFORMATION FOR XTREME**

Xtreme Drilling Corp.

Matt Porter  
President and Chief Executive officer  
+1 281 994 4600  
[www.xtremedrillingcorp.com](http://www.xtremedrillingcorp.com)