

Passport Energy and Amarok Energy Enter Into Arrangement Agreement

April 30, 2014 (Source: Marketwired) – Passport Energy Ltd. (“**Passport**”) (TSX VENTURE:PP0) and Amarok Energy Inc. (“**Amarok**”) (TSX VENTURE:AMR) are pleased to announce that further to the joint press release dated March 21, 2014 announcing the execution of a non-binding letter of intent between Passport and Amarok (the “**LOI**”) to merge the companies by way of a plan of arrangement (the “**Arrangement**”) under the *Business Corporations Act* (Alberta) (the “**ABCA**”), the parties have entered into a definitive Arrangement Agreement dated April 25, 2014 (the “**Arrangement Agreement**”).

The Arrangement has the support of the Boards of Directors of both Passport and Amarok. The directors and officers of Passport representing approximately 7.73% of the outstanding Passport Shares (as defined below) will enter into voting support agreements with Passport and Amarok to support the Arrangement.

The Arrangement and the terms of the Arrangement Agreement are substantially the same as set forth in the LOI announced in the March 21, 2014 joint press release of Passport and Amarok.

Summary of the Arrangement

Pursuant to the Arrangement Agreement, Passport intends to complete a brokered private placement of subscription receipts of Passport for a minimum of CDN\$13,000,000 and up to a maximum of CDN\$23,000,000 at a price of CDN\$0.18 per subscription receipt following which Passport proposes to complete a consolidation of its common shares on a 6 for 1 basis (which will not include the common shares of Passport to be issued upon exchange of the subscription receipts). Each

subscription receipt issued pursuant to the private placement offering shall entitle the holder thereof to acquire one post-consolidation common share of Passport at no additional consideration. Following the consolidation, and the conversion of the subscription receipts, Passport and Amarok propose to complete a three-cornered amalgamation whereby each post-consolidated Passport common share will be exchanged for one Amarok common share at a deemed price of CDN\$0.18 per Amarok common share. Immediately following the amalgamation, it is proposed that Amarok will consolidate its common shares on a 5 for 1 basis and change its name from "Amarok Energy Inc." to "Powder Mountain Energy Ltd." (the "**Resulting Issuer**"). Assuming completion of each of the above steps, the Resulting Issuer will have approximately 37,000,000 common shares issued and outstanding assuming the minimum amount of subscription receipts are subscribed for and 48,000,000 common shares issued and outstanding assuming the maximum amount of subscription receipts are subscribed for, at a price of approximately CDN\$0.90 per Resulting Issuer common share, following the completion of the Arrangement.

Upon completion of the Arrangement, it is anticipated that the current Passport shareholders, the subscribers to the private placement and the Amarok shareholders will hold approximately 10%, 39% and 51% of the issued and outstanding common shares of the Resulting Issuer assuming the minimum amount of the private placement offering is subscribed for and 8%, 53% and 39% of the issued and outstanding common shares of the Resulting Issuer, respectively if the maximum amount of the private placement offering is subscribed for. It is anticipated that the Resulting Issuer will have cash (prior to transaction costs or working capital deficit prior to the Arrangement) of approximately CDN\$28,000,000 assuming the minimum amount of the private placement offering is subscribed for and CDN\$38,000,000 assuming the maximum amount of the private placement offering is subscribed for, and approximately CDN\$7,800,000 of assets in Southeast

Saskatchewan, Montana and Wyoming.

32 Degrees (as defined below) proposes to subscribe for CDN\$13,000,000 of the private placement offering, which would result in 32 Degrees owning approximately 49% (in the case where the maximum private placement offering is subscribed for) of the issued and outstanding common shares of Passport immediately following conversion of the subscription receipts (approximately 80% in the case where the minimum private placement offering is completed) and following the Arrangement, approximately 30% (assuming the maximum private placement offering is subscribed for) of the Resulting Issuer (approximately 39% in the case where the minimum private placement offering is subscribed for). As a result, 32 Degrees will become a "control person" (as such term is defined under the policies of the TSX Venture Exchange ("TSXV") of Passport upon conversion of the subscription receipts and a control person of the Resulting Issuer upon completion of the Arrangement.

Passport and Amarok have each provided notice to hold their respective shareholders meetings on June 12, 2014 in Calgary, Alberta. Passport's shareholders meeting will be held to approve, among other things, the Passport Continuance (as defined below), the Private Placement Offering (as defined below) and 32 Degrees as a new control person of Passport, the Consolidation (as defined below), and the Arrangement, all as more particularly described below. Amarok's shareholders meeting will be held to approve, among other things, 32 Degrees as a new control person, the Amarok Consolidation and the Name Change, all as more particularly described below. The Arrangement Agreement provides that Passport and Amarok will cooperate in the preparation, filing and mailing of a joint information circular in respect of their respective shareholders meetings. It is anticipated the joint information circular will be mailed on or about May 16, 2014.

Details of the private placement offering and the Arrangement

are described in further detail below.

The Passport Private Placement

The Arrangement Agreement contemplates the Arrangement proceeding by way of a three cornered amalgamation (the "**Amalgamation**") whereby a wholly owned subsidiary of Amarak will acquire all of the issued and outstanding common shares of Passport from shareholders of Passport in exchange for shares of Amarak. Prior to the Amalgamation, Passport shall complete a brokered private placement of a minimum of CDN\$13,000,000 (the "**Minimum Private Placement Offering**") and a maximum of CDN\$23,000,000 (the "**Maximum Private Placement Offering**") by way of subscription receipts ("**Subscription Receipts**") issued at CDN\$0.18 per Subscription Receipt on a post-Consolidated (as defined below) basis convertible into common shares of Passport ("**Passport Shares**") on a 1 for 1 basis (after Consolidation) (the Minimum Private Placement Offering and the Maximum Private Placement Offering collectively referred to as the "**Private Placement Offering**"). Passport has entered into an engagement letter with Integral Capital Markets ("**Integral**"), a division of Integral Wealth Securities Limited to act as the exclusive agent of Passport to solicit subscriptions for the sale of the Subscription Receipts on a reasonable best efforts basis. In consideration for the services to be provided, Integral will be paid a cash amount equal to CDN\$200,000 on the 32 Degrees Subscription (as defined below) and 6% of the gross proceeds raised from the Subscription Receipts from all other parties excepting certain subscribers designated by Passport. Integral will be reimbursed for its reasonable out-of-pocket expenses including its legal fees. The net proceeds of the Private Placement Offering will be used to fund, following the completion of the Arrangement, drilling activities on the Hardy Lands (as hereinafter defined), further land and asset acquisitions and general corporate purposes.

In order to facilitate a price of CDN\$0.18 per Subscription

Receipt under the Private Placement Offering, Passport shall, subject to shareholder approval and regulatory approval, complete a consolidation (the "**Consolidation**") of all of issued and outstanding Passport Shares immediately prior to the closing of the Private Placement Offering on the basis of six (6) Passport Shares for every one (1) post-Consolidation Passport Share. Each Subscription Receipt will entitle the holder thereof to one (1) post-Consolidation Passport Share which shall be issued immediately prior to the Amalgamation.

The Arrangement Agreement contemplates that as a mutual condition precedent, CDN\$13,000,000 of the Private Placement Offering (the "**32 Degrees Subscription**") will be subscribed for by 32 Degrees Diversified Energy Fund II (Canadian) L.P. and 32 Degrees Diversified Energy Fund II (US) L.P. (collectively referred to as "**32 Degrees**"). A portion of the subscription price (the "**Subscription Portion**") payable by 32 Degrees under the 32 Degrees Subscription will be paid by the transfer and conveyance of approximately 24 1/4 contiguous sections in the Hardy area of Southeast Saskatchewan (the "**Hardy Lands**") recently acquired from arm's length third parties and owned by a wholly-owned subsidiary of 32 Degrees ("**32 Degrees HoldCo**"). The estimated value of the Subscription Portion as at the date hereof is approximately CDN\$702,000 representing the purchase price of the Hardy Lands paid by 32 Degrees Holdco. 32 Degrees HoldCo may, in its discretion, acquire additional lands adjacent to, or in proximity to the Hardy Lands (the "**Additional Lands**"), prior to the closing of the Private Placement Offering. Additional Lands may, subject to applicable regulatory approval, also be included and form a part of the Subscription Portion. The Subscription Portion amount will equal the aggregate of approximately CDN\$702,000 plus the amount paid for Additional Lands, if any, the aggregate amount expended or contributed by 32 Degrees with respect to the Hardy Lands, and Additional Lands, if any, prior to the completion of the Private Placement Offering (the "**Expenditure Amount**"), and interest equal to 12% per annum

(calculated daily in respect of each contribution or expenditure comprising the Expenditure Amount).

Subject to regulatory approval, the 32 Degrees Subscription will also provide that following the closing of the Private Placement Offering and until the Subscriber Group (as that term is defined below) holds directly or indirectly less than 10% of post-Amalgamation Amarak Shares (as defined below), 32 Degrees together with: (i) any joint investment fund or limited partnership which is managed by the manager of 32 Degrees or an affiliate of the manager of 32 Degrees; and (ii) any limited partner of 32 Degrees or of any joint investment fund or limited partnership which is managed by the manager of 32 Degrees or an affiliate of the manager of 32 Degrees (collectively, the "**Subscriber Group**") subject to certain limitations, shall have a pre-emptive right to participate in any issuance of securities in the capital of the Resulting Issuer (or securities convertible into, or exercisable or exchangeable for, such securities) at the same price as the other participants in such financing up to its pro rata interest determined at the time of such proposed issuance of securities.

Assuming the 32 Degrees Subscription is completed, 32 Degrees will own approximately 49% (assuming the Maximum Private Placement Offering subscribed for) of the issued and outstanding common shares of Passport immediately following conversion of the Subscription Receipts (approximately 80% in the case where the Minimum Private Placement Offering is completed). Accordingly, 32 Degrees will become a new "control person" (as such term is defined in the TSXV Policy 1.1) of Passport. Passport will seek to obtain disinterested shareholder approval of the Private Placement Offering and specifically, approval of 32 Degrees as a new control person.

The Amalgamation by way of Plan of Arrangement

Passport currently has 111,548,781 Passport Shares, 10,250,000

stock options ("**Passport Options**") 815,222 common share purchase warrants ("**Passport Warrants**") issued and outstanding and no other securities of any class issued or outstanding. It is anticipated that upon completion of the Consolidation and assuming the Minimum Private Placement Offering is subscribed for, there will be approximately 90,813,685 post-Consolidation Passport Shares issued and outstanding and, assuming the Maximum Private Placement Offering is subscribed for, there will be approximately 146,369,241 post-Consolidation Passport Shares issued and outstanding as well as 1,708,333 post-Consolidation Passport Options and 135,870 post-Consolidation Passport Warrants issued and outstanding. Amarok currently has 93,215,292 common shares, 8,137,534 stock options ("**Amarok Options**") and 1 common share purchase warrant ("**Amarok Warrants**") issued and outstanding and no other securities of any class issued or outstanding.

The Amalgamation will proceed by way of a plan of arrangement under the ABCA. In order to proceed, Passport will seek a shareholders resolution to approve the continuance of Passport from the *Business Corporations Act* (British Columbia) to the ABCA (the "**Passport Continuance**") immediately prior to the Arrangement.

As part of the Amalgamation, it is proposed that each one (1) post-Consolidation Passport Share (which shall include the post-Consolidation Passport Shares issued pursuant to the Subscription Receipts) shall be exchanged to a wholly-owned subsidiary of Amarok in consideration for one (1) Amarok common share ("**Amarok Share**"). It is anticipated that the shareholders of Passport and Subscription Receipt holders will, upon completion of the Amalgamation, hold in aggregate 49.3% of Amarok Shares assuming the Minimum Private Placement Offering is subscribed for with Amarok having approximately 184,028,977 Amarok Shares issued and outstanding and 61.1% of Amarok Shares assuming the Maximum Private Placement Offering is subscribed for with Amarok having approximately 239,584,533

Amarok Shares issued and outstanding. Pursuant to the Arrangement Agreement, it is anticipated that all unexercised Passport Options, Amarok Options and Amarok Warrants will be cancelled or terminated immediately prior to the Arrangement and all unexercised Passport Warrants will expire on April 26, 2014.

The Arrangement Agreement anticipates that immediately prior to the Arrangement becoming effective, Amarok shall have: (i) not less than \$15 million in cash and cash equivalents; and (ii) oil and gas assets located in Wyoming and Montana (the “**U.S. Assets**”) of not less than CDN\$2 million in value (or subject to such other value as mutually agreed by the parties acting reasonably). The Arrangement Agreement provides that the U.S. Assets may be sold (or an agreement entered into to sell the U.S. Assets) by Amarok prior to the completion of the Arrangement with the prior written consent of Passport.

Following the Arrangement, 32 Degrees will own approximately 30% (assuming the Maximum Private Placement Offering is subscribed for) of the issued and outstanding common shares of the Resulting Issuer (approximately 39% if the Minimum Private Placement Offering is subscribed for). As a result, 32 Degrees will become a new control person of the Resulting Issuer upon completion of the Arrangement.

The Amarok Consolidation and Name Change

The Arrangement Agreement provides that Amarok will seek regulatory and shareholder approval to: (i) approve of 32 Degrees as a new control person of the Resulting Issuer; (ii) consolidate its common shares on a 5 for 1 basis (the “**Amarok Consolidation**”) immediately following the Amalgamation so that, assuming the Minimum Private Placement Offering is subscribed for, the approximately 184,028,977 Amarok Shares issued and outstanding will be consolidated to approximately 36,805,795 post-Consolidation Amarok Shares and assuming the Maximum Private Placement Offering is subscribed for, the

approximately 239,584,533 Amarok Shares issued and outstanding will be consolidated to approximately 47,916,907 post-consolidation Amarok Shares; and (iii) change its name from "Amarok Energy Inc." to "Powder Mountain Energy Ltd." (the "**Name Change**") or such other name as the parties may mutually agree.

Following the Amalgamation, it is anticipated that the directors of the Resulting Issuer will be:

1. Massimo Geremia;
2. Bruce Murray;
3. Gregg Smith;
4. Larry Evans;
5. Mitch Putnam;
6. Trent Baker; and
7. Samuel Ingram.

Messrs. Massimo Geremia and Samuel Ingram are currently directors of Amarok. Messrs. Gregg Smith and Bruce Murray are currently directors of Passport. Messrs. Larry Evans, Mitch Putnam and Trent Baker are the nominees of 32 Degrees.

Management of the Resulting Issuer

The Arrangement Agreement contemplates that following completion of the Arrangement and Name Change, the President and Chief Executive Officer of the Resulting Issuer shall be Bruce Murray, the Chief Operating Officer of the Resulting Issuer shall be Daniel Tiberio, and the Exploration Manager of the Resulting Issuer shall be Jessica Gordon-Metez, each of whom are presently on the management team of Passport.

Termination Fee

The Arrangement Agreement provides for a reciprocal termination fee equal to CDN\$300,000 payable by one party of the Arrangement Agreement to the other in circumstances customary with industry practice. The Arrangement Agreement

also includes customary non-solicitation provisions, including the right of a target party to respond to superior proposals.

Joint Information Circular and Shareholders Meetings

Passport has provided notice to hold a shareholders meeting on June 12, 2014 to be held in Calgary, Alberta to approve, among other things, the Passport Continuance, the Private Placement Offering and 32 Degrees as a new control person, the Consolidation, and the Arrangement, all as more particularly described herein. Amarok has also provided notice to hold a shareholders meeting on June 12, 2014 in Calgary, Alberta to approve, among other things, 32 Degrees as a new control person, the Amarok Consolidation and the Name Change, all as more particularly described below. It is anticipated that Passport and Amarok will mail a joint information circular on or about May 16, 2014 in respect of their respective shareholders meetings.

The Arrangement, including the Passport Continuance, Private Placement Offering, the Consolidation, the Amarok Consolidation, the Name Change, the approval of 32 Degrees as a new control person of Passport and the Resulting Issuer, and all the securities transactions associated therewith or arising therefrom shall be subject to, all applicable rules, policies and regulations of securities regulatory authorities (including applicable stock exchange and shareholder approvals) and securities and corporate laws.

Trading Halt

Trading of Passport Shares and Amarok Shares have, in the case of Passport, been halted since January 10, 2014 and in the case of Amarok, since the announcement of the LOI. Trading of the Passport Shares and Amarok Shares is expected to remain halted until the earlier of May 9, 2014 or:

1. the receipt by Passport's Board of Directors of a verbal fairness opinion from its financial advisors; and

2. the entering into of a subscription agreement by 32 Degrees in connection with the 32 Degrees Subscription.

On or before May 9, 2014, Passport and Amarok will issue a further news release with information regarding the anticipated timing for the resumption of trading of the Passport Shares and the Amarok Shares.

About 32 Degrees

32 Degrees is part of a group of energy-focused private equity funds managed by 32 Degrees Capital Advisor Ltd. ("**32 Degrees Capital**") of 650, 635 – 8th Avenue SW, Calgary, Alberta T2P 3M3. 32 Degrees (i) is at arm's length to Passport and Amarok, (ii) does not, as at the date hereof, own or control any shares of Passport or Amarok, (iii) is intending to subscribe for the Private Placement Offering as a business investment, and (iv) other than the CDN\$13,000,000 32 Degrees intends to subscribe for under the Private Placement Offering, 32 Degrees does not presently have any future intention to acquire ownership of, or control over, additional securities of Passport or Amarok. 32 Degrees confirms that no promoter, officer, director, other insider or control person of 32 Degrees or any associates or affiliates of any such person owns, directly or indirectly, any common shares of Passport or Amarok. Further information regarding 32 Degrees and 32 Degrees Capital can be found at www.32degrees.ca.

General

The TSX Venture Exchange has in no way passed upon the merits of the Arrangement or the Private Placement Offering and has neither approved nor disapproved the contents of this press release.

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

accuracy of this news release.

Certain statements contained in this news release constitute forward-looking statements. These statements relate to future events. All statements other than statements of historical fact are forward-looking statements. The use of the words "may", "expected", "believes" and other words of a similar nature are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Although Passport and Amarok believe these statements to be reasonable, no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this news release should not be unduly relied upon. Such statements include statements with respect to the Passport Continuance, Private Placement Offering, the Consolidation, the Amarok Consolidation and Name Change and the timing thereof. There is no assurance that the parties will carry out the terms of the Arrangement Agreement. Actual results could differ materially from those anticipated in these forward-looking statements as a result of prevailing economic conditions, receipt of requisite regulatory approvals, and other factors, many of which are beyond the control of Passport and Amarok. There is no assurance that all terms and conditions set forth in the Arrangement Agreement or any of the contemplated transactions set out therein will be undertaken or met in a timely manner. The forward-looking statements contained in this news release represent Passport's and Amarok's expectations as of the date hereof, and are subject to change after such date. Passport and Amarok each disclaim any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except as may be required by applicable securities regulations.