

May 25, 2009 06:00 ET

Sabretooth Energy Announces Recapitalization Transaction and New Management Team

CALGARY, ALBERTA--(Marketwire - May 25, 2009) - Sabretooth Energy Ltd. ("Sabretooth" or the "Company") (TSX:SAB) is pleased to announce that it has signed a definitive agreement which provides for a \$9.44 million private placement, the appointment of a new management team (the "Cequence Team") and board of directors and the acquisition of a private oil and gas company ("PrivateCo") owned by certain members of the Cequence Team (collectively, the "Transaction"). The Cequence Team is primarily comprised of individuals who were formerly with a succession of highly successful public energy companies including Cyries Energy, Cequel Energy and Cypress Energy. Upon completion of the Transaction, Sabretooth will be renamed Cequence Energy Ltd. ("Cequence").

The Cequence Team will be led by Howard Crone as President & Chief Executive Officer, Richard Thompson as Executive Vice President, David Gillis as Chief Financial Officer, Hany Beshry as Vice President, Exploration, Robin Bieraugle as Vice President, Operations, Nathan MacBey as Vice President, Land and Erin Thorson as Controller.

Upon completion of the Transaction, the new Board of Directors of Sabretooth will be comprised of Donald Archibald as Chairman, Howard Crone, Richard Thompson, Paul Colborne, Peter Bannister and Hank Swartout. Mr. Swartout is currently a director of Sabretooth.

Private Placement and Rights Offering

Under the terms of the reorganization agreement, the management and directors of Cequence will invest approximately \$9.44 million in common shares of Sabretooth at an anticipated price of \$0.37 per share (pre-consolidation) for an aggregate of approximately 25.5 million common shares (the "Private Placement"). Under the terms of the Private Placement, 75% of the common shares acquired by the Cequence group will be subject to contractual escrow arrangements with Sabretooth, with one-third of the escrowed shares being released on each of the first, second and third anniversaries of the closing.

Under the terms of the reorganization agreement, Sabretooth will also acquire all the shares of PrivateCo for the issuance of an aggregate of approximately 1.5 million shares to be issued at the same price as the Private Placement. The assets of PrivateCo currently include approximately \$400,000 of cash and undeveloped land of \$150,000.

The reorganization agreement also provides that Sabretooth will initiate a rights offering (the "Rights Offering") by way of short form prospectus prior to the completion of the Private Placement. The Rights Offering will allow Sabretooth shareholders of record as of a future date

to acquire up to \$10 million of Sabretooth common shares at an exercise price that will be no greater than \$0.37 per share. The record date for the Rights Offering will be established once all applicable exchange and securities regulatory approvals have been obtained. Subscribers under the Private Placement will not be eligible to participate in the Rights Offering.

It is anticipated that the Private Placement and the Rights Offering will be completed at the same price.

Under the terms of the agreement, the Cequence Team's investment will be at a price not higher than \$0.37. As mentioned previously, the Rights Offering will be priced at a future date in the context of the then applicable market trading price of the Sabretooth shares on the TSX, and, in accordance with the rules of the TSX, the Rights will be priced at a substantial discount to the market price. The agreement provides that in the event that Sabretooth is required to price the Rights at a price less than \$0.35 then Sabretooth may, at its option, terminate the agreement and reimburse the Cequence Team for its expenses (up to a maximum of \$125,000).

Management Incentive Structure

The agreement provides for the issuance of 20,800,000 performance warrants convertible into non-voting shares to management and directors of Cequence (the "Performance Warrants"). Each Performance Warrant will have an exercise price of \$0.47 per non-voting share.

One third of the Performance Warrants will expire four years from the date of closing and will be exercisable if the 20-day weighted average trading price of Cequence shares is equal to or greater than \$0.80 per share at any time before the expiry date of such warrants; one third will expire four and a half years from the date of closing and will be exercisable if the 20-day weighted average trading price of Cequence shares is equal to or greater than \$1.10 per share at any time before the expiry date of such warrants; and one third will expire five years from date of closing and will be exercisable if the 20-day weighted average trading price of Cequence shares is equal to or greater than \$1.40 per share at any time before the expiry date of such warrants.

Board of Directors Recommendation

The Private Placement, grant of Performance Warrants, the consolidation of Sabretooth's shares on a 4-for-1 basis and an amendment to Sabretooth's articles to create the non-voting shares and change Sabretooth's name are subject to the approval of Sabretooth's shareholders and applicable regulatory approvals. A meeting of Sabretooth's shareholders is anticipated to be held at the end of July 2009, but in any event, not later than August 31, 2009.

Upon closing of the Transaction, the current officers will step down as officers of the Company, and Mr. VanLoh, Mr. Chahley, Mr. Brinkerhoff, Mr. Perry, Mr. Abbott and Mr. Campbell will resign as directors of the Company.

The board of directors of Sabretooth has determined that the Transaction is in the best interests of its shareholders, unanimously approved the Transaction and will recommend that the shareholders approve the Transaction.

The board of directors and officers of Sabretooth, who control approximately 40% of the common shares to be voted in respect of all the matters to be considered at the meeting of Sabretooth shareholders, have agreed to vote in favour of the Transaction.

Each of Sabretooth and Cequence have agreed to pay a reciprocal non-completion fee of \$0.4 million to the other party in certain circumstances.

Pro Forma Highlights of Cequence

Pro forma assuming completion of the all the transactions, as of May 25, 2009, and Rights Offering, the Company is expected to be characterized as follows:

Production (1)	1,560 boe/d
Proved Reserves (2)	4.6 mmboe
Proved + Probable Reserves (2)	7.1 mmboe
Reserve Life Index (2P)	12.5 years
Undeveloped Land	148,000 net acres
Shares Outstanding (3)	92.7 million
Net Debt (3)(4)	\$17.5 million
Credit Facilities (5)	\$45.0 million

Notes:

(1) Estimated current production.

(2) Independent engineering evaluation effective December 31, 2008.

(3) Pro forma the completion of the Private Placement, acquisition of PrivateCo and Rights Offering, prior to a proposed four-for-one share consolidation.

(4) Sabretooth has a hedge position with a mark to market gain of approximately \$7 million at April 30, 2009 and its 71% owned subsidiary, HFG Holdings, with \$12.5 million cash, which would reduce proforma net debt to approximately \$4 million.

(5) Credit facilities consist of a \$40 million operating line and a \$5 million development line which was reconfirmed as of May 12, 2009.

Corporate Strategy

Corporate and asset consolidation strategy in a depressed commodity environment complemented by full cycle exploration and development drilling.

Focus on cost-effective per share growth in reserves, production and cash flow.

Further expand its large prospect inventory of resource plays, including the Montney, to validate multiple follow-up drilling locations.

Key Assets

Immediately available drilling opportunities for Montney exploration and development at Gordondale, Sinclair and Mica directly offsetting successful activity by major operators.

Peace River Arch, Alberta - Multi-zone, medium depth, consolidated high working interest land.

Gunnell, B.C. - Long life production with significant low risk development potential in the well established Jean Marie natural gas resource play.

71% ownership interest in HFG Holdings Inc. ("HFG Holdings"), a publicly listed company (TSX VENTURE:HFG) which holds 60+ net sections of prospective Montney acreage and has cash of approximately \$12 million to fund capital expenditures which will qualify for Canadian Exploration Expense.

Large undeveloped land base of approximately 148,000 net acres, including approximately 40,000 net acres of Montney petroleum and natural gas rights within HFG Holdings.

Financial Matters and Balance Sheet

Hedging portfolio with a current mark to market value of approximately \$7 million at April 30, 2009, consisting of a 6,000 GJ/day natural gas hedge at a fixed price of \$7.85/GJ from April 1, 2009 to March 31, 2010. The hedge accounts for approximately 61% of Sabretooth's current production.

Tax pools and loss carryforwards of approximately \$140 million.

Restructured Asset Backed Commercial Paper ("ABCP") investment with a face value of \$24.2 million and a book value of approximately \$14.0 million. The current facility allows the Company to borrow up to \$18.1 million (75% of the \$24.2 million face value of Sabretooth's ABCP). The new facility has a three year life with the Company having the option to extend to a seven year life which reflects the expected maturity dates of the ABCP.

Incoming President and CEO, Howie Crone, stated, "We are looking forward to the opportunity

to assume positions in the management and the board of directors of Sabretooth. We see Sabretooth as having a fantastic position in the Montney, which is quickly becoming one of the premier, world-class resource plays in North America. In addition, the Cequence Team has extensive experience evaluating and exploiting multi-zone opportunities in the prolific Peace River Arch and Sabretooth's asset position in the Arch is in the middle of areas we are very familiar with. The re-capitalization of Sabretooth will give us the financial flexibility to unlock those opportunities. Beyond Sabretooth's organic inventory, we continue to see consolidation opportunities from both an asset and corporate perspective and we anticipate playing a major consolidation role in this phase of the cycle."

Financial Advisors

Tristone Capital Inc. is acting as financial advisor to Sabretooth with respect to the Transaction, and has provided the board of Sabretooth a verbal opinion that the transaction is fair, from a financial point of view, to the shareholders of Sabretooth.

Cormark Securities Inc. is acting as financial advisor to Cequence with respect to the Transaction.

The Transaction is subject to TSX and shareholder approval.

About Sabretooth Energy

Sabretooth Energy Ltd. is a public oil and gas exploration and development company, located in Calgary, Alberta and carrying out operations in Western Canada. Sabretooth trades on the Toronto Stock Exchange (TSX) under the symbol "SAB".

Note Regarding Forward Looking Statements

This news release contains forward-looking statements relating to the company's plans and other aspects of the company's anticipated future operations, strategies, financial and operating results and business opportunities. Forward-looking statements typically use words such as "anticipate", "believe", "project", "expect", "plan", "intend" or similar words suggesting future outcomes, statements that actions, events or conditions "may", "would", "could" or "will" be taken or occur in the future, or consists of statements regarding the completion and results of the reorganization and investment transaction described herein, the outlook for petroleum prices, estimated amounts and timing of capital expenditures, the timing, location and extent of future drilling operations, anticipated timing and results of construction projects and project tie-ins, estimates of future production, the ability to realize on investments in asset backed commercial paper, operating costs or other expectations, beliefs, plans, objectives, assumptions or statements about future events or performance. Statements regarding reserves are also forward-looking statements, as they reflect estimates as to the expectation that the deposits can be economically exploited in the future.

These statements are based on certain factors and assumptions regarding expected growth, results of operations, performance, business prospects and opportunities and the ability of the

company to realize on its investments in asset backed commercial paper. While we consider these assumptions to be reasonable based on information currently available to us, they may prove to be incorrect.

By their nature, forward-looking statements involve numerous risk and uncertainties and other factors that contribute to the possibility that the predicted outcome will not occur, including, without limitation, risks associated with oil and gas exploration, development, exploitation, production, marketing and transportation, loss of markets, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other producers, inability to retain drilling rigs and other services, incorrect assessment of the value of acquisitions, failure to realize the anticipated benefits of acquisitions, delays resulting from or inability to obtain required regulatory approvals and ability to access sufficient capital from internal and external sources. Readers are cautioned that the foregoing list of factors is not exhaustive.

Although Sabretooth believes that the expectations represented in such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. As a consequence, actual results may differ materially from those anticipated in the forward-looking statements and you should not unduly rely on forward-looking statements. The forward-looking statements contained in this news release are made as the date of this new release and the company does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

Note Regarding BOEs

The term barrels of oil equivalent ("boe") may be misleading, particularly if used in isolation. A conversion ratio for gas of 6 mcf :1 boe is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

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