



PRESS RELEASE

CRAFT OIL LTD. ANNOUNCES MATERIAL ASSET DISPOSITION

October 17, 2016, Calgary, Alberta

Craft Oil ("Craft") is pleased to announce it has entered into a Purchase and Sale Agreement dated September 30, 2016 to sell certain properties located in the Province of Alberta with approximately 1,934 boepd (68% gas) for gross proceeds of \$13.5 million. Proceeds to be received are comprised of \$9.0 million cash and \$4.5 million of tradeable debentures. The transaction is expected to close on or about October 27, 2016.

The transaction has the following benefits to Craft:

- Reduces estimated net debt
- Increases Craft projected Liability Management Rating ("LMR") to greater than 2.0 by year end
- Focuses Craft's asset base to one core area and two non-core areas

Upon closing of the transaction, Craft will have the following characteristics:

- Production of 2,400 boepd (69% gas)
- 83% of production focused in Craft's Grand Prairie, Alberta core area
- Net debt of less than \$6.0 Million (excluding tradeable debentures mentioned above)
- Estimated 2017 cash flow of \$5.3 million⁽¹⁾
- Common Shares outstanding of 217,502,790 basic (253,252,790 fully diluted)

The transaction was executed as part of a plan to reduce the number of non-core properties and to focus the Company on its Core area of Grand Prairie, Alberta. Management looks forward to updating its shareholders as it progresses through its business plan.

Note:

1. Based on a flat oil price forecast of WTI \$US 52.10/bbl and a flat gas price forecast of AECO \$CDN 2.56/GJ.

About Craft Oil Ltd.

Craft is a private oil and gas exploration and development corporation with operations in Alberta, Canada and is a 70% owned subsidiary of Chinook Energy Inc. Craft was formed as part of a transaction between Chinook Energy and Tournament Exploration whereby Alberta assets of Chinook were placed

into Tournament and a new team led by Trevor Spagrud was hired to develop and execute a go forward plan.

For Further information please contact:

Trevor Spagrud
President & CEO
Craft Oil Ltd.
403.290.1132 x 233

Caura Wood
Corporate Secretary / Investor Relations
Craft Oil Ltd.
403.705.4549

Website: www.craftoil.ca

Reader Advisory

Forward-Looking Information and Statements

This news release contains certain forward-looking information and statements within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "may", "will", "project", "should", "believe", "plans", "intends" "forecast" and similar expressions are intended to identify forward-looking information or statements. In particular, but without limiting the foregoing, this news release contains forward-looking information and statements pertaining to the following: various matters related to the proposed disposition disclosed herein including the Company's anticipated pro-forma metrics subsequent to the Transaction; the effect of the Transaction on continuing operations and on Craft's production volumes and the benefits anticipated to be derived therefrom post-Transaction strategy, plans and operations; and the volume and product mix of Craft's oil and natural gas production; projected debt levels (positive working capital). In addition, information and statements herein relating to "reserves" are deemed to be forward-looking information, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described exist in the quantities predicted or estimated and that the reserves can be profitably produced in the future.

Forward-looking statements or information are based on a number of material factors, expectations or assumptions of Craft which have been used to develop such statements and information but which may prove to be incorrect. Although Craft believes that the expectations reflected in such forward-looking statements or information are reasonable, undue reliance should not be placed on forward-looking statements because Craft can give no assurance that such expectations will prove to be correct. In addition to other factors and assumptions which may be identified herein, assumptions have been made regarding, among other things: the asset disposition may not be completed in the timeframes and in the manner currently contemplated; the impact of increasing competition; the general stability of the economic and political environment in which Craft operates; the timely receipt of any required regulatory approvals; the ability of the operator of the projects in which the parties have an interest in to operate the field in a safe, efficient and effective manner; the ability of the parties to obtain financing on acceptable terms; field production rates and decline rates; anticipated production volumes; the ability to replace and expand oil and natural gas reserves through acquisition, development and exploration; the timing and cost of pipeline, storage and facility construction and expansion and the ability of each party to secure adequate product transportation; future commodity prices; currency, exchange and interest

rates; regulatory framework regarding royalties, taxes and environmental matters in the jurisdictions in which such parties operate; the ability of Craft to successfully market its oil and natural gas products. To the extent such estimate constitutes a financial outlook, it is included herein to provide readers with an understanding of estimated capital expenditures and the effect thereof on debt levels and readers are cautioned that the information may not be appropriate for other purposes.

The forward-looking information and statements included in this news release are not guarantees of future performance and should not be unduly relied upon. Such information and statements, including the assumptions made in respect thereof, 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 information or statements including, without limitation: the asset disposition may not be completed in the timeframes and in the manner currently contemplated (or at all); changes in commodity prices; changes in the demand for or supply of products; unanticipated operating results or production declines; incorrect assessments of capital expenditures, cash flows and Transaction costs, changes in tax or environmental laws, royalty rates or other regulatory matters; changes in development plans of or by third party operators of each party's properties, increased debt levels or debt service requirements; inaccurate estimation of Craft's and/or Craft's oil and natural gas reserve and resource volumes; limited, unfavourable or a lack of access to capital and/or debt markets; increased costs; a lack of adequate insurance coverage; the impact of competitors; and certain other risks detailed from time-to-time in Craft's public disclosure documents (including, without limitation, those risks identified in this news release).

The forward-looking information and statements contained in this news release speak only as of the date of this news release, and Craft does not assume any obligation to publicly update or revise any of the included forward-looking statements or information, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

BOE Equivalent

Barrel of oil equivalents or BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 mcf:1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different than the energy equivalency of 6:1, utilizing a 6:1 conversion basis may be misleading as an indication of value.

Net Debt (Surplus)

The reader is cautioned that this news release contains the term net debt, which is not a recognized measure under IFRS and is calculated as bank debt adjusted for working capital excluding mark-to-market derivative contracts, current portion of decommissioning obligation and assets and liabilities held for sale. Working capital excluding mark-to-market derivative contracts, current portion of decommissioning obligation and assets and liabilities held for sale is calculated as current assets less current liabilities both of which exclude derivative contracts and assets and liabilities held for sale and current liabilities excludes any current portion of debt and decommissioning obligation. Management uses net debt (surplus) to assist them in understanding liquidity at specific points in time. Mark-to-market derivative contracts are excluded from working capital, in addition to net debt (surplus), as management intends to hold each contract through to maturity of the contract's term as opposed to liquidating each contract's fair value or less.

Future Oriented Financial Information

This news release, in particular the information in respect of Craft's forecasted net surplus, may contain Future Oriented Financial Information ("FOFI") within the meaning of applicable securities laws. The FOFI has been prepared by management to provide an outlook of the Company's activities and results and may not be appropriate for other purposes. The FOFI has been prepared based on a number of assumptions including the assumptions discussed under the heading "Forward-Looking Statements and Information" and assumptions with respect to the completion of the Transaction and the disposition of Craft's assets, production rates and commodity prices. The actual results of the Company's operations and the resulting financial results may vary from the amounts set forth herein, and such variations may be material. Management believes that the FOFI has been prepared on a reasonable basis, reflecting management's best estimates and judgments.

Third Party Information

All information regarding Craft contained herein, including all reserves and related information, financial information and all pro forma financial information reflecting the pro forma effects of the Transaction on Craft, has been derived in part from information provided by Craft and other third parties. Although the Company believes that the expectations and matters reflected in such forward-looking statements are based upon reasonable assumptions, and that information obtained from third party sources is reliable, they can give no assurance such matters and information will prove to have been correct

Selected Definitions

Crude Oil and Natural Gas Liquids

*Bbls barrels
Bbls/d barrels per day
BOE barrels of oil equivalent of natural gas,
 on the basis of 1 BOE for 6 Mcf of
 natural gas*

Natural Gas

*Mcf thousand cubic feet
Mmcf million cubic feet
Mcf/d thousand cubic feet per day

Mmcf/d million cubic feet per day*