Ikkuma Resources Corp. Announces First Quarter 2018 Financial and Operating Results

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CALGARY, May 30, 2018 /CNW/ - Ikkuma Resources Corp. ("Ikkuma" or the "Corporation") (TSXV: IKM) is pleased to financial and operating results for the three months ended March 31, 2018. Financial and operational information is se and should be read in conjunction with Ikkuma's March 31, 2018 unaudited interim financial statements and the related management's discussion and analysis ("MD&A"). Ikkuma's condensed unaudited interim financial statements and MD available for review at www.sedar.com and on the Corporation's website at www.ikkumarescorp.com.

HIGHLIGHTS

- Achieved record average production for the first quarter of 2018 of 19,292 boe per day, an increase of 194% com 6,572 boe per day for the first quarter of 2017.
- Increased revenue by 140% to $24.7 million for the three months ended March 31, 2018 compared to $10.3 millio three months ended March 31, 2017.
- Decreased general and administrative expense by 51% to $0.80 per boe for the three months ended March 31, 2 compared to $1.63 per boe for the three months ended March 31, 2017.

(Expressed in thousands of Canadian dollars except per boe and share amounts)	Three Months Ended	
	March 31, 2018	March 31, 2017
OPERATIONS		
Average daily production		
Natural gas (mcf/d)	113,003	38,248
Light oil (bbl/d)	193	80
NGLs (bbl/d)	265	117
Total equivalent (boe/d)	19,292	6,572
Average prices		
Natural gas ($/mcf)	$ 1.92	$ 2.72
Light oil ($/bbl)	69.33	60.15
NGLs ($/bbl)	49.19	40.37
Operating netback		
Revenue ($/boe)	$ 14.21	$ 17.41
Realized gain on risk management contracts ($/boe)	0.76	0.14
Royalties ($/boe)	(1.03)	(0.57)
Net operating expenses ($/boe)	(11.38)	(8.08)
Transportation expenses ($/boe)	(1.01)	(2.00)

Operating netback [1] ($/boe)	$ 1.55	$ 6.90
FINANCIAL		
Petroleum and natural gas revenues [2]	$ 24,666	$ 10,295
Cash provided by operating activities	$ 5,611	$ 3,270
Per share – basic and diluted	$ 0.05	$ 0.03
Funds flow from operations [1]	$ 240	$ 2,729
Per share – basic and diluted	$ 0.00	$ 0.03
Adjusted funds flow [1]	$ 327	$ 2,828
Per share – basic and diluted	$ 0.00	$ 0.03
Net income (loss) and comprehensive income (loss)	$ (5,097)	$ 2,464
Per share – basic and diluted	$ (0.05)	$ 0.03
Capital expenditures	$ 821	$ 8,769
Property acquisitions	$ 2,711	$ -
Net debt [1,3]	$ 61,247	$ 38,505
Shares outstanding ('000s)	109,335	94,244
Weighted average shares outstanding		
basic and diluted ('000s)	109,335	94,244

(1) Operating netback, funds flow from operations, adjusted funds flow, net operating expenses and net debt are non-IFRS measures. See "Non- IFRS Measures".

(2) Before royalties.

(3) Net debt includes bank debt under its Credit Facilities (as hereinafter defined), Term debt (as hereinafter defined) and working capital deficiency (surplus), excluding fair value of risk management contracts.

FINANCIAL AND OPERATING RESULTS

Average production for the first quarter of 2018 was 19,292 boe per day, an increase of 194% compared to 6,572 boe per day for the first quarter of 2017. The increase was primarily due to production volumes related to the acquisition of assets located in the Alberta Foothills and British Columbia Deep Basin (the "Foothills Acquisition"), which closed on December 21, 2017.

Petroleum and natural gas revenues increased 140% to $24.7 million for the three months ended March 31, 2018 compared to $10.3 million for the three months ended March 31, 2017. The increase was primarily due to increased production volumes associated with the Foothills Acquisition.

Operating netbacks for the first quarter of 2018 were $1.55 per boe compared to $6.90 per boe for the first quarter of 2017. The decrease in operating netbacks for the first quarter of 2018 was primarily due to a 29% reduction in realized natural gas prices and increased operating costs associated with properties acquired with the Foothills Acquisition. As the acquired properties are fully integrated into existing operations, Ikkuma anticipates that field optimization initiatives will reduce operating costs per boe throughout the remainder of 2018 and into 2019.

With increased production, general and administrative expense per boe decreased by 51% to $0.80 per boe for the three months ended March 31, 2018 compared to $1.63 per boe for the three months ended March 31, 2017.

Adjusted funds flow for the three months ended March 31, 2018 of $0.3 million included realized gains of $1.3 million associated with the Corporation's risk management program. In comparison, adjusted funds flow for the three months ended March 31, 2017 was $2.7 million which included $0.1 million of realized gains on risk management contracts. For 2018, approximately 17% of the Corporation's expected average daily natural gas production has been hedged at an average price of $2.55/GJ.

Capital expenditures for the three months ended March 31, 2018 were $0.8 million compared to $8.8 million for the three months ended March 31, 2017. During the first quarter of 2018, a right of first refusal ("ROFR") agreement associated with the Foothills Acquisition did not close. Accordingly, the properties and production associated with this ROFR agreement were acquired by Ikkuma for $2.7 million.

Net debt, which includes the Corporation's syndicated credit facility (the "Credit Facilities"), second lien senior secured term debt facility ("Term debt") and a working capital deficiency (excluding fair value of risk management contracts) was $61.2 million as at March 31, 2018 compared to $58.0 million as at December 31, 2017. Bank debt was $1.7 million as at March 31, 2018 compared to $10.4 million as at December 31, 2017.

LIQUIDITY

On May 28, 2018 the Corporation entered into an Amending Agreement with respect to its existing Credit Facilities with its banking syndicate, whereby the borrowing base was maintained at $25.0 million. The Credit Facilities include $15.0 million which is available at full discretion of the Corporation and $10.0 million is restricted by the lenders. The Credit Facilities include a restriction which prevents the funds from being used for capital spending related to the Corporation's CEE flow-through share obligations and related commitments. The renewal term out date for the Credit Facilities was extended to May 30, 2019.

Ikkuma is actively pursuing several options to fund its 2018 flow-through share obligations. As previously announced, the Corporation entered into a non-binding letter of intent to sell certain midstream pending execution of a definitive purchase and sale agreement. The Corporation also announced it has engaged GMP FirstEnergy to sell non-core production and additional infrastructure assets through a public process.

GUIDANCE

Due to the current low natural gas price environment, Ikkuma has shut-in a portion of its gas production during the second quarter of 2018. As a result, average daily production is expected to be in the range of 15,500 – 16,500 boe/d in the second quarter of 2018. The Corporation plans to bring the shut-in portion of its production on once natural gas prices improve, which is expected in the fourth quarter of 2018.

As a result of shut in decisions, guidance for average daily production in 2018 is now expected to be in the range of 16,500 – 17,500 boe/d from the previous guidance of 17,500 – 18,500 boe/d. Production guidance excludes potential non-core asset divestments.

ABOUT IKKUMA

Ikkuma Resources Corp. is a diversified growth-oriented public oil and gas company listed on the TSX Venture Exchange under the symbol "IKM", with holdings in both conventional and unconventional projects in Western Canada. The Company is focused in the Foothills Region of Western Canada with a team that has extensive experience in the area with the unique skills at successfully exploiting a complex and potentially prolific play type. Corporate information can be found at: www.ikkumarescorp.com.

Forward-Looking Statements and Information and Cautionary Statements

This press release contains forward?looking statements and forward?looking information within the meaning of applicable securities laws including, without limitation, those listed under "Risk Factors" and "Forward-looking Statements and Information" in Ikkuma's Annual Information Form and in its other filings available on SEDAR at www.sedar.com. The use of any of the words "expect", "anticipate", "continue", "estimate", "objective", "ongoing", "may", "will", "project", "should", "believe", "plans", "intends" and similar expressions are intended to identify forward?looking statements or information. Forward-looking statements and information in this press release includes, but is not limited to, full optimization initiatives reducing operating costs per boe throughout the remainder of 2018 and into 2019, the sale of certain midstream assets and the sale of non-core production and additional infrastructure assets through a public process, the expected range of production during the second quarter of 2018 and bringing on shut-in production once natural gas prices improve in the fourth quarter of 2018 and the Corporation's guidance for average daily production range of 16,500-17,500 boe/day in 2018. Although Ikkuma believes that the expectations and assumptions on which the forward?looking statements and information are based are reasonable, undue reliance should not be placed on the forward?looking statements and information because Ikkuma cannot give any assurance that they will prove to be correct. Since forward?looking statements and information address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include but are not limited to the risks associated with the oil and gas industry in general (e.g., operational risks in development, exploration and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserve estimates; the uncertainty of estimates and projections relating to production, costs and expenses; failure to obtain necessary regulatory approvals for planned operations; health, safety and environmental risks; uncertainties resulting from potential delays or changes in plans with respect to exploration or development projects or capital expenditures; volatility of commodity prices, currency exchange rate fluctuations; imprecision of reserve estimates; and competition from other explorers) as well as general economic conditions, stock market volatility, and the ability to access sufficient capital. We caution that the foregoing list of risks and uncertainties is not exhaustive.

In addition, the reader is cautioned that historical results are not necessarily indicative of future performance. The forward-looking statements and information contained in this press release are made as of the date hereof and Ikkuma undertakes no obligation to update publicly or revise any forward?looking statement or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

Certain information set out herein may be considered as "financial outlook" within the meaning of applicable securities laws. The purpose of this financial outlook is to provide readers with disclosure regarding Ikkuma's reasonable expectations as to the anticipated results of its proposed business activities for the periods indicated. Readers are cautioned that the financial outlook may not be appropriate for other purposes.

Non-IFRS Measures

This press release provides certain financial measures that do not have a standardized meaning prescribed by IFRS. These non-IFRS financial measures may not be comparable to similar measures presented by other issuers. Funds flow from operations, operating netback, net operating expenses and net debt are not recognized measures under IFRS. Management believes that in addition to net income (loss), funds flow from operations, operating netback and net debt are useful supplemental measures that demonstrate the Corporation's ability to generate the cash necessary to repay debt or fund future capital investment. Investors are cautioned, however, that these measures should not be construed as an alternative to net income (loss), determined in accordance with IFRS, as an indication of Ikkuma's performance. Funds flow from operations is calculated by adjusting net income (loss) for depletion and depreciation, exploration and evaluation expense, impairment, gain (loss) on sale of petroleum, natural gas and equipment, share-based payments, unrealized gain (loss) on financial instruments and accretion. Operating netback equals the total of petroleum and natural gas sales, realized gains or losses on commodity contracts, less royalties, transportation and net operating expenses. Net operating expense is a non-IFRS measure calculated as operating expenses less other income. Other income includes gas processing income earned from fees charged to third parties at facilities where Ikkuma has an ownership interest. Net debt is the total of cash and cash equivalents plus accounts receivable, plus prepaids and deposits, less accounts payable and accrued liabilities and bank debt.

Oil and Gas Advisory

In this press release, the abbreviation boe means a barrel of oil equivalent derived by converting gas to oil in the ratio of 6 Mcf of gas to 1 bbl of oil (6 Mcf:1 bbl). Boe 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 from the energy equivalency of 6 Mcf:1 bbl, utilizing a conversion ratio on a 6 Mcf of gas to 1 bbl of oil basis may be misleading as an indication of value.

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SOURCE Ikkuma Resources Corp.

Contact

For additional information, please contact either: Ikkuma Resources Corp., Tim de Freitas, President & CEO, (403) 261-5900, mailbox@ikkumarescorp.com; John H. Van de Pol, Senior Vice President & CFO, (403) 261-5900, mailbox@ikkumarescorp.com