TriOil Resources Ltd. Announces Record Production and Second Quarter Financial Results

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CALGARY, Aug. 21, 2013 /CNW/ - TriOil Resources Ltd. ("TriOil" or the "Company") (TSXV:TOL) is pleased to announce that it has filed its financial statements and related Management's Discussion and Analysis ("MD&A") for the three and six months ended June 30, 2013 on SEDAR. Selected financial and operational information is outlined below and should be read in conjunction with TriOil's unaudited interim financial statements and related MD&A, available for review at www.trioilresources.com and www.sedar.com.

Second Quarter 2013 Operating and Financial Highlights

- Reached a record average daily production level of 4,147 BOE/d (weighted 62 percent towards light oil and NGLs), representing a 98 percent increase over the second quarter 2012 level of 2,091 BOE/d and a 19 percent increase over the first quarter 2013 level of 3,472 BOE/d;

- Increased funds from operations to a record $13.3 million ($0.21 per diluted share), representing a 99 percent increase (62 percent per share) from second quarter 2012 funds from operations of $6.7 million and a 27 percent increase (31 percent per share) from first quarter 2013 funds from operations of $10.5 million;

- Achieved net earnings of $6.0 million ($0.09 per share), up 141 percent from first quarter 2013 net earnings of $2.5 million ($0.04 per share);

- Generated a strong operating netback of $41.53 per BOE, up 7 percent from $38.65 per BOE in the first quarter of 2013;

- Decreased corporate operating costs by 13 percent to $11.58 per BOE from $13.35 per BOE in the second quarter of 2012;

- Maintained a strong balance sheet with net debt as of June 30, 2013 of $56.4 million, representing approximately 1.1 times net debt-to-annualized second quarter 2013 funds from operations and also representing a 7% decrease from net debt of $60.5 million as of March 31, 2013.

Financial and Operating Results

($000s, except per share numbers)	Three months ended June 30, 2013	2012	%Change	Six months ended June 2013	2012	%Change
Financial						
Total petroleum and natural gas sales	23,954	12,295	95	42,018	21,882	
Funds from operations (1)	13,281	6,659	99	23,767	10,878	
Per share - diluted	0.21	0.13	62	0.37	0.22	
Net income	6,045	7,020	(14)	8,558	6,677	-
Per share - basic and diluted	0.09	0.13	(31)	0.13	0.14	-
Net debt (working capital) (2)	56,390	(6,855)	-	56,390	(6,855)	-
Total assets	302,435	206,552	46	302,435	206,552	46
Capital expenditures(4)	9,144	15,788	(42)	56,420	47,930	18
Weighted average shares outstanding						
Basic	63,982	53,220	20	63,982	49,100	30
Diluted	64,000	53,258	20	64,004	49,216	30
Operating						
Average daily production						
Crude oil and NGLs (bbls/d)	2,554	1,594	60	2,299	1,355	70
Natural gas (mcf/d)	9,555	2,981	221	9,077	2,953	207
Total (boe/d)	4,147	2,091	98	3,812	1,847	106
Average sales prices						
Crude oil and NGLs ($/bbl)	88.40	80.99	9	86.32	84.06	3
Natural gas ($/mcf)	3.91	2.00	96	3.71	2.16	72
Total ($/boe)	63.47	64.60	(2)	60.91	65.11	(6)
Wells drilled - gross (net)	1 (0.7)	7 (3.8)	-	14 (10.4)	16 (9.4)	
Drilling success rate (%)	100	100	-	100	100	-
Operating netback ($/boe)						
Oil and natural gas sales	63.47	64.60	(2)	60.91	65.11	(6)
Realized gain (loss) on financial derivative contracts	0.59	(0.18)	-	1.09	(1.78)	-
Royalties	(9.71)	(10.47)	(7)	(9.25)	(10.53)	(1
Operating costs	(11.58)	(13.35)	(13)	(11.23)	(14.02)	(2
Transportation	(1.24)	(1.23)	1	(1.30)	(1.29)	
Operating netback (3)	41.53	39.37	5	40.22	37.49	7

Notes:
(1) Funds from (used in) operations is a non-GAAP measure and is calculated as cash flow from operating activities before the change in non-cash working capital and abandonment expenditures.
(2) Net debt (working capital) is a non-GAAP measure and excludes unrealized gains and losses from financial derivative contracts and flow through share liability.
(3) Operating netback is a non-GAAP measure and is determined by deducting royalties, operating costs, transportation and realized hedging loss (gain) from oil and natural gas sales.
(4) Capital expenditures include additions to property, plant and equipment and exploration and evaluation assets and property acquisitions and are presented net of proceeds of disposals.

OPERATIONS UPDATE

The Company's drilling and completion operations in the second quarter of 2013 were restricted due to spring break-up and prolonged wet weather, with the only field activity taking place at Kaybob early in the second quarter. Capital expenditures during the second quarter were limited to $9.1 million. The Company drilled 1 (0.7 net) well, completed 3 (2.0 net) wells and brought 6 (4.1 net) wells on production during the quarter, all at Kaybob.

Field activity has resumed on all 3 of our core properties. To date in the third quarter the Company has completed 2 (1.4 net) oil wells at Lochend, drilled 1 (0.7 net) oil well at Kaybob, commenced drilling 1 (0.7 net) oil well at Kaybob, commenced pipeline construction to tie-in 3 (1.5 net) Cardium oil wells at Lochend, commenced completion operations on a light oil well (70 percent working interest) at Kaybob and commenced drilling a horizontal Montney liquids-rich gas well (61% working interest) at Pouce Coupe. Drilling operations on our Cardium light oil project at Lochend are expected to get underway in September.

Our second half 2013 capital program includes drilling and completion of 9 (6.1 net) horizontal wells.

Outlook

TriOil continues to deliver strong drill bit growth from its 3 core assets, with corporate production effectively doubled over the past one year period. The Company produced a record 4,147 boe/d in the second quarter of 2013, compared to 2,091 boe/d in the second quarter of 2012. Second quarter 2013 production was also up a significant 19% from 3,472 boe/d in the first quarter of 2013, despite an early and protracted spring breakup and wet weather delays through July.

Per share performance continues to improve with production per share climbing 65% from the second quarter of 2012 and funds from operations per share increasing 62% to $0.21 per share compared to $0.13 per share in the second quarter of 2012.

The Company's assets continue to provide strong netbacks and improving efficiencies, with our operating netback climbing 7% from Q1 2013 to $41.53 per boe and operating costs decreasing 13% to $11.58 per boe from $13.35 per boe in Q2 2012.

TriOil has maintained a solid financial position with net debt of $56 million at June 30, 2013 (1.1 times Q2 2013 annualized funds from operations) and current credit facilities of $90 million. Year to date capital expenditures are $56.4 million and our 2013 total capital expenditures are still forecast at $93 million. TriOil remains on track to meet its corporate production guidance of 3,900 to 4,100 boe/d average annual production with a 2013 exit target of 4,400 boe/d.

With a multi-year horizontal development drilling inventory of 178 net wells on 3 proven plays at Lochend, Kaybob and Pouce Coupe, strong corporate netbacks, improving efficiencies and a solid balance sheet, TriOil is well positioned to deliver strong per share production, reserve and cash flow growth for the next several years.

UPDATE ON STRATEGIC PROCESS

On July 3, 2013 TriOil announced that it had entered into exclusive negotiations with another party in connection its previously announced strategic alternatives process. The negotiations with the other party are ongoing and TriOil expects to provide a further update on the Company's strategic alternatives process on or about the end of August 2013.

TriOil is a publicly traded junior oil resource player in Western Canada. Substantial land positions have been acquired on early stage light oil resource opportunities to capitalize on improvements in horizontal drilling and multi-stage fracture stimulation technologies, specifically targeting opportunities in the emerging Cardium and Dunvegan oil trends in Alberta. TriOil has successfully executed its business plan and has positioned the Company for solid growth in production, reserves and shareholder value.

TriOil trades on the TSX Venture Exchange under the symbol "TOL". As of August 21, 2013, there were approximately 64.0 million shares issued and outstanding (70.0 million fully diluted).

Forward Looking Statements

This news release contains forward-looking information and forward-looking statements within the meaning of applicable securities laws. The use of any of the words "expect", "seek", "anticipate", "continue", "estimate", "approximate", "believe", "plans", "intends", "confident", "may", "objective", "ongoing", "will", "should", "project", "predict", "potential", "targeting", "could", "would", and similar expressions are intended to identify forward-looking information. More particularly, this document contains forward looking statements which include, but are not limited to, expected timing for commencing drilling operations on the Company's Cardium light oil project at Lochend, expected drilling and completion plans for the second half of 2013, expected capital expenditures, expected average and exit production for 2013, expectation of TriOil delivering strong, multi-year per share production, reserve and cash flow growth and expected timing for providing updates on the Company's negotiations with another party and strategic alternatives process.

The forward-looking statements contained in this document are based on certain key expectations and assumptions made by TriOil, including with respect to the anticipated exploration and development opportunities and the outlook for the fiscal year ending December 31, 2013, expectations and assumptions concerning the success of future exploration and development activities, production guidance, the performance of new wells and drilling and completion programs, prevailing commodity prices and the availability of additional capital if and when required by the Company.

Although TriOil believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because TriOil can give no assurance that they will prove to be correct. Since forward-looking statements 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 failure to satisfy the conditions to closing the transaction, 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, and health, safety and environmental risks), commodity price and exchange rate fluctuations and uncertainties resulting from potential delays or changes in plans with respect to exploration or development projects or capital expenditures. In addition, at the present time, there can be no assurances or guarantees that the Company's negotiations with another party as described herein will result in an acceptable transaction. Certain of these risks are set out in more detail in TriOil's Annual Information Form which has been filed on SEDAR and can be accessed at www.sedar.com and TriOil's other public disclosure documents which have been filed on SEDAR and can be accessed at www.sedar.com.

The forward-looking statements contained in this press release are made as of the date hereof and TriOil undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

Non-GAAP Measures

This document contains the terms "funds from operations", "net debt" and "operating netback", which do not have a standardized meaning prescribed by Canadian Generally Accepted Accounting Principles ("GAAP") and therefore may not be comparable with the calculation of similar measures by other companies. Management uses funds from operations to analyze operating performance and leverage. Management believes "net debt" is a useful supplemental measure of the total amount of current and long-term debt of the Company. Mark-to-market risk management contracts are excluded from the net debt calculation. Management believes "operating netback" is a useful supplemental measure of the amount of revenues received after royalties and operating and transportation costs. Additional information relating to these non-GAAP measures, including the reconciliation between funds from operations and cash flow from operating activities, can be found in the MD&A.

Meaning of BOE

The term "BOE" may be misleading, particularly if used in isolation. A BOE conversion 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 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value. All BOE conversions in this report are derived from converting gas to oil in the ratio of six thousand cubic feet of gas to one barrel of oil.

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