Artek Exploration Ltd. Announces First Quarter 2014 Financial Results

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CALGARY, ALBERTA -- (Marketwired - May 14, 2014) - Artek Exploration Ltd. (TSX:RTK) of Calgary, Alberta ("Artek" or the "Company") is pleased to provide this summary of its financial and operating results for the quarter ended March 31, 2014. A complete copy of the Company's comparative financial statements for the quarter ended March 31, 2014, along with management's discussion and analysis in respect thereof will be filed on SEDAR and on the Company's website at www.artekexploration.com.

HIGHLIGHTS

Three Months Ended March 31,	2014	2013	Change
(000s, except per share amounts)	*($)*	*($)*	*(%)*
Financial			
Petroleum and natural gas revenues	20,396	14,449	41
Funds flow from operations [1]	9,872	6,919	43
Per share - basic	0.15	0.13	15
- diluted	0.14	0.13	8
Cash from operating activities	7,703	7,488	3
Net earnings	1,267	1,460	(13)
Per share - basic	0.02	0.03	(33)
- diluted	0.02	0.03	(33)
Capital expenditures	29,462	20,687	42
Net debt [2]	(87,882)	(25,845)	240
Shareholders' equity	170,671	152,603	12
(000s)	*(#)*	*(#)*	*(%)*
Share Data			
At period-end			
Basic	67,025	62,471	7
Options	4,800	4,001	20
Weighted average			
Basic	67,001	51,983	29
Diluted	68,943	53,648	29
			(%)
Operating			
Production			
Natural gas *(mcf/d)*	15,789	12,675	25
Crude oil *(bbls/d)*	1,025	1,134	(10)
NGLs *(bbls/d)*	491	357	38
Total *(boe/d)*[3]	4,147	3,603	15
Average wellhead prices [4]			
Natural gas *($/mcf)*	6.04	3.58	69
Crude oil *($/bbl)*	90.57	84.25	8
NGLs *($/bbl)*	67.76	52.96	28
Total *($/boe)*[5]	53.48	44.55	20
Royalties *($/boe)*	(8.58)	(8.13)	6
Operating cost *($/boe)*	(12.44)	(9.53)	31
Transportation cost *($/boe)*	(2.61)	(1.88)	39
Operating netback *($/boe)*[6]	29.85	25.00	19
General and administrative expense *($/boe)*	(2.02)	(2.48)	(19)
Interest expense *($/boe)*	(1.39)	(1.19)	17
Funds flow netback *($/boe)*[7]	26.45	21.33	24
Drilling activity - gross (net)			
Development *(#)*	7 (4.5)	6 (3.0)	
Exploration *(#)*	-	1 (0.6)	
Total *(#)*	7 (4.5)	7 (3.6)	

Average working interest *(%)*	64	51

(1) *Funds flow from operations is calculated using cash from operating activities, as presented in the statement of cash flows, before changes in non-cash working capital and settlement of decommissioning costs. Funds flow from operations is used to analyze the Company's operating performance and leverage. Funds flow from operations does not have a standardized measure prescribed by International Financial Reporting Standards ("IFRS"), and therefore, may not be comparable with the calculations of similar measures for other companies.*

(2) *Current assets less current liabilities, excluding fair value of derivative instruments.*

(3) *For a description of the boe conversion ratio, refer to the advisories contained herein.*

(4) *Product prices include realized gains/losses from financial derivative instruments.*

(5) *Oil equivalent price includes minor sulphur sales revenue.*

(6) *Operating netback equals petroleum and natural gas revenues plus realized gains or losses on financial derivatives less royalties, transportation and operating costs calculated on a per boe basis. Operating netback does not have a standardized measure prescribed by IFRS, and therefore, may not be comparable with the calculations of similar measures for other companies.*

(7) *Funds flow netback equals petroleum and natural gas revenues plus realized gains or losses on financial derivatives less royalties, transportation, operating costs, general and administrative expenses and interest calculated on a per boe basis. Funds flow netback does not have a standardized measure prescribed by IFRS, and therefore, may not be comparable with the calculations of similar measures for other companies.*

First Quarter Financial and Operating Highlights

- Increased average production to 4,147 boe/d (37% liquids), up 15% and 3% from the first and fourth quarters of 2013, respectively despite production curtailments and facility restrictions.
- Increased funds flow from operations to $9.9 million, up 43% and 53% from the first and fourth quarters of 2013, respectively. On a per share basis, funds flow rose to $0.15 per basic share, an increase of 15% and 50% compared to the first and fourth quarters last year, respectively.
- Improved operating netback to $29.85/boe, up 19% and 46% from the first and fourth quarters of 2013, respectively.
- Increased funds flow netback to $26.45/boe, representing a 24% and 53% improvement from the 2013 first and fourth quarters, respectively.
- Drilled 7 (4.5 net) wells, including 3 (1.7 net) wells at Inga/Fireweed, British Columbia, 2 (2.0 net) wells at Mulligan, Alberta and 2 (0.8 net) wells at Leduc Woodbend, Alberta.
- Invested $29.5 million in capital expenditures, including $1.7 million on undeveloped land acquisitions in our core operating areas and $2.9 million on facilities.

Financial Summary

The Company invested $29.5 million in capital expenditures during the first quarter of 2014, including the drilling of 3 (1.7 net) wells at Inga/Fireweed, 2 (2.0 net) wells at Mulligan and 2 (0.8 net) wells at Leduc Woodbend. First quarter capital investment included $1.7 million on undeveloped land acquisitions in our core operating areas and $2.9 million on facilities.

Artek's average production for the three-month period ended March 31, 2014 was 4,147 boe/d (37% liquids), up 15% from the previous year and up 3% from the 2013 fourth quarter. First quarter funds flow increased 43% to $9.9 million and 15% to $0.15 per basic share from the same period of 2013. During the first three months of 2014, the Company's operating netback was $29.85/boe, up 19% from the 2013 first quarter, while funds flow per boe increased 24% to $26.45/boe from the previous year. Artek's natural gas price for the quarter rose 69% to $6.04/mcf compared to the same period in 2013. General and administrative costs on a boe basis fell 19% to $2.02/boe compared to the first quarter last year.

Artek has secured several commodity contracts to protect its cash flow and support its 2014 capital budget. The Company has entered into natural gas production swaps on 10,000 mmbtu/d from April to October 2014 at an average fixed price of $3.64/GJ. In addition, 400 bbls/d of crude oil production has been fixed at an average price of CDN$100.75/bbl WTI for 2014. Lastly, the AECO basis on 2,000 mmbtu/d of natural gas has been fixed at 12.85% of Henry Hub for 2014.

Outlook

Following spring breakup, the Company will be back drilling with plans to start in the liquids-rich Inga South area. Artek is currently planning to drill up to an additional seven horizontal wells in the greater Inga/Fireweed area targeting natural gas and condensate in the Doig and Montney formations, and an additional horizontal well targeting the Charlie Lake formation in the Mulligan area.

Subsequent to quarter-end, on May 13, 2014, the Company announced that it entered into an agreement

with a syndicate of underwriters pursuant to which the underwriters have agreed to purchase, on a bought deal basis, and Artek has agreed to issue 8,050,000 common shares at a price of $4.10 per share and 1,987,000 flow-through common shares at a price of $5.04 per share for aggregate gross proceeds of approximately $43,019,000. The offering is expected to close on or about June 3, 2014 and remains subject to satisfaction of customary conditions and approvals. Proceeds of the offering will initially be used to reduce bank indebtedness, thereby freeing up additional borrowing capacity to fund a portion of the Company's ongoing capital program with the flow-through share proceeds used to incur eligible Canadian exploration expenses that will be renounced to subscribers effective on or before December 31, 2014. The Company and its Board reviews its capital expenditure program on an ongoing basis.

Forward Looking Statements: This press release contains forward-looking statements. Management's assessment of future plans and operations and the timing thereof, including the number and locations of wells to be drilled, financial capacity to carry out its planned 2014 capital program, completion of the offering and timing thereof, may constitute forward-looking statements under applicable securities laws and necessarily involve risks 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, delays resulting from or inability to obtain required regulatory approvals and ability to access sufficient capital from internal and external sources. As a consequence, the Company's actual results may differ materially from those expressed in, or implied by, the forward looking statements. Forward looking statements or information are based on a number of factors and assumptions which have been used to develop such statements and information but which may prove to be incorrect. Although Artek 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 the Company can give no assurance that such expectations will prove to be correct.

In addition to other factors and assumptions which may be identified in this document and other documents filed by the Company, assumptions have been made regarding, among other things: the impact of increasing competition; the general stability of the economic and political environment in which Artek operates; the ability of the Company to obtain qualified staff, equipment and services in a timely and cost efficient manner; drilling results; the ability of the operator of the projects which the Company has an interest in to operate the field in a safe, efficient and effective manner; Artek's ability to obtain financing on acceptable terms; field production rates and decline rates; the ability to replace and expand oil and natural gas reserves through acquisition, development or exploration; the timing and costs of pipeline, storage and facility construction and expansion; the ability of the Company to secure adequate product transportation; future oil and natural gas prices; currency, exchange and interest rates; the regulatory framework regarding royalties, taxes and environmental matters in the jurisdictions in which the Company operates; and Artek's ability to successfully market its oil and natural gas products. Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could affect the Company's operations and financial results are included in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com) or at the Company's website (www.artekexploration.com). Furthermore, the forward looking statements contained in this document are made as at the date of this document 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.

BOE Conversions: Barrel of oil equivalent ("BOE") amounts may be misleading, particularly if used in isolation. A BOE conversion ratio has been calculated using a conversion rate of six thousand cubic feet of natural gas to one barrel. This conversion ratio of six thousand cubic feet of natural gas to one barrel is based on an energy equivalent 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 ratio on a 6:1 basis may be misleading as an indication of value.

Artek is a crude oil and natural gas exploration, development and production company headquartered in Calgary, Alberta, Canada. Artek's shares trade on the TSX under the symbol "RTK".

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