

Waldron Energy Corporation Announces the Successful Drill and Completion of Its Ferrybank Falher Well and Announces Second Quarter 2014 Results

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CALGARY, ALBERTA--(Marketwired - Aug 14, 2014) - [Waldron Energy Corp.](#) (TSX:WDN) ("Waldron" or the "Corporation") is pleased to announce initial results from the successful drill and completion of its first Ferrybank Falher well. The Corporation is also pleased to announce its financial and operational results for the three and six months ended June 30, 2014. These reports are available for review at www.sedar.com and on the Corporation's website at www.waldronenergy.ca.

Ferrybank Falher Drilling Update

The Corporation is pleased to provide an operational update regarding its 100% working interest in the Waldron Ferrybank 16-14-043-28W4 horizontal Upper Mannville (Falher) well (the "16-14 well"). Throughout July and the first half of August 2014, the 16-14 well was successfully drilled and completed. During the 60 hour post frac clean up, the well's final flow rate was 4.1 mmscf/d with 45% of frac fluids recovered. The well is expected to be placed on continuous production by mid-October 2014. The Corporation is currently in the process of licensing a second well.

This is the Corporation's first horizontal Falher zone liquids-rich natural gas well drilled at Ferrybank. The well is an extension of the Ferrybank Upper Mannville I channel sand by three miles. Waldron is currently in the process of making applications to increase the drill spacing to three wells per section on its Ferrybank land base prospective for Falher gas production, consistent with other companies in the area, and owns five sections of P&NG mineral rights directly on trend. Three competitor horizontal Falher wells recently drilled on trend acreage averaged publicly reported production of approximately 3.2 mmscf/d raw gas plus liquids as a 90 day initial production rate.

The Corporation currently has no reserves assigned to this play and is budgeting the 16-14 well to average approximately 400 boe/d over the first ninety days of production. On a reserves basis, these wells are budgeted to add approximately 250 Mboe per well in reserve additions.

Q2 2014 Highlights

- Reduction in net debt of \$6.4 million from \$30.6 million at March 31, 2014 to \$24.2 million at June 30, 2014;
- Sale of a 3% Corporate Gross Overriding Royalty (GORR) for \$7 million, supporting a Corporate valuation of 2P PV10%, or a net asset value of approximately \$1.00 per share;
- Realized natural gas pricing of \$4.94 per mcf, NGL pricing of \$51.50 per bbl and light oil pricing of \$104.11 per bbl resulted in an average realized price of \$40.64 per boe; and
- Second quarter 2014 funds from operations of \$0.3 million was negatively impacted by an unscheduled third party plant turnaround (impact of approximately 130 boe per day on quarterly production), a one-time Crown royalty adjustment of \$0.4 million, unexpected third party plant charges of \$0.2 million and, compared to the first quarter 2014, a \$6.65 per boe reduction in realized commodity pricing, net of realized losses on commodity price contracts.

Q2 2014 Financial Highlights

		Three months ended		Six months ended	
		June 30		June 30	
	2014	2013	2014	2013	

Financial (000's except for per share amounts)

	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Operating netback ⁽¹⁾	\$ 1,362	\$ 2,592	\$ 4,755	\$ 5,461
Per share basic & diluted ⁽¹⁾⁽³⁾	0.02	0.06	0.08	0.14
Petroleum and natural gas sales				
	5,326	5,865	12,578	11,815
Funds from operations ⁽²⁾				
	287	1,415	2,522	3,436
Per share basic & diluted ⁽²⁾⁽³⁾	0.01	0.04	0.04	0.09
Net loss	(215)	(1,938)	(1,556)	(3,198)
Per share basic & diluted ⁽³⁾	(0.00)	(0.05)	(0.03)	(0.08)
Capital expenditures, net of dispositions				
	745	355	5,465	1,077
Proceeds on sale of gross overriding royalty				
	(7,000)	-	(7,000)	-
Net debt ⁽⁴⁾	24,163	33,680	24,163	33,680
Property and equipment				
	71,309	80,457	71,309	80,457
Exploration and evaluation assets				
	9,311	10,091	9,311	10,091
Shareholders' equity	45,880	45,441	45,880	45,441
Number of shares outstanding at quarter end				
	57,267	40,035	57,267	40,035

Notes:

- (1) Operating netback is a non-GAAP measure and the Corporation calculates this measure as revenue, net of any unrealized gains or losses on commodity price contracts, less royalties and operating and transportation expenses.
- (2) Funds from operations is a non-GAAP measure and the Corporation calculates this measure as cash provided from operations before changes in non-cash working capital, decommissioning expenses and transaction and other costs.
- (3) At June 30, 2014, there were 3,409,500 (2013 - 2,191,333) options and 7,182,560 (2013 - 7,182,560) warrants outstanding that were not included in the calculation of weighted average shares outstanding as the effect would be anti-dilutive.
- (4) Net debt is a non-GAAP measure and the Corporation calculates this measure as current assets less current liabilities, excluding commodity price contracts.

Q2 2014 Operational Highlights

	Three months ended June 30		Six months ended June 30	
	2014	2013	2014	2013
Average Production	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Natural Gas (mcf/d)	6,215	8,751	6,876	9,087
NGL (bbls/d)	271	399	279	395
Light crude oil (bbls/d)	133	152	138	154
BOE/day	1,440	2,010	1,563	2,064
Realized Pricing				
Natural Gas (\$/Mcf)	\$ 4.94	\$ 3.86	\$ 5.55	\$ 3.67
NGL (\$/bbl)	51.50	45.64	63.13	48.79
Light crude oil (\$/bbl)	104.11	81.84	99.69	82.23
Average realized price				
	\$ 40.64	\$ 32.06	\$ 44.46	\$ 31.63

Netback per boe

Sales price	\$	40.64	\$	32.06	\$	44.46	\$	31.63
Realized loss on commodity price contracts		(3.33)		-		(3.58)		-
Royalties		(8.53)		(5.40)		(6.51)		(3.73)
Operating expenses		(16.16)		(11.78)		(15.38)		(11.50)
Transportation expenses		(2.22)		(1.66)		(2.17)		(1.77)
Operating netback	\$	10.40	\$	13.22	\$	16.82	\$	14.63

A third-party plant turnaround in the Corporation's Strachan area, which typically produces approximately 325 - 375 boe/d, was scheduled to last two weeks but was shut down for approximately six weeks. This resulted in a reduction in overall second quarter 2014 production of approximately 130 boe per day. The plant was brought back on-line in July and the Corporation estimates July 2014 production to be approximately 1,650 - 1,700 boe per day.

Other non-recurring items that negatively impacted funds from operations for the three months ended June 30, 2014 include an increase in royalty expenses of \$0.4 million related to 2013 Crown charges for Gas Cost Allowance as well as \$0.2 million in unexpected third party facility charges.

Notwithstanding the reduction in funds from operations for the second quarter of 2014, the Corporation remains optimistic and believes in its deep basin asset base. It is encouraged by the opportunities that an improved balance sheet and successful third quarter 2014 drilling program will present in an effort to exploit its petroleum and natural gas assets and build value for Waldron shareholders.

Sale of Gross Overriding Royalty

On June 18, 2014, Waldron closed the sale of a 3% gross overriding royalty on its existing land base for proceeds of \$7 million. The royalty transaction also includes an incremental 7% gross overriding royalty on two Ferrybank Falher wells yet to be drilled and includes a provision that \$750,000 is to be returned to the royalty owner for each of the two Ferrybank Falher wells if not drilled. Subsequent to June 30, 2014 the first of the two qualifying wells (the 16-14 well) was drilled.

The Corporation also has an option to purchase the GORR back for 15 months from the closing date at a price of 30% above the original proceeds on the royalty sale less any royalties paid under the GORR agreement and less two thirds of any amounts returned as a result of any failure to drill the Ferrybank wells.

The GORR transaction crystallized accretive value for the Corporation's shareholders as the transaction valued the Corporation at approximately PV10% on a Proved plus Probable basis, or approximately \$1.00 per share:

Net Asset Value based on GORR Transaction reserves valuation

Proved plus Probable NI 51-101 discounted at 10% at December 31, 2013 (2P Value)	\$	86,035,000
Approximate reduction to reserve value at December 31, 2013 as a result of Transaction (2P Value)		(6,500,000)
Net Debt at June 30, 2014		(24,163,000)
Net Asset Value	\$	55,372,000
Basic Common Shares Outstanding at June 30, 2014		57,267,170
Net Asset Value - Basic (per share) ⁽¹⁾	\$	0.97

Note:

(1) Excludes the value of undeveloped lands and certain seismic data and does not incorporate changes in dilutives.

Credit Facility Update

During the first quarter 2014, the Corporation completed a \$6 million secured subordinated debenture financing that carries an interest rate of 9.5% per annum. The debenture, which is to be repaid in full upon maturity, has a maturity date of February 28, 2015 and may be extended for up to six months subject to a borrowing base review and full compliance with all financial covenants. In conjunction with the closing of the subordinated debenture financing and then subsequently in conjunction with the sale of the Gross Overriding Royalty, and in accordance with the terms of the subordinated debenture, the Corporation's senior lender

has revised its borrowing base to \$21.0 million, resulting in combined credit facilities of the Corporation of \$27.0 million. Net debt at June 30, 2014 was \$24.2 million.

Private Placements

On January 15, 2014, Waldron closed a private placement for 2,222,223 common shares of Waldron at \$0.45 per share for gross proceeds of \$1.0 million.

On July 30, 2014, Waldron closed a private placement for 5,459,545 common shares of Waldron issued on a flow-through basis at \$0.33 per share for gross proceeds of \$1.8 million.

2014 Hedging Update

Early in the first quarter of 2014, the Corporation entered into the following commodity price contracts:

Period	Commodity	Type of Contract	Quantity Contracted	Contract price (\$CDN)
Jan 1, 2014 - Dec 31, 2014	Crude Oil	Swap	175 bbl/d	Edmonton Par \$90.15/bbl
Jan 1, 2014 - Dec 31, 2014	Natural gas	Swap	2,600 mcf/d	AECO \$4.15/mcf

Conversion factor: 1 Mcf = 1.116 GJ

Investor Information

Waldron is a Calgary, Alberta based corporation engaged in the exploration, development and production of petroleum and natural gas. The Corporation's common shares are currently listed on the Toronto Stock Exchange under the trading symbol "WDN." Additional information regarding Waldron is available under the Corporation's profile at www.sedar.com or at the Corporation's website, www.waldronenergy.ca.

Forward Looking and Cautionary Statements

This news release contains forward-looking statements relating to the Corporation's plans and other aspects of the Corporation's anticipated future operations, strategies, financial and operating results and business opportunities. These forward-looking statements may include opinions, assumptions, estimates, management's assessment of value, reserves, future plans and operations.

Forward-looking statements typically use words such as "will," "anticipate," "believe," "estimate," "expect," "intend," "may," "project," "should," "plan," and similar expressions suggesting future outcomes, and include statements that actions, events or conditions "may," "would," "could," or "will" be taken or occur in the future. Specifically, this press release contains forward-looking statements relating to the results and timing of operations, including budgeted production; whether or not recent industry results are favorable; whether or not additional reserves are recognized; whether or not the Corporation achieves guidance; the character and nature of the Corporation's asset base; whether or not the asset base is prospective; and number of horizontal drilling locations and opportunities and number of follow-up opportunities. The forward-looking statements are based on various assumptions including expectations regarding the success of current or future drill wells; the outlook for petroleum and natural gas prices; estimated amounts and timing of capital expenditures; estimates of future production; assumptions concerning the timing of regulatory approvals; the state of the economy and the exploration and production business; results of operations; business prospects and opportunities; future exchange and interest rates; assumptions with regards to hedging activities; the Corporation's ability to obtain equipment in a timely manner to carry out development activities; and the ability of the Corporation to access capital and credit. While the Corporation considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect.

Forward-looking statements are subject to a wide range of assumptions, known and unknown risks 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 commodities prices; currency fluctuations; imprecision of reserves estimates; environmental risks; competition from other producers;

inability to retain drilling rigs and other services; general economic conditions; 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 Waldron believes that the expectations represented by such forward-looking statements are reasonable, there can be no assurance that such expectations will be realized. As a consequence, actual results may differ materially from those anticipated in the forward-looking statements and you should not rely unduly on forward-looking statements. The forward-looking statements contained in this news release are made as of the date of this news release. Except as required by applicable law, Waldron does not undertake any obligation to publicly update or revise any forward-looking statements.

Note Regarding Non-GAAP Measures

Funds from operations, operating netback and net debt are not recognized measures under IFRS as issued by the International Accounting Standards Board ("IASB"). Management believes that in addition to cash flow from operations and net earnings, funds from operations and operating netback are useful supplemental measures as they demonstrate the Corporation's ability to generate the cash necessary to fund future growth through capital investment or repay debt if incurred in future periods. The Company uses net debt (bank debt plus negative working capital or less positive working capital, both excluding bank debt) as an alternative measure of outstanding debt and is used as a measure to assess the Company's financial position. Investors are cautioned, however, that these measures should not be construed as an alternative to cash flow from operating activities or net earnings determined in accordance with IFRS as an indication of the Corporation's performance or financial position. The Corporation's method of calculating these measures may differ from other entities and, accordingly, they may not be comparable to measures used by other entities. For these purposes, the Corporation defines funds from operations as cash flow from operations before changes in non-cash operating working capital, transaction and other costs and decommissioning expenditures and defines operating netback as revenue, net of any realized gains or losses on commodity price contracts, less royalties, operating and transportation expenses. Net debt is defined as current assets less current liabilities, excluding commodity price contracts.

Note Regarding BOEs

The term barrel 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. 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 conversion ratio of 6:1, utilizing a conversion on a 6:1 basis is misleading as an indication of value.

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