

CALGARY, ALBERTA--(Marketwired - Aug. 26, 2015) - [Leucrotta Exploration Inc.](#) (TSX VENTURE:LXE) ("Leucrotta" or the "Company") is pleased to announce its financial and operating results for the three and six months ended June 30, 2015. All dollar figures are Canadian dollars unless otherwise noted.

## HIGHLIGHTS

- Increased cash and working capital to \$83.5 million by sale of assets for \$79.3 million
- Increased Montney land position in the Greater Dawson area to 172 net sections
- Subsequent to quarter-end:
  - Reduced pipeline commitments, pending formal assignment, to increase financial and capital flexibility
  - Approved a capital budget of \$20 million for the remainder of 2015 and Q1 2016
  - Completed the Stoddart facilities allowing the previously drilled and tested Baldonnel light oil well to commence production

Leucrotta commenced active oil and natural gas operations on August 6, 2014 as a result of the closing of an arrangement agreement between Leucrotta, [Crocotta Energy Inc.](#) ("Crocotta") and [Long Run Exploration Ltd.](#) ("Long Run") whereby Crocotta transferred its oil and natural gas assets located in British Columbia ("BC Assets") to Leucrotta (the "Arrangement"). Long Run acquired all of the issued and outstanding common shares of Crocotta in exchange for 0.415 of a common share of Long Run. Immediately prior to the exchange for Long Run common shares, Crocotta transferred the BC Assets to Leucrotta and each Crocotta shareholder received 1.0 common share of Leucrotta and 0.2 of a Leucrotta common share purchase warrant.

The financial and operating results below present the historic financial position, results of operations and cash flows of the transferred BC Assets for all prior periods up to and including August 6, 2014 on a carve-out basis as if they had operated as a stand-alone entity subject to Crocotta's control (carve-out financial statements). The financial position, results of operations and cash flows from June 10, 2014 (the date of incorporation of Leucrotta) to August 6, 2014 include both the BC Assets and Leucrotta on a combined basis and from August 6, 2014 forward include the actual historical results of Leucrotta after assuming the BC Assets upon close of the Arrangement.

## FINANCIAL RESULTS

(\$000s, except per share amounts)	Three Months Ended June 30			Six Months Ended June 30		
	2015	2014	% Change	2015	2014	% Change
Oil and natural gas sales	2,777	7,110	(61 )	7,068	14,935	(53 )
Funds from (used in) operations <sup>(1)</sup>	(207 )	3,626	(106 )	959	8,474	(89 )
Per share - basic and diluted	-	0.03	(100 )	0.01	0.08	(88 )
Net earnings	31,519	887	3,453	29,703	3,062	870
Per share - basic and diluted	0.19	0.01	1,800	0.18	0.03	500
Capital expenditures and acquisitions	4,168	16,609	(75 )	21,817	36,339	(40 )
Proceeds from property dispositions	79,342	-	100	79,342	-	100
Working capital				83,487	125	66,690
Common shares outstanding (000s)						
Weighted average - basic and diluted	165,227	105,613	56	165,227	105,613	56
End of period - basic				165,227	-	100
End of period - diluted				185,074	-	100

## OPERATING RESULTS <sup>(2)</sup>

	Three Months Ended June 30			Six Months Ended June 30		
	2015	2014	% Change	2015	2014	% Change
Daily production						
Oil and NGLs (bbls/d)	243	337	(28 )	314	347	(10 )
Natural gas (mcf/d)	7,320	9,330	(22 )	9,362	9,043	4
Oil equivalent (boe/d)	1,463	1,892	(23 )	1,874	1,854	1
Revenue						
Oil and NGLs (\$/bbl)	48.46	87.74	(45 )	45.07	90.68	(50 )

Natural gas (\$/mcf)	2.56	5.21	(51	)	2.66	5.65	(53	)				
Oil equivalent (\$/boe)	20.86	41.30	(49	)	20.83	44.51	(53	)				
Royalties												
Oil and NGLs (\$/bbl)	5.26	1.96	168		5.18	2.20	135					
Natural gas (\$/mcf)	0.01	0.15	(93	)	0.06	0.16	(63	)				
Oil equivalent (\$/boe)	0.90	1.11	(19	)	1.16	1.21	(4	)				
Production expenses												
Oil and NGLs (\$/bbl)	8.61	6.83	26		7.38	6.85	8					
Natural gas (\$/mcf)	1.43	1.14	25		1.23	1.14	8					
Oil equivalent (\$/boe)	8.58	6.83	26		7.38	6.85	8					
Transportation expenses												
Oil and NGLs (\$/bbl)	2.63	2.82	(7	)	2.71	2.62	3					
Natural gas (\$/mcf)	0.32	0.16	100		0.29	0.16	81					
Oil equivalent (\$/boe)	2.03	1.30	56		1.88	1.26	49					
Operating netback <sup>(1)</sup>												
Oil and NGLs (\$/bbl)	31.96	76.13	(58	)	29.80	79.01	(62	)				
Natural gas (\$/mcf)	0.80	3.76	(79	)	1.08	4.19	(74	)				
Oil equivalent (\$/boe)	9.35	32.06	(71	)	10.41	35.19	(70	)				
Depletion and depreciation (\$/boe)	(7.56	)	(12.50	)	(40	)	(7.87	)	(11.49	)	(32	)
General and administrative expenses (\$/boe)	(10.78	)	(4.05	)	166		(7.88	)	(3.80	)	107	
Share based compensation (\$/boe)	(12.21	)	(1.16	)	953		(8.96	)	(1.05	)	753	
Finance expenses (\$/boe)	(0.81	)	(7.02	)	(88	)	(0.47	)	(6.22	)	(92	)
Finance income (\$/boe)	0.42	-	100		0.54	-	100					
Gain on sale of assets (\$/boe)	343.66	-	100		134.80	-	100					
Deferred tax expense (\$/boe)	(85.24	)	(2.19	)	3,792		(33.04	)	(3.52	)	839	
Net earnings (\$/boe)	236.83	5.14	4,508		87.53	9.11	861					

(1) See "Non-GAAP Measures" section.

(2) See "Frequently Recurring Items" section.

Selected financial and operational information outlined in this news release should be read in conjunction with Leucrotta's unaudited condensed interim financial statements and related Management's Discussion and Analysis ("MD&A") for the three and six months ended June 30, 2015, which are available for review at [www.sedar.com](http://www.sedar.com) and on our website at [www.leucrotta.ca](http://www.leucrotta.ca).

## PRESIDENT'S MESSAGE

In Q2 2015, Leucrotta sold one of its producing properties for a net \$79.3 million in cash while retaining 172 net sections of Montney lands plus all critical infrastructure for its Montney development including the 100% owned and operated 25 mmcf/d sweet gas plant, the acid gas injection well needed for future sour expansion, and the pipeline connection to Alliance Pipeline. The sold property was producing approximately 1,300 boe/d. The sale resulted in cash and working capital increasing to \$83.5 million as at the end of Q2 2015 not including the newly constructed gas plant equipment held for sale (approximately \$15 million).

Leucrotta has also recently signed agreements, pending formal assignment, to reduce its 5 year commitment on Alliance Pipeline to approximately half of the original amount and pushing out most of the year one commitment to October 2016.

With maximum financial and operating flexibility created, Leucrotta will be able to systematically execute its business plan to delineate and develop its large resource base in the Montney. Given current uncertainty in commodity prices, Leucrotta has chosen a conservative capital budget of \$20 million that will entail drilling two step-out delineation horizontal wells, one development well, and two vertical test wells plus tying in the previously drilled 13-07 Montney oil well at Mica. The program will start in mid-September and is expected to be completed in Q1 2016. Leucrotta management will continue to review the capital budget through this period of volatile commodity prices.

Leucrotta's original Lower Montney Turbidite well at Doe continues to perform on a curve indicating that it will recover 6 bcf of

gas plus liquids (1.2 million boes) based on internal estimates. Using forward 2016 pricing<sup>1</sup>, this well would generate a return of 139% and pay out in 11 months. Leucrotta's one budgeted development well will be located on the Doe property.

The 13-07 Montney Turbidite oil well had tested 447 boepd (61% oil and liquids)<sup>2</sup> over a 30-day test period and then shut-in until the solution gas could be tied in. Leucrotta has recently acquired firm pipeline capacity and will now be able to tie in the solution gas and start producing the well in the fourth quarter of 2015.

At Stoddart, Leucrotta recently completed the battery and water handling facility to accommodate the production from the Baldonnel oil well previously drilled. The Stoddart well had tested 315 barrels of light oil at a low draw-down on the well. Since production commenced in early August, the well has outperformed the previous test and Leucrotta plans to slowly increase the daily production until the well is optimized. Leucrotta has approximately 45 sections of land prospective for Baldonnel oil and if successful, would drill 4 to 8 wells per section to develop this potentially large light oil resource.

Leucrotta has chosen a conservative path given the current uncertainties in the environment and will look to continue to maintain an exceptionally strong balance sheet while systematically executing its Montney plans.

#### Information Regarding Oil and Gas Volumes

1. Forward 2016 pricing as follows: Oil - \$46/bbl USD West Texas Intermediate; Natural Gas - \$2.97/mcf; foreign exchange \$USD/\$CAD - 0.76. Readers should note that estimated values disclosed do not represent fair market value.
2. Well test results are not necessarily indicative of long-term performance or of ultimate recovery.

#### FREQUENTLY RECURRING TERMS

The Company uses the following frequently recurring industry terms in this news release: "bbls" refers to barrels, "mcf" refers to thousand cubic feet, and "boe" refers to barrel of oil equivalent. Disclosure provided herein in respect of a boe may be misleading, particularly if used in isolation. A boe conversion rate of six thousand cubic feet of natural gas to one barrel of oil equivalent has been used for the calculation of boe amounts in the news release. This boe conversion rate is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

#### NON-GAAP MEASURES

This news release refers to certain financial measures that are not determined in accordance with IFRS (or "GAAP"). This news release contains the terms "funds from (used in) operations", "funds from (used in) operations per share", and "operating netback" which do not have any standardized meaning prescribed by GAAP and therefore may not be comparable to similar measures used by other companies. The Company uses these measures to help evaluate its performance.

Management uses funds from (used in) operations to analyze performance and considers it a key measure as it demonstrates the Company's ability to generate the cash necessary to fund future capital investments and to repay debt. Funds from (used in) operations is a non-GAAP measure and has been defined by the Company as net earnings plus non-cash items (depletion and depreciation, share based compensation, non-cash finance expenses, gain on sale of assets, and deferred income taxes) and excludes the change in non-cash working capital related to operating activities and expenditures on decommissioning obligations. The Company also presents funds from (used in) operations per share whereby amounts per share are calculated using weighted average shares outstanding, consistent with the calculation of earnings per share. Funds from (used in) operations is reconciled from cash flow from operating activities under the heading "Funds from (used in) Operations".

Management considers operating netback an important measure as it demonstrates its profitability relative to current commodity prices. Operating netback, which is calculated as average unit sales price less royalties, production expenses, and transportation expenses, represents the cash margin for every barrel of oil equivalent sold. Operating netback per boe is reconciled to net earnings per boe under the heading "Operating Netback".

#### FORWARD-LOOKING INFORMATION

This news release contains forward-looking statements and forward-looking information within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "may", "will", "should", "believe", "intends", "forecast", "plans", "guidance" and similar expressions are intended to identify forward-looking statements or information.

More particularly and without limitation, this news release contains forward looking statements and information relating to the Company's risk management program, oil, NGLs, and natural gas production, capital programs, oil, NGLs, and natural gas commodity prices, production expenses, working capital, and the ability to sell the fabricated gas plant components and firm transportation capacity. The forward-looking statements and information are based on certain key expectations and

assumptions made by the Company, including expectations and assumptions relating to prevailing commodity prices and exchange rates, applicable royalty rates and tax laws, future well production rates, the performance of existing wells, the success of drilling new wells, the availability of capital to undertake planned activities, and the availability and cost of labour and services.

Although the Company believes that the expectations reflected in such forward-looking statements and information are reasonable, it can give no assurance that such expectations 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 may 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 such as 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 estimates and projections relating to production rates, costs, and expenses, commodity price and exchange rate fluctuations, marketing and transportation, environmental risks, competition, the ability to access sufficient capital from internal and external sources and changes in tax, royalty, and environmental legislation. The forward-looking statements and information contained in this document are made as of the date hereof for the purpose of providing the readers with the Company's expectations for the coming year. The forward-looking statements and information may not be appropriate for other purposes. The Company 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.

Leucrotta is an oil and natural gas company, actively engaged in the acquisition, development, exploration, and production of oil and natural gas reserves in northeastern British Columbia, Canada.

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

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