

CALGARY, ALBERTA--(Marketwired - Aug 18, 2016) - [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, 2016. All dollar figures are Canadian dollars unless otherwise noted.

HIGHLIGHTS

- Maintained a working capital balance of \$39.8 million, including cash of \$38.1 million, at June 30, 2016
- Subsequent to June 30, 2016, sold certain gas plant equipment for cash proceeds of \$4.0 million
- Subsequent to June 30, 2016, renewed the credit facility to a \$5.0 million borrowing base with no offset agreement

FINANCIAL RESULTS

(\$000s, except per share amounts)	Three Months Ended June 30			Six Months Ended June 30		
	2016	2015	% Change	2016	2015	% Change
Oil and natural gas sales	1,953	2,777	(30)	4,254	7,068	(40)
Funds from (used in) operations ⁽¹⁾	(491)	(207)	137	(774)	959	(181)
Per share - basic and diluted	-	-	-	-	0.01	(100)
Net (loss) earnings	(2,758)	31,519	(109)	(5,531)	29,703	(119)
Per share - basic and diluted	(0.02)	0.19	(111)	(0.03)	0.18	(117)
Capital expenditures and acquisitions	683	4,168	(84)	5,081	21,817	(77)
Proceeds from property dispositions	-	79,342	(100)	-	79,342	(100)
Working capital				39,778	83,487	(52)
Common shares outstanding (000s)						
Weighted average - basic and diluted	165,227	165,227	-	165,227	165,227	-
End of period - basic				165,227	165,227	-
End of period - diluted				189,297	185,074	2

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

OPERATING RESULTS ⁽¹⁾

	Three Months Ended June 30			Six Months Ended June 30		
	2016	2015	% Change	2016	2015	% Change
Daily production						
Oil and NGLs (bbls/d)	319	243	31	368	314	17
Natural gas (mcf/d)	4,549	7,320	(38)	4,817	9,362	(49)
Oil equivalent (boe/d)	1,078	1,463	(26)	1,171	1,874	(38)
Revenue						
Oil and NGLs (\$/bbl)	45.73	48.46	(6)	40.93	45.07	(9)
Natural gas (\$/mcf)	1.51	2.56	(41)	1.75	2.66	(34)
Oil equivalent (\$/boe)	19.91	20.86	(5)	20.08	20.83	(4)
Royalties						
Oil and NGLs (\$/bbl)	3.96	5.26	(25)	3.45	5.18	(33)
Natural gas (\$/mcf)	-	0.01	(100)	-	0.06	(100)
Oil equivalent (\$/boe)	1.17	0.90	30	1.09	1.16	(6)
Production expenses						
Oil and NGLs (\$/bbl)	18.31	8.61	113	15.87	7.38	115
Natural gas (\$/mcf)	1.07	1.43	(25)	1.08	1.23	(12)
Oil equivalent (\$/boe)	9.95	8.58	16	9.43	7.38	28
Transportation expenses						
Oil and NGLs (\$/bbl)	4.70	2.63	79	4.67	2.71	72
Natural gas (\$/mcf)	0.43	0.32	34	0.43	0.29	48
Oil equivalent (\$/boe)	3.22	2.03	59	3.24	1.88	72
Operating netback ⁽²⁾						

Oil and NGLs (\$/bbl)	18.76	31.96	(41	)	16.94	29.80	(43)			
Natural gas (\$/mcf)	0.01	0.80	(99	)	0.24	1.08	(78)			
Oil equivalent (\$/boe)	5.57	9.35	(40	)	6.32	10.41	(39)			
Depletion and depreciation (\$/boe)	(12.22	)	(7.56	)	62	(12.05	)	(7.87	)	53
General and administrative expenses (\$/boe)	(11.75	)	(10.78	)	9	(11.20	)	(7.88	)	42
Share based compensation (\$/boe)	(10.58)	(12.21)	(13)	(10.10)	(8.96)	13	
Finance expenses (\$/boe)	(0.39)	(0.81)	(52)	(0.37)	(0.47)	(21)
Finance income (\$/boe)	1.23	0.42	193		1.29	0.54	139					
Gain on sale of assets (\$/boe)	-	343.66	(100	)	-	134.80	(100)			
Deferred tax expense (\$/boe)	-	(85.24	)	(100	)	-	(33.04	)	(100)	
Net (loss) earnings (\$/boe)	(28.14	)	236.83	(112	)	(26.11	)	87.53	(130)	

(1) See "Frequently Recurring Items" section.

(2) See "Non-GAAP Measures" 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, 2016, which are available for review at www.sedar.com and on our website at www.leucrotta.ca.

PRESIDENT'S MESSAGE

Leucrotta currently holds approximately 98,000 net acres of Montney rights in the greater Dawson-Mica area and has been successful to date in its delineation of the Lower Montney Turbidite play on its lands that are in both the light oil window and the liquids-rich gas window. Although Leucrotta's business plan is mainly focused on the delineation of its extensive Montney land base and enhancing type curves and cost structure to further enhance the overall economics of the play, Leucrotta chose to delay spending during Q2 2016 as a result of the low commodity prices and significant uncertainty surrounding the timing of a price recovery. Most of Leucrotta's efforts were spent on planning and regulatory approvals such that capital projects can be implemented on an expedited basis once approved.

Since North America natural gas inventories are moving closer to historic averages and world oil projects have experienced significant capital reductions over the last two years, there have been indications of a return to a balanced market for both products. As such, Leucrotta has chosen to start to deploy capital with a Q3-Q4 2016 capital budget of approximately \$26 million to build out the infrastructure and drill 3 Lower Montney delineation wells.

The focus of the capital program will be building out the pipeline system and infrastructure such that all previously drilled wells will be on-stream during Q4 2016 and Q1 2017. Wells previously drilled and not on production include 2 Liquids-rich Lower Montney Turbidite gas wells, 1 Lower Montney Turbidite oil well, and 1 Liquids-rich Upper Montney gas well. The combined total tested or last on-stream production rate from these wells (as previously released) was approximately 3,100 boe/d.⁽¹⁾ Approximately \$17 million will be spent on the tie-ins and related equipment (including plant modifications) to place the 4 wells noted above on-stream mainly through Leucrotta's 100% owned Doe facility. The pipelines installed will be sized as main gathering lines to each area to accommodate larger scale developments in the future. Leucrotta had also applied for and received royalty relief under the British Columbia Infrastructure Royalty Credit Program (IRCP). Under the program, Leucrotta will receive royalty credits as infrastructure capital is spent that will be applied to future royalties. The reduction in future royalties will enhance the payback and returns for the project as well as reduce overall Corporate effective royalty rates.

Drilling will commence in late September with 1 vertical Lower Montney well and 2 horizontal Lower Montney wells. All three wells are significant step-outs and will accelerate the delineation phase of the Lower Montney Turbidite play. The two horizontal wells are scheduled to be tied-in to Leucrotta's infrastructure in Q3 2017.

Leucrotta currently has a cash and working capital balance of approximately \$44 million, no debt and production of approximately 1,000 boe/d. Leucrotta also has an undrawn bank credit facility of \$5 million.

(1) See "Test Results and Production Rates" section.

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 this 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 cash flow from (used in) operating activities excluding 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 (loss) per share. Funds from (used in) operations is reconciled from cash flow from (used in) 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 loss per boe under the heading "Operating Netback".

TEST RESULTS AND PRODUCTION RATES

Test rates for the A13-19 Lower Montney Turbidite horizontal gas well were disclosed in a press release on April 27 2016. The well was production tested for 68 hours and was producing 1,290 boe/d (87% gas, 13% Condensate), excluding load fluid and energizing fluid at the end of the test. At the end of the test, flowing wellhead pressure was stable and production rates were increasing.

Test rates for the 8-18 Lower Montney Turbidite horizontal gas well were disclosed in a press release dated April 7 2015. The well was production tested for 39 days and was produced at an average rate of 375 boe/d (82% gas, 18% Condensate), excluding load fluid and energizing fluid. At the end of the test, flowing wellhead pressure and production rates were stable.

Test rates for the 8-22 Lower Montney Turbidite horizontal oil well were disclosed in a press release on Feb 29 2016. The well was production tested for 8 days and was producing at an average rate of 713 boe/d (50% gas, 50% Oil and Condensate), excluding load fluid and energizing fluid at the end of the test. At the end of the test, flowing wellhead pressure was stable and production rates were increasing.

The A4-19 Upper Montney horizontal gas well produced for a period of four months and was last producing at a rate of 700 boe/d (90% gas, 10% Condensate).

A pressure transient analysis or well-test interpretation has not been carried out on these wells and thus certain of the test results provided herein should be considered to be preliminary until such analysis or interpretation has been completed. Test results and initial production rates disclosed herein may not necessarily be indicative of long term performance or of ultimate recovery.

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, and working capital. 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.

Contact

[Leucrotta Exploration Inc.](#)

Mr. Robert J. Zakresky
President and Chief Executive Officer
(403) 705-4525

[Leucrotta Exploration Inc.](#)

Mr. Nolan Chicoine
Vice President, Finance and Chief Financial Officer
(403) 705-4525

[Leucrotta Exploration Inc.](#)

Suite 700, 639 - 5th Avenue SW
Calgary, Alberta T2P 0M9
(403) 705-4525
(403) 705-4526