

CALGARY, May 9, 2017 /CNW/ - [Northern Blizzard Resources Inc.](#) ("Northern Blizzard" or the "Company") (TSX: NBZ) announces its operating and financial results for the three months ended March 31, 2017. Northern Blizzard's financial statements and management's discussion and analysis ("MD&A") for the three months ended March 31, 2017 are available on our website at [www.northernblizzard.com](http://www.northernblizzard.com) and on SEDAR at [www.sedar.com](http://www.sedar.com).

## FINANCIAL AND OPERATING HIGHLIGHTS

	Three months ended	
	December 31, 2016	March 31, 2016
Financial (\$000s, except as otherwise noted)		
Oil and natural gas sales	<del>94,032</del>	56,660
Funds from operations <sup>(1)</sup>	<del>20,979</del>	26,792
Per share &ndash; basic	<del>0.39</del>	0.23
Per share &ndash; diluted	<del>0.38</del>	0.23
Net income (loss)	<del>(12,863)</del>	10,120
Per share &ndash; basic	<del>(0.19)</del>	0.09
Per share &ndash; diluted	<del>(0.19)</del>	0.09
Net debt <sup>(1)</sup>	<del>352,909</del>	360,621
Dividends declared	<del>62,229</del>	13,758
Per share	<del>0.060</del>	0.120
Capital expenditures	<del>24,889</del>	6,922
Dispositions	<del>(23,066)</del>	-
Weighted average shares outstanding (000s)		
Basic	<del>109,960</del>	114,208
Diluted	<del>126,539</del>	117,995
Shares outstanding at period end (000s)	<del>103,606</del>	115,475
Operating		
Average daily production		
Heavy oil (bbl/d)	<del>17,924</del>	18,255
Light oil (bbl/d)	399	706
Natural gas (mcf/d)	<del>2,366</del>	2,562
Total (boe/d)	<del>18,281</del>	19,388
Average realized price		
Heavy oil (\$/bbl) <sup>(2)</sup>	<del>43.06</del>	21.83
Light oil (\$/bbl)	55.03	35.43
Oil (\$/bbl)	<del>43.08</del>	22.34
Natural gas (\$/mcf)	<del>2.97</del>	1.72

Combined (\$/boe)	42.08	22.07
Netbacks (\$/boe)		
Average realized price	42.08	22.07
Royalties	(4.69)	(1.77)
Production and operating expenses	(15.62)	(14.66)
Transportation expenses	(2.26)	(1.37)
Operating netback <sup>(1)</sup>	20.98	4.27
Realized gains (losses) on financial derivative contracts	60.71	20.87
General and administrative expenses	(2.36)	(4.43)
Cash finance costs	(3.22)	(4.40)
Other	(0.52)	(0.79)

Funds from operations <sup>(1)</sup>	23.60	15.52
Notes:		
(1)	Funds from operations, net debt and operating netback do not have any standardized meaning prescribed by International Financial Reporting Standards. See "Non-IFRS Financial Measures" in the MD&A for the three months ended March 31, 2017 and 2016.	
(2)	Average realized oil prices are net of blending expenses and include the impact of physical delivery contracts (when applicable).	

## HIGHLIGHTS

- Production was 17,201 boe/d (99% oil) for the first quarter of 2017. Production rates continue to benefit from enhanced oil recovery initiatives at Cactus Lake.
- Operating costs for the first quarter of 2017 were \$15.65 per boe, close to annual guidance of \$15.40 per boe.
- Operating netbacks for the first quarter of 2017 of \$21.08 per boe continue to be strong despite weak commodity prices.
- Funds from operations were \$20.9 million (\$0.18 per common share &ndash; diluted) for the first quarter of 2017. Proforma the issuer bid, funds from operations were \$0.20 per common share on a diluted basis.
- Capital expenditures for the first quarter of 2017 totalled \$21.0 million. Northern Blizzard drilled 41 gross (38.6 net) wells during the quarter including 25 gross (25.0 net) wells at Cactus Lake and 16 gross (13.6 net) wells at Winter.
- Northern Blizzard declared dividends totalling \$6.5 million (\$0.06 per common share) in the first quarter of 2017.
- Northern Blizzard's total payout ratio was 133% for the first quarter of 2017. Total payout ratio is calculated as dividends paid plus capital expenditures divided by funds from operations.
- Northern Blizzard completed the quarter in a strong financial position with net debt of \$345.9 million and \$nil drawn on its credit facility. Net debt to trailing four quarters funds from operations was 2.7x. Subsequent to March 31, 2017, Northern Blizzard purchased and cancelled US\$6.5 million of the senior unsecured notes.
- On February 3, 2017, the Company completed an issuer bid, whereby the Company paid \$90.0 million to purchase for cancellation 22.5 million common shares at \$4.00 per share. The issuer bid was funded with cash on hand.

## SIGNIFICANT SHAREHOLDRES

As at March 31, 2017 the significant shareholders of the Company were NGP IX Northern Blizzard S.à.r.l. ("NGP IX") and R/C Canada Coöperatief U.A. ("R/C Canada").

On April 10, 2017, Waterous Energy Fund ("WEF") announced that two of its affiliates had entered into purchase agreements to acquire all of the issued and outstanding common shares of Northern Blizzard held by NGP IX and R/C Canada (approximately 67% of the Company's outstanding common shares). The closing of the transaction is expected to be completed in May 2017. The acquisition of the shares will represent a change of control of the Company as defined in the documents noted below and will trigger the respective provisions:

- (i) Bank loan credit agreement: includes a provision that must be waived by the syndicate of banks in the event of a change of control. The Company has received the waiver from the banking syndicate.
- (ii) Senior unsecured notes indenture: includes a provision that if a change of control occurs, the holders of the notes can require the Company to repurchase their notes at a price equal to 101% of the aggregate principal amount of the notes together with accrued and unpaid interest. The Company has up to 30 days after the closing of the transaction to provide note holders with an offer. From the date of the offer, Northern Blizzard has up to 60 days to repurchase notes from note holders that accept the offer. The Company would need additional financing to repurchase all of the notes outstanding. Northern Blizzard has access to a portion of its credit facility, subject to the consent of its banking syndicate, for this purpose and expects to have financing in place for any incremental amount required.
- (iii) Compensation award incentive plan (the "Incentive Plan"): includes a provision that awards outstanding become payable upon a change of control. The Company has the option of settling the value of the Awards that become payable in common shares, cash or a combination thereof.

## OPERATIONS REVIEW

Capital spending during the first quarter of 2017 was \$21.0 million. This included the drilling of 41 gross (38.6 net) wells, polymer powder, well workovers and facilities.

We drilled 25.0 net wells at Cactus Lake during the first quarter of 2017. Average production for the quarter increased approximately 4% to 8,613 boe/d compared to average production in 2016 of 8,318 boe/d. Production from Cactus Lake is now over 50% of total production for the Company. Base decline rates (excluding new wells that were drilled) are at or near zero in this field as a result of waterflood and polymer flood pressure support. Impressive operating performance underpins the strong economics being achieved at this field. For example, during the first quarter of 2017 when WTI averaged US\$51.91/bbl, Cactus Lake generated \$23.5 million of net operating income. During the same period, we invested \$12.9 million of capital into the field, including drilling and polymer powder, resulting in \$10.6 million of field level free cash flow. Similarly, in 2016 when WTI averaged US\$43.32/bbl, Cactus Lake generated \$68.1 million of net operating income. Total capital invested in the field was \$24.8 million leaving \$43.3 million of field level free cash flow. During this period, production grew by 11%.

At our Winter property, we drilled 16 gross (13.6 net) wells during the first quarter of 2017. Horizontal wells have been utilized to develop the property as there is water underlying the thick oil column. Of the 16 drilled wells, nine averaged lateral lengths of approximately 450 meters that are consistent with previously drilled wells. These wells are expected to earn rates of return before tax of over 50% at US\$50/bbl WTI. The remaining six wells averaged lateral lengths of greater than 850 meters, which adds approximately 7% to capital costs and an additional 30% to economic reserves per well. Longer lateral wells are expected to have rates of return before tax that exceed 100% at WTI \$50/bbl. This drilling design is an exciting initiative at our Winter property and we are monitoring the results from these wells.

We continue to focus on decline rates and generating free cash flow. Decline rates are a key driver in determining the capital required to maintain production levels. Approximately 90% of Northern Blizzard's production is associated with either an active waterflood or natural water drive reservoirs. Approximately 80% of the Company's first quarter 2017 production is from three fields: Cactus Lake, Winter and Court. Northern Blizzard's successful EOR projects have resulted in industry leading overall corporate decline rates of 10 &ndash; 12%. We estimate that only 50% of budgeted annual cash flow for 2017 is required to maintain production at current levels. The remaining 50% is free cash flow that can be used to grow production and reserves, pay dividends, repay debt or for other corporate initiatives.

## RISK MANAGEMENT

Northern Blizzard has a comprehensive hedging program in place to protect prices on crude oil volumes and maintain the Company's strong financial position. A summary of Northern Blizzard's current hedge position is provided in the table below.

(C\$)<sup>(1,2)</sup>                      2017    2018

#### WTI

Hedged volumes (bbl/d)    10,000    6,000

Average price (\$/bbl)    67.09    62.51

#### WTI / WCS differential

Hedged volumes (bbl/d)    8,000    -

Average price (\$/bbl)    (18.28)    -

#### Notes:

- (1)    Contracts denominated in US dollars have been converted to Canadian dollars at CAD/USD strip prices as of May 8, 2017.
- (2)    The prices and volumes in this table represent averages for several contracts over the respective periods presented. The average price of a group of contracts is for indicative purposes only and does not have the same settlement profile as the individual contract. Details of the risk management contracts are disclosed in the notes to the Company's condensed consolidated interim financial statements.

During the first quarter of 2017, Northern Blizzard realized \$1.1 million in losses on financial derivative contracts. The losses realized were mainly on Canadian dollar WTI contracts due to higher than hedged oil prices, partially offset by wider than hedged WTI/WCS differentials.

#### DIVIDEND

Northern Blizzard currently pays a monthly cash dividend of \$0.02 per share.

#### GUIDANCE

Northern Blizzard's guidance is based on annual estimates released on December 5, 2016. We note there are variations between the actual results for the first quarter of 2017 and the annual estimates mainly due to the nature of operations over the course of a year. Northern Blizzard expects actual 2017 results to be close to guidance at the end of the year.

The following table provides a summary of Northern Blizzard's operational guidance for the year-ended December 31, 2017 with a comparison to results for the three months ended March 31, 2017.

	2017		
	First Quarter	Annual	Variance (%)
	Guidance <sup>(3)</sup>		
Production (boe/d)	17,201	17,100	1
Pricing			
WTI (US\$/bbl)	51.91	55.00	(6)
CAD/USD exchange rate	1.323	1.300	2
WCS (\$/bbl)	49.38	52.00	(5)
AECO (\$/mcf)	2.69	2.75	(2)
Expenses			
Average royalty rate (%)	11	11	-
Operating (\$/boe)	15.65	15.40	2
Transportation (\$/boe)	2.26	1.90	19
Corporate costs (\$/boe) <sup>(1)</sup>	6.77	5.70	19
Including hedging			
Funds from operations (\$ millions) <sup>(2)</sup>	21	110	n/a
Funds from operations per boe (\$/boe) <sup>(2)</sup>	13.60	17.65	(23)
Excluding hedging			
Funds from operations (\$ millions) <sup>(2)</sup>	22	125	n/a
Funds from operations per boe (\$/boe) <sup>(2)</sup>	14.31	20.15	(29)
Capital expenditures (\$ millions)	21	60	n/a
Payout ratio (%)	133	78	n/a

Notes:

(1) Corporate costs include general and administrative expenses, cash finance costs and other cash items.

(2) Non-IFRS measure. See "Non-IFRS Financial Measures" in the MD&A for the three months ended March 31, 2017 and 2016.

(3) Represents 2017 guidance provided in a news release dated December 5, 2016. The news release is available at Northern Blizzard's website at [www.northernblizzard.com](http://www.northernblizzard.com) or at [www.sedar.com](http://www.sedar.com).

Production for the three months ended March 31, 2017 of 17,201 boe/d was close to the annual guidance of 17,100 boe/d.

Operating expenses of \$15.65/boe for the first quarter of 2017 were close to the annual guidance of \$15.40/boe.

Corporate costs of \$6.77/boe for the first quarter of 2017 were higher than the annual guidance of \$5.70/boe. The variance is mainly due to higher than anticipated finance costs as the Company expected to purchase and cancel a significant portion of the senior unsecured notes commencing early in the first quarter. Subsequent to March 31, 2017, Northern Blizzard purchased US\$6.5 million of senior unsecured notes in the open market. G&A of \$2.37/boe was below Northern Blizzard's budget for Q1 2017 and is expected to decrease on a per unit basis over the course of the year as budgeted production volumes increase.

Funds from operations per boe (including hedging) was lower than annual guidance primarily due to lower oil prices and higher corporate costs.

Northern Blizzard operates and controls virtually all of its development program, which provides flexibility in our capital expenditures. We will continue to review and evaluate our capital spending program in light of commodity prices and will align spending with the appropriate economic returns.

#### Conference Call Today

9:00am MT (11:00am ET)

Northern Blizzard will host a conference call on May 9, 2017, starting at 9:00AM MT (11:00AM ET), to review the Company's first quarter 2017 results. Participants can access the conference call by dialing (403) 532-5601 or toll-free (US & Canada) 1 (855) 353-9183 and entering the passcode 98589.

A recording of the conference call will be available until May 23, 2017 and can be accessed by dialing 1 (855) 201-2300 and entering the conference number 1214501 and passcode 98589. The replay will be available approximately one hour following completion of the call. The conference call recording will also be available on Northern Blizzard's website at [www.northernblizzard.com](http://www.northernblizzard.com).

#### ADVISORIES

##### BOE Conversion and Other Advisories

In this news release, natural gas has been converted to boe based on a conversion rate of six thousand cubic feet of natural gas to one barrel (6 mcf : 1 bbl), which represents an energy equivalency conversion method applicable at the burner tip and does not represent a value equivalency at the wellhead. While it is useful for comparative measures, it may not accurately reflect individual product values and may be misleading if used in isolation.

Base decline rate is the estimated trend of the Company's production profile. To appropriately determine the trend, a sufficient amount of production data is required and the data cannot include new development (i.e. production from new wells). New development needs to be excluded as the drilling of new wells would increase production volumes. Decline rates are often calculated by vintage (i.e. for each year), which eliminates production increases from development in subsequent years.

Unless otherwise indicated, all currency is in Canadian dollars.

##### Non-IFRS Measures

This news release makes reference to the non-IFRS measures "field level free cash flow" and "free cash flow", which should not be considered as alternatives to, or more meaningful than, "cash flow - operating activities" as determined in accordance with IFRS. Field level free cash flow and free cash flow are presented to assist management and investors in analyzing operating performance by the business in the stated period. Free cash flow equals funds from operations less capital expenditures. Funds from operations is defined in "Non-IFRS Financial Measures" in the MD&A for the three months ended March 31, 2017 and 2016.

The following table shows the calculation of field level free cash flow for Cactus Lake:

(C\$)	Q1 2017	2016
Average realized price (\$/boe)	43.51	34.96
Royalties (\$/boe)	(3.33)	(2.68)
Operating costs (\$/boe)	(9.70)	(9.78)
Transportation (\$/boe)	(0.20)	(0.13)
Operating netback (\$/boe)	30.28	22.37
Production volumes (boe/d)	8,631	8,318
Field operating income (\$MM)	23.5	68.1
Capital expenditures (\$MM)	12.9	24.8
Field level free cash flow (\$MM)	10.6	43.3

### Forward-Looking Statements

This news release contains certain forward-looking statements and forward-looking information (collectively referred to as "forward-looking statements") within the meaning of applicable Canadian securities laws. All statements other than statements of historical fact are forward-looking statements. Forward-looking statements contain words such as "anticipate", "believe", "plan", "continuous", "estimate", "expect", "may", "will", "project", "should", or similar words suggesting future outcomes.

In particular, this news release contains forward-looking statements pertaining to the following:

- Business plans and strategies;
- Capital expenditures for 2017;
- Methods and ability to finance operations, dividends, capital expenditure programs and working capital requirements;
- Expectations regarding improvements to Northern Blizzard's cost structure in 2017;
- Anticipated oil and natural gas production levels in 2017;
- Future oil and natural gas prices;
- Additions to funds from operations arising from hedge positions;
- Future costs including operating, transportation and administrative costs and royalty rates;
- Timing of completion of the transaction between WEF and each of NGP IX and R/C Canada;
- Base decline rate;
- 2017 payout ratio;
- 2017 funds from operations;
- Payment of dividends; and
- Rates of return for wells drilled at the Winter property.

In addition, statements relating to "reserves" are deemed to be forward-looking statements as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described exist in the quantities predicted or estimated and can be profitably produced in the future.

Undue reliance should not be placed on forward-looking statements, which are inherently uncertain, are based on estimates and assumptions, and are subject to known and unknown risks and uncertainties (both general and specific) that contribute to the possibility that the future events or circumstances contemplated by the forward-looking statements will not occur. There can be no assurance that the plans, intentions or expectations upon which forward-looking statements are based will be realized. Actual results will differ, and the difference may be material and adverse to the Company and its shareholders.

With respect to forward-looking statements contained in this news release, management has made assumptions regarding future production levels; future oil and natural gas prices; future operating costs; timing and amount of capital expenditures; the ability to obtain financing on acceptable terms; availability of skilled labour and drilling and related equipment; general economic and financial market conditions; continuation of existing tax and regulatory regimes; and the ability to market oil and natural gas successfully to current and new customers. In addition, statements relating to the expected rates of return for wells drilled at the Winter property have been based on the following assumptions for lateral lengths of approximately 450 meters &ndash; WTI (US\$50/bbl), WTI/WCS differential (US\$13.50/bbl), C\$/US\$ foreign exchange rate (1.30), royalties (5.4%), blending and transportation costs (\$8.75/bbl), operating costs (\$10.37/bbl), capital costs (\$599,000) and economic reserves (43.1 Mbbbl) and for lateral lengths of approximately 850 meters &ndash; WTI (US\$50/bbl), WTI/WCS differential (US\$13.50/bbl), C\$/US\$ foreign exchange rate (1.30), royalties (6.7%), blending and transportation costs (\$8.75/bbl), operating costs (\$8.22/bbl), capital costs

(\$640,000) and economic reserves (57.3 Mbbbl). Although management considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect.

By their very nature, forward-looking statements involve inherent risks and uncertainties (both general and specific) and risks that the goals or figures contained in forward-looking statements will not be achieved. These factors include, but are not limited to, risks associated with fluctuations in market prices for crude oil, natural gas and diluent, general economic, market and business conditions, substantial capital requirements, uncertainties inherent in estimating quantities of reserves and resources, extent of, and cost of compliance with, government laws and regulations and the effect of changes in such laws and regulations from time to time, the need to obtain regulatory approvals on projects before development commences, environmental risks and hazards and the cost of compliance with environmental regulations, aboriginal claims, inherent risks and hazards with operations such as fire, explosion, blowouts, mechanical or pipe failure, cratering, oil spills, vandalism and other dangerous conditions, potential cost overruns, variations in foreign exchange rates, diluent supply shortages, competition for capital, equipment, new leases, pipeline capacity and skilled personnel, credit risks associated with counterparties, the failure of the Company or the holder of licenses, leases and permits to meet requirements of such licenses, leases and permits, reliance on third parties for pipelines and other infrastructure, changes in royalty regimes, failure to accurately estimate decommissioning costs, inaccurate estimates and assumptions by management, effectiveness of internal controls, the potential lack of available drilling equipment and other restrictions, failure to obtain or keep key personnel, title deficiencies with the Company's assets, geo-political risks, risks that the Company does not have adequate insurance coverage, risk of litigation and risks arising from future acquisition activities. Additionally, the payment of dividends is dependent on the satisfaction of the applicable liquidity and solvency tests imposed by the Business Corporations Act (Alberta). The foregoing risks and other risks are described in more detail in the Company's annual information form for the year ended December 31, 2016. Readers are cautioned that these factors and risks are difficult to predict and that the assumptions used in the preparation of such information, although considered reasonably accurate at the time of preparation, may prove to be incorrect. Accordingly, readers are cautioned that the actual results achieved may vary from the information provided herein and the variations could be material. Readers are also cautioned that the foregoing list of factors is not exhaustive. Consequently, there is no representation by the Company that actual results achieved will be the same in whole or in part as those set out in the forward-looking statements. Furthermore, the forward-looking statements contained in this news release are made as of the date hereof, and the Company does not undertake any obligation, except as required by applicable securities legislation, to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained herein are expressly qualified by this cautionary statement.

SOURCE [Northern Blizzard Resources Inc.](#)

#### Contact

For further information about Northern Blizzard Resources Inc., please visit our website at [www.northernblizzard.com](http://www.northernblizzard.com) or contact: [Northern Blizzard Resources Inc.](#), Telephone: 403-930-3000, John Rooney, Chairman & Chief Executive Officer; Michael Makinson, Vice President, Finance & Chief Financial Officer