

Cona Resources Ltd. Announces Debt Reduction and Asset Disposition Program

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CALGARY, Jan. 16, 2018 /CNW/ - [Cona Resources Ltd.](#) ("Cona" or the "Company") (TSX: CONA) is pleased to announce debt reduction and a certain asset disposition program.

Cona's operations are supported by the Company's financial flexibility. Cona's capital structure includes a \$325.0 million credit facility and a term loan that matures on July 28, 2020. At December 31, 2017, \$188.4 million was drawn on the Company's credit facility and, during the fourth quarter of 2017, Cona reduced the outstanding term loan to \$140.0 million from \$160.0 million.

Cona has identified a number of assets that, if sold, will provide the opportunity to further reduce the Company's outstanding debt. Cona recently completed the sale of a minor property for proceeds of approximately \$7.5 million (subject to final adjustments). Cona is planning to market additional attractive assets, including the Winter, Court and Plover Lake Thermal properties, and has retained Scotiabank Global Banking and Markets to assist with the process. There are no assurances these assets will be sold.

Cactus Lake, Cona's largest property by production and reserves, continues to generate free cash flow and benefits from near zero base decline rates (excluding production from new wells drilled in the last 12 months) due to favorable waterflood and polymer flood response. Cactus Lake generated approximately 70% of the Company's field operating income and produced 8,775 boe/d in the third quarter of 2017. With a growing production base, Cactus Lake is one of the Company's core assets.

Cona Resources Ltd.

Cona is a Canadian crude oil production and development company focused on maximizing oil recovery from its large-scale oil resource base. The Company's operations, infrastructure and concentrated land position are focused in southwest Saskatchewan. Cona's common shares trade on the Toronto Stock Exchange under the symbol "CONA".

ADVISORIES

BOE Conversion and Other Advisories

In this news release, natural gas has been converted to barrels of oil equivalent (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 is required 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 measure "field operating income", which should not be considered as an alternative to, or more meaningful than, cash flow from operating activities, as determined in accordance with IFRS. Field operating income is presented to assist management and investors in analyzing operating performance by the business in the stated period. Field operating income is defined as revenue less expenditures for the respective field.

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. Forward-looking statements include words such as "anticipate", "believe", "plan", "intend", "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:

- The Company's business plans, focus and strategies;
- Planned and potential asset sales; and
- The Company's use of proceeds from asset sales.

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. 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. 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.

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