Traverse Energy Announces 2018 Second Quarter Results

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CALGARY, Aug. 22, 2018 - Traverse Energy Ltd. (“Traverse” or “the Company”) (TSX Venture:TVL) presents financial and operating results for the three and six months ended June 30, 2018.

	Three months ended June 30,		Six months ended June 30,	
Highlights *(unaudited)*	2018	2017	2018	2017
Financial *($ thousands, except per share amounts)*				
Petroleum and natural gas revenue	1,778	2,615	3,758	5,641
Cash from operating activities	481	1,389	1,624	2,492
Adjusted funds flow (1)	420	1,147	1,033	2,588
Per share – basic and diluted	0.00	0.01	0.01	0.03
Net loss	(7,856)	(1,130)	(8,303)	(1,502)
Per share – basic and diluted	(0.08)	(0.01)	(0.08)	(0.02)
Capital expenditures	1,164	1,202	1,989	5,092
Total assets	37,805	41,618	37,805	41,618
Working capital (deficiency)	(6,028)	1,019	(6,028)	1,019
Common shares				
Outstanding *(millions)*	103.5	91.7	103.5	91.7
Weighted average *(millions)*	103.5	89.1	103.5	87.9
Operations *(Units as noted)*				
Average production				
Natural gas *(Mcf/day)*	1,551	2,300	1,899	2,363
Oil and NGL *(bbls/day)*	262	384	280	425
Total *(BOE/day)*	521	767	596	819
Average sales price				
Natural gas *($/Mcf)*	1.35	3.11	1.85	3.05
Oil and NGL *($/bbl)*	66.57	56.19	61.60	56.29
Netback *($/BOE)*				
Petroleum and natural gas revenue	37.54	37.44	34.81	38.04
Royalties	(1.78)	(1.57)	(1.47)	(1.55)
Operating and transportation expenses	(19.29)	(15.95)	(17.82)	(15.42)
Operating netback (2)	16.47	19.92	15.52	21.07
General and administrative	(6.13)	(3.32)	(4.86)	(3.47)
Finance income and expense (3)	(1.48)	(0.19)	(1.08)	(0.15)
Corporate netback (4)	8.86	16.41	9.58	17.45

(1) Adjusted funds flow represents cash from operating activities prior to changes in non-cash working capital and settlement of decommissioning obligations.
(2) Operating netback represents revenue, less royalties, operating and transportation expenses. Operating netback per BOE is the operating netback divided by barrels of oil equivalent production volumes for the applicable period.
(3) Excludes non-cash accretion.
(4) Corporate netback represents the operating netback less general and administrative costs and finance income and expense before accretion. Corporate netback per BOE is the corporate netback divided by barrels of oil equivalent production volume for the applicable period.

Operations Review

Traverse's production averaged 521 BOE per day (50% oil and NGL) during the second quarter of 2018, a decrease of 23% from the first quarter of 2018. Production declined as no new production has been added in 2018 and decreased natural gas pricing resulted in the shut-in of natural gas wells during the quarter. Adjusted funds flow decreased 32% from the first quarter of 2018 due mainly to decreased production and the impact of a fixed physical oil delivery contract which expired June 30, 2018. Capital expenditures in the second quarter related mainly to land acquisition and production testing and facility construction at Chigwell.

At June 30, 2018 Traverse has accumulated approximately 90,000 net acres in the Duvernay shale basin. In the east Duvernay shale basin Traverse drilled and completed a well late in 2017. The well was placed on production in December and total load fluid recovered to July 31, 2018 was 91,100 barrels, which is 35% of the completion fluids. During the second quarter a clean out of the well was performed and the downhole pump was replaced and lowered in the wellbore. Water cuts remain high (90%) with minor increases in the oil cut over the last several months.

Total fluid production at Chigwell averaged 240 barrels per day (10% oil) in the month of July. Traverse has determined that at this level of production the carrying amount of the Duvernay well would not be recoverable. Commercial viability of the well has not been proven and no economic reserves have been assigned, therefore the full carrying amount of the well was determined to be impaired at June 30, 2018. Traverse will continue to produce the well and evaluate results. Any future assignment of reserves could result in a full or partial reversal of the impairment charge.

Traverse is actively assessing its current asset base and pursuing a strategy to optimize existing assets, including evaluating alternatives for development of the Duvernay lands. Undeveloped land holdings in Alberta at June 30, 2018 were 197,600 gross (196,900 net) acres. At June 30, 2018 the Company had a working capital deficiency of approximately $6.0 million and credit facilities of $9.0 million. The Company's 2018 capital budget has currently been reduced to $3.0 million while the assessment of assets and evaluation of the Chigwell Duvernay well continues. The remaining capital budget for 2018 will be financed with adjusted funds flow.

Forward-looking information

This news release contains forward-looking information which is not comprised of historical fact. Forward-looking information involves risks, uncertainties and other factors that could cause actual events, results, performance, prospects and opportunities to differ materially from those expressed or implied by such forward-looking information. Forward-looking information in this news release includes the Company’s statements with respect to the 2018 capital budget. This forward looking information is subject to a variety of substantial known and unknown risks and uncertainties and other factors that could cause actual events or outcomes to differ materially from those anticipated or implied by such forward looking information. The Company’s Annual Information Form filed on April 5, 2018 with securities regulatory authorities (accessible through the SEDAR website www.sedar.com) describes the risks, material assumptions and other factors that could influence actual results and which are incorporated herein by reference.

Although the Company believes that the material assumptions and factors used in preparing the forward-looking information in this news release are reasonable, undue reliance should not be placed on such information, which only applies as of the date of this news release, and no assurance can be given that such events will occur. The Company disclaims any intention or obligation to update or review any forward-looking information, whether as a result of new information, future events or otherwise, other than as required by law.

Non-IFRS financial measures

In this release references are made to certain financial measures such as “adjusted funds flow”, “adjusted funds flow per share” and “netback” which do not have standardized meanings prescribed by IFRS and therefore may not be comparable to the calculation of similar measures by other entities. Management uses certain industry benchmarks such as netbacks to analyze financial and operating performance. There are no comparable measures in accordance with IFRS for operating or corporate netback. Management believes that in addition to net income (loss), the non-IFRS measures set forth below are useful supplemental measures as they assist in the determination of the Company's operating performance, leverage and liquidity. Investors should be cautioned however, that these measures should not be construed as an alternative to both net income (loss) and cash from operating activities, which are determined in accordance with IFRS, as indicators of the Company's performance.

Adjusted funds flow represents cash from operating activities prior to changes in non-cash working capital and settlement of decommissioning obligations as detailed below:

	Three months ended June 30,		Six months ended June 30,	
($)	2018	2017	2018	2017
Cash from operating activities	480,690	1,389,409	1,624,457	2,491,760
Decommissioning expenditures	26,384	45,609	177,598	79,367
Change in non-cash working capital	(87,370)	(288,385)	(768,642)	16,710
Adjusted funds flow	419,704	1,146,633	1,033,413	2,587,837

Adjusted funds flow per share is calculated based on the weighted average number of common shares outstanding consistent with the calculation of net income (loss) per share. Operating and corporate netbacks are also presented. Operating netback represents revenue less royalties, operating and transportation costs. Corporate netback represents the operating netback less general and administrative expenses and finance income and expense before accretion. Netback per BOE is the applicable netback divided by barrels of oil production for the applicable period. The calculation of Traverse's operating and corporate netbacks are detailed under the applicable headings within the Company’s management’s discussion and analysis for the period ended June 30, 2018.

BOE equivalent

The term “BOE” or barrels of oil equivalent may be misleading, particularly if used in isolation. A BOE conversion ratio of six thousand cubic feet of natural gas to one barrel of oil equivalent (6 Mcf: 1 bbl) is based upon an energy equivalency conversion method primarily applicable at the burner tip and does not represent value equivalency at the wellhead. Additionally, 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 of 6:1, utilizing a conversion ratio of 6:1 may be misleading as an indication of value.

For more information, please contact:

Traverse Energy Ltd.

Laurie Smith
President and CEO
August 22, 2018

Further details on the Company including the 2017 year end audited financial statements, the related management’s discussion and analysis and Annual Information Form are available on the Company’s website (www.traverseenergy.com) and SEDAR.

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