

Point Loma Resources Announces Second Quarter 2018 Financial and Operating Results

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Calgary, Alberta (FSCwire) - [Point Loma Resources Ltd.](#) (TSX VENTURE: PLX) (the "Corporation" or "Point Loma") is pleased to report financial and operating results for the three and six months ended June 30, 2018. Highlights of the additional updates are summarized below:

HIGHLIGHTS

- Current oil and NGL production has increased approximately 100% from the first quarter to 260 bbl/d.
- Overall boe/d production increased 36% from the first quarter.
- Operating costs per boe reduced by 12% from first quarter.
- Even in an extreme low gas price environment, the Corporation is back to positive cash flow in forward projection.
- Point Loma plans to resume drilling in the second half of 2018 and is anticipating growth from development and exploration targets, subject to available funding.

Financial	Three months ended 30-Jun-18	Three months ended 30-Jun-17	Six months ended 30-Jun-18	Six months ended 30-Jun-17
<i>(\$ thousands, except share amounts)</i>				
Gross revenue	1,502	1,183	2,702	2,698
Cash flow from (used in) operating activities ⁽¹⁾	145	-513	-791	-173
Funds used in operations ⁽¹⁾⁽²⁾⁽³⁾	-696	-576	-1,526	-637
Per share – basic and diluted ⁽²⁾	-0.01	-0.02	-0.03	-0.02
Net income (loss)	505	421	-1,074	-351
Per share – basic and diluted	0.01	0.01	-0.02	-0.01
Capital expenditures	59	332	1,672	462
Working capital (deficit)	-2,990	5,305	-2,990	5,305
Share capital:				
Weighted average shares outstanding for period	55,244,883	35,299,813	55,073,344	32,435,813
Shares outstanding at end of period	60,322,773	42,078,907	60,322,773	42,078,907
Operations				
Daily average production				
Crude oil and liquids (bbls/d)	204	131	171	167
Natural gas (mcf/d)	3,388	2,611	3,098	2,434
Total production (boe/d at 6:1)	768	566	687	573
Average sales price				
Crude oil and liquids (\$/bbl)	61.53	48.66	59.76	50.62
Natural gas (\$/mcf)	1.02	2.53	1.43	2.63
Equivalent (\$/boe)	20.85	22.93	21.34	25.46
Netback: ⁽³⁾				
Revenues (\$/boe)	21.52	22.93	21.72	25.46
Royalties (\$/boe)	-2.15	-3.96	-2.39	-3.81
Net operating expense (\$/boe) ⁽³⁾	-18.21	-19.17	-19.12	-18.23
Transportation expense (\$/boe)	-0.61	-0.7	-0.71	-0.87
Netback (\$/boe) ⁽³⁾	0.55	-0.9	-0.5	2.55

Funds used in operations is cash flow from (used in) operating activities less changes in non-cash working capital.

1. Six months ended June 30, 2017 includes four months of Judy Creek Acquisition production and reflects the sale of 20% of the oil and gas assets to Salt Bush Ltd. (“Salt Bush”) effective April 1, 2017.
2. Funds used in operations is cash flow from (used) in operating activities less changes in non-cash working capital.
3. Funds used in operating activities, netback and net operating expense are non-GAAP measures; see “Non-GAAP Measures” below.

Second Quarter Summary

During the second quarter of 2018, Point Loma was negatively impacted by low natural gas prices which reduced anticipated netback. Only modest gains were recovered through physical natural gas commodity contracts during the second quarter, with AECO prices decreasing over 40% from the 2018 first quarter.

On April 30, 2018, Point Loma acquired certain oil and gas assets. With an effective date of November 1, 2017, the net purchase price was approximately \$0.8 million, and resulted in the recording of a gain on acquisition of \$2.1 million as the estimated fair value of the net assets acquired amounted to more than what was paid. During May 2018, Point Loma sold a gross overriding royalty and 448 acres of undeveloped land, related to the assets acquired on April 30, 2018, for cash proceeds of \$0.4 million, with no gain or loss resulting. To date, the acquisition has provided incremental production of approximately 300 boe/d, comprised of approximately 30 percent oil and NGLs. Expectations of 315 boe/d and 35 percent oil and NGLs are still estimated on a go forward basis.

On June 28, 2018, the Corporation acquired a private entity in exchange for 5,192,000 common shares, valued at \$0.25 per share on the date of closing, with no gain or goodwill resulting. Incremental production is anticipated to be 130 boe/d with a 25 percent oil and NGL weighting. An additional working interest in one of the oil producing properties was acquired on August 20, 2018, adding 12 bbl/d of oil production.

Outlook

Point Loma is proposing to drill two exploratory wells and one development well in the second half of 2018, subject to available funding. Opportunities include a significant Banff target (July 25 press release) that appears analogous to area pools that are in the range of 20 to 90 millions of barrels of original oil in place, as per Alberta Energy Regulator data. Typical primary recoveries for these pools are 5 to 10% with some pools reaching 30% recovery under waterflood. These offset pools have not been previously developed with horizontal multi-stage wells.

A second exploratory target licensed by Point Loma is a Lower Mannville target with similar character to the Paddle River A Ostracod pool. This well could initiate significant future development upon success.

At the Corporation's Paddle River A pool, plans are to drill an offset to the most prolific horizontal well in the pool that has cumulative production to date of 120 thousand standard barrels of oil and 0.3 billion cubic feet of natural gas. The offset well produced at an initial production 90 day rate of 250 bbl/d of oil and 500 mcf/d of natural gas.

Point Loma is anticipating an increase in oil volumes from this program that will continue our solid liquids growth. In addition, the Corporation anticipates the resumption of approximately 1,200 mcf/d (200 boe/d) of natural gas production that was shut in for summer months due to poor economics of natural gas for the period.

NGL production gains are expected as Point Loma completes work to reroute existing production volumes and reactivate previously suspended volumes to a deep cut facility in the Paddle River area. The initial component of the project is now set for reactivation pending the facility operator's work schedule. A potential increase of approximately 40 bbl/d of NGLs with additional new volumes restarting later in the year with accompanying NGLs production.

Duvernay activity continues near Point Loma lands with an offset exploratory well averaging approximately 150 bbl/d of oil for the first two full months of production. The Corporation's land base totals approximately 12,500 net acres in the region.

Point Loma continues to work on rationalizing non-core properties to further reduce the working capital deficit and anticipates to see a significant reduction by the end of the third quarter through this effort and application of positive cash flows in the remainder of 2018. In addition, Point Loma has also continued to reduce general and administrative costs on a gross and per boe basis.

Additional Information

Point Loma has filed its second quarter financial statements and Management's Discussion and Analysis for the quarter ended June 30, 2018 with Canadian securities regulators. These filings, and additional information including the Corporation's corporate presentation can be found at Point Loma's website at www.pointloma.ca or at Point Loma's profile on the System for Electronic Document Analysis and Retrieval website at www.sedar.com.

About Point Loma

Point Loma is a public oil and gas development and exploration company focused on horizontally exploiting conventional oil and gas reservoirs in west central Alberta. Point Loma's business plan is to utilize its experience to drill, develop and acquire accretive assets with potential for implementation of horizontal multi-stage frac technology and exploit opportunities for secondary recovery.

For further information, please contact:

Terry Meek
President and CEO
Telephone: (403) 705-5051 ext.444
tmeek@pointloma.ca

Kevin Angus
Vice-President New Ventures
Telephone: (403) 705-5051 ext. 440
kangus@pointloma.ca

Randall Boyd
Vice President Finance and CFO
Telephone: (403) 705-5051 ext. 443
rboyd@pointloma.ca

A Note Regarding Forward-Looking Information

This press release contains forward-looking statements and forward-looking information within the meaning of applicable securities laws, including without limitation, statements pertaining to Point Loma's expectations as to production and future potential production increases, as well as increases in cash flow and the timing thereof; future gas processing rates; Point Loma's expectations as to future prices of oil and natural gas; the focus of Point Loma's management team and go-forward strategy.

The use of any of the words "will", "expects", "believe", "plans", "potential" and similar expressions are intended to identify forward-looking statements or information. Although Point Loma believes that the expectations and assumptions on which such forward-looking statements and information are based are reasonable, undue reliance should not be placed on the forward-looking statements and information because Point Loma cannot give assurance that they 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 could 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 reserve and resource estimates; the inability of Point Loma to bring additional production on stream or in the anticipated quantities disclosed herein; the uncertainty of estimates and projections relating to reserves, resources, production, costs and expenses; health, safety and environmental risks; commodity price and exchange rate fluctuations; marketing and transportation; loss of markets; environmental risks; competition; incorrect assessment of the value of acquisitions; failure to realize the anticipated benefits of acquisitions; ability to access sufficient capital from internal and external sources; changes in legislation, including but not limited to tax laws, royalties and environmental regulations, actual production from the acquired assets may be greater or less than estimates.

Management has included the above summary of assumptions and risks related to forward-looking information provided in this press release in order to provide security holders with a more complete perspective on Point Loma's future operations and such information may not be appropriate for other purposes.

The forward-looking statements and information contained in this press release are made as of the date hereof and Point Loma does not undertake any 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.

Oil and Gas Information

“BOEs” 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 on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. As the value ratio between natural gas and crude oil based on the current prices of natural gas and crude oil is significantly different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

Non-GAAP Measures

The Corporation utilizes certain measurements that do not have a standardized meaning or definition as prescribed by IFRS and therefore may not be comparable with the calculation of similar measures by other entities, including funds from (used) in operating activities, netback and net operating expense. Readers are referred to advisories and further discussion on non-GAAP measurements contained in the Corporation's MD&A.

To view the original release, please click [here](#)

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