

# Leucrotta Announces Q2 2018 Financial and Operating Results

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Calgary, August 29, 2018 - [Leucrotta Exploration Inc.](#) (TSXV: LXE) ("Leucrotta" or the "Company") is pleased to announce its financial and operating results for the three and six months ended June 30, 2018. All dollar figures are Canadian dollars unless otherwise noted.

## HIGHLIGHTS

- Increased production 33% to 3,487 boe/d in Q2 2018 from 2,629 boe/d in Q2 2017.
- Increased adjusted funds flow 60% to \$3.3 million in Q2 2018 from \$2.1 million in Q2 2017.
- Maintained working capital of \$14.5 million.

## FINANCIAL RESULTS

| (\$000s, except per share amounts)        | Three Months Ended June 30 |         |          | Six Months Ended June 30 |         |          |
|---|----------------------------|---------|----------|--------------------------|---------|----------|
|   | 2018                       | 2017    | % Change | 2018                     | 2017    | % Change |
| Oil and natural gas sales                 | 7,327                      | 6,317   | 16       | 17,753                   | 11,100  | 60       |
| Adjusted funds flow <sup>(1)</sup>        | 3348.0                     | 2,097   | 60       | 9,735                    | 3,393   | 187      |
| Per share - basic and diluted             | 0.02                       | 0.01    | 100      | 0.05                     | 0.02    | 150      |
| Net (loss) earnings                       | (2,280)                    | (723)   | 215      | 266                      | (1,601) | (117)    |
| Per share - basic and diluted             | (0.01)                     | 0.0     | 100      | 0.0                      | (0.01)  | (100)    |
| Net capital expenditures and acquisitions | 2400.0                     | 42,810  | (94)     | 13,860                   | 61,328  | (77)     |
| Working capital                           |                            |         |          | 14,467                   | 43,817  | (67)     |
| Common shares outstanding (000s)          |                            |         |          |                          |         |          |
| Weighted average - basic                  | 200,517                    | 190,795 |          | 5200,517                 | 178,087 | 13       |
| Weighted average - diluted                | 200,517                    | 190,795 |          | 5203,733                 | 178,087 | 14       |
| End of period - basic                     |                            |         |          | 200,517                  | 200,470 | -        |
| End of period - fully diluted             |                            |         |          | 227,093                  | 224,482 | 1        |

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

## OPERATING RESULTS <sup>(1)</sup>

|                        | Three Months Ended June 30 |        |          | Six Months Ended June 30 |        |          |
|------------------------|----------------------------|--------|----------|--------------------------|--------|----------|
|                        | 2018                       | 2017   | % Change | 2018                     | 2017   | % Change |
| Daily production       |                            |        |          |                          |        |          |
| Oil and NGLs (bbls/d)  | 938                        | 609    | 54       | 1,040                    | 562    | 85       |
| Natural gas (mcf/d)    | 15,297                     | 12,122 | 26       | 16,748                   | 10,170 | 65       |
| Oil equivalent (boe/d) | 3,487                      | 2,629  | 33       | 3,832                    | 2,257  | 70       |

Revenue

|  |        |        |       |        |         |        |
|--|--------|--------|-------|--------|---------|--------|
| Oil and NGLs (\$/bbl)                        | 65.09  | 53.91  | 21    | 63.44  | 55.68   | (14)   |
| Natural gas (\$/mcf)                         | 1.27   | 3.02   | (58)  | 1.92   | 2.95    | (35)   |
| Oil equivalent (\$/boe)                      | 23.09  | 26.40  | (13)  | 25.60  | 27.17   | (6)    |
| Royalties                                    |        |        |       |        |         |        |
| Oil and NGLs (\$/bbl)                        | 0.75   | 8.53   | (91)  | 0.34   | 6.22    | (95)   |
| Natural gas (\$/mcf)                         | 0.0    | 0.08   | (100) | 0.0    | 0.11    | -100.0 |
| Oil equivalent (\$/boe)                      | 0.20   | 2.33   | (91)  | 0.09   | 2.02    | (96)   |
| Net operating expenses <sup>(2)</sup>        |        |        |       |        |         |        |
| Oil and NGLs (\$/bbl)                        | 8.27   | 7.10   | 16    | 7.21   | 9.21    | (22)   |
| Natural gas (\$/mcf)                         | 0.94   | 1.01   | (7)   | 0.86   | 1.04    | (17)   |
| Oil equivalent (\$/boe)                      | 6.37   | 6.30   | 1     | 5.70   | 6.98    | (18)   |
| Net transportation expenses <sup>(2)</sup>   |        |        |       |        |         |        |
| Oil and NGLs (\$/bbl)                        | 1.13   | 3.72   | (70)  | 1.91   | 3.72    | (49)   |
| Natural gas (\$/mcf)                         | 0.38   | 0.74   | (49)  | 0.41   | 0.83    | (51)   |
| Oil equivalent (\$/boe)                      | 1.97   | 4.29   | (54)  | 2.31   | 4.67    | (51)   |
| Operating netback <sup>(2)</sup>             |        |        |       |        |         |        |
| Oil and NGLs (\$/bbl)                        | 54.94  | 34.56  | 59    | 53.98  | 36.53   | 48     |
| Natural gas (\$/mcf)                         | (0.05) | 1.19   | (104) | 0.65   | 0.97    | (33)   |
| Oil equivalent (\$/boe)                      | 14.55  | 13.48  | 8     | 17.5   | 13.5    | 30     |
| Depletion and depreciation (\$/boe)          | (9.25) | (9.95) | (7)   | (9.31) | (10.13) | (8)    |
| General and administrative expenses (\$/boe) | (4.15) | (5.02) | (17)  | (3.65) | (5.59)  | (35)   |
| Share based compensation (\$/boe)            | (8.32) | (1.68) | 395   | (4.20) | (1.91)  | 120    |
| Finance expense (\$/boe)                     | (0.26) | (0.32) | (19)  | (0.20) | (0.28)  | (29)   |
| Finance income (\$/boe)                      | 0.25   | 0.47   | (47)  | 0.25   | 0.50    | -50.0  |
| Net (loss) earnings (\$/boe)                 | (7.18) | (3.02) | 138   | 0.39   | (3.91)  | (110)  |

(1) See "Frequently Recurring Terms" 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, 2018, which are available for review at [www.sedar.com](http://www.sedar.com).

## PRESIDENT'S MESSAGE

In Q2 2018, Leucrotta's capital was spent predominantly on pipelines and facilities in preparation for new wells coming on-stream in late 2018 and early 2019. The previously drilled wells at Mica 1-24 and Mica North 5-19 will be completed during Q3 2018 with data accumulated and released sometime in mid to late October. Both wells were drilled into the Lower Montney Turbidite light oil formation with the 5-19 well being a major step-out to the north.

Leucrotta will also continue to delineate the Upper Montney light oil lands with a well scheduled to be drilled and completed at Mica in Q4 2018 as an exploratory test following up on the previously released Upper Montney light oil well at Two Rivers. The 10-08 Two Rivers well tested approximately 1,840 boepd (37% oil and liquids) on the last day of a 10-day test. A successful well at Mica would materially add to Leucrotta's light oil drilling inventory.

Leucrotta will also drill an exploratory vertical well for a Montney zone below the Lower Montney Turbidite termed the "BLM" zone for Below Lower Montney. A Montney competitor has recently announced a highly productive well into this zone in the Pouce Coupe area. Leucrotta believes its lands are within the light oil

window versus the gas window at Pouce Coupe. We will look to drill a horizontal well into the BLM zone pending a successful vertical test.

Leucrotta continues to maintain a strong balance sheet with net working capital of \$14.5 million at the end of Q2 2018 and has projected to have positive working capital at year-end with an unused bank credit facility of \$20 million.

We look forward to reporting on the results of the new wells and other business developments in the near future.

## 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 "adjusted funds flow", "adjusted funds flow per share", "operating netback" "net operating expenses", and "net transportation expenses" 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 adjusted funds flow 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 abandonment obligations and to repay debt, if any. Adjusted funds flow is a non-GAAP measure and has been defined by the Company as cash flow from operating activities excluding the change in non-cash working capital related to operating activities and expenditures on decommissioning obligations. The Company also presents adjusted funds flow per share whereby amounts per share are calculated using weighted average shares outstanding, consistent with the calculation of net earnings (loss) per share. Adjusted funds flow is reconciled from cash flow from operating activities under the heading "Adjusted Funds Flow" in the Company's MD&A for the three and six months ended June 30, 2018, which is available on SEDAR at [www.sedar.com](http://www.sedar.com).

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, net operating expenses, and net transportation expenses, represents the cash margin for every barrel of oil equivalent sold. Operating netback per boe is reconciled to net earnings (loss) per boe under the heading "Operating Netback".

Net operating expenses is calculated as operating expenses less processing revenues. Management uses net operating expenses to determine the current periods' cash cost of operating expenses less processing revenue and net operating expenses per boe is used to measure operating efficiency on a comparative basis. The measure approximates the Company's operating expenses relative to its produced volumes by excluding third party operating costs.

Net transportation expenses is calculated as transportation expenses less marketing revenues. Management uses net transportation expenses to determine the current periods' cash cost of transportation expenses less marketing revenue and net transportation expenses per boe is used to measure transportation efficiency on a comparative basis as well as the Company's ability to mitigate the cost of excess committed capacity.

## TEST RATES

The A10-08-83-16W6 well was production tested for 6 days after the original cleanup and produced at an average rate of 1,100 boe/d (48% gas, 52% Oil and Condensate) over that period, excluding load fluid and energizing fluid. At the end of the test, flowing wellhead pressure and production rates were stable.

A pressure transient analysis or well-test interpretation has not been carried out on this well 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, 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.

### Further Information

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