

Traverse Energy Announces 2019 Second Quarter Results

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CALGARY, Aug. 28, 2019 - [Traverse Energy Ltd.](#) (“Traverse” or “the Company”) (TSX Venture: TVL) presents financial and operating results for the three and six months ended June 30, 2019.

Highlights (<i>unaudited</i>)	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Financial (<i>\$ thousands, except per share amounts</i>)				
Petroleum and natural gas revenue	1,378	1,778	2,969	3,758
Cash from operating activities	353	481	556	1,624
Adjusted funds flow ⁽¹⁾	127	420	500	1,033
Per share ‐ basic and diluted	0.00	0.01	0.01	0.01
Net loss	(6,821	) (7,856	) (7,334	) (8,303
Per share ‐ basic and diluted	(0.07	) (0.08	) (0.07	) (0.08
Capital expenditures	213	1,164	452	1,989
Total assets	21,801	37,805	21,801	37,805
Working capital (deficiency)	(6,805	) (6,028	) (6,805	) (6,028
Common shares				
Outstanding (<i>millions</i>)	103.5	103.5	103.5	103.5
Weighted average (<i>millions</i>)	103.5	103.5	103.5	103.5
Operations (<i>Units as noted</i>)				
Average production				
Natural gas (<i>Mcf/day</i>)	1,108	1,551	1,367	1,899
Oil and NGL (<i>bbls/day</i>)	211	262	224	280
Total (<i>BOE/day</i>)	396	521	452	596
Average sales price				
Natural gas (<i>\$/Mcf</i>)	1.21	1.35	2.05	1.85
Oil and NGL (<i>\$/bbl</i>)	65.74	66.57	60.67	61.60
Netback (<i>\$/BOE</i>)				
Petroleum and natural gas revenue	38.47	37.54	36.29	34.81
Royalties	(1.89	) (1.78	) (1.14	) (1.47
Operating and transportation expenses	(20.60	) (19.29	) (19.29	) (17.82
Operating netback ⁽²⁾	15.98	16.47	15.86	15.52
General and administrative	(9.50	) (6.13	) (7.31	) (4.86
Finance income and expense ⁽³⁾	(2.97	) (1.48	) (2.45	) (1.08
Corporate netback ⁽⁴⁾	3.51	8.86	6.10	9.58

(1) *Adjusted funds flow represents cash from operating activities prior to changes in non-cash working capital and settlement of decommissioning obligations.*

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.*

Corporate netback represents the operating netback less general and administrative costs and finance (4) 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 396 BOE per day (53% oil and NGL) during the second quarter of 2019. No new production was added in 2018 or 2019. Capital expenditures in the second quarter related mainly to land acquisition and retention and production testing at Chigwell.

At June 30, 2019 Traverse had a working capital deficiency of \$6.8 million. The Company's bank facility is provided on a demand basis in the amount of \$7.0 million. The terms and conditions of the facility are subject to review by the Lender at any time, at least annually. The borrowing base is determined by the Lender based on the Lender's interpretation of the Company's reserves, future commodity prices and other factors. In May 2019, the Lender extended the annual review date to July 31, 2019 or such later date as determined at the sole discretion of the Lender. As of August 28, 2019 the borrowing base has not been re-determined by the Lender and remains under ongoing review. The Company's ability to continue as a going concern is dependent upon the ability to renew the current loan facility and generate positive cash flow from operations, equity financing, disposing of assets or other arrangements to fund future development capital.

To address the uncertainties related to the Company continuing as a going concern, in the spring of 2019 the Company retained an advisor to pursue alternatives for development or disposition of its Duvernay lands. The results of the initial process did not result in any transactions, although discussions are ongoing. In May 2019, the Company retained a financial advisor (GMP FirstEnergy) to explore potential strategic alternatives available to the Company and that process is ongoing. There are no assurances that any transactions will be completed or that a renewal of the loan facility, on terms acceptable to the Company, will be obtained.

Undeveloped land holdings in Alberta at June 30, 2019 were 203,300 gross (202,700 net) acres.

Impairment

At June 30, 2019 the Company determined there to be indicators of impairment of the exploration and evaluation assets due to the lack of market response to the Duvernay divestiture process and the ongoing expiry and surrender of its undeveloped land base due to lack of development capital. Management estimates the recoverable amount of the exploration and evaluation assets to be \$2.8 million, resulting in recognition of impairment of \$2.5 million at June 30, 2019.

At June 30, 2019, the Company determined there to be indicators of impairment due to the decline in the current and future commodity price for natural gas since December 31, 2018. Further evidence indicating impairment in the June 30, 2019 carrying value of development and production assets were concerns about the Company's ability to finance its future development costs and the timing thereof. The Company recognized an impairment charge of \$3.0 million due to the carrying values in the Oil CGU exceeding the recoverable amounts.

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 potential development or disposition of its Duvernay lands and the review of potential strategic alternatives for the Company. 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 9, 2019 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,	
	2019	2018	2019	2018
Cash from operating activities	352,569	480,690	555,562	1,624,457
Decommissioning expenditures	22,577	26,384	35,040	177,598
Change in non-cash working capital	(248,480)	(87,370)	(90,680)	(768,642)
Adjusted funds flow	126,666	419,704	499,922	1,033,413

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, 2019.

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 28, 2019

Further details on the Company including the 2018 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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