

Ikkuma Resources Corp. Announces Second Quarter 2016 Financial and Operating Results and Credit Facility Renewal

CALGARY, Aug. 25, 2016 /CNW/ - Ikkuma Resources Corp. ("Ikkuma" or the "Corporation") (TSXV: IKM) is pleased to report its financial and operating results for the three months ended June 30, 2016. Selected financial and operational information is set out below and should be read in conjunction with Ikkuma's interim condensed financial statements and the related management's discussion and analysis ("MD&A") for the three months ended June 30, 2016. Ikkuma's condensed interim financial statements and MD&A are available for review at www.sedar.com and on the Corporation's website at www.ikkumarescorp.com.

CREDIT FACILITY RENEWAL

On August 24, 2016, Ikkuma entered into an amendment to its credit facility agreement (the "Facility") following the completion of the banking syndicate's semi-annual borrowing base review. The revolving period has been extended to July 28, 2017 and the borrowing base has been re-determined at \$40 million. The amendment also includes a requirement for the Corporation to hedge no less than 17,500 GJ/day of natural gas production for 2017 and 10,500 GJ/day of natural gas production for 2018.

The available lending limits under the Facility are reviewed semi-annually and are based on the bank syndicate's interpretation of the Corporation's reserves and future commodity prices. There can be no assurance that the amount of the available Facility will not be adjusted at the next borrowing base review to be done on or before November 30, 2016. As at June 30, 2016, the Corporation had \$21.1 million drawn on the Facility.

SECOND QUARTER HIGHLIGHTS

- Achieved funds flow from operations of \$2.4 million or \$0.03/share despite 25% lower natural gas price and lower production volumes for scheduled facility maintenance.
- Completed a strategic acquisition of certain Foothills natural gas assets for \$2.7 million which increases the Corporation's working interest in existing producing wells and facilities, allows Ikkuma to farm-in on lands strategic to Ikkuma's development of its oil play and provides clear access to certain gas recompletions.
- Produced an average of 5,921 boe/d in Q2 2016, 75% of Ikkuma's production capability of 7,900 boe/d, due to shut in uneconomic sour gas and downtime due to scheduled plant turnaround. Ikkuma had approximately 1,000 boe/d of uneconomic gas shut in for most of Q2 2016. Approximately 350 BOE/d of this gas was back on production in early July and further volumes may be returned under more favorable gas prices.

| <i>(Expressed in thousands of Canadian dollars except per boe and Share amounts; unaudited)</i> | Three months ended | | Six months ended | |
|---|---------------------------|-------------|-------------------------|-------------|
| | June 30, | | June 30, | |
| | 2016 | 2015 | 2016 | 2015 |
| OPERATIONS | | | | |
| Average daily production | | | | |
| Natural gas (mcf/d) | 35,361 | 39,552 | 39,790 | 40,585 |

| Light Oil (bbls/d) | 27 | 145 | 77 | 142 |
|---|----------------|---------|----------------|---------|
| Total equivalent (boe/d) | 5,921 | 6,769 | 6,709 | 6,944 |
| Average prices and operating netback | | | | |
| Natural gas (\$/mcf) | \$ 1.37 | \$ 2.74 | \$ 1.63 | \$ 2.72 |
| Light Oil (\$/bbl) | - | 47.76 | - | 42.61 |
| NGL (\$/bbl) | 44.12 | 24.14 | 23.95 | 21.20 |
| Revenue (\$/boe) | 8.49 | 17.45 | 10.21 | 17.14 |
| Realized gain on commodity contracts (\$/boe) | 8.19 | 1.53 | 6.12 | 1.17 |
| Royalties (\$/boe) | 0.73 | (1.50) | (0.24) | (1.69) |
| Operating expenses (\$/boe) | (8.49) | (7.99) | (8.22) | (8.62) |
| Transportation costs (\$/boe) | (1.77) | (1.55) | (1.80) | (1.54) |
| Operating netback ⁽¹⁾ (\$/boe) | \$ 7.15 | \$ 7.94 | \$ 6.07 | \$ 6.46 |

FINANCIAL

| | | | | |
|---|-------------------|------------|-------------------|------------|
| Oil and natural gas sales | \$ 4,576 | \$ 10,748 | \$ 12,472 | \$ 21,541 |
| Funds flow from operations ⁽¹⁾ | \$ 2,397 | \$ 3,428 | \$ 4,591 | \$ 5,373 |
| Per share – basic and diluted | \$ 0.03 | \$ 0.04 | \$ 0.05 | \$ 0.07 |
| Loss | \$ (9,441) | \$ (3,670) | \$ (7,014) | \$ (8,523) |
| Per share – basic and diluted | \$ (0.11) | \$ (0.05) | \$ (0.08) | \$ (0.11) |
| Capital expenditures | \$ 694 | \$ 3,852 | \$ 3,809 | \$ 22,593 |
| Property acquisitions | \$ 2,713 | \$ - | \$ 25 | \$ - |
| Net debt ⁽¹⁾ | \$ 25,819 | \$ 27,325 | \$ 25,819 | \$ 27,325 |
| Bank loan | \$ 21,141 | \$ 23,002 | \$ 21,141 | \$ 23,002 |
| Shares outstanding (000) ⁽²⁾ | 94,244 | 80,159 | 94,244 | 80,159 |
| Weighted average shares outstanding | | | | |
| Basic and diluted (000) ⁽²⁾ | 87,743 | 80,159 | 83,951 | 80,159 |

⁽¹⁾Funds flow from operations, operating netback and net debt are non-IFRS measures. See "Non-IFRS Measures".

OUTLOOK

Ikkuma plans to complete the oil well drilled in the first quarter and also drill another horizontal oil well. These projects were planned for early August; however, they have been delayed by at least one month due to weather. The Corporation intends to complete these projects by early Q4. In addition, the Corporation will recompleat up to two gross gas wells before year-end. In aggregate the capital budget for 2016 is forecasted to be \$15 - \$17 million.

ABOUT IKKUMA

Ikkuma Resources Corp. is a diversified junior public oil and gas company listed on the TSXV under the symbol "IKM", with holdings in both conventional and unconventional projects in Western Canada. The technical team has worked together for over a decade in the Foothills Region of Western Canada, through two successful, publicly traded companies. The unique skills and repeat success at exploiting a complex, potentially prolific play type are fundamental ingredients for a successful growth-oriented company in

Western Canada. Corporate information can be found at: www.ikkumarescorp.com.

Forward-Looking Statements and Information and Cautionary Statements

This press release contains forward-looking statements and forward-looking information within the meaning of applicable securities laws including, without limitation, those listed under "Risk Factors" and "Forward-looking Statements" in Ikkuma's Annual Information Form and in its other filings available on SEDAR at www.sedar.com. The use of any of the words "expect", "anticipate", "continue", "estimate", "objective", "ongoing", "may", "will", "project", "should", "believe", "plans", "intends" and similar expressions are intended to identify forward-looking statements or information. Forward-looking statements and information in this press release includes, but is not limited to, Ikkuma's 2016 capital budget ranging from \$15 million to \$17 million and the timing and duration of completion and drilling projects. Although Ikkuma believes that the expectations and assumptions on which the forward-looking statements and information are based are reasonable, undue reliance should not be placed on the forward-looking statements and information because Ikkuma cannot give any 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 (e.g., 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 estimates; the uncertainty of estimates and projections relating to production, costs and expenses; failure to obtain necessary regulatory approvals for planned operations; health, safety and environmental risks; uncertainties resulting from potential delays or changes in plans with respect to exploration or development projects or capital expenditures; volatility of commodity prices, currency exchange rate fluctuations; imprecision of reserve estimates; and competition from other explorers) as well as general economic conditions, stock market volatility, and the ability to access sufficient capital. We caution that the foregoing list of risks and uncertainties is not exhaustive.

In addition, the reader is cautioned that historical results are not necessarily indicative of future performance. The forward-looking statements and information contained in this press release are made as of the date hereof and Ikkuma undertakes no obligation to update publicly or revise any forward-looking statement or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

Certain information set out herein may be considered as "financial outlook" within the meaning of applicable securities laws. The purpose of this financial outlook is to provide readers with disclosure regarding Ikkuma's reasonable expectations as to the anticipated results of its proposed business activities for the periods indicated. Readers are cautioned that the financial outlook may not be appropriate for other purposes.

Non-IFRS Measures

This press release provides certain financial measures that do not have a standardized meaning prescribed by IFRS. These non-IFRS financial measures may not be comparable to similar measures presented by other issuers. Funds flow from operations, operating netback and net debt are not recognized measures under IFRS. Management believes that in addition to net income (loss), funds flow from operations, operating netback and net debt are useful supplemental measures that demonstrate the Corporation's ability to generate the cash necessary to repay debt or fund future capital investment. Investors are cautioned, however, that these measures should not be construed as an alternative to net income (loss), determined in accordance with IFRS, as an indication of Ikkuma's performance. Funds flow from operations is calculated by adjusting net income (loss) for depletion and depreciation, exploration and evaluation expense, impairment, gain (loss) on sale of

petroleum, natural gas and equipment, share-based payments, unrealized gain (loss) on financial instruments and accretion. Operating netback equals the total of petroleum and natural gas sales, realized gains or losses on commodity contracts, less royalties, transportation and operating expenses. Net debt is the total of cash and cash equivalents plus accounts receivable, plus prepaids and deposits, less accounts payable and accrued liabilities and bank debt.

Oil and Gas Advisory

In this press release, the abbreviation boe means a barrel of oil equivalent derived by converting gas to oil in the ratio of 6 Mcf of gas to 1 bbl of oil (6 Mcf:1 bbl). Boe may be misleading, particularly if used in isolation. A boe conversion ratio of 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. 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 Mcf:1 bbl, utilizing a conversion ratio on a 6 Mcf of gas to 1 bbl of oil basis may be misleading as an indication of value.

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SOURCE Ikkuma Resources Corp.

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<http://www.ikkumarescorp.com/2016-08-25-Ikkuma-Resources-Corp-Announces-Second-Quarter-2016-Financial-and-Operating-Results-and-Credit-Facility-Renewal>