

Ikkuma Announces Second Quarter 2017 Financial and Operating Results

CALGARY, Aug. 24, 2017 /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, 2017. 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, 2017. 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.

SECOND QUARTER HIGHLIGHTS

- Production for the quarter averaged 5,861 BOE/d reflecting the impact of planned facility outages. Planned and unplanned pipeline and facility outages are expected to continue in the third quarter resulting in a similar average production for the third quarter. Production capacity remains at 6,500 to 7,500 BOE/d.
- Funds from operations totaled \$2.1 million in the quarter and \$4.9 million for the six months ended June 30, 2017, respectively, comparable to the same periods of the prior year.
- Improved product pricing year over year combined with lower royalties contributed to a 5% and 184% increase in operating netback/BOE for the second quarter and six months ended June 30, 2017, respectively.

OPERATIONS UPDATE

Completion of the two oil wells drilled in the first quarter began in mid-July. Production operations have commenced recently on these wells, and will continue until rates have stabilized, which is likely to occur over the next one to two months.

<i>(Expressed in thousands of Canadian dollars except per BOE and Share amounts; unaudited)</i>	Three months ended		Six months ended	
	2017	June 30, 2016	2017	June 30, 2016
OPERATIONS				
Average daily production				
Natural gas (mcf/d)	34,259	35,361	36,243	39,790
Light Oil (bbls/d)	27	-	53	-
NGL's (bbl/d)	125	27	121	77
Total equivalent (BOE/d)	5,861	5,921	6,214	6,709
Average prices and operating netback				
Natural gas (\$/mcf)	\$ 2.82	\$ 1.37	\$ 2.77	\$ 1.63
Light Oil (\$/bbl)	56.26	-	59.17	-
NGL (\$/bbl)	30.21	44.12	35.09	23.95

Revenue (\$/BOE)	17.55	8.49	17.48	10.21
Realized gain on commodity contracts (\$/BOE)	0.36	8.19	0.24	6.12
Royalties (\$/BOE)	(0.01)	0.73	(0.30)	(0.24)
Operating expenses (\$/BOE)	(8.36)	(8.49)	(8.22)	(8.22)
Transportation costs (\$/BOE)	(2.03)	(1.77)	(2.01)	(1.80)
Operating netback ⁽¹⁾ (\$/BOE)	\$ 7.51	\$ 7.15	\$ 7.19	\$ 6.07

FINANCIAL

Oil and natural gas sales	\$ 9,362	\$ 4,576	\$ 19,657	\$ 12,472
Funds flow from operations ⁽¹⁾	\$ 2,064	\$ 2,397	\$ 4,892	\$ 4,591
Per share – basic and diluted	\$ 0.02	\$ 0.03	\$ 0.05	\$ 0.05
Income (loss)	\$ (898)	\$ (9,441)	\$ 1,566	\$ (7,014)
Per share – basic and diluted	\$ (0.01)	\$ (0.11)	\$ 0.02	\$ (0.08)
Capital expenditures	\$ 2,388	\$ 694	\$ 11,157	\$ 3,809
Property acquisitions	\$ -	\$ 2,713	\$ -	\$ 2,734
Adjusted debt ⁽¹⁾	\$ 39,511	\$ 25,819	\$ 39,511	\$ 25,819
Shares outstanding (000)	94,244	94,244	94,244	94,244
Weighted average shares outstanding				
Basic and diluted				
(000)	94,244	87,743	94,244	83,951

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

SUBSEQUENT EVENTS

Subsequent to quarter end, Ikkuma announced a transformational \$34 million Foothills acquisition, a \$20 million infrastructure sale and a \$10 million flow-through equity financing. These transactions, when completed, are estimated to triple Ikkuma's production to 20,800 BOE/d, triple annualized cash flow per share to \$0.22/share and triple Ikkuma's drilling and recompletion inventory. Please see Ikkuma's press release of August 15, 2017 for a more detailed description of these transactions. The following summarizes each of the transactions:

Acquisition

On August 15, 2017, Ikkuma entered into a purchase and sale agreement to acquire (the "Acquisition") assets located in the Alberta Foothills and British Columbia Deep Basin (the "Assets"), effective as of July 1, 2017, for cash consideration of \$34 million subject to customary adjustments. The Acquisition is subject to standard industry closing conditions, approval by the TSX Venture Exchange ("TSXV") and the concurrent sale of certain midstream assets by the vendor to a third party purchaser. The Acquisition is expected to close on or about November 1, 2017.

Infrastructure Disposition

The Corporation has entered into a separate purchase and sale agreement to sell 51% of its trunk line and

associated facilities (the "Infrastructure Disposition") in its existing northern Alberta Foothills properties to an undisclosed buyer, for a total cash consideration of \$20 million. The Infrastructure Disposition has an effective date of September 1, 2017 and is expected to close September 15, 2017, but in any event, prior to the closing of the Acquisition.

Equity Issue

The Corporation announced a non-brokered private placement of 12,195,122 flow-through shares at a price of \$0.82 per/share for gross proceeds of \$10 million (the "Offering"). The Offering will consist of common shares issued on a "flow-through" basis in respect of Canadian exploration expenses under the *Income Tax Act* (Canada) (the "Flow-Through Shares"). The gross proceeds from the Offering will be used by Ikkuma to incur eligible Canadian exploration expenses ("Qualifying Expenditures") prior to December 31, 2018.

Ikkuma will renounce the Qualifying Expenditures to subscribers of the Flow-Through Shares for the fiscal year ended December 31, 2017.

The completion of the Offering is subject to a number of conditions, including, without limitation, receipt of all regulatory approvals, including approval of the TSXV. Closing of the Offering is expected to occur on or about September 1, 2017. The Flow-through Shares issued pursuant to the Offering will be subject to a statutory hold period of four months plus one day from the closing of the Offering, in accordance with applicable securities legislation.

INCREASE TO EQUITY ISSUE

The Corporation is also pleased to announce that on August 23, 2017 it determined to increase the Offering, whereby the Corporation will now issue 15,244,000 Flow-Through Shares at a price of \$0.82 per/share for gross proceeds of approximately \$12.5 million (the "Increased Offering"). The gross proceeds from the Increased Offering will be used by Ikkuma to incur eligible Canadian exploration expenses ("Qualifying Expenditures") prior to December 31, 2018. Ikkuma will renounce the Qualifying Expenditures to subscribers of the Flow-Through Shares for the fiscal year ended December 31, 2017. All other terms and conditions of the equity financing remain the same as previously announced.

The completion of the Increased Offering is subject to a number of conditions, including, without limitation, receipt of all regulatory approvals, including approval of the TSX Venture Exchange. Closing of the Increased Offering is expected to occur on or about September 1, 2017. The Flow-Through Shares issued pursuant to the Increased Offering will be subject to a statutory hold period of four months plus one day from the closing of the Increased Offering, in accordance with applicable securities legislation.

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, the completion of the Acquisition and the timing thereof; the completion of the Infrastructure Disposition and the timing thereof; the completion of the Offering, including the Increased Offering and the timing thereof; the use of proceeds of the Increased Offering; the funding of the purchase price of the Assets; the anticipated benefits to be obtained as a result of the Acquisition; the performance characteristics of the Assets and the anticipated potential of the Assets; and the impact of the Acquisition on the Corporation's production, reserves, inventory and financial condition. 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 adjusted 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 Adjusted debt is the aggregate of the principal amount of the Term Loan, drawn amounts on credit facilities, and outstanding letters of credit with the bank less unrestricted cash. Reconciliations of operating netback and adjusted debt to the most directly comparable measures specified under IFRS are contained in the Corporation's management discussion and analysis, copies of which are available on SEDAR.

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.

NEITHER TSX VENTURE EXCHANGE NOR ITS REGULATION SERVICES PROVIDER (AS THAT TERM IS DEFINED IN THE POLICIES OF THE TSX VENTURE EXCHANGE) ACCEPTS RESPONSIBILITY FOR THE ADEQUACY OR ACCURACY OF THIS RELEASE.

SOURCE Ikkuma Resources Corp.

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<http://www.ikkumarescorp.com/2017-08-24-Ikkuma-Announces-Second-Quarter-2017-Financial-and-Operating-Results>