Ikkuma Resources Corp.

Ikkuma Resources Announces a 316 Percent Increase in Proved Developed Producing Reserves, 2017 Operating Results and Operations Update

TSX Venture Exchange: IKM-V

CALGARY, April 3, 2018 /CNW/ - Ikkuma Resources Corp. ("**Ikkuma**" or the "**Corporation**") is pleased to announce its 2017 year-end reserves and other news.

2017 Reserve Highlights

- Increased Proved Developed Producing ("PDP") reserves by 316% to 56.8 MMBOE at December 31, 2017 from 13.6 MMBOE at December 31, 2016;
- Increased PDP net present value to $301 million ($2.75 per share) at year-end 2017 at a 10% discount rate using a consensus price deck from four independent qualified reserves evaluators from $104 million ($1.10 per share) at year-end 2016;
- Increased Proved Developed ("PD") reserves by 366% to 74.0 MMBOE, Proved ("1P") reserves by 300% to 79.6 MMBOE and proved plus probable ("2P") reserves by 287% to 106.6 MMBOE at December 31, 2017;
- Increased PD net present value to $361 million (2016 - $118 million), 1P net present value to $376 million (2016 - $132 million) and 2P net present value to $488 million (2016 - $190 million);
- Generated a Finding, Development and Acquisition ("FD&A") cost of $1.50/BOE on 2P reserve additions and $1.99/BOE on 1P reserve additions;
- Achieved a recycle ratio of 3.4 times on a 2P basis and 2.5 times on a 1P basis, including changes in Future Development Capital ("FDC") and assumed decommissioning obligations on acquisitions;
- Established conservative PDP reserve position that represents 53% of 2P reserves with an FDC requirement of $67 million on a 1P basis and $75 million on a 2P basis; and
- Reduced annual production decline rates on PDP reserves from 16% to 12%.

2017 Operating Results and Operations Update

- Increased fourth quarter 2017 average daily production by 23% to 7,324 BOE/d compared to fourth quarter 2016 average daily production of 5,967 BOE/d;
- Current average daily production is in excess of 19,000 BOE/d based on field estimates, after closing the previously announced acquisition of assets located in the Alberta Foothills as well as in the British Columbia Deep Basin (the "Foothills Acquisition") on December 21, 2017;
- Field optimization initiatives with minimal capital spending since closing the Foothills Acquisition have provided both production increases of more than 8% and an operating cost decrease per BOE of approximately 10%;
- The Foothills Acquisition expanded the existing crude oil development drilling inventory to more than 200 low-risk drilling locations;
- Infrastructure working interest replacement value is estimated at $0.6 billion that includes approximately 500 kilometers of gas transmission lines;
- Undeveloped acreage represents 66% of the Corporation's 635,000 net acres of land;
- Operating initiatives for the remainder of 2018 will focus on ongoing production and operating cost optimization, pursuing a diversified marketing program in addition to the planned sale of non-core assets; and
- Average 2018 daily production is expected to be in the range of 17,500 BOE/d to 18,500 BOE/d.

2017 Summary of Reserves

The detailed reserves data set forth below are based on an independent reserves assessment and evaluation prepared by Deloitte LLP ("Deloitte") with an effective date of December 31, 2017, which is contained in a report dated April 2, 2018 (the "Deloitte Report").

	2017 YE(1)		2016 YE(2)		2017YE & 2016YE Comparison
Reserves Category	**(MBOE)**	**NPV10% ($M)**	**(MBOE)**	**NPV10% ($M)**	**Increase in Reserves (%)**
Proved					
Developed Producing	56,809	$301,180	13,642	$103,551	316%
Total Developed	73,968	$360,568	15,881	$117,998	366%
Total Proved	79,634	$375,517	19,931	$131,759	300%
Total Proved plus Probable	106,637	$488,162	27,539	$190,031	287%

Notes:

(1) Deloitte Report effective as of December 31, 2017.

(2) Report prepared by Sproule Associates Limited ("Sproule"), dated March 15, 2017 effective as of December 31, 2016.

Proved Developed Producing Reserves

During 2017, Ikkuma increased Proved Developed Producing reserves by 316% to 56.8 MMBOE which represents 53% of Proved and Probable reserves. At a 10% discount rate, using a consensus price deck from four independent qualified reserves evaluators, the net present value ("NPV 10") of Proved Developed Producing reserves increased by 191% to $301 million, or $2.75 per share, at year-end 2017 from $104 million, or $1.10 per share at year-end 2016. Deloitte has estimated the annual production decline on Proved Developed Producing reserves to be 12% as at December 31, 2017 compared to a previous annual production decline rate estimate of 16% as at December 31, 2016.

Proved Developed Reserves

During 2017, Ikkuma increased Proved Developed reserves by 366% to 74.0 MMBOE which represents 93% of Proved reserves. The NPV 10 of Proved Developed reserves more than tripled to $361 million, or $3.30 per share, at year-end 2017 compared to $118 million at year-end 2016.

Proved Reserves

During 2017, Ikkuma increased Proved reserves by 300% to 79.6 MMBOE (74.0 MMBOE of Proved Developed reserves and 5.6 MMBOE of Proved Undeveloped reserves) and the NPV 10 of Proved reserves increased by 185% to $376 million, or $3.43 per share. Proved reserve additions and revisions replaced 2017 average daily production by more than 26 times.

Proved and Probable Reserves

During 2017, Ikkuma increased Proved and Probable reserves by 287% to 106.6 MMBOE and the NPV 10 of Proved and Probable reserves increased by 157% to $488 million, or $4.46 per share.

Finding, Development & Acquisition Costs and Recycle Ratios

In 2017, Ikkuma generated an FD&A cost of $1.50/BOE on Proved and Probable reserve additions and $1.99/BOE on Proved reserve additions. The FD&A calculations are based on exploration and development capital expenditures, acquisition costs, proceeds from dispositions within a reserve category, including changes in future development capital and decommissioning obligations assumed on the Foothills Acquisition divided by reserve additions by reserve category.

The future development capital requirement as at December 31, 2017 was $75 million on a Proved and Probable reserve basis and $67 million on a Proved reserve basis as at December 31, 2016. The decommissioning obligations assumed on the Foothills Acquisition was estimated at $52 million as at December 31, 2017.

In 2017, Ikkuma achieved a recycle ratio of 3.4 times on a Proved and Probable basis and 2.5 times on a Proved basis on an estimated operating netback of $5.07/BOE (unaudited).

Corporate Reserves

The detailed reserves data set forth below are based on the Deloitte Report. The following presentation summarizes the Corporation's crude oil, natural gas liquids and natural gas reserves and the net present values before income tax of future net revenue for the Corporation's reserves using forecast prices and costs as set out in the Deloitte Report. The Deloitte Report has been prepared in accordance with definitions, standards, and procedures contained in the Canadian Oil and Gas Evaluation Handbook and National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities.* The reserves evaluation was based on the consensus forecast escalated pricing and foreign exchange rates at December 31, 2017 ("Consensus Price") as outlined in the table herein entitled "Price Forecast". This Consensus Price forecast is the average of the escalated price forecasts of four independent reserve evaluators, namely Deloitte, GLJ Petroleum Consultants Ltd. ("GLJ"), McDaniel & Associates Consultants Ltd ("McDaniel") and Sproule.

All evaluations and summaries of future net revenue are stated prior to provision for interest, debt service charges or general administrative expenses and after deduction of royalties, operating costs, estimated well abandonment and reclamation costs and estimated future capital expenditures. It should not be assumed that the estimates of future net revenues presented in the tables below represent the fair market value of reserves. There is no assurance that the forecast prices and cost assumptions will be attained and variances could be material. The recovery and reserve estimates of Ikkuma's crude oil, natural gas liquids and natural gas reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual crude oil, natural gas and natural gas liquids reserves may be greater or less than the estimates provided herein. Reserves included herein are stated on a company gross basis (working interest before deduction of royalties without including any royalty interests) unless noted otherwise. In addition to the detailed information disclosed in this press release, more detailed information will be included in the Corporation's Annual Information Form ("AIF") which will be filed on the Corporation's profile at www.sedar.com on or before April 30, 2018.

See "Forward Looking Information and Statements" for a statement of principal assumptions and risks that may apply.

The preparation and audit of Ikkuma's 2017 annual financial statements is not yet complete, and accordingly, all financial amounts referred to in this press release are unaudited and represent management's estimates. Readers are advised that these financial estimates may be subject to change. Year-end financial statements for 2017 are anticipated to be released on or about April 25, 2018.

Corporate Reserves

Reserves Category(1)	Light and Medium Crude Oil (Mbbl)	Natural Gas Liquids (Mbbl)	Sulphur (MLt)	Non-Associated Gas(2) (Mmcf)	Barrels of Equivalent(3) (Mbbl)
Proved					
Proved Developed Producing ("PDP")	606	1,051	1,333	330,908	56,809
Proved Developed Non-producing ("PDNP")	86	31	78	102,258	17,160
Proved Developed ("PD")	692	1,082	1,411	433,166	73,968
Proved Undeveloped ("PUD")	326	22	37	31,902	5,666
Total proved ("1P")	1,018	1,104	1,448	465,069	79,634
Probable	654	392	408	155,745	27,003
Total proved plus probable ("2P")	1,672	1,496	1,856	620,814	106,637

Notes:

(1) Reserves have been presented on a "gross" basis which is defined as Ikkuma's working interest (operating and non-operating) share before deduction of royalties and without including any royalty interest of the Corporation.

(2) Includes solution gas.

(3) Oil equivalent amounts have been calculated using a conversion rate of six thousand cubic feet of natural gas to one barrel of oil.

(4) Columns may not add due to rounding.

Reserve Values

The estimated before tax net present value ("NPV") of future net revenue associated with Ikkuma's reserves effective December 31, 2017 and based on the Deloitte Report and the Consensus Price forecast are summarized in the following table:

Reserves Category	0% (M$)	5% (M$)	10% (M$)	15% (M$)	20% (M$)
Proved					
Developed Producing	564,278	396,518	301,180	241,391	200,990
Developed Non-Producing	135,627	86,876	59,389	42,557	31,574
Undeveloped	38,195	24,264	14,949	8,585	4,125
Total Proved	738,100	507,658	375,517	292,533	236,689
Probable	379,605	188,565	112,645	75,673	54,929
Total proved plus probable	1,117,704	696,223	488,162	368,206	291,619

Notes:

(1) Based on Deloitte's December 31, 2017 Consensus Price forecast.
(2) The estimated future net revenues are stated prior to provision for interest, debt service charges or general and administrative expenses and after deduction of royalties, operating costs, estimated well abandonment and reclamation costs and estimated future capital expenditures.
(3) See the Corporation's AIF, once filed, for the after-tax present values of future net revenue attributed to Ikkuma's reserves.
(4) Columns may not add due to rounding.

Price Forecast

Year	Canadian Light Sweet Crude(2) 40° API ($C/Bbl)	Western Canada Select 20.5° API ($C/Bbl)	Alberta AECO-C ($C/Mcf) (4)	Edmonton Propane ($C/Bbl) (3,5)	Edmonton Butane ($C/Bbl) (3,5)	Edmonton Pentanes Plus ($C/Bbl) (3,5)	$US/$C Exchange Rate
2018	$67.80	$49.56	$2.39	$37.39	$55.63	$65.87	0.788
2019	$71.08	$55.17	$2.71	$37.96	$57.13	$67.86	0.800
2020	$73.52	$59.41	$3.14	$37.62	$58.99	$69.50	0.816
2021	$77.98	$63.47	$3.42	$39.43	$62.51	$72.99	0.834
2022	$81.64	$66.92	$3.62	$40.57	$65.80	$75.46	0.835
2023	$83.56	$68.65	$3.75	$41.13	$67.30	$77.25	0.845
2024	$85.74	$70.61	$3.90	$42.24	$69.02	$79.31	0.845
2025	$87.95	$72.58	$4.03	$43.36	$70.74	$81.37	0.845
2026	$89.99	$74.39	$4.14	$44.42	$72.34	$83.29	0.845
2027	$91.82	$75.94	$4.24	$45.35	$73.83	$84.98	0.845
2028	$93.65	$77.46	$4.33	$46.31	$75.29	$86.70	0.845

2029+ *prices escalate at 2.0% thereafter*

Notes:

(1) This Consensus Price forecast is an average of four independent reserve evaluators' forecasts at December 31, 2017 including Deloitte, GLJ, McDaniel and Sproule.
(2) Edmonton city gate prices based on historical light oil par prices posted by the government of Alberta and Net Energy differential futures (40 Deg. API < 0.5% Sulphur).
(3) Natural Gas Liquid prices are forecasted at Edmonton therefore an additional transportation cost must be included to plant gate sales point.
(4) 1 Mcf is equivalent to 1 MMbtu.
(5) NGL prices have been switched from a mix reference to a spec reference.

Reserves Reconciliation

	Light and		Associated	

TOTAL PROVED	Medium Crude Oil (Mbbl)	Natural Gas Liquids (Mbbl)	and Non-Associated Gas (Mmcf)	Oil Equivalent (Mboe)
December 31, 2016	265	459	115,240	19,931
Product type transfer	-	-	-	-
Extensions & Improved Recovery	154	6	6,489	1,241
Infill Drilling	-	-	-	-
Technical Revisions	(59)	233	19,418	3,410
Acquisitions	684	481	344,394	58,564
Dispositions	-	-	-	-
Economic factors	(5)	(29)	(6,924)	(1,189)
Production	(20)	(46)	(13,549)	(2,324)
December 31, 2017	1,018	1,104	465,069	79,634

TOTAL PROVED PLUS PROBABLE	Light and Medium Crude Oil (Mbbl)	Natural Gas Liquids (Mbbl)	Associated and Non-Associated Gas (Mmcf)	Oil Equivalent (Mboe)
December 31, 2016	799	567	157,037	27,539
Product type transfer	-	-	-	-
Extensions & Improved Recovery	268	11	10,462	2,023
Infill Drilling	-	-	-	-
Technical Revisions	(250)	227	8,306	1,362
Acquisitions	876	759	462,293	78,684
Dispositions	-	-	-	-
Economic factors	(2)	(22)	(3,734)	(646)
Production	(20)	(46)	(13,549)	(2,324)
December 31, 2017	1,672	1,496	620,814	106,637

Note:

(1) Columns may not add due to rounding.

2017 Operating Results and Operations Update

Production

Ikkuma's 2017 annual average increased to 6,366 BOE/d, comparable to 6,310 BOE/d of 2016 annual average production volumes. Fourth quarter 2017 average daily production increased by 23% to 7,324 BOE/d compared to fourth quarter 2016 average daily production of 5,967 BOE/d.

Current average daily production, based on field estimates, is in excess of 19,000 BOE/d after closing the Foothills Acquisition on December 21, 2017.

Optimization

Successful field optimization initiatives with minimal capital spending have been completed since closing the Foothills Acquisition. During the last three months, field and office staff have contributed to optimization efforts on the newly acquired properties for production increases of more than 8% and an operating cost decrease per BOE of not less than 10%. Ongoing production and operating cost optimization will continue as Ikkuma further integrates the acquired assets into its now substantially larger production base.

Crude Oil Development Drilling Opportunities

The Foothills Acquisition expanded the existing crude oil development drilling inventory to more than 200 low-risk locations throughout the Alberta foothills areas.

Market Diversification

With the significant production growth, in addition to an ongoing hedging risk management program, Ikkuma is also pursuing a diversified natural gas marketing program to reduce price risk beyond AECO pricing. The Corporation has begun to build a portfolio of energy derivatives and has forward sold 33% of its expected sulphur production for 2018 in the form of costless collars at $US60 - $US100/tonne. In addition, 17% of its expected average daily natural gas production for 2018 has been hedged at an average price of $2.55/GJ.

Non-Core Divestitures

To maintain its prudent financial strategy and to access the significant inventory of drilling opportunities, particularly focussed on an expanded crude oil development drilling inventory, Ikkuma is actively planning to sell non-core assets in 2018.

Liquidity

As a result of the significant increase in all reserve categories, particularly Proved Developed Producing reserves, as at December 31, 2017, Ikkuma anticipates an extension of its current Syndicated Credit Facility. A review of the facility is anticipated to be completed by April 25, 2018.

The Syndicated Credit Facility along with anticipated proceeds from non-core asset dispositions is expected to provide the necessary liquidity to fulfill Ikkuma's capital expenditure requirements for 2018.

Given the current low natural gas price environment, financial covenants with both the Corporation's bank syndicate and it's term debtholder were amended prior to December 31, 2017 and Ikkuma is fully compliant with all covenants associated with its current debt financing facilities (unaudited).

Production

Guidance for 2018 average daily production is expected to be in the range of 17,500 BOE/d to 18,500 BOE/d considering the impact of production declines throughout the year. Production guidance excludes potential non-core divestitures.

Capital Expenditures

The Corporation's capital expenditure program for 2018 will focus on fulfilling a $12.5 million obligation associated with the flow-through financing completed in 2017. The remainder of the capital expenditure program is expected to be on necessary maintenance, equipping, tie-in and low cost high-return optimization initiatives.

About Ikkuma Resources Corp.

Ikkuma Resources Corp. is a diversified growth-oriented public oil and gas company listed on the TSX Venture Exchange under the symbol "IKM", with holdings in both conventional and unconventional projects in Western Canada. The Company is focused in the Foothills Region of Western Canada with a team that has extensive experience in the area with the unique skills at successfully exploiting a complex and potentially prolific play type. Corporate information can be found at: www.ikkumarescorp.com.

Definitions

The reserves evaluations, effective December 31, 2017, were conducted by Deloitte, the Corporation's independent reserves evaluators and are in accordance with National Instrument 51-101 - Standards of Disclosure for Oil and Gas Activities. The reserves are provided on a Gross basis in units of barrels of oil equivalent using a forecast price deck, adjusted for quality, in Canadian dollars. The estimated values may or may not represent the fair market value of the reserve estimates.

"Gross" in relation to the Corporation's interest in production or reserves is its working interest (operating or non-operating) share before deduction of royalties and without including any royalty interests of the Corporation;

"Net" in relation to the Corporation's interest in production or reserves is its working interest (operating or non-operating) share after deduction of royalty obligations, plus its royalty interest in production or reserves;

"Proved reserves" are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves;

"Probable reserves" are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves;

BOE Conversion - "BOE" barrel of oil equivalent is derived by converting natural gas to oil in the ratio of 6 Mcf of natural gas to one bbl of oil. A BOE conversion ratio of 6 Mcf to 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.

"Finding, Development and Acquisition Costs" are calculated by dividing the total of the exploration and development costs, the change during the most recent financial year in estimated future development capital relating to either proved reserves or probable reserves and the decommissioning obligations assumed on the Foothills Acquisition by the additions to either proved reserves or probable reserves during the most recent financial year. Industry analysts and investors use such metrics to measure a Corporation's ability to establish a long-term trend of adding reserves at a reasonable cost. The aggregate of the exploration and development costs incurred in the most recent financial year and the change during that year in estimated future development costs generally will not reflect total finding and development costs related to reserve additions for that year.

"Recycle ratios" are calculated by dividing the average operating netback per barrel of oil equivalent by finding, development and acquisition costs per barrel of oil equivalent. Recycle ratios may be used as a measure of a company's profitability.

Forward-Looking Statements and Information

This press 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", "objective", "ongoing", "may", "will", "project", "should", "believe", "plans", "intends" and similar expressions are intended to identify forward-looking statements or information. In particular the press release contains forward-looking statements and information relating to Ikkuma's ongoing production and cost optimization efforts, its pursuit of a diversified natural gas marketing program, its planned sale of non-core assets in 2018, and anticipated extension of its syndicated credit facility and the anticipated review thereof by April 25, 2018, the anticipated proceeds for and the expected focus of the Corporation's capital expenditure program for 2018, Ikkuma's reserves and the net present value information relating thereto and the net asset value of the Corporation's shares. 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 risk. 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. The recovery and reserve estimates contained in this press release are estimates only and there is no guarantee that the estimated reserves will be recovered.

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.

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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Proved-Developed-Producing-Reserves-2017-Operating-Results-and-Operations-Update