Ikkuma Resources Corp.

Ikkuma Resources Corp. Announces Third Quarter 2018 Financial and Operating Results

CALGARY, Nov. 21, 2018 /CNW/ - Ikkuma Resources Corp. ("Ikkuma" or the "Corporation") (TSXV: IKM) is pleased to report its financial and operating results for the three and nine months ended September 30, 2018. Financial and operational information is set out below and should be read in conjunction with Ikkuma's September 30, 2018 unaudited interim financial statements and the related management's discussion and analysis ("MD&A"). Ikkuma's condensed unaudited interim financial statements and MD&A are available for review at www.sedar.com and on the Corporation's website at www.ikkumarescorp.com.

HIGHLIGHTS

- On August 24, 2018, Ikkuma announced the proposed business combination with Pieridae Energy Limited including the formation of a new private corporation.
- A special meeting of shareholders with respect to the proposed business combination with Pieridae Energy Limited is scheduled to be held on December 17, 2018.
- Achieved average production for the nine months ended September 30, 2018 of 17,968 boe per day, an increase of 197% compared to 6,043 boe per day for the same period in 2017.
- Increased revenue for the nine months ended September 30, 2018 by 139% to $59.2 million compared to $24.8 million for the nine months ended September 30, 2017.
- In line with Ikkuma's ongoing field optimization initiatives, net operating expenses per boe were reduced by 9% to $9.82/boe for the three months ended September 30, 2018 compared to $10.79/boe for the three months ended June 30, 2018.
- Decreased general and administrative expense per boe by 60% to $0.83/boe for the nine months ended September 30, 2018 as compared to $2.09/boe for the nine months ended September 30, 2017.
- On October 11, 2018, the Corporation announced that it closed a conveyance and sale agreement for the sale of a non-core dormant midstream facility for a total consideration of $2.0 million.
- On November 14, 2018, the Corporation announced that it obtained a $20.0 million senior secured term loan with Alberta Investment Management Corporation and terminated its amended and restated syndicated credit agreement with its banking syndicate.

(Expressed in thousands of Canadian dollars except per boe and share amounts)		**Three Months Ended September 30,**				**Nine Months Ended September 30,**		
		2018		2017		**2018**		2017
OPERATIONS								
Average daily production								
Natural gas (mcf/d)		**101,338**		33,208		**104,822**		35,220
Light oil (bbl/d)		**160**		52		**199**		53
NGLs (bbl/d)		**314**		120		**299**		121
Total equivalent (boe/d)		**17,364**		5,707		**17,968**		6,043
Average prices								
Natural gas ($/mcf)	**$**	**1.25**	$	1.47	**$**	**1.46**	$	2.36
Light oil ($/bbl)		**84.24**		53.26		**76.15**		57.21
NGLs ($/bbl)		**59.03**		30.05		**56.45**		33.40
Operating netback								
Revenue ($/boe)	**$**	**11.34**	$	9.75	**$**	**12.08**	$	15.02
Realized gain on risk management contracts ($/boe)		**0.93**		4.43		**0.96**		1.58
Royalties ($/boe)		**(0.36)**		(0.38)		**(0.61)**		(0.33)
Net operating expenses ($/boe)		**(9.82)**		(9.42)		**(10.68)**		(8.60)
Transportation expenses ($/boe)		**(1.08)**		(1.67)		**(1.05)**		(1.91)
Operating netback (1) ($/boe)	**$**	**1.01**	$	2.71	**$**	**0.70**	$	5.76
FINANCIAL								
Petroleum and natural gas revenues (2)	**$**	**18,116**	$	5,120	**$**	**59,244**	$	24,777
Cash provided by operating activities	**$**	**4,016**	$	969	**$**	**6,517**	$	6,443
Per share – basic and diluted	**$**	**0.04**	$	0.01	**$**	**0.06**	$	0.07
Funds flow from (used in) operations (1)	**$**	**(1,647)**	$	(1,212)	**$**	**(4,730)**	$	3,562
Per share – basic and diluted	**$**	**(0.02)**	$	(0.01)	**$**	**(0.04)**	$	0.04

Adjusted funds flow [1]	**$**	**(672)**	$	(576)	**$**	**(3,609)**	$	4,316
Per share – basic and diluted	**$**	**(0.01)**	$	(0.01)	**$**	**(0.03)**	$	0.05
Net loss and comprehensive loss	**$**	**(6,719)**	$	(3,394)	**$**	**(20,998)**	$	(1,828)
Per share – basic and diluted	**$**	**(0.06)**	$	(0.03)	**$**	**(0.19)**	$	(0.02)
Capital expenditures	**$**	**852**	$	10,050	**$**	**3,217**	$	21,207
Property acquisitions	**$**	**-**	$	-	**$**	**2,711**	$	-
Net debt [1,3]	**$**	**68,613**	$	40,912	**$**	**68,613**	$	40,912
Shares outstanding ('000s)		**109,334,987**		109,334,987		**109,334,987**		109,334,987
Weighted average shares outstanding basic and diluted ('000s)		**109,334,987**		97,959,230		**109,334,987**		95,495,864

[1] *Operating netback, funds flow from (used in) operations, adjusted funds flow, net operating expenses and net debt are non-IFRS measures. See "Non- IFRS Measures".*

[2] *Before royalties.*

[3] *Net debt includes Bank debt (as hereinafter defined), Term debt (as hereinafter defined) and working capital deficiency (surplus), excluding fair value of risk management contracts.*

BUSINESS COMBINATION WITH PIERIDAE ENERGY LIMITED

On August 24, 2018, the Corporation announced the proposed business combination with Pieridae Energy Limited ("**Pieridae**") whereby Pieridae will acquire all of the issued and outstanding shares of Ikkuma in exchange for 0.1926 of a common share of Pieridae for each Ikkuma common share. Additionally, Ikkuma shareholders will receive 0.1 of a share of a newly formed private corporation, Briko Energy Corp. ("**Briko**") for each Ikkuma common share and 0.1 of a common share purchase warrant of Briko for each Ikkuma common share. Each whole common share purchase warrant will entitle the holder to acquire one common share of Briko at an exercise price of $1.10 per share at any time on or before 180 days following the closing of the proposed business combination with Pieridae. On October 26, 2018, the Corporation received the necessary approval from Alberta Energy Regulator with respect to the transfer of certain Cardium oil assets from Ikkuma to Briko that were not intended to be acquired by Pieridae in the proposed business combination.

SPECIAL MEETING OF IKKUMA SHAREHOLDERS

A Management Information Circular and Proxy Statement with respect to the proposed business combination with Pieridae has been mailed to Ikkuma shareholders with a special meeting of shareholders scheduled to be held on December 17, 2018.

FINANCIAL AND OPERATING RESULTS

Average production for the nine months ended September 30, 2018 was 17,968 boe per day, an increase of 197% compared to 6,043 boe per day for the same period in 2017. The increase was primarily due to production volumes related to the acquisition of assets located in the Alberta Foothills and British Columbia Deep Basin (the "Foothills Acquisition"), which closed on December 21, 2017. Due to the current low natural gas price environment, Ikkuma shut-in a portion of its gas production during the third quarter of 2018. Total production reported for the third quarter of 2018 of 17,364 boe/d was impacted by shut in gas production decisions that reduced production by approximately 2,000 boe/d.

Petroleum and natural gas revenues increased 139% to $59.2 million for the nine months ended September 30, 2018 compared to $24.8 million for the nine months ended September 30, 2017. The increase was primarily due to increased production volumes associated with the Foothills Acquisition.

Field optimization initiatives have been successful in reducing net operating costs per boe. Net operating expenses per boe decreased 9% to $9.82/boe for the three months ended September 30, 2018 compared to $10.79/boe for the three months ended June 30, 2018.

Operating netbacks for the nine months ended September 30, 2018 were $0.70 per boe compared to $5.76 per boe for same period in 2017. This decrease in operating netbacks was primarily due to a 38% reduction in realized natural gas prices.

With increased production, general and administrative expense per boe decreased by 60% to $0.83 per boe for the nine months ended September 30, 2018 compared to $2.09 per boe for the nine months ended September 30, 2017.

Adjusted funds flow for the nine months ended September 30, 2018 of negative $3.6 million included realized gains of $4.7 million associated with the Corporation's risk management program. In comparison, adjusted funds flow for the nine months ended September 30, 2017 was $4.3 million and included $2.6 million of realized gains on risk management contracts.

Capital expenditures for the nine months ended September 30, 2018 were $3.2 million compared to $21.2 million for the nine months ended September 30, 2017.

Net debt, which includes the Corporation's syndicated credit facility (the "Bank debt"), second lien senior secured term debt facility ("Term debt") and working capital deficiency (excluding fair value of risk management contracts) was $68.6 million as at September 30, 2018 compared to $58.0 million as at December 31, 2017. Bank debt was $4.5 million as at September 30, 2018 compared to $10.4 million as at December 31, 2017.

PROPERTY DISPOSITION

On October 11, 2018, the Corporation announced that it closed a conveyance and sale agreement for the sale of a non-core dormant midstream facility in the Alberta foothills for a total consideration of $2.0 million. Proceeds from this property disposition were used to reduce Bank debt.

FINANCING

On November 14, 2018, Ikkuma completed a financing for a $20.0 million senior secured term loan with Alberta Investment Management Corporation ("AIMCo"). The term loan bears annual interest at 9.5% and matures on the earliest of the closing of the Corporation's proposed business combination with Pieridae and March 31, 2022. Proceeds from the term loan were used to repay Bank debt and allowed the Corporation to proceed with its flow-through drilling program in the amount of $12.1 million to be spent by December 31, 2018.

As a result of completing the financing with AIMCo and repaying all outstanding Bank debt, the Corporation has terminated its amended and restated syndicated credit agreement with its banking syndicate.

ABOUT IKKUMA

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 Corporation is focussed 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.

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 and Information" 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 expected closing of the business combination with Pieridae, the holding of a special meeting of Ikkuma shareholders on December 17, 2018, the completion of the $12.1 million flow through drilling program by December 31, 2018 and the expected maintenance of an interest in certain Cardium oil assets resulting from the receipt of shares in Briko. 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 (used in) operations, operating netback, net operating expenses and net debt are not recognized measures under IFRS. Management believes that in addition to net income (loss), funds flow from (used in) 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 operating expense is a non-IFRS measure calculated as operating expenses less other income. Other income includes gas processing income earned from fees charged to third parties at facilities where Ikkuma has an ownership interest. Net debt is the total of cash and cash equivalents plus accounts receivable, plus prepaids and deposits, less accounts payable and accrued liabilities, Term debt 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.

SOURCE Ikkuma Resources Corp.

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