

## Strategic Oil & Gas Ltd. Announces Second Quarter 2015 Financial and Operating Results

CALGARY, ALBERTA--(Marketwired - Aug 13, 2015) - Strategic Oil & Gas Ltd. ("Strategic" or the "Company") (TSX VENTURE:SOG) reports financial and operating results for the three months ended June 30, 2015. Detailed results are presented in Strategic's interim condensed consolidated financial statements and related Management's Discussion and Analysis ("MD&A") which will be available through the Corporation's website at [www.sogoil.com](http://www.sogoil.com) and on SEDAR at [www.sedar.com](http://www.sedar.com).

### FINANCIAL AND OPERATIONAL SUMMARY

	Three months ended June 30			Six months ended June 30		
	2015	2014	% change	2015	2014	% change
<b>Financial (\$thousands, except per share amounts)</b>						
Oil and natural gas sales <sup>(1)</sup>	<b>10,942</b>	23,384	(53)	<b>21,364</b>	44,754	(52)
Funds from operations <sup>(2)</sup>	<b>3,455</b>	3,541	(2)	<b>4,895</b>	4,526	8
Per share basic & diluted <sup>(2)</sup>	<b>0.01</b>	0.01	-	<b>0.01</b>	0.01	-
Cash provided by (used in) operating activities	<b>1,444</b>	(5,627)	-	<b>(2,153)</b>	4,476	-
Per share basic & diluted	<b>0.00</b>	(0.02)	-	<b>(0.00)</b>	0.01	-
Net loss	<b>(5,796)</b>	(2,717)	(113)	<b>(14,407)</b>	(12,379)	(16)
Per share basic & diluted	<b>(0.01)</b>	(0.01)	-	<b>(0.03)</b>	(0.04)	-
Capital expenditures (excluding acquisitions)	<b>547</b>	13,540	(96)	<b>8,073</b>	51,993	(84)
Net acquisitions (dispositions)	-	(3,478)	(100)	-	(3,821)	(100)
Bank debt (comparative figure is as of December 31, 2014)	<b>51,500</b>	29,016	77	<b>51,500</b>	29,016	77
Net debt (comparative figure is as of December 31, 2014) <sup>(2)</sup>	<b>53,222</b>	48,399	10	<b>53,222</b>	48,399	10
<b>Operating</b>						
Average daily sales						
Crude oil (bbl per day)	<b>1,917</b>	2,294	(16)	<b>2,154</b>	2,327	(7)
Natural gas (mcf per day)	<b>3,377</b>	7,461	(55)	<b>4,302</b>	6,098	(29)
Barrels of oil equivalent (boe per day)	<b>2,480</b>	3,538	(30)	<b>2,871</b>	3,343	(14)
Average prices						
Oil & NGL, before risk management (\$ per bbl)	<b>57.58</b>	96.62	(40)	<b>48.96</b>	93.02	(47)
Oil & NGL, including risk management (\$ per bbl)	<b>65.00</b>	83.35	(22)	<b>57.45</b>	81.05	(29)
Natural gas, before risk management (\$ per mcf)	<b>2.92</b>	4.75	(39)	<b>2.92</b>	5.05	(42)
Natural gas, including risk management (\$ per mcf)	<b>2.94</b>	4.53	(35)	<b>2.93</b>	4.65	(37)
Netback (\$ per boe) <sup>(2)</sup>						
Oil and natural gas sales <sup>(1)</sup>	<b>48.49</b>	72.66	(33)	<b>41.11</b>	73.95	(44)
Royalties	<b>(2.33)</b>	(16.26)	(86)	<b>(3.89)</b>	(16.07)	(76)
Operating expenses	<b>(25.21)</b>	(24.53)	3	<b>(23.05)</b>	(28.92)	20
Transportation expenses <sup>(1)</sup>	<b>(1.19)</b>	(3.62)	(67)	<b>(1.30)</b>	(3.81)	(66)

Operating Netback	<b>19.76</b>	28.25	(30)	<b>12.87</b>	25.15	(49)
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**Common Shares (thousands)**

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Common shares outstanding, end of period	<b>542,319</b>	361,001	50	<b>542,319</b>	361,001	50
Weighted average common shares (basic)	<b>542,319</b>	360,959	50	<b>542,319</b>	311,646	74
Weighted average common shares (diluted)	<b>542,319</b>	360,959	50	<b>542,319</b>	311,646	74

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(1) In 2015, revenues are presented net of pipeline tariffs on oil sales which occur after title to the product has passed to the customer. Prior period amounts for revenue and transportation have been reclassified to conform to the current period presentation

(2) Funds from operations, net debt and operating netback are non-IFRS measurements; see "Non-IFRS Measurements" in the Company's MD&A.

**SUMMARY**

- Funds from operations totaled \$3.5 million, consistent with the second quarter of 2014. Significantly lower commodity prices were offset by the Company's continued focus on lowering operating and transportation costs at Marlowe, as well as a realized gain on risk management contracts of \$1.3 million and reduced royalty rates.
- Operating netbacks decreased by 30 percent to \$19.76/boe for the three months ended June 30, 2015 from \$28.25/boe for the comparative period in 2014. The 33% drop in oil & gas revenues per boe was partially mitigated by lower royalty rates and transportation expenses. Current quarter operating costs were negatively impacted by a \$0.5 million (\$2.21/boe) prior year adjustment related to the Bistcho gas processing facility. The Company has made significant strides in reducing its cost base at Marlowe to limit the effect of low oil prices and reduced production volumes on operating netbacks, which has helped maintain funds from operations. The operating netback at Marlowe for the second quarter of 2015 was \$25.98/boe.
- Capital expenditures of \$0.5 million for the second quarter of 2015 represented a 96% decrease from the second quarter of 2014, reflecting Strategic's commitment to capital discipline in a low commodity price environment. Current period expenditures were directed towards well equipping costs.
- Strategic was in compliance with all covenants under its credit facility as at June 30, 2015. Strategic's net debt at June 30, 2015 was \$53.2 million compared to a maximum borrowing capacity of \$58.5 million less letters of credit outstanding, or \$54.1 million. The Company is working with its lender to determine a shorter time frame for repayment of the \$18.5 million non-revolving portion of the facility, which is currently being reduced at a rate of \$0.5 million per month. The credit facility has a review date of July 1, 2015 and the Company anticipates the facility will be renewed once a repayment schedule is finalized, although there can be no assurance that the credit facility will be renewed at the existing amount and terms. Strategic is evaluating alternatives to repay the non-revolving portion of the bank line including non-core asset dispositions and other financing sources, including equity issuances.
- Average daily production totaled 2,480 boe/d for the three months ended June 30, 2015 compared to 3,538 boe/d for the second quarter of 2014 and 3,267 boe/d for the first three months of 2015 due to the temporary shut-in of 700 boe/d of production at Bistcho and Cameron Hills in February 2015, as well as a lack of drilling activity and workover expenditures in the current period. Average daily production of 2,871 boe/d for the first six months of 2015 was 4% below Strategic's earlier guidance of 3,000 boe/d as the Company elected to preserve capital rather than conduct workover operations on certain low productivity wells at Marlowe.

**OUTLOOK**

Strategic curtailed drilling activities in early 2015 and is maintaining capital discipline during the current low

commodity price environment, but continues to believe in the potential profitability of its conventional Muskeg light oil resource at Marlowe. Strategic is focused on streamlining operations and is encouraged by continued strong netbacks at Marlowe in 2015 (\$25.98/boe for the second quarter and \$19.89/boe for the first six months) despite low oil prices. Due to the relatively high fixed-cost nature of the Marlowe asset, operating netbacks trend upwards with additional production volumes, and the Company has a substantial drilling inventory on its extensive land base at Marlowe. Strategic is evaluating alternatives to obtain additional capital to recommence the Muskeg development in a way that provides the greatest benefit to shareholders.

The Company is working proactively with its lenders to manage the repayment of the \$18.5 million non-revolving portion of the Company's credit facility. Strategic intends to repay this amount through asset dispositions, funds from operations and equity or other alternative financing as required.

## **ABOUT STRATEGIC**

Strategic is a junior oil and gas company committed to becoming a premier northern oil and gas operator by exploiting its light oil assets primarily in northern Alberta. The Company relies on its extensive subsurface and reservoir experience to develop its asset base and grow production and cash flows while managing risk. The Company maintains control over its resource base through high working interest ownership in wells, construction and operation of its own processing facilities and a significant undeveloped land and opportunity base. Strategic's primary operating area is at Marlowe, Alberta. Strategic's common shares trade on the TSX Venture Exchange under the symbol SOG.

## **ADDITIONAL INFORMATION**

Additional information is also available at [www.sogoil.com](http://www.sogoil.com) and at [www.sedar.com](http://www.sedar.com).

### **Forward-Looking Statements**

This news release includes certain information, with management's assessment of Strategic's future plans and operations, and contains forward-looking statements which may include some or all of the following: (i) anticipated production rates; (ii) expected operating and service costs and the impact of capital projects on operating costs; (iii) expected capital spending; (iv) the Corporation's financial strength and capitalization; (v) estimates of reserves; (vi) corporate production levels; which are provided to allow investors to better understand the Corporation's business. By their nature, forward-looking statements are subject to numerous risks and uncertainties; some of which are beyond Strategic's control, including the impact of general economic conditions, industry conditions, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, changes in environmental tax and royalty legislation, competition from other industry participants, the lack of availability of qualified personnel or management, stock market volatility and ability to access sufficient capital from internal and external sources, and other risks and uncertainties described under the heading 'Risk Factors' and elsewhere in the Corporation's Annual Information Form for the year ended December 31, 2014 and other documents filed with Canadian provincial securities authorities and are available to the public at [www.sedar.com](http://www.sedar.com). Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. The principal assumptions Strategic has made includes security of land interests; drilling cost stability; royalty rate stability; oil and gas prices to remain in their current range; finance and debt markets continuing to be receptive to financing the Corporation and industry standard rates of geologic and operational success. Actual results could differ materially from those expressed in, or implied by, these forward-looking statements. Strategic disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

### **Basis of Presentation**

This discussion and analysis of Strategic's oil and natural gas production and related performance measures is presented on a working-interest, before royalties basis. For the purpose of calculating unit information, the Corporation's production and reserves are reported in barrels of oil equivalent (boe) and boe per day (boed). Boe may be misleading, particularly if used in isolation. A boe conversion ratio for natural gas of 6 Mcf: 1 boe has been used, which is based on an energy equivalency conversion method primarily applicable

at the burner tip and does not necessarily 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.

#### Non-IFRS Measurements

The Corporation utilizes certain measurements that do not have a standardized meaning or definition as prescribed by IFRS and therefore may not be comparable with the calculation of similar measures by other entities, including net debt, operating netback and funds from operations. Readers are referred to advisories and further discussion on Non-IFRS measurements contained in the Corporation's MD&A.

Neither the 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.

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