Strategic Oil & Gas Ltd. Announces Second Quarter 2016 Financial and Operating Results

CALGARY, ALBERTA--(Marketwired - Aug 15, 2016) - Strategic Oil & Gas Ltd. ("Strategic" or the "Company") (TSX VENTURE:SOG) reports financial and operating results for the three and six months ended June 30, 2016. Detailed results are presented in Strategic's interim consolidated financial statements and related Management's Discussion and Analysis ("MD&A") which are available through the Company's website at www.sogoil.com and on SEDAR at www.sedar.com.

FINANCIAL AND OPERATIONAL SUMMARY

	Three months ended June 30			**Six months ended June 30**		
Financial ($thousands, except per share amounts)	**2016**	2015	% change	**2016**	2015	% change
Oil and natural gas sales	**5,974**	10,942	(45)	**10,679**	21,364	(50)
Funds from (used in) operations [1]	**440**	3,455	(87)	**(1,740)**	4,895	-
Per share basic & diluted [1]	**-**	0.01	(100)	**-**	0.01	(100)
Cash provided by (used in) operating activities	**3,820**	1,444	165	**2,345**	(2,153)	-
Per share basic & diluted	**0.01**	-	-	**-**	-	-
Net loss	**(5,800)**	(5,797)	-	**(13,059)**	(14,407)	(9)
Per share basic & diluted	**(0.01)**	(0.01)	-	**(0.02)**	(0.03)	(33)
Capital expenditures (excluding acquisitions)	**1,152**	547	111	**9,449**	8,073	17
Bank debt (comparative figure is as of December 31, 2015)	**-**	42,857	(100)	**-**	42,857	(100)
Net debt (comparative figure is as of December 31, 2015) [1]	**57,089**	54,024	6	**57,089**	54,024	6
Operating						
Average daily production						
Crude oil (bbl per day)	**1,396**	1,917	(27)	**1,471**	2,154	(32)
Natural gas (mcf per day)	**2,598**	3,377	(23)	**2,566**	4,302	(40)
Barrels of oil equivalent (boe per day)	**1,829**	2,480	(26)	**1,899**	2,871	(34)
Average prices						
Oil & NGL, before risk management ($ per bbl)	**44.27**	57.58	(23)	**36.89**	48.96	(25)
Oil & NGL, including risk management ($ per bbl)	**44.27**	65.00	(32)	**36.89**	57.45	(36)
Natural gas, before risk management ($ per mcf)	**1.48**	2.92	(49)	**1.72**	2.92	(41)
Natural gas, including risk management ($ per mcf)	**1.48**	2.94	(50)	**1.72**	2.93	(41)
Netback ($ per boe) [1]						
Oil and natural gas sales	**35.89**	48.49	(26)	**30.90**	41.11	(25)
Royalties	**(4.27)**	(2.33)	83	**(3.83)**	(3.89)	(2)
Operating expenses	**(21.45)**	(25.21)	(15)	**(21.96)**	(23.05)	(5)
Transportation expenses	**(0.78)**	(1.19)	(34)	**(0.75)**	(1.30)	(42)
Operating Netback [1]	**9.39**	19.76	(52)	**4.36**	12.87	(66)
Common Shares (thousands)						
Common shares outstanding, end of						

period	**542,344**	542,319	-	**542,344**	542,319	-
Weighted average common shares (basic & diluted)	**542,329**	542,319	-	**542,324**	542,319	-

(1) Funds from operations, net debt and operating netback are Non-GAAP measures; see "Non-GAAP measures" in the Company's MD&A.

QUARTERLY SUMMARY

- Strategic continued to implement operational efficiencies and reduce costs in the second quarter of 2016. Operating costs dropped $2.1 million or 37% from the second quarter of 2015 and $0.5 million or 11% from the first quarter of 2016. General and administrative ("G&A") costs for the current period were reduced by $0.4 million and $0.2 million, respectively compared to the second quarter of 2015 and first three months of 2016.

- The offering of convertible debentures closed on February 29, 2016 for net proceeds of $92.6 million has provided the Company with financial stability and flexibility in an uncertain commodity price environment. Strategic had $22.9 million in working capital at June 30, 2016 which will fund the Company's four well horizontal Muskeg summer drilling program and provide collateral for $4.6 million in letters of credit outstanding. Strategic has elected to pay interest in kind for the first interest payment due on August 31, 2016. The issuance of approximately $3.8 million in additional convertible debentures will preserve cash. The terms of these payment in kind debentures will be identical to the original convertible debentures other than the conversion rate will be $0.165 per share.

- Capital expenditures of $1.2 million for the quarter included initial road and pad construction activities for the Muskeg drilling program, which is currently proceeding on schedule and under budget.

- Average daily production decreased 26% to 1,829 boe/d from 2,480 boe/d for the second quarter of 2015 and 7% from 1,968 boe/d for the first three months of 2016, due to a lack of drilling activity to offset natural production declines at Marlowe. In addition, planned workover and recompletion operations were deferred in the first six months of 2016. Several workovers were conducted early in the third quarter of 2016 in order to mitigate production declines, and recompletion activities may recommence later in the year if oil prices are supportive.

- As a result of cost reductions achieved and an increase in WTI oil prices, operating netbacks increased to $9.39/boe for the three months ended June 30, 2016 from ($0.32)/boe for the first quarter of the year. Operating netbacks decreased 52% from the second quarter of 2015 due to lower oil prices and higher royalty rates. Funds from operations were $0.4 million for the three months ended June 30, 2016, compared to funds used in operations of $2.2 million for the first quarter of 2016 and funds from operations of $3.5 million for the second quarter of 2015.

PERFORMANCE OVERVIEW, STRATEGY AND OUTLOOK

During the second quarter Strategic initiated its $21 million capital spending plan for the second half of 2016, which includes four horizontal Muskeg wells, all weather roads, pipelines and a plant turnaround. The first four well pad is approximately 3 kilometers from the existing wells at West Marlowe, moving toward the Muskeg horizontal well 14-35 which was drilled and tested in the first quarter of 2016. The well 14-35 tested at a rate of 1,060 boe/day over the last 48 hours of a nine day production test.

Road and pad construction were initiated in the second quarter and drilling activities commenced as scheduled in July 2016. The first well on the four well pad was rig released on August 12, 2016. Well 2-13 was drilled a total length of 3,555 metres with a lateral length of 1,900 metres, or 35% longer than the 1,400 metre length of the Company's previous Muskeg wells drilled in late 2014 and 2015. It is Strategic's intention to complete a total of 20 stages on this well as compared to 15 stages for previous Muskeg wells in order to enhance productivity and economic returns on the drilling program.

The Company's focus on cost cutting efforts in both the field and office continued in the second quarter of

2016, leading to reductions in operating and general and administrative costs of $0.5 million and $0.2 million respectively compared to the first three months of the year. Lower costs in combination with the increase in oil prices resulted in positive funds from operations for the current quarter.

Including projected additions from the four new Muskeg wells, Strategic expects to exit 2016 with a production rate of 2,800 boe/day. This capital program is the first step towards exploitation of the delineated, high-impact development corridor at west Marlowe. The Company anticipates continuing to drill along this corridor and executing its growth strategy in 2017.

Strategic is participating in Enercom's Oil & Gas Conference in Denver, Colorado from August 15-17, 2016. Gurpreet Sawhney, president and CEO, is scheduled to give a presentation at 1:55pm MT on Tuesday, August 16, 2016. The presentation will be webcast live and can be accessed at: http://www.theoilandgasconference.com/togc-webcast/sog/

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, including the Company's recently updated corporate presentation, is also available at www.sogoil.com and at 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 capital spending; (iii) the Company's growth strategy and timing; (iv) potential profitability and productivity of its asset base; (v) the impact of cost reduction initiatives; which are provided to allow investors to better understand the Company'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 Company's Annual Information Form for the year ended December 31, 2015 and other documents filed with Canadian provincial securities authorities, available to the public at 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 Company 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 Company'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-GAAP Measurements

The Company 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-GAAP measurements contained in the Company's MD&A.

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