

## Twin Butte Energy Announces Second Quarter Financial Results and Provides Arrangement Agreement Update

CALGARY, Aug. 11, 2016 /CNW/ - (TSX: TBE) – Twin Butte Energy Ltd. ("Twin Butte" or the "Company") reports its financial and operational results for the three and six months ended June 30, 2016.

Certain selected financial and operational information for the three and six months ended June 30, 2016 and 2015 is outlined below and should be read in conjunction with Twin Butte's condensed interim financial statements for the three and six months ended June 30, 2016 and 2015 and accompanying management discussion and analysis filed with the Canadian securities regulatory authorities which may be accessed through the SEDAR website ([www.sedar.com](http://www.sedar.com)) and also on the Company's website.

	Three months ended June 30			Six months ended June 30		
	2016	2015	% Change	2016	2015	% Change
<b>Financial (\$000's, except per share amounts)</b>						
<b>Petroleum and natural gas sales</b>	<b>40,780</b>	77,318	-47%	<b>68,628</b>	139,031	-51%
<b>Funds flow <sup>(1)</sup></b>	<b>6,994</b>	56,982	-88%	<b>4,014</b>	112,349	-96%
Per share basic	0.02	0.16	-88%	0.01	0.32	-97%
Per share diluted	0.02	0.16	-88%	0.01	0.32	-97%
<b>Net income (loss)</b>	<b>(171,852)</b>	(23,920)	-618%	<b>(200,292)</b>	(45,737)	-338%
Per share basic	(0.48)	(0.07)	-586%	(0.56)	(0.13)	-331%
Per share diluted	(0.48)	(0.07)	-586%	(0.56)	(0.13)	-331%
Dividends declared	-	10,514	-100%	-	21,212	-100%
Capital expenditures <sup>(1)</sup>	3,463	17,012	-80%	6,226	42,054	-85%
Net debt <sup>(1)</sup>	290,873	307,672	-5%	290,873	307,672	-5%
<b>Operating</b>						
<b>Average daily production</b>						
Medium & light crude oil (bbl per day)	6,534	7,882	-17%	6,820	8,180	-17%
Heavy crude oil (bbl per day)	4,612	7,312	-37%	4,808	7,893	-39%
Natural gas (Mcf per day)	8,614	12,189	-29%	9,345	12,165	-23%
Natural gas liquids (bbl per day)	146	125	-17%	150	149	1%
<b>Barrels of oil equivalent (boe per day, 6:1)</b>	<b>12,728</b>	17,351	-27%	<b>13,336</b>	18,250	-27%
% Oil and NGLs	89%	88%	0%	88%	89%	-1%
<b>Average sales price</b>						
Medium & light crude oil (\$ per bbl)	41.06	55.70	-26%	33.31	48.07	-31%
Heavy crude oil (\$ per bbl)	35.53	50.84	-30%	27.26	42.53	-36%
Natural gas (\$ per Mcf)	1.38	2.57	-46%	1.59	2.64	-40%
Natural gas liquids (\$ per bbl)	27.77	60.69	-54%	26.60	47.44	-44%
Barrels of oil equivalent (\$ per boe, 6:1)	35.21	48.97	-28%	28.28	42.09	-33%
<b>Field netback (\$ per boe) <sup>(1)</sup></b>						
Petroleum and natural gas sales	35.21	48.97	-28%	28.28	42.09	-33%
Royalties	(3.46)	(4.99)	-31%	(2.88)	(4.63)	-38%
Operating expenses	(18.04)	(18.40)	-2%	(17.47)	(18.65)	-6%
Transportation expenses	(0.94)	(0.81)	16%	(0.97)	(0.89)	9%
<b>Field netback <sup>(1)</sup></b>	<b>12.77</b>	24.77	-48%	<b>6.96</b>	17.92	-61%
Cash gain (loss) on financial derivatives	1.43	16.05	-91%	2.34	20.62	89%
<b>Operating netback <sup>(1)</sup></b>	<b>14.20</b>	40.82	-65%	<b>9.30</b>	38.54	-76%
<b>Wells drilled</b>						
Gross	1.0	6.0	-83%	1.0	23.0	-96%
Net	1.0	6.0	-83%	1.0	23.0	-96%
Success (%)	100	100	0%	100	96	4%
<b>Common Shares</b>						
Shares outstanding, end of period	354,847,889	353,474,198	0%	354,847,889	353,474,198	0%
Weighted average shares outstanding – diluted	354,788,824	353,347,120	0%	354,656,362	353,164,462	0%

<sup>(1)</sup> Funds flow, Capital expenditures, Net debt and Field netback are non-GAAP measures. Refer to "Reader Advisory" in this news release or the MD&A for the three and six months ended June 30, 2016 for further discussion and reconciliation to GAAP measures, if applicable.

### Arrangement Agreement Update

The Company encourages securityholders to vote **FOR** the proposed arrangement agreement with Reignwood Resources (the "Arrangement") at the rescheduled annual and special meeting of security holders on August 29, 2016. Twin Butte's Board of Directors and management remain convinced that voting **FOR** the Arrangement is in the best interests of ALL Twin Butte security holders and that the consideration to be received pursuant to the Arrangement is fair to the Twin Butte securityholders.

### Independent Fairness Opinions

Peters & Co. Limited, in respect of the common shares of Twin Butte, and Canaccord Genuity Corp., in respect of the debentures of Twin Butte, have provided their independent opinions to the board of directors of Twin Butte that based upon all of the information available to them, including information not publicly released due to confidentiality agreements, that the consideration to be received pursuant to the Arrangement is **FAIR**, from a financial point of view, to the respective security holders.

### Independent Advisory Firms Support Agreement

In addition both Glass Lewis & Co. and Institutional Shareholder Services Inc. ("ISS") have recommended that Twin Butte shareholders vote **FOR** the Arrangement. Glass Lewis & Co. is widely recognized as a leading independent proxy voting and corporate governance advisory firm, whose analyses and recommendations are relied upon by many major institutional investment firms, mutual funds and fiduciaries throughout North America. ISS is a leading independent provider of corporate governance and proxy voting analysis, whose recommendations are relied on by many major institutions and securityholders to assist in making informed proxy voting decisions that are in the best interest of shareholders.

## **Approval of Arrangement Removes Risk of Receivership**

The arrangement agreement removes the risk of a receivership filing which in the Company's view, in the current commodity price environment and current level of secured bank debt, would result in both debenture holders and equity holders receiving no consideration. Oil prices, which peaked in Q2, have retreated through July and August to levels seen in Q1 when the Company reported negative cash flow. Net debt to annualized funds flow was 10.4 times for Q2, and 36.2 times for the six months ended June 30, 2016.

## **Further Production Declines Inevitable if Arrangement is Not Approved**

Due to lack of available liquidity, Twin Butte has not been able to invest in new development projects on its asset base. This along with the shut in of uneconomic gas production has resulted in corporate production declining from 13,944 boepd (88% liquids) in Q1 2016 to 12,728 boepd (89% liquids) in Q2 and current production of ~11,500 boepd (93% liquids). Without access to capital, despite the excellent well results achieved in both the Company's Provost and Lloydminster core areas in 2014 and 2015, further production declines are inevitable.

The proposed arrangement is in the Company's opinion, having run an extensive strategic review process, having received independent fairness opinions in respect of the common shares and the debentures, having reviewed all possible avenues, having access to all information both publicly available and that which is subject to confidentiality agreements, the best solution for all stakeholders given the current circumstances.

## **About Twin Butte:**

Twin Butte Energy Ltd. is a value oriented intermediate producer with a deep, low risk, drilling inventory focused on medium and heavy oil reservoirs. The common shares of Twin Butte are listed on the TSX under the symbol "TBE" and the debentures are listed on the TSX under the symbol "TBE.DB".

## **Questions concerning voting may be directed to:**

**Laurel Hill Advisory Group**  
**North American Toll-Free Number: 1-877-452-7184**  
**Collect Calls Outside North America: 416-304-0211**  
**Email: [assistance@laurelhill.com](mailto:assistance@laurelhill.com)**

## **Reader Advisory**

### *Forward-Looking Statements*

*In the interest of providing Twin Butte's shareholders and potential investors with information regarding Twin Butte, including management's assessment of the future plans and operations of Twin Butte, certain statements contained in this news release constitute forward-looking statements or information (collectively "forward-looking statements") within the meaning of applicable securities legislation. Forward-looking statements are typically identified by words such as "anticipate", "continue", "estimate", "expect", "forecast", "may", "will", "project", "could", "plan", "intend", "should", "believe", "outlook", "potential", "target" and similar words suggesting future events or future performance. In particular but without limiting the foregoing, this news release contains forward-looking statements pertaining to the following: the date of the postponed security holders meeting; the possible consequences of the failure to complete the Arrangement; the Company's assessment of the outcome to security holders in an insolvency proceeding; the decline rate on oil volumes is decreasing, the anticipated reduction in Q2 corporate gas volumes if natural gas prices remain low through the second quarter, assessment of future plans regarding the strategic alternatives review process and any expectations regarding Twin Butte's ability to continue as a going concern and future operational activities.*

*With respect to forward-looking statements contained in this news release, Twin Butte has made assumptions regarding, among other things: the date of the meeting will remain the same; the manner in which the lenders may enforce their rights and remedies; the value remaining for security holders of any insolvency proceeding; future capital expenditure levels; future oil and natural gas prices and differentials between light, medium and heavy oil prices; results from operations including future oil and natural gas production levels; future exchange rates and interest rates; Twin Butte's ability to obtain equipment in a timely manner to carry out development activities; decline rates based on analogous information; its ability to market its oil and natural gas successfully to current and new customers; the impact of increasing competition; Twin Butte's ability to obtain financing on acceptable terms; and Twin Butte's ability to add production and reserves through its development and exploitation activities. Although Twin Butte believes that the expectations reflected in the forward looking statements contained in this news release, and the assumptions on which such forward-looking statements are made, are reasonable, there can be no assurance that such expectations will prove to be correct. Readers are cautioned not to place undue reliance on forward-looking statements included in this news release, as there can be no assurance that the plans, intentions or expectations upon which the forward-looking statements are based will occur. By their nature, forward-looking statements involve numerous assumptions, known and unknown risks and uncertainties that contribute to the possibility that the predictions, forecasts, projections and other forward-looking statements will not occur, which may cause Twin Butte's actual performance and financial results in future periods to differ materially from any estimates or projections of future performance or results expressed or implied by such forward-looking statements. These risks and uncertainties include, among other things, the following: the actions that may taken by Twin Butte's lenders; the risk the Arrangement is not completed; the risk that the outcomes described herein differ; the risks associated with the oil and gas industry; commodity prices; operational risks in exploration; development and production; delays or changes in plans; risks associated with the uncertainty of reserve estimates; health and safety risks, and; the uncertainty of estimates and projections of production, costs and expenses. volatility in market prices for oil and natural gas; general economic conditions in Canada, the U.S. and globally; and the other factors described under "Risk Factors" in Twin Butte's most recently filed Annual Information Form available at [www.sedar.com](http://www.sedar.com). Readers are cautioned that this list of risk factors should not be construed as exhaustive.*

*The forward-looking statements contained in this news release speak only as of the date of this news release. Except as expressly required by applicable securities laws, Twin Butte does not undertake any obligation to publicly update or revise any forward looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained in this news release are expressly qualified by this cautionary statement. The conclusions set out in the fairness opinions referred to herein are subject to the assumptions made, procedures followed, matters considered and limitations on the review undertaken by the respective authors in connection with such fairness opinions and are made as at the date of such opinions. The fairness opinions have been prepared for the sole benefit of the board of directors of Twin Butte. Such fairness opinions are not to be construed as a recommendation to any security holder as whether to vote in favor of the Arrangement.*

### *Barrels of Oil Equivalent*

*Barrels of oil equivalents (boe) may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf: 1 bbl (barrel) is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. In addition, 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 indicated value.*

### *Funds Flow*

*The reader is cautioned that this news release contains the term funds flow, which is not a recognized measure under generally accepted accounting principles ("GAAP") and is a measure that represents the total of cash provided by operating activities, before adjusting for changes in non-cash working capital items and expenditures on decommissioning liabilities. Management uses this measure in order to assist them in understanding Twin Butte's liquidity and its ability to generate funds to finance its operations. The term funds flow should not be considered an alternative to, or more meaningful than, cash flow from operating activities as determined in accordance with GAAP as an indicator of the Company's performance. Twin Butte's method of calculating this measure may differ from other companies, and accordingly, may not be comparable to measures used by other companies.*

#### Capital Expenditures

*The reader is cautioned that this news release contains the term Capital Expenditures, which is not a recognized measure under generally accepted accounting principles ("GAAP") and is a measure that represents the total of expenditures on property and equipment, expenditures on exploration and evaluation assets, proceeds on disposition of property and equipment and proceeds on disposition of exploration and evaluation assets, as per the Statement of Cash Flows. Management uses this measure in order to assist them in understanding Twin Butte's cash used in investing activities. Twin Butte's method of calculating this measure may differ from other companies, and accordingly, may not be comparable to measures used by other companies.*

#### Field and Operating Netback

*The reader is also cautioned that this news release contains the terms field and operating netback, which are not recognized measures under GAAP. Field Netback is calculated as a period's sales of petroleum and natural gas, net of royalties less net production and operating expenses as divided by the period's sales volumes. Operating netback is the field netback, adjusted for realized gains/losses on derivatives. Management uses these measures to assist them in understanding Twin Butte's profitability relative to current commodity prices and they provide an analysis tool to benchmark changes in operational performance against prior periods and to peers on a comparable basis. Readers are cautioned, however, that this measure should not be construed as an alternative to other terms such as net income determined in accordance with GAAP as a measure of performance. Twin Butte's method of calculating this measure may differ from other companies, and accordingly, they may not be comparable to measures used by other companies.*

#### Net Debt

*The reader is cautioned that this news release contains the term net debt, which is not a recognized measure under GAAP and is calculated as bank debt, convertible debentures, and adjusted for working capital excluding mark-to-market derivative contracts. Working capital excluding mark-to-market derivative contracts is calculated as current assets less current liabilities both of which exclude derivative contracts and current liabilities excludes the current portion of debt. Management uses net debt to assist them in understanding Twin Butte's liquidity at specific points in time. Mark-to-market derivative contracts are excluded from working capital, in addition to net debt, as management intends to hold each contract through to maturity of the contract's term as opposed to liquidating each contract's fair value or less.*

SOURCE Twin Butte Energy Ltd.

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