

Strategic Oil & Gas Ltd. Tests Five New Muskeg Wells and Announces First Quarter 2017 Financial and Operating Results

CALGARY, ALBERTA--(Marketwired - May 16, 2017) - Strategic Oil & Gas Ltd. ("Strategic" or the "Company") (TSX VENTURE:SOG) announces results from its first quarter drilling program and reports financial and operating results for the three months ended March 31, 2017. Detailed results are presented in Strategic's interim unaudited consolidated financial statements and related Management's Discussion and Analysis ("MD&A") which will be available through the Company's website at www.sogoil.com and on SEDAR at www.sedar.com.

Highlights for the first quarter include:

- Strategic tested five new Muskeg horizontal wells which are still cleaning up and have recovered approximately 50% of the completion fluids.
- Test rates from the newly drilled wells over a 48 hour period ranged from 300 boe/d to 800 boe/d (80% oil). Once tied-in, production from the new wells will be limited by pipeline pressure to approximately 1,500 boe/d.
- Funds from operations increased 44% to \$2.4 million from \$1.7 million for the fourth quarter of 2016;
- Closed a private placement of 2.4 million common shares for net proceeds of \$5.3 million, further improving the Company's cash position;
- Working capital at March 31, 2017 was \$38.6 million.

FINANCIAL AND OPERATIONAL SUMMARY

Financial (\$thousands, except per share amounts)	Three months ended March 31		
	2017	2016	% change
Oil and natural gas sales	8,888	4,705	89
Funds from (used in) operations ⁽¹⁾	2,383	(2,180)	-
Per share basic ⁽¹⁾	0.05	(0.08)	-
Cash provided by (used in) operating activities	50	(1,474)	-
Per share basic	0.00	(0.05)	-
Net loss ⁽²⁾	(4,440)	(3,483)	27
Per share basic & diluted	(0.10)	(0.13)	(23)
Capital expenditures	18,067	8,296	118
Working capital (comparative figure is as of December 31, 2016)	38,637	47,323	(18)
Net debt (comparative figure is as of December 31, 2016) ⁽¹⁾	49,989	37,166	35
Operating			
Average daily production			
Crude oil (bbl per day)	1,628	1,546	5
Natural gas (mcf per day)	3,872	2,534	53
Barrels of oil equivalent (boe per day)	2,273	1,968	15
Average prices			
Oil & NGL (\$ per bbl)	53.86	30.22	78
Natural gas (\$ per mcf)	2.86	1.96	46
Operating netback (\$ per boe) ⁽¹⁾			
Oil and natural gas sales	43.44	26.26	65
Royalties	(5.53)	(3.42)	62
Operating expenses	(18.57)	(22.44)	(17)
Transportation expenses	(1.43)	(0.72)	99

Operating Netback ⁽¹⁾	17.91	(0.32)	(5,697)
Common Shares ⁽³⁾ (thousands)			
Common shares outstanding, end of period	46,374	27,116	71
Weighted average common shares (basic & diluted)	45,549	27,116	68

- (1) Funds from operations, net debt and operating netback are Non-GAAP measures; see "Non-GAAP measures" in this MD&A.
- (2) The comparative condensed statement of loss has been adjusted to reflect a \$3.8 million adjustment to deferred tax recovery related to the issuance of convertible debentures.
- (3) Adjusted for the previously-announced share consolidation on a 20:1 basis.

QUARTERLY SUMMARY

- Capital expenditures of \$18.1 million were incurred in the quarter, primarily on drilling five horizontal Muskeg wells and pipeline construction at west Marlowe.
- Average daily production increased 15% from the first quarter of 2016, and 22% from the fourth quarter of 2016 to 2,273 for the three months ended March 31, 2017, primarily due to the Company's four well Muskeg drilling program in the second half of 2016 and the 14-35 Muskeg well coming on production.
- Funds from operations increased significantly to \$2.4 million for the three months ended March 31, 2017 from funds used in operations of \$2.2 million for the first quarter of 2016, as higher commodity prices and production led to a \$4.2 million increase in revenues.
- Strategic continued to implement operational efficiencies and reduce costs in the first quarter of 2017. Operating costs dropped \$0.2 million and general and administrative ("G&A") costs for the current period were reduced by \$0.1 million compared to the first quarter of 2016. These reductions were partially offset by higher transportation costs due to increased natural gas production and oil trucking charges caused by a temporary shutdown of the Rainbow pipeline.
- The Company issued \$3.7 million of additional convertible debentures as payment in kind of interest payable on February 28, 2017 to preserve cash while pursuing its capital program. At March 31, 2017, the Company had \$42.4 million in cash and \$38.6 million in working capital.
- Operating netbacks increased to \$17.91/boe for the three months ended March 31, 2017 compared to (\$0.32)/boe for the first quarter of 2016 primarily due to higher commodity prices and production levels, combined with lower operating expenses. As new oil volumes come on line from the five-well drilling program, fixed costs will be spread over a larger production base and Strategic anticipates that netbacks will continue to increase.

PERFORMANCE OVERVIEW, STRATEGY AND OUTLOOK

During the first quarter Strategic focused on the execution of its \$30 million capital spending plan for the first half of 2017, which included drilling five horizontal Muskeg wells and the construction of a four kilometre pipeline to tie-in the 14-35 Muskeg well drilled in the first quarter of 2016. The pipeline project was completed in early February 2017.

The 2017 Muskeg wells were drilled with 1,900 metre lateral lengths and 20 stage completions, similar to the wells drilled in the second half of 2016. To date all five wells drilled in the first quarter have been completed and are being tied-in. Test rates from the newly drilled wells over a 48 hour period ranged from 300 boe/d to 800 boe/d (80% oil). Once tied-in, production from the new wells will be limited by pipeline pressure to approximately 1,500 boe/d.

The Company continued its cost reduction efforts in the current quarter, reducing operating costs and general and administrative ("G&A") expenses by \$0.2 million and \$0.1 million, respectively from the first quarter of 2016. Strategic expects costs operating and G&A expenses to continue to drop on a per boe basis as production levels rise, increasing the Company's netbacks.

Strategic raised \$5.3 million through a private placement in January 2017 and had \$38.6 million in working capital as of March 31, 2017. The Company intends to commence a \$24 million third quarter capital program which includes drilling up to five additional horizontal wells. The Company has cash resources to continue to drill along its high-impact Muskeg development corridor at West Marlowe as part of the

execution of its growth strategy in the second half of 2017.

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 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 operating and service costs and the impact of capital projects on operating costs; (iii) expected capital spending and wells to be drilled; (iv) the Company's financial strength and capitalization; (v) estimates of production; (vi) potential profitability of its assets; (vii) potential funding alternatives; 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, 2016 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.

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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