news release

Cona Resources Ltd. Announces First Quarter 2018 Results

CALGARY, ALBERTA (May 8, 2018) – Cona Resources Ltd. ("Cona" or the "Company") (TSX: CONA) announces its operating and financial results for the three months ended March 31, 2018. Cona's financial statements and management's discussion and analysis ("MD&A") for the three months ended March 31, 2018 are available on our website at www.conaresources.com and on SEDAR at www.sedar.com.

HIGHLIGHTS

- Production for the first quarter of 2018 averaged 17,143 boe/d (99% oil), ahead of fourth quarter 2017 volumes of 16,739 boe/d.
- Operating costs for the first quarter of 2018 of $17.16 per boe were lower than the $17.55 per boe in the fourth quarter of 2017 and reflect the disposition of properties with higher operating costs.
- Realized oil prices for the first quarter of 2018 of $38.91 per barrel compared to $50.38 per barrel in the fourth quarter of 2017. The decrease was due to pipeline apportionment (estimated impact of $2.77 per barrel), widening heavy oil differentials and higher blending costs.
- Operating netbacks for the first quarter of 2018 of $15.00 per boe compared to $25.14 per boe in the fourth quarter of 2017 were negatively impacted by lower realized oil prices.
- General and administrative expenses of $3.60 per boe for the first quarter of 2018 include costs incurred regarding the proposed Arrangement (see below).
- Funds from operations, excluding hedging, of $10.4 million or $6.90 per boe for the first quarter of 2018 compared to $31.6 million or $19.97 per boe in the fourth quarter of 2017. Excluding the estimated impact of pipeline apportionment and the costs related to the proposed Arrangement, funds from operations for the first three months of 2018 would have been $16.2 million or $10.75 per boe.
- Realized losses on financial derivative contracts for the first quarter of 2018 were $10.4 million or $6.91 per boe. Subsequent to March 31, 2018, Cona entered into additional WTI/WCS differential hedges.
- Capital expenditures for the first quarter of 2018 were $21.0 million and included the drilling of all 31 (30.5 net) wells reflected in our annual guidance.
- During the first quarter of 2018, Cona completed the sale of two properties and an asset exchange with a working interest partner for combined net consideration of $9.9 million.
- Cona completed the quarter with net debt of $344.1 million, an increase of $11.1 million from December 31, 2017 as a result of capital expenditures, net of dispositions.

MESSAGE TO SHAREHOLDERS

Cona successfully executed its first quarter 2018 operational plan, notwithstanding the challenging heavy oil price environment. Our team leveraged Cona's high quality asset base and grew production while decreasing operating costs compared to the previous quarter. The production growth from drilling and operational efficiencies helped minimize the production impact of the asset dispositions completed during the first quarter of 2018 as the Company drilled all of the planned 31 (30.5 net) wells for 2018 in the first quarter.

These operational successes were overshadowed by a weak commodity price environment that impacted our financial results. Despite the increase in WTI prices over the first quarter of 2018, wide heavy oil differentials persisted, averaging 39% of WTI. Higher WTI prices increased Cona's hedging losses and blending costs, while pipeline apportionment restricted our ability to sell oil at prevailing market prices. The unique combination of these events had a negative impact on Cona's realized oil prices and funds from operations when compared to historical averages.

Cona holds a 100% working interest in substantially all of our properties, allowing us to be responsive and flexible in a volatile price environment. The Company provided updated guidance on March 7, 2018 which reflects this environment and will continue to monitor commodity prices and adjust our operational plans as appropriate.

FINANCIAL AND OPERATING HIGHLIGHTS

	Three months ended		
	March 31, 2018	December 31, 2017	March 31, 2017
Financial ($000s, except as otherwise noted)			
Oil and natural gas sales	**81,870**	99,104	91,031
Cash flow from operating activities	**6,653**	27,550	14,180
Funds from (used in) operations, excluding hedging[1]	**10,399**	31,581	22,012
Per share – basic	**0.10**	0.31	0.20
Per share – diluted	**0.10**	0.31	0.19
Funds from (used in) operations, including hedging[1]	**(26)**	27,882	20,913
Per share – basic	**-**	0.28	0.19
Per share – diluted	**-**	0.27	0.18
Net income (loss)	**(22,856)**	(108,295)	20,886
Per share – basic	**(0.23)**	(1.07)	0.19
Per share – diluted	**(0.23)**	(1.07)	0.18
Net debt[1]	**344,070**	332,958	345,909
Capital expenditures[2]	**20,964**	15,446	21,030
Net dispositions	**(9,893)**	-	(210)
Weighted average shares outstanding (000s)			
Basic	**101,006**	101,006	109,160
Diluted	**102,989**	102,575	113,539
Shares outstanding at period end (000s)	**101,006**	101,006	101,006

	Three months ended		
	March 31, 2018	December 31, 2017	March 31, 2017
Operating			
Average daily production			
Heavy oil (bbl/d)	**17,000**	16,556	16,974
Natural gas (mcf/d)	**857**	1,099	1,363
Total (boe/d)	**17,143**	16,739	17,201
Average realized price			
Heavy oil ($/bbl)(3)	**38.91**	50.38	44.06
Natural gas ($/mcf)	**2.45**	2.95	2.59
Combined ($/boe)	**38.71**	50.03	43.68
Netbacks ($/boe)			
Average realized price	**38.71**	50.03	43.68
Royalties	**(4.24)**	(5.18)	(4.69)
Production and operating expenses	**(17.16)**	(17.55)	(15.65)
Transportation expenses	**(2.31)**	(2.16)	(2.26)
Operating netback(1)	**15.00**	25.14	21.08
Realized gains (losses) on financial derivative contracts	**(6.91)**	(2.34)	(0.71)
General and administrative expenses(4)	**(3.60)**	(2.14)	(2.37)
Cash finance costs	**(4.24)**	(3.43)	(4.22)
Other	**(0.26)**	0.40	(0.18)
Funds from operations per boe(1)	**(0.01)**	17.63	13.60

Notes:

(1) Funds from operations, net debt and operating netback do not have any standardized meaning prescribed by International Financial Reporting Standards. See “Non-IFRS Financial Measures” in the MD&A for the three months ended March 31, 2018 and 2017.

(2) Capital expenditures include cash expenditures for property, plant and equipment and intangible assets.

(3) Average realized oil prices are net of blending expenses (Q1 2018 – $5.43/bbl; Q4 2017 – $2.71/bbl; Q1 2017 – $3.57/bbl). Q1 2018 average realized oil prices were negatively impacted by approximately $4.1 million or $2.77/bbl due to pipeline apportionment.

(4) General and administrative expenses during the first quarter of 2018 include $1.7 million ($1.11/boe) of costs incurred related to the proposed Arrangement.

OPERATIONS REVIEW

First quarter 2018 average daily production of 17,143 boe/d was consistent with guidance, with over 87% of the Company’s production from Cactus Lake (8,920 boe/d), Winter (3,690 boe/d), Court (1,670 boe/d) and Plover Lake SAGD (650 boe/d).

Cona had an active first quarter drilling a total of 31 (30.5 net) wells. Five infill wells were drilled into established areas of the Court Bakken waterflood as Cona looks to access previously unswept portions of the reservoir. At Cactus Lake, Cona drilled 15 wells as part of the ongoing expansion of the polymer flood with early production performance of the new wells exceeding type curves. The Winter drilling program included one horizontal disposal well to improve water handling efficiency at remote areas of the production gathering infrastructure and 10 producing horizontal wells. Three of the producing wells included a modified well and liner design which is expected to increase drilling efficiency and reduce overall costs.

The Company also completed an asset exchange to achieve a 100% working interest in the Winter property allowing for production optimization across the entire field.

The following table summarizes the drilling program for the first three months of 2018:

Field	Gross	Net
Cactus Lake	15	15.0
Winter	11	10.5
Court	5	5.0
Total	31	30.5

ASSET DISPOSITION PROGRAM

Cona completed two minor asset dispositions and one asset exchange in the quarter for aggregate net consideration of $9.9 million. Cona's asset disposition program announced in January 2018 is ongoing with the Company receiving bids on a number of assets. There is no guarantee that these discussions will result in additional dispositions.

RISK MANAGEMENT

During the first quarter of 2018, Cona realized $10.4 million in losses on financial derivative contracts. The realized losses were with respect to WTI contracts with lower swap prices than actual index prices. A summary of Cona's hedge position as of May 7, 2018 is provided in the table below.

(C$)[1,2]	Q2-Q4 2018	2019
WTI		
Hedged volumes (bbl/d)	8,778	4,000
Average price ($/bbl)	67.00	70.16
WTI / WCS differential		
Hedged volumes (bbl/d)	2,560	2,000
Average price ($/bbl)	24.48	24.99

Notes:

(1) Contracts denominated in US dollars have been converted to Canadian dollars at CAD/USD strip prices as of May 7, 2018.

(2) The prices and volumes in this table represent averages for several contracts over the respective periods presented. The average price of a group of contracts is for indicative purposes only and does not have the same settlement profile as the individual contract. Details of the risk management contracts are disclosed in the notes to the Company's March 31, 2018 condensed consolidated interim financial statements.

TAKE PRIVATE ARRANGEMENT AGREEMENT AND ANNUAL & SPECIAL MEETING OF SHAREHOLDERS

As previously announced, Cona entered into an arrangement agreement with certain affiliates of Waterous Energy Fund (collectively, "WEF") whereby WEF would acquire all of the common shares of Cona not currently owned by WEF pursuant to a plan of arrangement under the *Business Corporations Act* (Alberta) (the "Arrangement"). Under the terms of the Arrangement, shareholders of Cona, other than WEF, will be entitled to receive $2.55 in cash per common share. WEF currently owns approximately 67% of the outstanding common shares and, subject to completion of the Arrangement, would become the sole shareholder of the Company.

A management information circular and related voting materials were mailed to all shareholders in connection with its annual and special meeting to be held in the Plaza Room of the Metropolitan Conference Centre, 333 – 4 Avenue SW, Calgary, Alberta, at 11:00 a.m. (Calgary time) on Friday, May 18, 2018. At the meeting, shareholders of Cona will be asked to approve, among other matters, the Arrangement. The meeting materials are available on Cona's website at www.conaresources.com and under Cona's corporate profile on SEDAR at www.sedar.com.

Conference Call Today
9:00am MT (11:00am ET)

Cona will host a conference call today, May 8, 2018, starting at 9:00am MT (11:00am ET), to review the Company's first quarter 2018 results. Participants can access the conference call by dialing (403) 532-5601 or toll-free (US & Canada) 1 (855) 353-9183 and entering the passcode 43585#.

A recording of the conference call will be available until May 22, 2018 and can be accessed by dialing 1 (855) 201-2300 and entering the conference number 1230553# and passcode 43585#. The replay will be available approximately one hour following completion of the call. The conference call recording will also be available on Cona's website at www.conaresources.com.

ADVISORIES

BOE Conversion and Other Advisories

In this news release, natural gas has been converted to boe based on a conversion rate of six thousand cubic feet of natural gas to one barrel (6 mcf : 1 bbl), which represents an energy equivalency conversion method applicable at the burner tip and does not represent a value equivalency at the wellhead. While it is useful for comparative measures, it may not accurately reflect individual product values and may be misleading if used in isolation.

Unless otherwise indicated, all currency is in Canadian dollars.

Non-IFRS Measures

This news release makes reference to the non-IFRS measure "funds from operations", which should not be considered as an alternative to, or more meaningful than, "cash flow from operating activities" as determined in accordance with IFRS. Funds from operations is defined in "Non-IFRS Financial Measures" in the MD&A for the three months ended March 31, 2018.

Forward-Looking Statements

This news release contains certain forward-looking statements and forward-looking information (collectively referred to as "forward-looking statements") within the meaning of applicable Canadian securities laws. All statements other than statements of historical fact are forward-looking statements. Forward-looking statements contain words such as "anticipate", "believe", "plan", "continuous", "estimate", "expect", "may", "will", "project", "should", or similar words suggesting future outcomes.

Undue reliance should not be placed on forward-looking statements, which are inherently uncertain, are based on estimates and assumptions, and are subject to known and unknown risks and uncertainties (both general and specific) that contribute to the possibility that the future events or circumstances contemplated by the forward-looking statements will not occur. There can be no assurance that the plans, intentions or expectations upon which forward-looking statements are based will be realized. Actual results will differ, and the difference may be material and adverse to the Company and its shareholders.

With respect to forward-looking statements contained in this news release, management has made assumptions regarding future production levels; future oil and natural gas prices; future operating costs; timing and amount of capital expenditures; the ability to obtain financing on acceptable terms; availability of skilled labour and drilling and related equipment; general economic and financial market conditions; continuation of existing tax and regulatory regimes; and the ability to market oil and natural gas successfully to current and new customers. Although management considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect.

By their very nature, forward-looking statements involve inherent risks and uncertainties (both general and specific) and risks that the goals or figures contained in forward-looking statements will not be achieved. These factors include, but are not limited to, risks associated with fluctuations in market prices for crude oil, natural gas and diluent, general economic, market and business conditions, substantial capital requirements, uncertainties inherent in estimating quantities of reserves and resources, extent of, and cost of compliance with, government laws and regulations and the effect of changes in such laws and regulations from time to time, the need to obtain regulatory approvals on projects before development commences, environmental risks and hazards and the cost of compliance with environmental regulations, aboriginal claims, inherent risks and hazards with operations such as fire, explosion, blowouts, mechanical or pipe failure, cratering, oil spills, vandalism and other dangerous conditions, potential cost overruns, variations in foreign exchange rates, diluent supply shortages, competition for capital, equipment, new leases, pipeline capacity and skilled personnel, credit risks associated with counterparties, the failure of the Company or the holder of licenses, leases and permits to meet requirements of such licenses, leases and permits, reliance on third parties for pipelines and other infrastructure, changes in royalty regimes, failure to accurately estimate decommissioning costs, inaccurate estimates and assumptions by management, effectiveness of internal controls, the potential lack of available drilling equipment and other restrictions, failure to obtain or keep key personnel, title deficiencies with the Company's assets, geo-political risks, risks that the Company does not have adequate insurance coverage, risk of litigation and risks arising from future acquisition activities. The foregoing risks and other risks are described in more detail in the Company's annual information form for the year ended December 31, 2017 and in the MD&A. Readers are cautioned that these factors and risks are difficult to predict and that the assumptions used in the preparation of such information, although considered reasonably accurate at the time of preparation, may prove to be incorrect. Accordingly, readers are cautioned that the actual results achieved may vary from the information provided herein and the variations could be material. Readers are also cautioned that the foregoing list of factors is not exhaustive. Consequently, there is no representation by the Company that actual results achieved will be the same in whole or in part as those set out in the forward-looking statements. Furthermore, the forward-looking statements contained in this news release are made as of the date hereof, and the Company does not undertake any obligation, except as required by applicable securities legislation, to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained herein are expressly qualified by this cautionary statement.

For further information about Cona Resources Ltd., please visit our website at www.conaresources.com or contact:

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