



Harvest Oil & Gas Announces First Quarter 2020 Results

May 29, 2020

HOUSTON, May 29, 2020 (GLOBE NEWSWIRE) -- Harvest Oil & Gas Corp. (OTCQX: HRSTD) ("Harvest" or the "Company") today announced results for the first quarter of 2020.

Key Highlights

- Average daily production was 36.5 MMcfe for the first quarter of 2020
- In January 2020, the Company unwound certain commodity derivative contracts in conjunction with closed divestitures for cash settlements received of \$1.1 million
- On May 8, 2020, the Company completed a one-for-ten reverse stock split of its common stock
- On May 15, 2020, the Company filed a Form 15 with the U.S. Securities and Exchange Commission to voluntarily deregister its common stock

First Quarter 2020 Financial Results

<i>\$ in millions unless noted otherwise</i>	First Quarter 2020	Fourth Quarter 2019
Average daily production (MMcfe/d)	36.5	53.1
Total revenues	\$ 9.5	\$ 16.1
Total assets ⁽¹⁾	181.5	180.2
Net income (loss)	6.0	(22.1)
Adjusted EBITDAX ⁽²⁾	2.2	(0.6)
Total debt ⁽¹⁾	—	—
Net cash provided by operating activities	1.1	3.7
Additions to oil and natural gas properties ⁽³⁾	0.3	(0.8)

(1) As of March 31, 2020 and December 31, 2019.

(2) Adjusted EBITDAX is a Non-GAAP financial measure and is defined and reconciled under "Non-GAAP Measures" below.

(3) Represents cash payments during the period.

For the first quarter of 2020, Harvest reported net income of \$6.0 million, or \$5.87 and \$5.79 per basic and diluted weighted average share outstanding, respectively, compared to a net loss of \$22.1 million, or \$(21.71) per basic and diluted weighted average share outstanding, for the fourth quarter of 2019. For the first quarter of 2019, a net loss of \$35.8 million or \$(35.62) per basic and diluted weighted average share outstanding was reported. Included in the 2020 first quarter net income were the following items:

- \$1.6 million of impairment of oil and natural gas properties primarily related to the write down of properties located in Michigan to its fair value,
- \$8.2 million of non-cash gains on commodity derivatives,
- \$0.3 million of stock-based compensation costs contained in general and administrative expenses, and
- \$0.2 million of divestiture and transaction related expense contained in general and administrative expenses.

Production for the first quarter of 2020 was 2.7 Bcf of natural gas, 100 MBbls of oil and 6 MBbls of natural gas liquids (NGLs), or 36.5 million cubic feet equivalent per day (MMcfe/d). This represents a 31 percent decrease from the fourth quarter of 2020 production of 53.1 MMcfe/d and a 73 percent decrease from the first quarter of 2019 production of 137.2 MMcfe/d. The decrease in production from the fourth quarter of 2019 was primarily due to the divestiture of oil and gas properties that closed in December of 2019. The decrease in production from the first quarter of 2019 was primarily due to divestitures that closed throughout 2019.

Adjusted EBITDAX for the first quarter of 2020 was \$2.2 million, a \$2.8 million increase over the fourth quarter of 2019 and a \$10.2 million decrease from the first quarter of 2019. The increase in Adjusted EBITDAX over the fourth quarter of 2019 was primarily due to an increase in cash settlements received on commodity derivative contracts and a decrease in lease operating expense and general and administrative expenses due to divestitures during the fourth quarter of 2019, partially offset by a decrease in production and revenues due to divestitures during the fourth quarter of 2019 and a decrease in realized oil, natural gas and natural gas liquids prices. The decrease in Adjusted EBITDAX from the first quarter of 2019 was primarily due to divestitures that closed throughout 2019 and a decrease in realized oil, natural gas and natural gas liquids prices, partially offset by an increase in cash settlements received on commodity derivative contracts and a decrease in general and administrative expenses. Adjusted EBITDAX is a Non-GAAP financial measure and is described in the attached table under "Non-GAAP Measures."

Quarterly Report

Harvest's financial statements and related footnotes are available in its Quarterly Report, which can be found at www.otcmartets.com under the stock

symbol HRSTD until June 9th, and thereafter under the stock symbol HRST, Disclosures or through the Investor Relations section of the Harvest website at <http://www.hvstog.com>.

About Harvest Oil & Gas Corp.

Harvest is an independent oil and gas company engaged in the efficient operation and development of onshore oil and gas properties in the continental United States. The Company's assets consist primarily of producing and non-producing properties in the Appalachian Basin (which includes the Utica Shale) and Michigan. More information about Harvest is available on the internet at <https://www.hvstog.com>.

Forward Looking Statements

This press release contains certain statements that are, or may be deemed to be, "forward-looking statements". All statements, other than statements of historical facts, included in this press release that address activities, events or developments that the Company expects, believes or anticipates will or may occur in the future are forward-looking statements. The Company has based these forward-looking statements largely on its current expectations and projections about future events and financial trends affecting the financial condition of its business. These forward-looking statements are subject to a number of risks and uncertainties, most of which are difficult to predict and many of which are beyond its control. Please read the Company's filings with the Securities and Exchange Commission, including "Risk Factors" in its Annual Report on Form 10-K for the year ended December 31, 2019 and other public filings and press releases for a discussion of risks and uncertainties that could cause actual results to differ from those in such forward-looking statements. These risks include, but are not limited to, risks relating to pending asset sales, including risks relating to the consummation of such sales in accordance with their terms or at all, our inability to control our contract operator, EnerVest Operating, L.L.C., outside of the parameters of the Services Agreement, our ability to obtain needed capital or financing on satisfactory terms, fluctuations in prices of oil, natural gas and natural gas liquids and the length of time commodity prices remain depressed, our ability to maintain production levels through development drilling, risks associated with drilling and operating wells, the availability of drilling and production equipment, changes in applicable laws and regulations that adversely affect our operations and general economic conditions. The words "believe," "may," "estimate," "continue," "anticipate," "intend," "plan," "expect," "indicate" and similar expressions are intended to identify forward-looking statements. All statements other than statements of current or historical fact contained in this press release are forward-looking statements. Although the Company believes that the forward-looking statements contained in this press release are based upon reasonable assumptions, the forward-looking events and circumstances discussed in this press release may not occur and actual results could differ materially from those anticipated or implied in the forward-looking statements. You are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date hereof. The Company undertakes no obligation to correct or update any forward-looking statement, whether as a result of new information, future events or otherwise.

Operating Statistics

	Three Months Ended	
	March 31,	
	2020	2019
Production data:		
Oil (MBbls)	100	178
Natural gas liquids (MBbls)	6	484
Natural gas (MMcf)	2,685	8,375
Net production (MMcfe)	3,324	12,349
Average sales price per unit: ⁽¹⁾		
Oil (Bbl)	45.37	53.00
Natural gas liquids (Bbl)	18.47	20.76
Natural gas (Mcf)	1.79	2.84
Mcfe	2.85	3.51
Average unit cost per Mcfe:		
Production costs:		
Lease operating expenses	2.48	1.88
Production taxes	0.05	0.18
Total	2.53	2.06
Depreciation, depletion and amortization	0.18	0.40
General and administrative expenses	1.18	0.52

(1) Prior to \$4.5 million and \$0.7 million of realized net gains on settlements of commodity derivatives for the three months ended March 31, 2020 and 2019, respectively.

Unaudited Condensed Consolidated Balance Sheets (in thousands, except number of shares)

	March 31, 2020	December 31, 2019
ASSETS		
Current assets:		

Cash and cash equivalents	\$	29,642	\$	28,968
Restricted cash		10,000		10,000
Accounts receivable:				
Oil, natural gas and natural gas liquids revenues		8,895		14,075
Other		2,220		1,322
Derivative asset		14,415		6,231
Other current assets		597		277
Total current assets		<u>65,769</u>		<u>60,873</u>
Oil and natural gas properties, net of accumulated depreciation, depletion and amortization; March 31, 2020, \$4,703; December 31, 2019, \$15,066		101,200		114,031
Assets held for sale		11,001		316
Other assets		3,516		4,965
Total assets	\$	<u>181,486</u>	\$	<u>180,185</u>

LIABILITIES AND EQUITY

Current liabilities:				
Accounts payable and accrued liabilities	\$	16,877	\$	23,524
Other current liabilities		463		586
Total current liabilities		<u>17,340</u>		<u>24,110</u>
Asset retirement obligations		80,342		88,668
Liabilities held for sale		10,391		139
Other long-term liabilities		1,664		1,770
Commitments and contingencies				
Mezzanine equity		127		127
Stockholders' equity:				
Common stock - \$0.01 par value; 2,000,000 shares authorized; 1,022,101 shares issued and 1,017,371 shares outstanding as of March 31, 2020; 1,022,101 shares issued and 1,018,347 shares outstanding as of December 31, 2019		102		102
Additional paid-in capital		180,514		180,177
Treasury stock at cost - 4,730 shares at March 31, 2020; 3,754 shares at December 31, 2019		(617)		(562)
Retained earnings (accumulated deficit)		(108,377)		(114,346)
Total stockholders' equity		<u>71,622</u>		<u>65,371</u>
Total liabilities and equity	\$	<u>181,486</u>	\$	<u>180,185</u>

Unaudited Condensed Consolidated Statements of Operations (in thousands, except per share data)

	Three Months Ended			
	March 31,			
	2020	2019		
Revenues:				
Oil, natural gas and natural gas liquids revenues	\$	9,469	\$	43,286
Transportation and marketing-related revenues		—		560
Total revenues		<u>9,469</u>		<u>43,846</u>
Operating costs and expenses:				
Lease operating expenses		8,236		23,200
Cost of purchased natural gas		—		399
Dry hole and exploration costs		—		39
Production taxes		153		2,193
Accretion expense on obligations		1,763		2,210
Depreciation, depletion and amortization		589		4,972
General and administrative expenses		3,931		6,370

Impairment of oil and natural gas properties	1,606	26,128
(Gain) loss on sales of oil and natural gas properties	63	(13)
Total operating costs and expenses	<u>16,341</u>	<u>65,498</u>
Operating loss	(6,872)	(21,652)
Other income (expense), net:		
Gain (loss) on derivatives, net	12,657	(16,774)
Interest expense	(14)	(1,519)
Gain on equity securities	—	4,593
Other income (expense), net	198	(138)
Total other income (expense), net	<u>12,841</u>	<u>(13,838)</u>
Income (loss) before income taxes	5,969	(35,490)
Income tax expense	—	(285)
Net income (loss)	<u>\$ 5,969</u>	<u>\$ (35,775)</u>
Earnings per share:		
Basic	<u>\$ 5.87</u>	<u>\$ (35.62)</u>
Diluted	<u>\$ 5.79</u>	<u>\$ (35.62)</u>
Weighted average common shares outstanding:		
Basic	<u>1,018</u>	<u>1,004</u>
Diluted	<u>1,031</u>	<u>1,004</u>

Unaudited Condensed Consolidated Statements of Cash Flows
(in thousands)

	Three Months Ended	
	March 31,	
	2020	2019
Cash flows from operating activities:		
Net income (loss)	\$ 5,969	\$ (35,775)
Adjustments to reconcile net income (loss) to net cash flows provided by operating activities:		
Accretion expense on obligations	1,763	2,210
Depreciation, depletion and amortization	589	4,972
Share-based compensation cost	337	99
Impairment of oil and natural gas properties	1,606	26,128
(Gain) loss on sales of oil and natural gas properties	63	(13)
Gain on equity securities	—	(4,593)
(Gain) loss on derivatives, net	(12,657)	16,774
Cash settlements of derivative contracts ⁽¹⁾	4,473	717
Other	—	205
Changes in operating assets and liabilities:		
Accounts receivable	1,756	8,029
Other current assets	(320)	1,546
Accounts payable and accrued liabilities	(3,713)	(1,313)
Other, net	1,220	397
Net cash flows provided by operating activities	<u>1,086</u>	<u>19,383</u>
Cash flows from investing activities:		
Additions to oil and natural gas properties	(298)	(443)
Reimbursements related to oil and natural gas properties	—	626
Proceeds from sale of oil and natural gas properties	(59)	1,872
Proceeds from sale of equity securities	—	51,675
Other	—	13

Net cash flows provided by (used in) investing activities	(357)	53,743
Cash flows from financing activities:		
Repayment of long-term debt borrowings	—	(60,000)
Purchase of treasury stock	(55)	—
Net cash flows used in financing activities	(55)	(60,000)
Increase in cash, cash equivalents and restricted cash	674	13,126
Cash, cash equivalents and restricted cash – beginning of period	38,968	6,313
Cash, cash equivalents and restricted cash – end of period	<u>\$ 39,642</u>	<u>\$ 19,439</u>

(1) In the three months ended March 31, 2020, \$1.1 million of the \$4.5 million of net gains on commodity derivatives was due to settlements received on the termination of commodity derivative contracts in conjunction with closed divestitures.

Non-GAAP Measures

The Company defines Adjusted EBITDAX as net income (loss) plus income tax expense (benefit); interest expense, net; depreciation, depletion and amortization; accretion expense on obligations; (gain) loss on derivatives, net; cash settlements of commodity derivative contracts; non-cash equity-based compensation; impairment of oil and natural gas properties; non-cash oil inventory adjustment; dry hole and exploration costs; (gain) loss on sales of oil and natural gas properties; and gain on equity securities.

Adjusted EBITDAX is used by the Company's management to provide additional information and statistics relative to the performance of the business, including (prior to the creation of any reserves) the cash return on investment. The Company believes this financial measure may indicate to investors whether or not it is generating cash flow at a level that can support or sustain quarterly interest expense and capital expenditures. Adjusted EBITDAX should not be considered as an alternative to net income, operating income, cash flows from operating activities or any other measure of financial performance or liquidity presented in accordance with GAAP. Adjusted EBITDAX excludes some, but not all, items that affect net income and operating income and this measure may vary among companies. Therefore, Harvest's Adjusted EBITDAX may not be comparable to similarly titled measures of other companies.

Reconciliation of Net Income (Loss) to Adjusted EBITDAX (in thousands)

	Three Months Ended		
	March 31, 2020	March 31, 2019	December 31, 2019
Net income (loss)	\$ 5,969	\$ (35,775)	\$ (22,104)
Add:			
Income tax expense (benefit)	—	285	(13)
Interest expense, net	14	1,519	151
Depreciation, depletion and amortization	589	4,972	954
Accretion expense on obligations	1,763	2,210	1,739
(Gain) loss on derivatives, net	(12,657)	16,774	2,316
Cash settlements of commodity derivative contracts	4,473	717	2,130
Non-cash share-based compensation	337	99	359
Impairment of oil and natural gas properties	1,606	26,128	13,478
Dry hole and exploration costs	—	39	—
(Gain) loss on sales of oil and natural gas properties	63	(13)	361
Gain on equity securities	—	(4,593)	—
Adjusted EBITDAX	<u>\$ 2,157</u>	<u>\$ 12,362</u>	<u>\$ (629)</u>

Total Current Derivative Position

Period	Index	Swap Volume	Swap Price
Natural Gas (MMMBtus):			
Apr - Dec 2020	NYMEX	7,700.0	\$ 2.68
Crude (MBbls):			
Apr - Dec 2020	WTI	294.3	\$ 60.50
Ethane (MBbls):			
Apr - Dec 2020	Mt Belvieu	11.0	\$ 11.91

Propane (MBbls):
Apr - Dec 2020

Mt Belvieu

12.4 \$

29.23

Harvest Oil & Gas Corp., Houston, TX
Ryan Stash
713-651-1144
hvtog.com