



Harvest Oil & Gas Announces Second Quarter 2020 Results

August 20, 2020

HOUSTON, Aug. 20, 2020 (GLOBE NEWSWIRE) -- Harvest Oil & Gas Corp. (OTCQX: HRST) ("Harvest" or the "Company") today announced results for the second quarter of 2020.

Key Highlights

- Average daily production was 36.8 MMcfe for the second quarter of 2020
- 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
- On July 7, 2020, the Company entered into a definitive agreement to sell its Appalachian Basin assets for consideration of \$20.5 million, subject to customary purchase price adjustments
- On August 4, 2020, the Company closed on its previously announced sale of its Michigan properties for \$0.3 million
- On August 7, 2020, the Company announced a one-time cash distribution of \$10.00 per share payable on August 24, 2020 to shareholders of record as of August 17, 2020

Second Quarter 2020 Financial Results

<i>\$ in millions unless noted otherwise</i>	Second Quarter 2020	First Quarter 2020
Average daily production (MMcfe/d)	36.8	36.5
Total revenues	\$ 7.4	\$ 9.5
Total assets ⁽¹⁾	175.0	181.5
Net income (loss)	(7.1)	6.0
Adjusted EBITDAX ⁽²⁾	2.3	2.2
Total debt ⁽¹⁾	—	—
Net cash provided by operating activities	2.2	1.1
Additions to oil and natural gas properties ⁽³⁾	0.2	0.3

⁽¹⁾ As of June 30, 2020 and March 31, 2020.

⁽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 second quarter of 2020, Harvest reported a net loss of \$7.1 million, or \$(7.00) per basic and diluted weighted average share outstanding, compared to net income of \$6.0 million, or \$5.87 and \$5.79 per basic and diluted weighted average share outstanding, respectively, for the first quarter of 2020. For the second quarter of 2019, a net loss of \$60.9 million or \$(60.52) per basic and diluted weighted average share outstanding was reported. Included in the 2020 second quarter net loss were the following items:

- \$0.8 million of impairment of oil and natural gas properties,
- \$0.4 million of gain on sale of oil and natural gas properties,
- \$6.7 million of non-cash losses on commodity derivatives,
- \$0.3 million of stock-based compensation costs contained in general and administrative expenses, and
- \$0.4 million of divestiture and transaction related expense contained in general and administrative expenses.

Production for the second quarter of 2020 was 2.7 Bcf of natural gas, 105 MBbls of oil and 7 MBbls of natural gas liquids (NGLs), or 36.8 million cubic feet equivalent per day (MMcfe/d). This represents a 1 percent increase from the first quarter of 2020 production of 36.5 MMcfe/d and a 67 percent decrease from the second quarter of 2019 production of 112.3 MMcfe/d. The decrease in production from the second quarter of 2019 was primarily due to divestitures that closed throughout 2019.

Adjusted EBITDAX for the second quarter of 2020 was \$2.3 million, a \$0.2 million increase over the first quarter of 2020 and a \$4.5 million decrease from the second quarter of 2019. The increase in Adjusted EBITDAX over the first quarter of 2020 was primarily due to an increase in cash settlements received on commodity derivative contracts and a decrease in lease operating expense, partially offset by a decrease in realized oil, natural gas and natural gas liquids prices and an increase in general and administrative expenses. The decrease in Adjusted EBITDAX from the second 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 measures 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 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). 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	
	June 30,	
	2020	2019
Production data:		
Oil (MBbls)	105	146
Natural gas liquids (MBbls)	7	369
Natural gas (MMcf)	2,676	7,131
Net production (MMcfe)	3,351	10,222
Average sales price per unit: ⁽¹⁾		
Oil (Bbl)	\$ 28.48	\$ 55.13
Natural gas liquids (Bbl)	14.68	14.95
Natural gas (Mcf)	1.62	2.32
Mcfe	2.22	2.95
Average unit cost per Mcfe:		
Production costs:		
Lease operating expenses	\$ 2.23	\$ 2.13
Production taxes	0.04	0.14
Total	2.27	2.27
Depreciation, depletion and amortization	0.15	0.43
General and administrative expenses	1.23	0.65

⁽¹⁾ Prior to \$5.7 million and \$2.8 million of realized net gains on settlements of commodity derivatives for the three months ended June 30, 2020 and 2019, respectively.

	Six Months Ended	
	June 30,	
	2020	2019
Production data:		
Oil (MBbls)	206	324
Natural gas liquids (MBbls)	13	853
Natural gas (MMcf)	5,361	15,506

Net production (MMcfe)		6,675		22,571
Average sales price per unit: ⁽¹⁾				
Oil (Bbl)	\$	36.73	\$	53.96
Natural gas liquids (Bbl)		16.43		18.25
Natural gas (Mcf)		1.70		2.60
Mcfe		2.53		3.25
Average unit cost per Mcfe:				
Production costs:				
Lease operating expenses	\$	2.35	\$	1.99
Production taxes		0.04		0.16
Total		2.39		2.15
Depreciation, depletion and amortization		0.17		0.41
General and administrative expenses		1.21		0.58

⁽¹⁾ Prior to \$10.2 million and \$3.5 million of realized net gains on settlements of commodity derivatives for the six months ended June 30, 2020 and 2019, respectively.

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

	<u>June 30, 2020</u>	<u>December 31, 2019</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 30,928	\$ 28,968
Restricted cash	10,000	10,000
Accounts receivable:		
Oil, natural gas and natural gas liquids revenues	8,105	14,075
Other	2,366	1,322
Derivative asset	7,756	6,231
Other current assets	540	277
Total current assets	<u>59,695</u>	<u>60,873</u>
Oil and natural gas properties, net of accumulated depreciation, depletion and amortization; June 30, 2020, \$0; December 31, 2019, \$15,066	—	114,031
Assets held for sale	111,625	316
Other assets	3,723	4,965
Total assets	<u>\$ 175,043</u>	<u>\$ 180,185</u>
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 15,677	\$ 23,524
Other current liabilities	443	586
Total current liabilities	<u>16,120</u>	<u>24,110</u>
Asset retirement obligations	—	88,668
Liabilities held for sale	92,822	139
Other long-term liabilities	1,242	1,770
Commitments and contingencies		
Mezzanine equity	118	127
Stockholders' equity:		
Common stock - \$0.01 par value; 2,000,000 shares authorized; 1,027,511 shares issued and 1,022,066 shares outstanding as of June 30, 2020; 1,022,101 shares issued and 1,018,347 shares outstanding as of December 31, 2019	102	102
Additional paid-in capital	180,781	180,177
Treasury stock at cost - 5,445 shares at June 30, 2020; 3,754 shares at December 31, 2019	(630)	(562)
Retained earnings (accumulated deficit)	<u>(115,512)</u>	<u>(114,346)</u>

Total stockholders' equity	64,741	65,371
Total liabilities and equity	<u>\$ 175,043</u>	<u>\$ 180,185</u>

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

	Three Months Ended	
	June 30,	
	2020	2019
Revenues:		
Oil, natural gas and natural gas liquids revenues	\$ 7,440	\$ 30,129
Transportation and marketing-related revenues	—	458
Total revenues	<u>7,440</u>	<u>30,587</u>
Operating costs and expenses:		
Lease operating expenses	7,463	21,754
Cost of purchased natural gas	—	315
Dry hole and exploration costs	1	—
Production taxes	132	1,450
Accretion expense on obligations	1,603	2,168
Depreciation, depletion and amortization	514	4,373
General and administrative expenses	4,131	6,653
Impairment of oil and natural gas properties	837	73,151
Gain on sales of oil and natural gas properties	(415)	(5)
Total operating costs and expenses	<u>14,266</u>	<u>109,859</u>
Operating loss	(6,826)	(79,272)
Other income (expense), net:		
Gain (loss) on derivatives, net	(966)	16,430
Interest expense	(12)	(1,315)
Other income, net	669	2,965
Total other income (expense), net	<u>(309)</u>	<u>18,080</u>
Loss before income taxes	(7,135)	(61,192)
Income tax benefit	—	285
Net loss	<u>\$ (7,135)</u>	<u>\$ (60,907)</u>
Earnings per share:		
Basic	<u>\$ (7.00)</u>	<u>\$ (60.52)</u>
Diluted	<u>\$ (7.00)</u>	<u>\$ (60.52)</u>
Weighted average common shares outstanding:		
Basic	<u>1,019</u>	<u>1,006</u>
Diluted	<u>1,019</u>	<u>1,006</u>

	Six Months Ended	
	June 30,	
	2020	2019
Revenues:		
Oil, natural gas and natural gas liquids revenues	\$ 16,909	\$ 73,415
Transportation and marketing-related revenues	—	1,018
Total revenues	<u>16,909</u>	<u>74,433</u>
Operating costs and expenses:		
Lease operating expenses	15,699	44,954
Cost of purchased natural gas	—	714
Dry hole and exploration costs	1	39

Production taxes	285	3,643
Accretion expense on obligations	3,366	4,378
Depreciation, depletion and amortization	1,103	9,345
General and administrative expenses	8,062	13,023
Impairment of oil and natural gas properties	2,443	99,279
Gain on sales of oil and natural gas properties	(352)	(18)
Total operating costs and expenses	<u>30,607</u>	<u>175,357</u>
Operating loss	(13,698)	(100,924)
Other income (expense), net:		
Gain (loss) on derivatives, net	11,691	(344)
Interest expense	(26)	(2,834)
Gain on equity securities	—	4,593
Other income, net	867	2,827
Total other income (expense), net	<u>12,532</u>	<u>4,242</u>
Loss before income taxes	(1,166)	(96,682)
Income tax expense	—	—
Net loss	<u>\$ (1,166)</u>	<u>\$ (96,682)</u>
Earnings per share:		
Basic	<u>\$ (1.15)</u>	<u>\$ (96.17)</u>
Diluted	<u>\$ (1.15)</u>	<u>\$ (96.17)</u>
Weighted average common shares outstanding:		
Basic	<u>1,018</u>	<u>1,005</u>
Diluted	<u>1,018</u>	<u>1,005</u>

Unaudited Condensed Consolidated Statements of Cash Flows
(in thousands)

	Six Months Ended	
	June 30,	
	2020	2019
Cash flows from operating activities:		
Net loss	\$ (1,166)	\$ (96,682)
Adjustments to reconcile net loss to net cash flows provided by operating activities:		
Accretion expense on obligations	3,366	4,378
Depreciation, depletion and amortization	1,103	9,345
Share-based compensation cost	590	763
Cash dividends paid on share-based compensation	(394)	—
Impairment of oil and natural gas properties	2,443	99,279
Gain on sales of oil and natural gas properties	(352)	(18)
Gain on equity securities	—	(4,593)
(Gain) loss on derivatives, net	(11,691)	344
Cash settlements of derivative contracts ⁽¹⁾	10,167	3,525
Other	—	1,218
Changes in operating assets and liabilities:		
Accounts receivable	2,986	14,066
Other current assets	(263)	1,369
Accounts payable and accrued liabilities	(4,097)	(1,532)
Other, net	569	(2,382)
Net cash flows provided by operating activities	<u>3,261</u>	<u>29,080</u>
Cash flows from investing activities:		
Additions to oil and natural gas properties	(520)	(1,794)

Reimbursements related to oil and natural gas properties	—	2,069
Proceeds from sale of oil and natural gas properties	(704)	41,458
Proceeds from sale of equity securities	—	51,675
Other	—	26
Net cash flows provided by (used in) investing activities	(1,224)	93,434
Cash flows from financing activities:		
Repayment of long-term debt borrowings	—	(115,000)
Purchase of treasury stock	(68)	(167)
Other	(9)	(10)
Net cash flows used in financing activities	(77)	(115,177)
Increase in cash, cash equivalents and restricted cash	1,960	7,337
Cash, cash equivalents and restricted cash – beginning of period	38,968	6,313
Cash, cash equivalents and restricted cash – end of period	\$ 40,928	\$ 13,650

(1) In the six months ended June 30 2020, \$1.1 million of the \$10.2 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			Six Months Ended	
	June 30, 2020	June 30, 2019	March 31, 2020	June 30, 2020	June 30, 2019
Net income (loss)	\$ (7,135)	\$ (60,907)	\$ 5,969	\$ (1,166)	\$ (96,682)
Add:					
Income tax benefit	—	(285)	—	—	—
Interest expense, net	7	1,315	14	21	2,834
Depreciation, depletion and amortization	514	4,373	589	1,103	9,345
Accretion expense on obligations	1,603	2,168	1,763	3,366	4,378
(Gain) loss on derivatives, net	966	(16,430)	(12,657)	(11,691)	344
Cash settlements of commodity derivative contracts	5,693	2,807	4,473	10,166	3,524
Non-cash share-based compensation	253	664	337	590	763
Impairment of oil and natural gas properties	837	73,151	1,606	2,443	99,279
Dry hole and exploration costs	1	—	—	1	39
(Gain) loss on sales of oil and natural gas properties	(415)	(5)	63	(352)	(18)
Gain on equity securities	—	—	—	—	(4,593)
Adjusted EBITDAX	\$ 2,324	\$ 6,851	\$ 2,157	\$ 4,481	\$ 19,213

Total Current Derivative Position

Period	Index	Swap Volume	Swap Price
Natural Gas (MMMBtus):			
July - Dec 2020	NYMEX	5,152.0	\$ 2.68

Crude (MBbls):				
July - Dec 2020	WTI	196.9	\$	60.50
Ethane (MBbls):				
July - Dec 2020	Mt Belvieu	7.3	\$	11.91
Propane (MBbls):				
July - Dec 2020	Mt Belvieu	8.3	\$	29.23

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