



Harvest Oil & Gas Announces Third Quarter 2020 Results

November 17, 2020

HOUSTON, Nov. 17, 2020 (GLOBE NEWSWIRE) -- Harvest Oil & Gas Corp. (OTCQX: HRST) ("Harvest" or the "Company") today announced results for the third quarter of 2020.

Key Highlights

- Average daily production was 31.8 MMcfe for the third quarter of 2020
- On July 7, 2020, the Company entered into a definitive agreement to sell its Appalachian Basin assets
- On August 4, 2020, the Company closed on its previously announced sale of its Michigan properties
- 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
- On October 23, 2020, the Company closed on its previously announced sale of its Appalachia properties for \$21.9 million, subject to customary purchase price adjustments; the transaction was funded with a \$21.9 million senior secured seller note
- In October 2020, the Company unwound all of its remaining commodity derivative contracts for cash settlements received of \$1.5 million
- On November 13, 2020, the Company announced a one-time cash distribution of \$10.00 per share payable on November 30, 2020 to shareholders of record as of November 23, 2020

Third Quarter 2020 Financial Results

<i>\$ in millions unless noted otherwise</i>	Third Quarter 2020	Second Quarter 2020
Average daily production (MMcfe/d)	31.8	36.8
Total revenues	\$ 7.5	\$ 7.4
Total assets ⁽¹⁾	145.1	175.0
Net income (loss)	(6.2)	(7.1)
Adjusted EBITDAX ⁽²⁾	0.9	2.3
Total debt ⁽¹⁾	—	—
Net cash provided by (used in) operating activities	(2.2)	2.2
Additions to oil and natural gas properties ⁽³⁾	1.0	0.2

(1) As of September 30, 2020 and June 30, 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 third quarter of 2020, Harvest reported a net loss of \$6.2 million, or \$(6.11) per basic and diluted weighted average share outstanding, compared to a net loss of \$7.1 million, or \$(7.00) per basic and diluted weighted average share outstanding for the second quarter of 2020. For the third quarter of 2019, a net loss of \$19.5 million or \$(19.28) per basic and diluted weighted average share outstanding was reported. Included in the 2020 third quarter net loss were the following items:

- \$1.1 million of impairment of oil and natural gas properties,
- \$5.6 million of non-cash losses on commodity derivatives,
- \$0.4 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 third quarter of 2020 was 2.3 Bcf of natural gas, 102 MBbls of oil and 9 MBbls of natural gas liquids (NGLs), or 31.8 million cubic feet equivalent per day (MMcfe/d). This represents a 14 percent decrease from the second quarter of 2020 production of 36.8 MMcfe/d and a 68 percent decrease from the third quarter of 2019 production of 98.1 MMcfe/d. The decrease in production from the second quarter of 2020 was primarily due to the divestiture of the Company's Michigan assets at the beginning of August 2020. The decrease in production from the third quarter of 2019 was primarily due to divestitures that closed throughout 2019 and 2020.

Adjusted EBITDAX for the third quarter of 2020 was \$0.9 million, a \$1.5 million decrease from the second quarter of 2020 and a \$8.8 million decrease from the third quarter of 2019. The decrease in Adjusted EBITDAX from the second quarter of 2020 was primarily due to a decrease in cash settlements received on commodity derivative contracts and a decrease in gas production due to the sale of Michigan assets in August 2020, partially

offset by an increase in realized oil prices and a decrease in lease operating expense due to the sale of Michigan assets in August 2020. The decrease in Adjusted EBITDAX from the third quarter of 2019 was primarily due to divestitures that closed throughout 2019 and 2020, a decrease in realized oil, natural gas and natural gas liquids prices and a decrease in cash settlements received on commodity derivative contracts, partially offset by 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.otcmarkets.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 has been an independent oil and gas company; the Company intends to evaluate and undertake the process of winding-up and returning capital to its shareholders. 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	
	September 30,	
	2020	2019
Production data:		
Oil (MBbls)	102	145
Natural gas liquids (MBbls)	9	316
Natural gas (MMcfe)	2,261	6,259
Net production (MMcfe)	2,927	9,025
Average sales price per unit: ⁽¹⁾		
Oil (Bbl)	\$ 38.56	\$ 54.02
Natural gas liquids (Bbl) ⁽²⁾	(14.68)	10.46
Natural gas (Mcf)	1.63	1.87
Mcfe	2.56	2.53
Average unit cost per Mcfe:		
Production costs:		
Lease operating expenses	\$ 2.37	\$ 2.17
Production taxes	0.03	0.18
Total	2.40	2.35
Depreciation, depletion and amortization	—	0.15
General and administrative expenses	1.46	0.86

(1) Prior to \$3.8 million and \$14.0 million of realized net gains on settlements of commodity derivatives for the three months ended September 30, 2020 and 2019, respectively.

(2) Natural gas liquids revenues for the three months ended September 30, 2020 include a prior period adjustment of \$0.3 million. Excluding this prior period adjustment for the three months ended September 30, 2020, the natural gas liquids price per barrel would have been \$16.32.

	Nine Months Ended September 30,	
	2020	2019
Production data:		
Oil (MBbls)	307	470
Natural gas liquids (MBbls)	23	1,169
Natural gas (MMcf)	7,621	21,765
Net production (MMcfe)	9,601	31,596
Average sales price per unit: ⁽¹⁾		
Oil (Bbl)	\$ 37.34	\$ 53.98
Natural gas liquids (Bbl) ⁽²⁾	3.85	16.14
Natural gas (Mcf)	1.68	2.39
Mcfe	2.54	3.05
Average unit cost per Mcfe:		
Production costs:		
Lease operating expenses	\$ 2.36	\$ 2.04
Production taxes	0.04	0.17
Total	2.40	2.21
Depreciation, depletion and amortization	0.11	0.34
General and administrative expenses	1.28	0.66

(1) Prior to \$14.0 million and \$17.5 million of realized net gains on settlements of commodity derivatives for the nine months ended September 30, 2020 and 2019, respectively.

(2) Natural gas liquids revenues for the nine months ended September 30, 2020 include a prior period adjustment of \$0.3 million. Excluding this prior period adjustment for the nine months ended September 30, 2020, the natural gas liquids price per barrel would have been \$16.38.

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

	September 30, 2020	December 31, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 17,678	\$ 28,968
Restricted cash	10,000	10,000
Accounts receivable:		
Oil, natural gas and natural gas liquids revenues	7,867	14,075
Other	2,024	1,322
Derivative asset	2,127	6,231
Other current assets	322	277
Total current assets	40,018	60,873
Oil and natural gas properties, net of accumulated depreciation, depletion and amortization; September 30, 2020, \$0; December 31, 2019, \$15,066	—	114,031
Assets held for sale	102,084	316
Other assets	2,983	4,965
Total assets	\$ 145,085	\$ 180,185
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 11,812	\$ 23,524
Other current liabilities	426	586
Total current liabilities	12,238	24,110
Asset retirement obligations	—	88,668
Liabilities held for sale	83,535	139

Other long-term liabilities	656	1,770
Commitments and contingencies		
Mezzanine equity	118	127
Stockholders' equity:		
Common stock - \$0.01 par value; 2,000,000 shares authorized; 1,027,760 shares issued and 1,022,272 shares outstanding as of September 30, 2020; 1,022,101 shares issued and 1,018,347 shares outstanding as of December 31, 2019	102	102
Additional paid-in capital	170,823	180,177
Treasury stock at cost - 5,488 shares at September 30, 2020; 3,754 shares at December 31, 2019	(631)	(562)
Retained earnings (accumulated deficit)	(121,756)	(114,346)
Total stockholders' equity	48,538	65,371
Total liabilities and equity	<u>\$ 145,085</u>	<u>\$ 180,185</u>

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

	Three Months Ended September 30,	
	2020	2019
Revenues:		
Oil, natural gas and natural gas liquids revenues	\$ 7,478	\$ 22,870
Transportation and marketing-related revenues	—	379
Total revenues	<u>7,478</u>	<u>23,249</u>
Operating costs and expenses:		
Lease operating expenses	6,929	19,614
Cost of purchased natural gas	—	255
Dry hole and exploration costs	—	36
Production taxes	84	1,634
Accretion expense on obligations	—	1,995
Depreciation, depletion and amortization	—	1,367
General and administrative expenses	4,270	7,771
Impairment of oil and natural gas properties	1,093	16,325
Gain on sales of oil and natural gas properties	(16)	(661)
Total operating costs and expenses	<u>12,360</u>	<u>48,336</u>
Operating loss	(4,882)	(25,087)
Other income (expense), net:		
Gain (loss) on derivatives, net	(1,823)	5,718
Interest expense	(12)	(501)
Other income, net	473	341
Total other income (expense), net	<u>(1,362)</u>	<u>5,558</u>
Loss before income taxes	(6,244)	(19,529)
Income tax expense	—	—
Net loss	<u>\$ (6,244)</u>	<u>\$ (19,529)</u>
Earnings per share:		
Basic	<u>\$ (6.11)</u>	<u>\$ (19.28)</u>
Diluted	<u>\$ (6.11)</u>	<u>\$ (19.28)</u>

Weighted average common shares outstanding:

Basic	1,022	1,013
Diluted	1,022	1,013

**Nine Months Ended
September 30,**

	2020	2019
Revenues:		
Oil, natural gas and natural gas liquids revenues	\$ 24,387	\$ 96,285
Transportation and marketing-related revenues	—	1,397
Total revenues	<u>24,387</u>	<u>97,682</u>
Operating costs and expenses:		
Lease operating expenses	22,628	64,568
Cost of purchased natural gas	—	969
Dry hole and exploration costs	1	75
Production taxes	369	5,277
Accretion expense on obligations	3,366	6,373
Depreciation, depletion and amortization	1,103	10,712
General and administrative expenses	12,332	20,794
Impairment of oil and natural gas properties	3,536	115,604
Gain on sales of oil and natural gas properties	(368)	(679)
Total operating costs and expenses	<u>42,967</u>	<u>223,693</u>
Operating loss	(18,580)	(126,011)
Other income (expense), net:		
Gain on derivatives, net	9,868	5,374
Interest expense	(38)	(3,335)
Gain on equity securities	—	4,593
Other income, net	1,340	3,168
Total other income (expense), net	<u>11,170</u>	<u>9,800</u>
Loss before income taxes	(7,410)	(116,211)
Income tax expense	—	—
Net loss	<u>\$ (7,410)</u>	<u>\$ (116,211)</u>
Earnings per share:		
Basic	<u>\$ (7.27)</u>	<u>\$ (115.29)</u>
Diluted	<u>\$ (7.27)</u>	<u>\$ (115.29)</u>
Weighted average common shares outstanding:		
Basic	<u>1,020</u>	<u>1,008</u>
Diluted	<u>1,020</u>	<u>1,008</u>

Unaudited Condensed Consolidated Statements of Cash Flows
(in thousands)

**Nine Months Ended
September 30,**

	2020	2019
Cash flows from operating activities:		
Net loss	\$ (7,410)	\$ (116,211)
Adjustments to reconcile net loss to net cash flows		

provided by operating activities:		
Accretion expense on obligations	3,366	6,373
Depreciation, depletion and amortization	1,103	10,712
Share-based compensation cost	987	2,184
Cash dividends paid on share-based compensation	(412)	—
Impairment of oil and natural gas properties	3,536	115,604
Gain on sales of oil and natural gas properties	(368)	(679)
Gain on equity securities	—	(4,593)
Gain on derivatives, net	(9,868)	(5,374)
Cash settlements of derivative contracts ⁽¹⁾	13,971	17,483
Other	—	1,571
Changes in operating assets and liabilities:		
Accounts receivable	3,526	21,637
Other current assets	(45)	1,909
Accounts payable and accrued liabilities	(7,994)	(4,061)
Other, net	707	(2,531)
Net cash flows provided by operating activities	<u>1,099</u>	<u>44,024</u>
Cash flows from investing activities:		
Additions to oil and natural gas properties	(1,507)	(2,096)
Reimbursements related to oil and natural gas properties	—	2,124
Proceeds from sale of oil and natural gas properties	(581)	111,575
Proceeds from sale of equity securities	—	51,675
Other	—	38
Net cash flows provided by (used in) investing activities	<u>(2,088)</u>	<u>163,316</u>
Cash flows from financing activities:		
Repayment of long-term debt borrowings	—	(115,000)
Purchase of treasury stock	(69)	(295)
Dividends	(10,223)	—
Other	(9)	(10)
Net cash flows used in financing activities	<u>(10,301)</u>	<u>(115,305)</u>
Increase (Decrease) in cash, cash equivalents and restricted cash	(11,290)	92,035
Cash, cash equivalents and restricted cash – beginning of period	38,968	6,313
Cash, cash equivalents and restricted cash – end of period	<u>\$ 27,678</u>	<u>\$ 98,348</u>

(1) In the nine months ended September 30 2020, \$1.1 million of the \$14.0 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)

	<u>Three Months Ended</u>	<u>Nine Months Ended</u>
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	Sept 30, 2020	Sept 30, 2019	June 30, 2020	Sept 30, 2020	Sept 30, 2019
Net loss	\$ (6,244)	\$ (19,529)	\$ (7,135)	\$ (7,410)	\$ (116,211)
Add:					
Income tax expense	—	—	—	—	—
Interest expense, net	12	501	7	33	3,335
Depreciation, depletion and amortization	—	1,367	514	1,103	10,712
Accretion expense on obligations	—	1,995	1,603	3,366	6,373
(Gain) loss on derivatives, net	1,823	(5,718)	966	(9,868)	(5,374)
Cash settlements of commodity derivative contracts	3,805	13,959	5,693	13,971	17,483
Non-cash share-based compensation	397	1,421	253	987	2,184
Impairment of oil and natural gas properties	1,093	16,325	837	3,536	115,604
Dry hole and exploration costs	—	36	1	1	75
Gain on sales of oil and natural gas properties	(16)	(661)	(415)	(368)	(679)
Gain on equity securities	—	—	—	—	(4,593)
Adjusted EBITDAX	<u>\$ 870</u>	<u>\$ 9,696</u>	<u>\$ 2,324</u>	<u>\$ 5,351</u>	<u>\$ 28,909</u>

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