Granite Oil Corp. Reports Second Quarter 2019 Financial and Operating Results

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CALGARY, Aug. 12, 2019 - Granite Oil Corp. (“Granite” or the “Company”) (TSX:GXO)(OTCQX:GXOCF) is pleased to report its operating and unaudited financial results for the three and six months ended June 30, 2019.

Second Quarter Highlights and Operations Update

During the first six months of 2019, Granite has reduced its net debt by over 10%, exiting the second quarter with net debt of approximately $42.8 million, down approximately $4.9 million from year-end 2018. Granite paid down approximately $0.8 million in net debt during the second quarter while increasing production by approximately 7% as compared to the first quarter. The Company generated funds from operations of approximately $4.2 million in the second quarter, with capital expenditures of approximately $3.3 million, and one-time severance and corporate cash costs of approximately $0.4 million.

During the second quarter, Granite drilled and completed its first development well since June, 2018. This well averaged approximately 260 bbl/d of oil over the first 90 days of production, exceeding type curve estimates and continuing the trend of strong drilling results achieved in 2018. This is the fourth consecutive well in which the Company tested higher frac intensity, with results to-date demonstrating strong performance benefits of this optimized completions strategy and further substantiating the production potential of the Company’s drilling inventory.

Production during the second quarter averaged approximately 1,696 boe/d (99.6% oil), representing a 7% increase over the first quarter of 2019. Granite had six wells shut-in for the duration of the second quarter as part of its rotational re-pressurization program and EOR optimization strategy, and has yet to re-initiate production on these wells due to strong field performance through the start of the year and continuing into the third quarter. This strategy provides the Company with the opportunity to further repressure these shut-in areas and also evaluate a potential recompletion strategy for historically under-stimulated wells.

FINANCIAL AND OPERATING HIGHLIGHTS

	Three Months Ended June 30, 2019	Six Months Ended June 30, 2019
(000s, except per share amounts)	*($)*	*($)*
FINANCIAL		
Oil and natural gas revenues	11,505	20,801
Funds from operations (1)	4,463	8,765
Per share – basic	0.12	0.23
Per share – diluted (2)	0.11	0.23
Net income	2,678	793
Per share – basic	0.07	0.02
Per share – diluted (2)	0.07	0.02
Capital expenditures (3)	3,341	4,060
Net debt (4)	42,832	42,832
Shareholders’ equity	194,555	194,555
(000s)	*(#)*	*(#)*
SHARE DATA		
At period-end	38,776	38,776

Weighted average – basic	38,572	38,388
Weighted average – diluted	38,851	38,666
OPERATING (5)		
Production		
Natural gas *(mcf/d)*	44	116
Crude oil *(bbls/d)*	1,689	1,622
Total *(boe/d)*	1,696	1,641
Average wellhead prices		
Natural gas *($/mcf)*	1.40	4.18
Crude oil and NGLs *($/bbl)*	74.81	70.57
Combined average *($/boe)* (6)	74.53	70.04
Netbacks		
Operating netback *($/boe)* (7)	39.10	40.16
Gross (net) wells drilled		
Oil *(#)*	1 (1.0)	1 (1.0)
Total *(#)*	1 (1.0)	1 (1.0)
Average working interest *(%)*	100	100

1. Funds from operations and funds from operations per share are not recognized measures under International Financial Reporting Standards (IFRS). Refer to the commentary in “Reader Advisories” under “Non-GAAP Measurements” for further discussion.
2. The Company uses the weighted average common shares (basic) when there is a net loss for the period to calculate net income (loss) per share diluted. The Company uses the weighted average common shares (diluted) to calculate the funds from operations diluted.
3. Total capital expenditures, excluding acquisitions and excluding non-cash transactions. Refer to commentary in the Management Discussion and Analysis under “Capital Expenditures” for further information.
4. Net debt, which is calculated as current liabilities (excluding derivative financial instruments) and bank debt less current assets (excluding derivative financial instruments), is not a recognized measure under IFRS. Please refer to the commentary in “Reader Advisories” under “Non-GAAP Measurements” for further discussion.
5. For a description of the boe conversion ratio, refer to the commentary in the “Reader Advisories” under “BOE Presentation”.
6. Combined average realized prices includes all oil, gas and NGL sales revenue, excluding other income.
7. Operating netback, which is calculated by deducting royalties, operating expenses and transportation expenses from oil and gas revenue and adjusting for any realized hedging on financial instruments is not a recognized measure under IFRS. Please refer to the commentary in “Reader Advisories” under “Non-GAAP Measurements” for further discussion.

Outlook

Granite continues to deliver on its business plan, being focused on debt repayment and prudent capital management. The Company has reduced its net debt by over 10% relative to year-end 2018, increased production quarter-over-quarter by approximately 7%, while limiting its capital expenditures to $4.1 million over the first half of 2019. With its 2019 capital program heavily weighted to the second quarter, Granite will continue to reduce its net debt through the remainder of 2019 and is on-track to exit the year with net debt between $37 and $39 million, depending upon prevailing commodity prices.

Contact Information

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Reader Advisories

Forward-Looking Statements. Certain statements contained in this news release may constitute forward-‎looking statements or information (collectively, “forward-looking statements” or “statements”). These ‎statements relate to future events or Granite’s future performance. All statements other than statements of ‎historical fact may be forward-looking statements. Forward-looking statements are often, but not always, ‎identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", ‎‎"will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and ‎similar expressions. These statements involve known and unknown risks, uncertainties and other factors that ‎may cause actual results or events to differ materially from those anticipated in such forward-looking ‎statements. In particular, this news release contains forward-looking statements, pertaining to the following: ‎forecasted capital expenditures and plans, drilling and development plans, Granite’s financial strength, ‎anticipated production rates, projections of market prices and costs, supply and demand for oil and natural ‎gas, the quantity of reserves, the success of the enhanced oil recovery scheme, the success of the rotational ‎re-pressurization process, expectations regarding Granite’s credit facility, treatment under governmental ‎regulatory and taxation regimes and expectations regarding Granite’s ability to raise capital and to continually ‎add to reserves through acquisitions and development. ‎

Granite believes the expectations reflected in such forward-looking statements and the assumptions upon ‎which such forward-looking statements are based, to be reasonable, but no assurance can be given that these ‎expectations will prove to be correct and such forward-looking statements included in this news release ‎should not be unduly relied upon by investors. These statements speak only as of the date of this news release ‎and are expressly qualified, in their entirety, by this cautionary statement. Granite’s actual results could differ ‎materially from those anticipated in these forward-looking statements as a result of risk factors that may ‎include, but are not limited to: volatility in the market prices for oil and natural gas; general economic ‎conditions, stock market volatility and ability to access sufficient capital from internal and external sources, ‎uncertainties associated with estimating reserves; uncertainties associated with Granite’s ability to obtain ‎additional financing on satisfactory terms; geological, technical, drilling and processing problems; liabilities ‎and risks, including environmental liabilities and risks, inherent in oil and natural gas operations; incorrect ‎assessments of the value of acquisitions; competition for, among other things, capital, acquisitions of ‎reserves, undeveloped lands and skilled personnel. Readers are cautioned that the foregoing list of factors is ‎not exhaustive. Management has included the above summary of assumptions and risks related to forward-‎looking information provided in this news release in order to provide security holders with a more complete ‎perspective on Granite’s future operations and such information may not be appropriate for other purposes. ‎Additional information on these and other factors that could affect Granite's operations and financial results ‎are included in reports on file with Canadian securities regulatory authorities and may be accessed through ‎the SEDAR website (www.sedar.com).‎

With respect to forward-looking statements contained in this news release, Granite has made assumptions ‎regarding, among other things: prevailing commodity prices, exchange rates, interest rates, applicable royalty ‎rates and tax laws; the legislative and regulatory environments of the jurisdictions where Granite carries on ‎business or has operations; future production rates and estimates of operating costs; performance of existing ‎and future wells; reserve and resource volumes; anticipated timing and results of capital expenditures; the ‎success obtained in drilling new wells; the sufficiency of budgeted capital expenditures in carrying out planned ‎activities; the timing, location and extent of future drilling operations; the state of the economy and the ‎exploration and production business; results of operations; performance; business prospects and ‎opportunities; the availability and cost of financing, labour and services; the impact of increasing competition; ‎ability to market oil and natural gas successfully and Granite’s ability to obtain additional financing on ‎satisfactory terms. ‎

The forward-looking statements represent Granite’s views as of the date of this document and such ‎information should not be relied upon as representing its views as of any date subsequent to the date of this ‎document. Granite has attempted to identify important factors that could cause actual results, performance ‎or achievements to vary from those current expectations or estimates expressed or implied by the forward-‎looking information. However, there may be other factors that cause results, performance or achievements ‎not to be as expected or estimated and that could cause actual results, performance or achievements to differ ‎materially from current expectations. There can be no assurance that forward-looking statements will prove ‎to be accurate, as results and future events could differ materially from those expected or estimated in such ‎statements. Accordingly, readers should not place undue reliance on forward-looking information. Except as ‎required by law, the Company undertakes no obligation to publicly update or revise any forward-looking ‎statements.‎

This news release contains future-oriented financial information and financial outlook information (collectively, "FOFI") about Granite’s prospective results of operations, funds from operations, netbacks, net debt, operating costs and components thereof, all of which are subject to the same assumptions, risk factors, limitations and qualifications as set forth in the above paragraphs. FOFI contained in this news release was made as of the date of this news release and was provided for the purpose of providing further information about Granite's anticipated future business operations. Granite disclaims any intention or obligation to update or revise any FOFI contained in this news release, whether as a result of new information, future events or otherwise, unless required pursuant to applicable law. Readers are cautioned that the FOFI contained in this news release should not be used for purposes other than for which it is disclosed herein.

Non-GAAP Measurements. This news release contains the terms "funds from operations" and "funds from operations per share", which should not be considered an alternative to or more meaningful than cash flow from (used in) operating activities as determined in accordance with IFRS. These terms do not have any standardized meaning under IFRS. Granite's determination of funds from operations and funds from operations per share may not be comparable to that reported by other companies. Management uses funds from operations to analyze operating performance and leverage, and considers funds from operations to be a key measure as it demonstrates the Company's ability to generate cash necessary to fund future capital investments and to repay debt, if applicable. Funds from operations is calculated using cash flow from operating activities as presented in the statement of cash flows, before changes in noncash working capital. Granite presents funds from operations per share whereby per share amounts are calculated using weighted-average shares outstanding, consistent with the calculation of earnings per share.

Net debt, which represent current assets less current liabilities, excluding current derivative financial instruments, is used to assess efficiency, liquidity and the Company's general financial strength. No IFRS measure is reasonably comparable to working capital deficit.

The Company considers corporate netbacks to be a key measure as they demonstrate Granite's profitability relative to current commodity prices. Corporate netbacks are comprised of operating and funds flow netbacks. Operating netback is calculated as the average sales price of the Company's commodities, less royalties, operating costs and transportation expenses. Funds flow netback starts with the operating netback and further deducts general and administrative costs, finance expense and unrealized gains on financial instruments, and then adds any finance income and realized gains on financial instruments, if applicable. No IFRS measure is reasonably comparable to netbacks. See "Netbacks (per unit)" in the Company's management's discussion and analysis for the three and six months ended June 30, 2019 filed on www.sedar.com for the netback calculations.

BOE Presentation. References herein to "boe" mean barrels of oil equivalent derived by converting gas to oil in ‎the ratio of six thousand cubic feet (Mcf) of gas to one barrel (bbl) of oil. Boe may be misleading, particularly if ‎used in isolation. A boe conversion ratio of 6 Mcf: 1 bbl is based on an energy conversion method primarily ‎applicable at the burner tip and does not represent a value equivalency at the wellhead. In addition, given that ‎the value ratio based on the current price of crude oil as compared to natural gas 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.‎