Greenfields Petroleum Corporation Announces First Quarter 2018 Results

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HOUSTON, May 29, 2018 (GLOBE NEWSWIRE) -- Greenfields Petroleum Corp. (the “Company” or “Greenfields”) (TSX VENTURE:GNF), an independent exploration and production company holding an 80% interest in producing assets in Azerbaijan, announces its financial and operating results for the three months ended March 31, 2018. Selected financial and operational information included below should be read in conjunction with the Company’s condensed consolidated financial statements for the three months ended March 31, 2018, with the notes thereto and related management’s discussion and analysis (“MD&A”), which can be found at www.Greenfields-Petroleum.com and on SEDAR at www.sedar.com. Except as otherwise indicated, all dollar amounts referenced herein are expressed in United States dollars.

First Quarter 2018 Highlights

- Gross production volumes with respect to the offshore block known as the Bahar Project (the “Bahar Project”) averaged 838 bbl/d for crude oil and 17,299 mcf/d for natural gas, or a total of 3,720 boe/d. In comparison to the first quarter 2017, gross production volumes decreased 3% for crude oil (862 bbl/d), decreased 20% for natural gas (21,587 mcf/d) and decreased 17% (4,460 boe/d) for boe/d. In fourth quarter 2017, gross production volumes were 638 bbl/d for crude oil, 18,965 mcf/d for natural gas, or a total of 3,799 boe/d.
- The Company's entitlement share of sales volumes (the “Sales Volumes”) resulted in revenue of $7.0 million, a decrease of 24% in comparison to revenue of $9.2 million realized in the first quarter 2017. In the fourth quarter of 2017, the Company realized revenue from Sales Volumes of $6.9 million.
- Realized oil price averaged $63.11/bbl, an increase of 34% in comparison to $47.24/bbl realized in the first quarter 2017. In the fourth quarter of 2017, the Company realized average prices of $56.04/bbl. The price of natural gas has been fixed at $2.69/mcf since April 1, 2017 and previously it was constant at $3.96/mcf.
- Operating costs were $5.0 million, 20% lower when compared to $6.3 million in the first quarter 2017. In the fourth quarter 2017 the Company had operating costs of $4.8 million.
- Capital expenditures were $1.4 million, 30% lower when compared to expenditures of $2.0 million in first quarter 2017. The Company had capital expenditures of $2.9 million in the fourth quarter 2017.
- After interest and depreciation expenses, the Company realized a net loss of $2.6 million or a loss per share (basic and diluted) of $0.01, as compared to the first quarter 2017, where the Company realized a net loss of $1.4 million with a loss per share (basic and diluted) of $0.01. In the fourth quarter 2017, the Company realized a net loss of $2.2 million or a loss per share (basic and diluted) of $0.01.

“The Company has made good progress during the first quarter 2018 by increasing oil production in relation to fourth quarter 2017 through recompletions," said John Harkins, CEO. "Performance improvements in relation to service workovers contributed to restore and stabilize production. Our operating netback continues to improve due to increased oil production, coupled with higher market prices, and operating costs well under forecast.”

Operational Review

- The increase in crude oil production in first quarter 2018 resulted from the successful workover of the GD-456 well. In the Bahar Gas Field, two capital workovers were completed and one remained underway. The decrease in natural gas production in the quarter is due to the loss of production from the B-171 well (approximately 1,800 mcf/d) due to a tubing problem. The workover on Bahar-171 restored natural gas production to 2,600 mcf/d at the end of the first quarter 2018 (a 44% increase as compared to year end 2017). The Bahar-177 well was suspended pending further evaluation of options for casing repair. Construction efforts focused on platform refurbishment to enable access for workovers and production operations, as well as infrastructural improvement projects related to the causeway, facilities and pipelines.

- During the first quarter of 2018, the Company continued the south Gum Deniz re-development project with the refurbishment of GD Platform-412. It was determined that the deeper wells in the south Gum Deniz will require pulling units larger than previously available. New larger pulling units are expected to be in service in June 2018 for Platform-409 and August 2018 for Plaform-412.
- Lower operating costs in first quarter 2018 resulted from costs reimbursements by SOCAR Oil Affiliate ("SOA"), the Company's 20% partner in the Bahar Project, as well as lower personnel costs, insurance and rentals. Administrative expenses for the first quarter 2018 were $1.2 million, 88% higher in comparison to $0.6 million in first quarter 2017 and 45% higher when compared to $0.8 million in fourth quarter 2017. The increases in Administrative expenses are due to higher professional and technical fees in connection with ongoing reservoir simulation studies and corporate initiatives.
- Lower capital expenditures in first quarter 2018 resulted from costs reimbursements by SOA and the slow start of the capital program due to procurement delays and inclement weather.
- In relation to the extended waterflood injectivity test in the Gum Deniz initiated in December 2017, two wells have been placed on injection and a third well is expected to follow in second quarter 2018. Injection of water will continue as new wellbores are added. Offset producing wells and observation wells will be closely monitored for response.
- The Company continues to work closely with SOCAR Drilling Trust (“SDT”) in connection with partnering opportunities to drill deep gas wells in the Bahar Gas Field, as previously announced to the market on December 4, 2017. The refurbishment of the Bahar Platform 196, key for future development drilling, is ongoing. In addition, both the work to design the Bahar 301 well and its respective drilling contract are underway.

Selected Financial Information

(US$000’s, except as noted)	Three months ended March 31, 2018		2017 *Restated* (1)	
Financial				
Revenues				
Crude oil and natural gas	7,046		9,238	
Net loss	(2,591	)	(1,368	)
Loss per share, basic and diluted	($0.01	)	($0.01	)
Operating				
Average Entitlement Sales Volumes (2)				
Crude Oil (bbl/d)	597		709	
Decrease with respect to same period in 2017	*(16*	*%)*		
Natural gas (mcf/d)	14,855		17,296	
Decrease with respect to same period in 2017	*(14*	*%)*		
Barrel oil equivalent (boe/d)	3,072		3,591	
Decrease with respect to same period in 2017	*(14*	*%)*		
Entitlement to gross sales volumes (3)	88	%	84	%
Prices				
Average oil price ($/bbl)	64.25		48.20	
Net realization price ($/bbl)	63.11		47.24	
Increase with respect to same period in 2017	*34*	*%*		
Brent oil price ($/bbl)	66.86		53.59	
Natural gas price ($/mcf) (4)	2.69		3.96	
Net realization price ($/boe) (5)	25.48		28.58	
Operating cost ($/boe) (5)	(18.26	)	(19.61	)
Operating Netback ($/boe) (5)	7.22		8.97	
Capital Items				
Cash and cash equivalents	210		1,891	
Total Assets	199,689		198,781	
Working capital (6)	(6,666	)	(48,189	)
Long term debt and shareholders’ equity	180,087		138,147	

(1) The term **Restated** was added to the 2017 comparative information due to the reclassification of impairment expense, previously reported on a separate expense line, into operating expense, both within the same group of expenses as reported in the Company’s financial statements. The reclassification was made to conform to the basis of presentation for the current year and resulted in no change to total expenses, loss from operating activities, total comprehensive loss and loss per share reported for the three months ended March 31, 2017. See *Note 15 – Segment Reporting* in the Company’s Unaudited Condensed Consolidated Statements of Comprehensive Loss for the three months ended March 31, 2018.

(2) Sales Volumes represent the Company’s share of entitlement production marketed by the State Oil Corporation of Azerbaijan (“SOCAR”) after in-kind production volumes delivered to SOCAR as compensatory petroleum and the government’s share of profit petroleum. The Company’s share of entitlement production includes the allocation of SOA’s share of cost recovery production as required by the carry 1 recovery provisions in the Exploration, Rehabilitation, Development and Production Sharing Agreement (the "ERDPSA"). Compensatory petroleum represents 10% of gross production from the ERDPSA and continues to be delivered to SOCAR, at no charge, until specific cumulative oil and natural gas production milestones are attained.

(3) Represents the percentage of Bahar Energy Limited’s (“BEL”) entitlement production volume relative to gross lifted volumes from the ERDPSA.

(4) The natural gas price was contractually fixed at $3.96 per mcf in the first quarter 2017 and then renegotiated to a new 5‑year term at $2.69 per mcf effective April 1, 2017.

(5) “Net realization price, operating cost and operating netback” are Non-IFRS measures. For more information see “*Non-IFRS Measures*”.

(6) Working capital at March 31, 2017 includes $47 million in loans maturing March 31, 2018 which were classified as short term loans due to its March 31, 2018 maturity. The loans were subsequently reclassified to long term at September 30, 2017 as the maturity date was extended to January 15, 2020.

About Greenfields Petroleum Corporation

Greenfields is a junior oil and natural gas company focused on the development and production of proven oil and gas reserves principally in the Republic of Azerbaijan. The Company is the sole owner of BEL, a venture with 80% participating interest in the ERDPSA with SOCAR and its affiliate SOA", in respect of the offshore block known as the Bahar Project, which includes the Bahar Gas Field and the Gum Deniz Oil Field. BEL operates the Bahar Project through its wholly owned subsidiary Bahar Energy Operating Corporation Limited.. More information about the Company may be obtained on the Greenfields’ website at www.greenfields-petroleum.com.

Forward-Looking Statements

This press release contains forward-looking statements. More particularly, this press release includes forward-looking statements concerning, but not limited to: operational and development plans of the Company and of BEL; the completion of refurbishments and the anticipated timing thereof; the completion of workovers and anticipated timing thereof; the completion of recompletions and reactivations and the anticipated timing thereof; the Bahar Gas Field and Gum Deniz field studies and plan of development and the expectations in relation thereto; production; the completion of waterflood injectivity tests; and the timing of secondary recovery projects. In addition, the use of any of the words “anticipated”, “scheduled”, “will”, “prior to”, “estimate”, “believe”, “should”, “future”, “continue”, “expect”, “plan” and similar expressions are intended to identify forward-looking statements. The forward-looking statements contained herein are based on certain key expectations and assumptions made by the Company, including, but not limited to, expectations and assumptions concerning the success of optimization and efficiency improvement projects, the availability of capital, current legislation and regulatory regimes, receipt of required regulatory approval, the success of future drilling and development activities, the performance of existing wells, the performance of new wells, general economic conditions, availability of required equipment and services, weather conditions and prevailing commodity prices. Although the Company believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because the Company can give no assurance that they will prove to be correct.

Since forward-looking statements address future events and conditions, by their very nature they involve *inherent risks and uncertainties most of which are beyond the control of Greenfields. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking information prove incorrect, actual results, performance or achievements could vary materially from those expressed or implied by the forward-looking information. These risks include, but are not limited to, risks associated with the oil and gas industry in general (e.g., operational risks in development, exploration and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserve estimates; the uncertainty of estimates and projections relating to production, costs and expenses; and health, safety, political and environmental risks), commodity price and exchange rate fluctuations, changes in legislation affecting the oil and gas industry and uncertainties resulting from potential delays or changes in plans with respect to exploration or development projects or capital expenditures. Additional risk factors can be found under the heading “Risk Factors” in Greenfields’ Management Discussion and Analysis which may be viewed on www.sedar.com.*

The forward-looking statements contained in this press release are made as of the date hereof and Greenfields undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws. The Company’s forward-looking information is expressly qualified in its entirety by this cautionary statement.

Abbreviations

bbl	*barrels*	*mcf*	*thousand cubic feet*
bbl/d	*barrels per day*	*mcf/d*	*thousand cubic feet per day*
boe	*barrels of oil equivalent*	*$/mcf*	*United States dollars per thousand cubic feet*
boe/d	*barrels of oil equivalent per day*	*$/boe*	*United States dollars per barrels of oil equivalent*
$/bbl	*United States dollars per barrel*		

Non-IFRS Measures

Within this document, references are made to terms which are not recognized under IFRS. Specifically, “net realization price”, “operating netback” and “operating cost” do not have any standardized meaning as prescribed by IFRS and are regarded as non-IFRS measures. These non-IFRS measures may not be comparable to the calculation of similar amounts for other entities and readers are cautioned that use of such measures to compare issuers may not be valid. Non-IFRS measures are used to benchmark operations against prior periods and are widely used by investors, lenders, analysts and other parties. These non-IFRS measures should not be considered in isolation or as a substitute for measures prepared in accordance with IFRS. The definition and reconciliation of each non-IFRS measure or additional subtotal is presented herein.

“Net realization price”, “operating netbacks”, “operating costs” are common non-IFRS measurements applied in the oil and gas industry and are used by management to assess the operational performance and performance of the Company. “Net realization price” indicates the selling price of a good less the selling costs. “Operating netback” is a measure of oil and gas sales revenue net of royalties, production and transportation expenses. “Operating cost” provides an indication of the controllable cash costs incurred per boe during a period. Management believes that these non-IFRS measures assist management and investors in assessing Greenfields’ profitability and operating results on a per unit basis to better analyze performance against prior periods on a comparable basis.

The Operating Summary on page 10 of the Company’s first quarter 2018 MD&A includes a reconciliation of “net realization price”, “operating netback” and “operating cost” to the most closely related IFRS measure.

Notes regarding Oil and Gas Disclosures

Barrels of oil equivalent or “boe” may be misleading, particularly if used in isolation. The volumes disclosed in this press release use a 6 mcf: 1 boe, as such is typically used in oil and gas reporting and is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. The Company uses a 6 mcf: 1 boe ratio to calculate its *share of entitlement sales from the Bahar project for its financial reporting and reserves disclosure.*

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

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