Greenfields Petroleum Corporation Announces First Quarter 2019 Financial and Operating Results and Extension of Senior Secured Debt Payments

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HOUSTON, May 29, 2019 - Greenfields Petroleum Corp. (the “Company” or “Greenfields”) (TSX VENTURE: GNF), a production focused company with operating assets in Azerbaijan, announces its financial and operating results for the three months ended March 31, 2019 and the extension of senior secured debt payments.

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, 2019 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 2019 Highlights

- The Company's entitlement share of sales volumes (the “Sales Volumes”) from the offshore block known as the Bahar project (the “Bahar Project”) resulted in revenue of $6.3 million in Q1/19, a 10% decrease relative to revenue of $7.0 million in Q1/18.
- Sales Volumes averaged 525 bbl/d for crude oil and 14,545 mcf/d for natural gas or 2,949 boe/d in Q1/19. As compared to Q1/18, Sales Volumes decreased 12% for crude oil, 2% for natural gas and 4% for boe/d.
- Realized oil price averaged $58.72/bbl for Q1/19, a 7% decrease in comparison to an average price of $63.11/bbl in Q1/18. The price of natural gas has been fixed at $2.69/mcf since April 1, 2017.
- Operating costs were $5.4 million for Q1/19, an 8% increase relative to costs of $5.0 million in Q1/18.
- Capital expenditures were $0.6 million for Q1/19, a 57% decrease as compared to expenditures of $1.4 million in Q1/18.
- After interest and depreciation expenses, the Company realized a net loss of $3.6 million for Q1/19, which represents a loss per share (basic and diluted) of $0.20. The Company also realized a net loss of $2.6 million in Q1/18, with a loss per share (basic and diluted) of $0.14.

Operational Review

- In Q1/19 Bahar Energy Operating Company continued its excellent safety and environmental record with no ‘Lost Time Incidents’, no ‘Reportable Incidents’ and no spills.
- Gross crude oil production in Q1/19 was 665 bbl/d, a decrease of 10% relative to Q4/18. Production in Q1/19 was impacted by downtime related to ongoing workovers. In the Gum Deniz Oil Field, four successful recompletions were conducted and seven well services performed for sand cleanouts and artificial lift optimization to partially offset the natural field decline.
- Gross gas production from the Bahar Gas Field in Q1/19 was 18,209 mcf/d, a 14% decrease relative to Q4/18. Production in Q1/19 was impacted by the temporary suspension of wells B-173 and B-182 due to low flowing pressure and liquid loading. Workovers were also initiated for wells B-140 and B-205 after delays in crane vessel support for the movement of workover rigs.
- Operating costs were $5.4 million for Q1/19, a 30% decrease relative to Q4/18 spending of $7.7 million. Operating costs in Q4/18 reflected the costs of capital workovers for two Bahar Gas Field wells charged to expense due to collapsed casing. The lower level of capital projects activity during Q1/19 also resulted in the expensing of operating costs which would otherwise be capitalized. Administrative expenses for Q1/19 were $0.6 million compared to $0.7 in Q4/18.
- Capital expenditures were $0.6 million for Q1/19, a 33% decrease relative to $0.9 million in Q4/18. Capital expenditures during Q1/19 were also impacted by delays in crane vessel support for the movement of workover rigs.

Selected Financial Information

US$000’s, except as noted	Three Months Ended March 31,	
	2019	2018
Financial		
Revenues		
Crude oil and natural gas	6,348	7,046
Net income (loss)	(3,556)	(2,591)
Net income (loss) per share, basic and diluted	($0.20)	($0.14)
Operating		
Average Entitlement Sales Volumes (1)		
Crude Oil (bbl/d)	525	597
Change compared to same period in 2018	*(12%)*	
Natural gas (mcf/d)	14,545	14,855
Change compared to same period in 2018	*(2%)*	
Barrel oil equivalent (boe/d)	2,949	3,072
Change compared to same period in 2018	*(4%)*	
Entitlement to gross sales volumes (2)	80%	88%
Prices		
Average oil price ($/bbl)	59.82	64.25
Net realization price ($/bbl)	58.72	63.11
Change compared to same period in 2018	*(7%)*	
Brent oil price ($/bbl)	63.10	66.86
Natural gas price ($/mcf)	2.69	2.69
Net realization price ($/boe) (3)	23.92	25.48
Operating cost ($/boe) (3)	(20.58)	(18.26)
Operating netback ($/boe) (3)	3.34	7.22
Capital Items		
Cash and cash equivalents	838	210
Total Assets	193,638	199,689
Working capital deficit	(21,765)	(6,666)
Long term debt and shareholders’ equity	160,390	180,087

(1) Sales Volumes represent the Company’s share of entitlement production marketed by 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 the share of cost recovery production of SOCAR Oil Affiliate (“SOA”) as stipulated 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.
(2) Represents the percentage of the entitlement production volume of Bahar Energy Limited (“BEL”) relative to gross volumes delivered by the ERDPSA.
(3) Net realization price, operating cost and operating netback are Non-IFRS measures. For more information see “*Non-IFRS Measures*”.

Extension of senior secured debt payments

The Company has executed payment deferral letters with its senior debt lender, Vitol Energy (Bermuda) Ltd. (“Vitol”), to defer payments in the aggregate of $8.3 million until June 30, 2019. The Company anticipates the deferrals will give the Company sufficient time to comply with its obligations under the thirteenth amending agreement to the loan agreement between the Company and Vitol.

About Greenfields Petroleum Corporation

Greenfields is an oil and natural gas company focused on the development and production of proven oil and gas reserves in the Republic of Azerbaijan. The Company is the sole owner of BEL, a venture with an 80% participating interest in the ERDPSA with SOCAR and its affiliate SOA, in respect of 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 Company 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: Greenfields’ business strategy, objectives, strength and focus; operational execution and the ability of the Company to achieve drilling success consistent with management’s expectations; the completion of workovers, recompletions, reactivations, equipping and refurbishments and the anticipated timing thereof; oil and natural gas production levels; and the deferral of debt obligations and the ability to comply with such obligations. Statements relating to “reserves” are also deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described exist in the quantities predicted or estimated and that the reserves can be profitably produced in the future. 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 the MD&A 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.

This press release contains future-oriented financial information and financial outlook information (collectively, “FOFI”) about Greenfields’ prospective results of operations, production, deferral of debt obligations 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 document has been approved by management as of the date of this document and was provided for the purpose of providing further information about Greenfields’ future business operations. Greenfields disclaims any intention or obligation to update or revise any FOFI contained in this document, 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 document should not be used for purposes other than for which it is disclosed herein.*

Non-IFRS Measures

Within this document, references are made to terms which are not recognized under IFRS. Specifically, “net realization price”, “operating cost” and “operating netback” 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 costs” and “operating netbacks” 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 cost” provides an indication of the controllable cash costs incurred per boe during a period. “Operating netback” is a measure of oil and gas sales revenue net of royalties, production and marketing & transportation expenses. 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 MD&A includes a reconciliation of “net realization price”, “operating cost” and “operating netback” 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.

Abbreviations

bbl	*Barrel(s)*
Mbbl	*One thousand barrels*
$/bbl	*Dollars per barrel*
bbl/d	*barrels per day*
boe	*Barrels of oil equivalent*
boe/d	*Barrels of oil per day*
mcf	*thousand cubic feet*
mcf/d	*thousand cubic feet per day*

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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