

Jadestone Energy Inc. Announces 3rd Quarter Results

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Jadestone Energy Results for the Period Ending September 30, 2019
Steady Production, Montara Operatorship Transferred, One-off Capital Completed and First Dividend Announced

SINGAPORE, November 28, 2019 - [Jadestone Energy Inc.](#) (AIM:JSE, TSXV:JSE) ("Jadestone" or the "Company"), an independent oil and gas production company focused on the Asia Pacific region, is pleased to report today its consolidated interim unaudited financial statements (the "Financial Statements"), as at, and for the three-month and nine-month period ended September 30, 2019.

Financial highlights

? Net revenue for the quarter of US\$62.5mm, 46% lower than Q2 2019 primarily due to one less lifting at Montara, which occurred post period end in October. Net revenue for the nine-month period to September 30, 2019 of US\$234.2mm;

? Lower liftings in the quarter increased crude oil inventory by 307.6mmbbls to 494.8mmbbls, which would equate to US\$32.3mm of revenue at average realised oil prices in the quarter;

? Adjusted EBITDAX of US\$29.6mm¹, down from US\$75.4mm¹ in the prior quarter;

? Cash generated from operations was US\$23.5mm², down from US\$59.3mm² in Q2 2019 due in part to fewer liftings as well as significant non-routine opex. Cash generated from operations over the nine-month period to September 2019 was US\$119.0mm²;

? Unadjusted quarterly profit after tax of US\$0.02mm, down from US\$22.6mm in Q2 2019 and profit after tax for the nine-month period of US\$30.1mm;

? Average price realisations of US\$65.36/bbl, a decrease of 9% from the June quarter

- Montara and Stag continue to enjoy strong differentials to Dated Brent, with the most recent sales, locking in a margin of US\$4.56/bbl and US\$11.40/bbl, respectively;

? Pre-tax hedging gains of US\$4.2mm, included in revenue for Q3 2019, compared to US\$1.4mm in Q2 2019;

? Capex and non-routine opex of US\$25.7mm in the quarter, including for the riserless light well intervention ("RLWI") project (US\$11.8mm) and umbilical replacement (US\$13.3mm) at Montara;

? Operating costs of US\$20.43/bbl, excluding non-routine opex, such as Stag workovers, down 6% from the prior quarter;

? Gross debt of US\$60.8mm, reduced from US\$73.4mm at end June 2019, as the Company continues to pay down its reserve-based lending ("RBL") facility;

? Gross cash of US\$65.0mm, excluding US\$10.0mm cash deposited in support of a bank guarantee, net cash position of US\$4.2mm, or US\$14.1mm inclusive of restricted cash; and

? The adoption of a dividend policy, targeting a 2020 maiden full year dividend in the range of US\$7.5mm and US\$12mm.

The revenue, EBITDAX¹, profit and operating cashflow results reflect the periodic nature of revenue recognition for Jadestone: there were single liftings at Stag and Montara during the quarter compared to two Montara liftings and a Stag lifting in the previous quarter, and a sole Stag lifting in the same quarter in the previous year. Conversely, inventory built up on the Balance Sheet to a market value of US\$32.3mm by quarter end³.

Operational highlights

? Continued safe operations at all assets with no recordable personnel or environmental incidents;

? Production in line with full year guidance averaged 13,036 bbls/d for the quarter, a 2% decrease from Q2 2019.

? Production marginally lower due to planned downtime at Montara, for the umbilical replacement project, RLWI programme, and repairs to the gas lift compression system, partly offset by increased production from Stag following the 49H infill well;

? Achieved two production liftings during the quarter, resulting in sales of 0.9mm bbls, compared with 1.6mm bbls from three liftings in Q2 2019, or 3.2mm bbls for the nine-month period. In addition, crude oil inventory increased by 307.6mbbls during the quarter;

? Completed transfer of operatorship of the Montara oil project, including acceptance of the Company's safety case and transfer of the remaining 1% interest in the Montara titles;

? Completed all outstanding remedial works on the Montara asset which have resulted in gas lift operations to the subsea wells resuming;

? Finished the first major investment programmes on Montara on time in mid-August and on budget;

? Signed an agreement to participate in a multi-client 3D seismic acquisition covering 1,487 km², including the Montara blocks and surrounding area, now targeted to begin in Q1 2020; and

? Formally submitted a field development plan ("FDP") for the Nam Du and U Minh gas fields, offshore southwest Vietnam, to Vietnam Oil and Gas Group ("Petrovietnam") in October, 2019.

Acquisition of a 69% operated interest in Maari

? Announced, in November, 2019, the acquisition of the Maari Project, offshore New Zealand, from OMV for a headline cash consideration of US\$50mm, subject to satisfaction of conditions.

Outlook

? Full year average group production guidance is reconfirmed within the range 13,500-14,500 bbls/d;

? Opex guidance for the full year is maintained at US\$21- 24/bbl, reflecting an acceleration in opex reduction initiatives at Montara following the transfer of operatorship;

? Guidance on major spend for the full year of US\$66-81mm, down US\$7mm as the Montara 3D seismic shoot is now expected to commence in Q1 2020;

? Major spending of US\$25.7mm in the quarter comprised both capex and non-routine opex, mainly for the RLWI project (US\$11.8mm) and the Montara umbilical replacement (US\$13.3mm). This compares to US\$12.2mm in the previous quarter;

? Approval of the FDP for the Nam Du/U Minh gas project in southwest Vietnam is anticipated before year end or shortly thereafter; and

? The Maari project transition phase will continue throughout Q4 2019 and into 2020, including obtaining New Zealand Government approvals relating to title transfer and change of operatorship and other customary conditions, leading to anticipated completion in H2 2020.

¹ EBITDAX is a non-GAAP financial measure which does not have a standardised meaning prescribed by IFRS. This non-GAAP financial measure is included because management uses this information to analyse financial performance, efficiency and liquidity and it may be useful to investors on the same basis. EBITDAX is a non-GAAP measure which should not be considered an alternative to, or more meaningful than, "net earnings (loss)" as determined in accordance with IFRS, as an indicator of financial performance. EBITDAX equals net earnings (loss) plus financial expenses (income), provisions for (recovery of) income taxes, and depletion, depreciation and amortisation and exploration expense. Because non-GAAP financial measures do not have a standardised meaning prescribed by IFRS, they are unlikely to be comparable to similar measures presented by other companies and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

² Before changes in working capital, interest and taxes

³ Based on average price realisation in the quarter

Paul Blakeley, President and CEO commented:

"I'm pleased to report Jadestone's third quarter 2019 results, with steady and safe production operations, slightly impacted by both the RLWI programme and the umbilical replacement at Montara. The quarter's financial results were also impacted by crude liftings schedules which saw an inventory build of over 300,000 bbls from the previous quarter, and a delayed cash receipt for one lifting in the quarter. The ongoing cash generation of the business is strong, our Balance Sheet is improving with each quarter, and we're increasingly cash positive, just 14 months after closing our acquisition of Montara, which included a US\$120mm reserves-based loan facility.

"At the same time, we completed the transfer of operatorship of Montara in the third quarter, completing all outstanding remedial works on the asset that had been identified during the acquisition, including the subsea well interventions, umbilical replacement and recommissioning of the gas lift compressor, and have begun to demonstrate the impact of our operating philosophy on minimising waste and further driving down operating costs.

"We're also continuing to pursue value accretive inorganic growth elsewhere in our core region, announcing earlier this month that we will acquire an operated 69% interest in the Maari project, in shallow water offshore New Zealand, for a headline consideration of US\$50mm. The project will increase the Company's production by approximately 30% and 2P reserves by 33%, and is immediately accretive on an operating cashflow per share and free cashflow per share basis.

"In Vietnam, we're making good progress toward commercialising our southwest Vietnam gas project at the Nam Du and U Minh fields. The formal field development plan has been submitted to Petrovietnam, and we're still aiming to achieve field development sanction by the end of the year.

"The Jadestone strategy is definitely working with building momentum, and we remain on track to generate

distributable earnings for shareholders, as promised in our announced dividend policy, which will result in our maiden dividend next year."

Operations update

Montara

Production at the Montara asset (Jadestone 100%, and operator) averaged 9,235 bbls/d during the quarter. Production was affected by planned downtime associated with the RLWI programme and the umbilical replacement project, in addition to work on the gas lift compressor to address high temperatures on the compressor's exhaust stack. Although this resulted in 72% uptime during the quarter, down from 82% in the prior quarter, completion of these activities addressed a number of reliability issues and accessed new reserves, which should underpin higher uptime performance and increased production going forward.

All work was completed during the quarter as planned. The regulator's prohibition notice, issued to the prior operator in relation to the compressor, has been withdrawn, and gas-lift resumed. At the end of the quarter, production at Montara was over 12,000 bbls/d.

One crude oil cargo was lifted from Montara in Q3 2019, for total sales of 592,028 bbls. The next lifting occurred in October, meaning the Company recorded a substantial increase in crude oil inventory for the quarter.

The Company has also made progress toward its plan to acquire new 3D seismic in the Montara area, and has joined a multi-client survey to be conducted by Polarcus, which will include acquiring approximately 1,487 km² of 3D seismic including full coverage of the block area, starting in Q1 2020. This seismic acquisition is part of Jadestone's plan to improve reservoir imaging, to more accurately target future infill wells, and to assess further exploration step-out potential.

In addition, the Company is finalising well planning for its first infill well at Montara, which will be drilled from an existing slot on the Montara wellhead platform, targeting 1.8mm bbls of unswept oil, with a target initial production rate of 3,000 bbls/d. The Company has identified a preferred drilling rig and negotiations with the contractor are in the final stages. Critical path long lead items are already being procured.

Stag

Production at the Stag oilfield (Jadestone 100%, and operator) averaged 3,801 bbls/d in Q3 2019, reflecting the positive impact of ongoing production from the Stag 49H infill well which came on production in May, and continues to contribute as expected. In addition, Stag uptime averaged 92%, compared to 75% in Q2 2019. One crude oil cargo was lifted from Stag in Q3 2019, for total sales of 299,616 bbls.

Vietnam

Having completed the formal FDP for Nam Du/U Minh during the quarter, the Company reached a key milestone, post period end in October, by formally submitting the FDP to Petrovietnam for their endorsement and Government approval. The FDP is in the final stages of the review process, with formal approval anticipated before year end, or shortly thereafter.

Separately, the Company has received revised investment licences for Block 46/07 and Block 51, confirming that the Company's working interest has been formally registered as 100%.

Upon formal development sanction, the Company anticipates completing a gas sales and purchase agreement in accordance with the heads of agreement ("HOA") executed earlier this year. The HOA established key terms including the agreed daily contract quantity of 80mmscf/d, and other commercial terms and principles including a take-or-pay commitment by the buyer and a minimum plateau production period of 55 months.

Financial overview

Results for the quarter reflect a decrease in production volumes of 2% over the prior quarter, but due to the timing of crude oil liftings, a more significant decrease in sales volumes of 44%. At the same time, realised prices also decreased for the quarter, to US\$65.36/bbl, a decrease of 9% from Q2 2019, partially mitigated by our existing hedge programme. The Company reported revenue of US\$62.5mm, versus US\$115.3mm in Q2 2019.

Production costs for the quarter were US\$32.0mm, versus US\$39.3mm in the prior quarter, reflecting an increase in well workover costs associated with the RLWI programme at Montara (US\$9.7mm), but offset by a negative movement of inventory associated with the timing of crude oil liftings and reduced costs under Jadestone operatorship at Montara.

After adjusting for non-routine opex including the RLWI and other workovers, repairs and maintenance, this equates to US\$20.43/bbl⁴, versus US\$21.74/bbl⁴ in the prior quarter.

Jadestone generated an adjusted EBITDAX of US\$29.6mm for the quarter, compared to US\$75.4mm for Q2 2019.

On an unadjusted basis, the Company reported a net profit before tax of US\$2.8mm, compared to a net profit before tax of US\$34.0mm in Q2 2019. Profit before tax, excluding the RLWI and non-routine well workovers would have been an estimated US\$15.5mm, notwithstanding the lower lifting volumes in the quarter.

Net cash generated from operations was US\$23.5mm compared to US\$59.3mm in the prior quarter.

Cash used in investing activities in Q3 2019 was US\$25.1mm, including the subsea umbilical replacement, final amounts related to the Stag 49H infill well and the capex elements of the Montara RLWI campaign. This compares to US\$27.7mm used in investing activities in the prior quarter.

Cash used in financing activities in Q3 2019 was US\$13.0mm, which was the result of a scheduled quarterly repayment of the outstanding RBL balance, compared to cash used in financing of US\$11.9mm in Q2 2019.

At the end of the quarter, the Company had US\$50.8mm cash, plus US\$14.1mm of restricted cash, primarily related to its debt service reserve, and a further US\$10mm of cash in support of a bank guarantee. Net cash was US\$4.2mm, excluding the US\$10mm of cash in support of the bank guarantee, or US\$14.2mm including the bank guarantee.

Additionally, the Company's existing capped swap continues to provide robust support for 2019 cash generation, establishing a floor benchmark crude oil price of US\$71.72/bbl for 50% of planned 2PD production at Montara in 2019, before allowing for the realised premium, which was most recently US\$4.56/bbl above Brent.

⁴ This excludes the impact of workovers and repairs and maintenance at Stag given their unpredictable timing, and costs associated with the Montara RLWI which are opex related and will be tracked separately as per 2019 guidance

Selected financial information

The following table provides selected financial information of the Company, which was derived from, and should be read in conjunction with, the consolidated interim financial statements for the period ended June 30, 2019, available on SEDAR and the Company's website at www.jadestone-energy.com/financial-results/.

Quarterly comparison	Sep 2019 quarter	Sep 2018 quarter	Change (%)
Production ⁵ , mboe	1,199.3	306.1	291.8%
Sales ⁵ , mboe	891.6	422.3	111.1%
Avg realised liquids price ⁵ , US\$/boe	65.36	77.37	(15.5%)
Sales revenue, US\$mm	62.5	32.7	91.1%
Capital expenditure ⁶ , US\$mm	20.9	134.8	(84.5%)
Quarterly comparison	Sep 2019 quarter	Jun 2019 quarter	Change (%)
Production, mbbls	1,199.3	1,211.7	(1.0%)
Sales, mbbls	891.4	1,589.4	(43.9%)
Avg realised liquids price, US\$/bbl	65.36	71.70	(8.8%)
Sales revenue, US\$mm	62.5	115.3	(45.8%)
Capital expenditure ⁶ , US\$mm	20.9	23.1	(9.5%)
Year-to-date comparison	9M to Sep 30, 2019	9M to Sep 30, 2018	Change (%)
Production ⁵ , mbbls	3,586.3	1,001.1	258.2%
Sales ⁵ , mbbls	3,229.9	1,026.0	214.8%
Avg realised liquids price ⁵ , US\$/bbl	69.00	70.18	(1.7%)
Sales revenue, US\$mm	234.2	68.5	241.9%
Capital expenditure ⁶ , US\$mm	50.9	135.5	(62.4%)

⁵ Production, sales and average realised prices are expressed on a barrels of oil equivalent basis as the underlying data includes gas production from Ogan Komering for the prevailing period based on Jadestone's 50% participating interest up until May 19, 2018

⁶ Payment for oil and gas property, plant and equipment and intangible exploration assets. Excludes acquisition related capital expenditure and lease payments that under IFRS16 are included in cash used in investing activities

Conference call and webcast

The management team will host an investor and analyst conference call at 5:00 p.m. (Singapore), 9:00 a.m. (London), and 4:00 a.m. (Toronto) on the same day, Thursday, November 28, 2019, including a question and answer session.

The live webcast of the presentation will be available at the below webcast link. Dial-in details are provided below. Please register approximately 15 minutes prior to the start of the call. The results for the period ended September 30, 2019 will be available on the Company's website at: www.jadestone-energy.com/investor-relations/.

Webcast link: <https://event.on24.com/wcc/r/2110781/32ED0FFF54FF4F9CCE429834F9ACC57A>
Event conference title: [Jadestone Energy Inc.](#) - Third Quarter Results
Start time: 5:00 p.m. (Singapore), 9:00 a.m. (London), 4:00 a.m. (Toronto)
Date: Thursday, November 28, 2019
Conference ID: 49825848

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- Ends -

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Click on, or paste the following link into your web browser, to view the full announcement.

http://www.rns-pdf.londonstockexchange.com/rns/9667U_1-2019-11-28.pdf

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