

March 16, 2020



Ring Energy Announces Fourth Quarter and Twelve Month 2019 Financial and Operational Results

Company Achieves Year-End Goal of Becoming Cash Flow Positive

MIDLAND, Texas--(BUSINESS WIRE)-- Ring Energy, Inc. (NYSE American: REI) ("Ring") ("Company") announced today financial results for the three months and twelve months ended December 31, 2019. For the three-month period ended December 31, 2019, the Company reported oil and gas revenues of \$52,231,186 compared to revenues of \$27,561,908 for the quarter ended December 31, 2018. For the twelve months ended December 31, 2019, the Company reported oil and gas revenues of \$195,702,831, compared to \$120,065,361 for the twelve months ended December 31, 2018.

For the three months ended December 31, 2019, Ring reported net income of \$5,026,694, or \$0.07 per diluted share, compared to a net loss of \$7,079,308, or \$0.11 per fully diluted share for the three months ended December 31, 2018. For the twelve months ended December 31, 2019, the Company reported net income of \$29,496,551, or \$0.44 per diluted share, compared to net income of \$8,999,760, or \$0.15 per fully diluted share for the twelve-month period ended December 31, 2018.

For the three months ended December 31, 2019, the net income included a pre-tax unrealized loss on derivatives of \$6,066,991 and a non-cash charge for stock-based compensation of \$646,590. Excluding these items, the net income per diluted share would have been \$0.17. For the twelve months ended December 31, 2019, the net income included a pre-tax unrealized loss on derivatives of \$3,000,078 and a non-cash charge for stock-based compensation of \$3,082,625. Excluding these items, the net income per diluted share would have been \$0.58. The Company believes results excluding these items are more comparable to estimates provided by security analysts and, therefore, are useful in evaluating operational trends of the Company and its performance, compared to other similarly situated oil and gas producing companies.

For the three months ended December 31, 2019, oil sales volume increased to 923,384 barrels, compared to 542,964 barrels (Ring Only) for the same period in 2018, a 70.0% increase, and gas sales volume increased to 779,099 MCF (thousand cubic feet), compared to 302,890 MCF (Ring Only) for the same period in 2018, a 157.2% increase. On a barrel of oil equivalent ("BOE") basis for the three months ended December 31, 2019, production sales were 1,053,234 BOEs, compared to 593,446 BOEs (Ring Only) for the same period in 2018, an 77.4% increase, and 1,028,812 BOEs for the third quarter of 2019, a 2.4% increase. For the twelve months ended December 31, 2019, oil sales volume increased to 3,536,126 barrels, compared to 2,047,295 (Ring Only) barrels for the same period in 2018, a 72.7% increase, and gas sales volume increased to 2,476,472 MCF, compared to 1,112,177 MCF (Ring Only) for the same period in 2018, a 122.6% increase. On a BOE basis for the

twelve months ended December 31, 2019, production sales increased to 3,948,871 BOEs, compared to 2,232,658 BOEs (Ring Only) for the same period in 2018, a 76.8% increase.

The average commodity prices received by the Company were \$54.92 per barrel of oil and \$1.94 per MCF of natural gas for the quarter ended December 31, 2019, compared to \$49.62 per barrel of oil and \$2.05 per MCF of natural gas for the quarter ended December 31, 2018. On a BOE basis for the three-month period ended December 31, 2019, the average price received was \$49.59, compared to \$46.44 per BOE for the three months ended December 31, 2018. The average prices received for the twelve months ended December 31, 2019 were \$54.27 per barrel of oil and \$1.54 per MCF of natural gas, compared to \$56.99 per barrel of oil and \$3.05 per MCF of natural gas for the twelve-month period ended December 31, 2018. On a BOE basis for the twelve-month period ended December 31, 2019, the average price received was \$49.56, compared to \$53.78 per BOE for the twelve months ended December 31, 2018.

The average price differential the Company experienced from WTI pricing in the fourth quarter 2019 was approximately \$2.00.

As of December 31, 2019, the Company had entered into derivative contracts for 2020 in the form of costless collars of NYMEX WTI Crude Oil, with an offsetting put option (“floor”) and call option (“ceiling”). The contracts are for a total of 5,500 barrels of oil per day for the period of January 2020 through December 2020. The costless collar pricing does not take into account any pricing differentials between NYMEX WTI pricing and the price received by the Company.

| BOPD | Put Price | Call Price |
|-------|-----------|------------|
| 2,000 | \$ 50.00 | \$ 65.61 |
| 1,000 | \$ 50.00 | \$ 58.40 |
| 1,000 | \$ 50.00 | \$ 58.25 |
| 1,500 | \$ 50.00 | \$ 58.65 |

Subsequent to December 31, 2019, the Company has entered into derivative contracts for 2021 in the form of costless collars of NYMEX WTI Crude oil. The contracts are for a total of 4,500 barrels of oil per day for the period of January 2021 through December 2021. Again, the costless collar pricing does not take into account any pricing differentials between NYMEX WTI pricing and the price received by the Company.

| BOPD | Put Price | Call Price |
|-------|-----------|------------|
| 1,000 | \$ 45.00 | \$ 54.75 |
| 1,000 | \$ 45.00 | \$ 52.71 |
| 1,000 | \$ 40.00 | \$ 55.08 |
| 1,500 | \$ 40.00 | \$ 55.35 |

Lease operating expenses (“LOE”), including production taxes, for the three months ended December 31, 2019 were \$13.64 per BOE, equaling 27.5% of the quarter’s revenue and a 13.7% decrease from same period in 2018. Depreciation, depletion and amortization costs, including accretion, decreased 21% to \$14.06 per BOE from the fourth quarter 2018 and equaled 28.3% of the fourth quarter 2019 revenue. General and administrative costs, which included a \$646,590 charge for stock-based compensation and \$554,755 for an operating lease expense, were \$4.87 per BOE, a 15.6% decrease from the fourth quarter 2018 and equaled 9.8% of the fourth quarter 2019 revenue. For the twelve months ended December 31, 2019, lease operating expenses, including production taxes, were \$14.59 per BOE,

representing 29.4% of the 2019 revenue and a 2.5% decrease from the twelve months ended December 31, 2018. Depreciation, depletion and amortization costs, including accretion, were \$14.47 per BOE, representing 29.2% of the 2019 revenue and a 18.4% decrease from the prior year. General and administrative costs, which included a \$3,082,625 charge for stock-based compensation and \$925,217 for operating lease expenses, were \$5.27 per BOE, representing 10.6% of the 2019 revenue and an 8.5% decrease from 2018.

Mr. Randy Broaddrick, Vice President and Chief Financial Officer, commented, "On February 22, 2020, the Company submitted an 8K filing to the Securities and Exchange Commission ("SEC") regarding a correction to the Company financials for the first three quarters of 2019. The correction was the result of an error in the calculation / recording of the excess tax benefit related to the Company's equity-based compensation. As this is a non-cash tax entry, the adjustment has no effect on cash flows, pre-tax earnings, liquidity, EBITDA or future operations. As a result, the Company not only achieved its primary goal of becoming cash flow neutral by year end, it surpassed it by becoming cash flow positive by approximately \$4 million. We are extremely proud of this accomplishment and will continue to operate within generated cash flow while diligently working to reduce our outstanding debt."

Cash provided by operating activities, before changes in working capital, for the three and twelve months ended December 31, 2019 was \$30,090,898, or \$0.44 per fully diluted share, and \$107,506,194, or \$1.61 per fully diluted share, compared to \$10,631,255 and \$66,151,783, or \$0.17 and \$1.09 per fully diluted share for the same periods in 2018. Earnings before interest, taxes, depletion and other non-cash items ("Adjusted EBITDA") for the three and twelve months ended December 31, 2019 were \$33,375,704, or \$0.49 per fully diluted share, and \$120,366,929, or \$1.80 per fully diluted share, compared to \$10,973,726 and \$66,481,825, or \$0.18 and \$1.09 in 2018. (See accompanying table for a reconciliation of net income to adjusted EBITDA).

Total capital expenditures for the three and twelve months ended December 31, 2019 were approximately \$24.7 and \$442.8 million. The three-month amount included \$0.8 million of asset retirement obligations. The twelve-month amount includes \$301.3 million for property acquisitions, \$4.4 million of asset retirement obligations and was reduced \$7.5 million by property divestitures.

As of December 31, 2019, the outstanding balance on the Company's \$1 billion senior credit facility was \$366.5 million. The weighted average interest rate on borrowings under the senior credit facility was 4.49%. On December 2, 2019, the Company announced it had completed the scheduled fall 2019 redetermination evaluation of its senior credit facility. The Company entered into an amendment to the senior credit facility as part of the scheduled fall redetermination. The amendment reaffirmed the immediate borrowing base at \$425 million and required the Company, as it has been required in the past, to enter into hedges for 2020 and 2021. The Company has satisfied the requirement for 2020 and 2021 hedges. The next redetermination evaluation is scheduled for May 2020.

The Company also announced today that its estimated total proved reserves of oil and natural gas as of December 31, 2019 increased 121.5% to 81.1 million barrels of oil equivalent (BOE), from 36.6 million BOE at year end 2018, and 132.3% when adjusted for 2019 oil and gas sales. Ring replaced 1,226.1% of production in 2019. The 2019 year-end proved reserves consisted of 71.4 million barrels of crude oil (88%) and 58.3 Bcf of natural gas (12%). Of the 81.1 million BOE of total proved reserves, 58% are proved developed and

42% are proved undeveloped. The proved developed reserves consist of proved developed producing (53%) and proved developed non-producing (5%).

The estimated present value, using a 10% discount rate, of the future net cash flows before income taxes (“PV-10”) of the Company’s proved oil and natural gas reserves as of December 31, 2019 was \$1,102.8 million, using year-end average received pricing of \$52.41 per barrel for oil and \$1.47 per Mcf for natural gas. These estimates were audited by the independent engineering firm of Cawley, Gillespie & Associates, Inc., Fort Worth, Texas.

The following table summarizes our total net proved reserves, pre-tax PV10 value and Standardized Measure of Discounted Future Net Cash Flows as of December 31, 2019. All of the Company’s reserves are in the Permian Basin in Texas and New Mexico.

| Oil (Bbl) | Natural Gas (Mcf) | Total (Boe) | Pre-Tax PV10 Value | Standardized Measure of Discounted Future Net Cash Flows |
|--------------|----------------------|----------------|-----------------------|---|
| 71,359,014 | 58,271,882 | 81,070,994 | \$1,102,795,800 | \$ 923,175,051 |

The Company’s Chief Executive Officer, Mr. Kelly Hoffman, stated, “The fourth quarter continued to validate our assessment of our Northwest Shelf asset as the new wells we are drilling continue to exceed our expectations. We continue to improve efficiencies and cut costs where possible. With the oil price volatility we are currently experiencing, it is important for us to focus on maximizing every dollar spent in support of our on-going drilling and development program. That attitude made it possible to achieve our primary goals for 2019 of becoming cash flow neutral / positive, and annualized production growth. We continue to have serious discussions regarding the potential sale of our Delaware Basin asset and recognize the importance of strengthening our balance sheet.”

About Ring Energy, Inc.

Ring Energy, Inc. is an oil and gas exploration, development and production company with current operations in Texas and New Mexico.

www.ringenergy.com

Safe Harbor Statement

This release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements involve a wide variety of risks and uncertainties, and include, without limitations, statements with respect to the Company’s strategy and prospects. Such statements are subject to certain risks and uncertainties which are disclosed in the Company’s reports filed with the SEC, including its Form 10-K for the fiscal year ended December 31, 2019. Readers and investors are cautioned that the Company’s actual results may differ materially from those described in the forward-looking statements due to a number of factors, including, but not limited to, the Company’s ability to acquire productive oil and/or gas properties or to successfully drill and complete oil and/or gas wells on such properties, general economic conditions both domestically and abroad, and the conduct of business by the Company, and other factors that may be more fully described in additional documents set forth by the Company.

STATEMENTS OF OPERATIONS

| | Three Months Ended | | Twelve Months Ended | |
|---|---------------------|-----------------------|----------------------|---------------------|
| | December 31, | | December 31, | |
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| Oil and Gas Revenues | \$ 52,231,186 | \$27,561,908 | \$195,702,831 | \$120,065,361 |
| Costs and Operating Expenses | | | | |
| Oil and gas production costs | 12,040,300 | 8,163,826 | 48,496,225 | 27,801,989 |
| Oil and gas production taxes | 2,327,383 | 1,225,119 | 9,130,379 | 5,631,093 |
| Depreciation, depletion and amortization | 14,544,775 | 10,448,829 | 56,204,269 | 39,024,886 |
| Ceiling test impairment | - | 14,172,309 | - | 14,172,309 |
| Asset retirement obligation accretion | 262,321 | 113,236 | 943,707 | 606,459 |
| Operating lease expense | 554,755 | - | 925,217 | - |
| General and administrative expense | 4,579,634 | 3,425,359 | 19,866,706 | 12,867,686 |
| Total Costs and Operating Expenses | <u>34,309,168</u> | <u>37,548,678</u> | <u>135,566,503</u> | <u>100,104,422</u> |
| Income (Loss) from Operations | <u>17,922,018</u> | <u>(9,986,770)</u> | <u>60,136,328</u> | <u>19,960,939</u> |
| Other Income (Expense) | | | | |
| Interest income | 6 | 0 | 13,511 | 97,855 |
| Interest expense | (4,276,122) | (342,471) | (13,865,556) | (427,898) |
| Realized loss on derivatives | - | (4,553,476) | - | (11,153,702) |
| Unrealized gain (loss) on change in fair value of derivatives | (6,066,991) | 6,424,910 | (3,000,078) | 3,968,287 |
| Net Other Income (Expense) | <u>(10,343,107)</u> | <u>1,528,963</u> | <u>(16,852,123)</u> | <u>(7,515,458)</u> |
| Income Before Provision for Income Taxes | 7,578,911 | (8,457,807) | 43,284,205 | 12,445,481 |
| (Provision for) Income Taxes | <u>(2,552,217)</u> | <u>1,378,499</u> | <u>(13,787,654)</u> | <u>(3,445,721)</u> |
| Net Income (Loss) | <u>\$ 5,026,694</u> | <u>(\$ 7,079,308)</u> | <u>\$ 29,496,551</u> | <u>\$ 8,999,760</u> |
| Basic Earnings (Loss) Per Common Share | \$ 0.07 | (\$ 0.12) | \$ 0.44 | \$ 0.15 |
| Diluted Earnings (Loss) Per Common Share | \$ 0.07 | (\$ 0.11) | \$ 0.44 | \$ 0.15 |
| Basic Weighted-Average Common Shares Outstanding | 67,823,981 | 60,857,325 | 66,571,738 | 59,531,200 |
| Diluted Weighted-Average Common Shares Outstanding | 67,835,724 | 61,715,829 | 66,757,028 | 60,848,177 |

COMPARATIVE OPERATING STATISTICS

| | Three Months Ended December 31, | | | % of 4th Qrt. 2019 Revenue |
|-----------------------------------|---------------------------------|-------------|---------------|-------------------------------|
| | <u>2019</u> | <u>2018</u> | <u>Change</u> | |
| Net Sales - BOE per day | 11,448 | 6,450 | 77.5% | |
| Per BOE: | | | | |
| Average Sales Price | \$ 49.59 | \$46.44 | 6.8% | |
| Lease Operating Expenses | 11.43 | 13.75 | -16.9% | 23.0% |
| Production Taxes | 2.21 | 2.06 | 7.3% | 4.5% |
| DD&A | 13.81 | 17.61 | -21.5% | 27.8% |
| Accretion | 0.25 | 0.19 | 31.5% | 0.5% |
| General & Administrative Expenses | 4.35 | 5.77 | -24.6% | 8.7% |
| Operating Lease Expense | 0.53 | | | 1.0% |

Twelve Months Ended December 31,

| | 2019 | 2018 | Change | % of Annual 2019 Revenue |
|-----------------------------------|----------|---------|--------|-----------------------------|
| Net Sales - BOE per day | 10,819 | 6,117 | 76.8% | |
| Per BOE: | | | | |
| Average Sales price | \$ 49.56 | \$53.78 | -7.8% | |
| Lease Operating Expenses | 12.28 | 12.45 | -1.3% | 24.8% |
| Production Taxes | 2.31 | 2.52 | -8.3% | 4.6% |
| DD&A | 14.23 | 17.48 | -18.6% | 28.7% |
| Accretion | 0.24 | 0.27 | -11.1% | 0.5% |
| General & Administrative Expenses | 5.03 | 5.76 | -12.7% | 10.1% |
| Operating Lease Expense | 0.23 | | | 0.5% |

Net Oil and Gas Reserves*
As of December 31, 2019

| | Crude Oil (MMBbls) | Nat. Gas (MMcf) | Total (MMBOE) | PV-10 (MM\$) | Standardized Measure of Discounted Future Net Cash Flows (MM\$) |
|--------------------------------|-----------------------|--------------------|-------------------|--------------------|---|
| Proved Developed Reserves | 37,841,310 | 31,503,590 | 43,091,908 | \$ 650,951 | \$ 544,926 |
| Proved Developed Non-Producing | 3,400,740 | 2,964,280 | 3,894,787 | \$ 62,760 | \$ 52,537 |
| Proved Undeveloped Reserves | 30,116,964 | 23,804,012 | 34,084,299 | \$ 389,085 | \$ 325,712 |
| Total Proved Reserves | 71,359,014 | 58,271,882 | 81,070,994 | \$1,102,796 | \$ 923,175 |

*Reserve estimates as of December 31, 2019 are based on an average price of \$52.41 for oil and \$1.47 for natural gas.

RING ENERGY, INC.
BALANCE SHEET

| | December 31, <u>2019</u> | December 31, <u>2018</u> |
|--|-----------------------------|-----------------------------|
| ASSETS | | |
| Current Assets | | |
| Cash | \$ 10,004,622 | \$ 3,363,726 |
| Accounts receivable | 22,909,195 | 12,643,478 |
| Joint interest billing receivable | 1,812,469 | 578,144 |
| Prepaid expenses and retainers | 3,982,255 | 258,909 |
| Total Current Assets | <u>38,708,541</u> | <u>16,844,257</u> |
| Property and Equipment | | |
| Oil and natural gas properties subject to amortization | 1,083,966,135 | 641,121,398 |
| Financing lease asset subject to depreciation | 858,513 | - |
| Fixed assets subject to depreciation | 1,465,551 | 1,465,551 |
| Total Property and Equipment | <u>1,086,290,199</u> | <u>642,586,949</u> |
| Accumulated depreciation, depletion and amortization | (157,074,044) | (100,576,087) |
| Net Property and Equipment | <u>929,216,155</u> | <u>542,010,862</u> |
| Operating lease asset | 1,867,044 | |
| Deferred Income Taxes | - | 7,786,479 |
| Deferred Financing Costs | 3,214,408 | 424,061 |
| Total Assets | <u>\$ 973,006,148</u> | <u>\$ 567,065,659</u> |

LIABILITIES AND STOCKHOLDERS' EQUITY

| | | |
|---|-----------------------|-----------------------|
| Current Liabilities | | |
| Accounts payable | \$ 54,635,602 | \$ 51,910,432 |
| Financing lease liability | 280,970 | - |
| Operating lease liability | \$ 1,175,904 | - |
| Derivative liabilities | 3,000,078 | - |
| Total Current Liabilities | <u>59,092,554</u> | <u>51,910,432</u> |
| Deferred income taxes | 6,001,176 | - |
| Revolving line of credit | 366,500,000 | 39,500,000 |
| Financing lease liability, less current portion | 424,126 | - |
| Operating lease liability, less current portion | 691,140 | - |
| Asset retirement obligations | 16,787,219 | 13,055,797 |
| Total Liabilities | <u>449,496,215</u> | <u>104,466,229</u> |
| Stockholders' Equity | | |
| Preferred stock - \$0.001 par value; 50,000,000 shares authorized; no shares issued or outstanding | - | - |
| Common stock - \$0.001 par value; 150,000,000 shares authorized; 67,993,797 shares and 63,229,710 shares issued and outstanding, respectively | 67,994 | 63,230 |
| Additional paid-in capital | 526,301,281 | 494,892,093 |
| Accumulated deficit | (2,859,342) | (32,355,893) |
| Total Stockholders' Equity | <u>523,509,933</u> | <u>462,599,430</u> |
| Total Liabilities and Stockholders' Equity | <u>\$ 973,006,148</u> | <u>\$ 567,065,659</u> |

RING ENERGY, INC.
STATEMENTS OF CASH FLOW

| | Twelve Months Ended | |
|---|----------------------|----------------------|
| | December 31, | December 31, |
| | <u>2019</u> | <u>2018</u> |
| Cash Flows From Operating Activities | | |
| Net income (loss) | \$ 29,496,551 | \$ 8,999,760 |
| Adjustments to reconcile net income (loss) to net cash Provided by operating activities: | | |
| Depreciation, depletion and amortization | 56,204,269 | 39,024,886 |
| Ceiling test impairment | - | 14,172,309 |
| Accretion expense | 943,707 | 606,459 |
| Amortization of deferred financing costs | 991,310 | - |
| Share-based compensation | 3,082,625 | 3,870,934 |
| Deferred income tax expense | 9,500,517 | 2,537,837 |
| Excess tax expense (benefit) related to share-based compensation | 3,855,389 | 907,884 |
| Adjustment to deferred tax asset for change in effective tax rate | 431,748 | - |
| Change in fair value of derivative instruments | 3,000,078 | (3,968,286) |
| Changes in assets and liabilities: | | |
| Accounts receivable | (10,035,648) | 666,283 |
| Prepaid expenses and retainers | (1,878,667) | (318,190) |
| Accounts payable | 12,320,308 | 4,435,269 |
| Settlement of asset retirement obligation | (1,295,966) | (577,824) |
| Net Cash Provided by Operating Activities | <u>106,616,221</u> | <u>70,357,321</u> |
| Cash Flows from Investing Activities | | |
| Payments for the Wishbone Acquisition | (276,061,594) | - |
| Payments to purchase oil and natural gas properties | (3,400,411) | (4,656,484) |
| Proceeds from divestiture of oil and natural gas properties | 8,547,074 | - |
| Payments to develop oil and natural gas properties | (152,125,320) | (198,870,366) |
| Proceeds from disposal of fixed assets subject to depreciation | - | 105,536 |
| Net Cash Used in Investing Activities | <u>(423,040,251)</u> | <u>(203,421,314)</u> |
| Cash Flows From Financing Activities | | |
| Proceeds from revolving line of credit | 327,000,000 | 39,500,000 |
| Proceeds from issuance of common stock, net of offering costs | - | 81,821,138 |
| Proceeds from option exercise | - | 100,000 |
| Payment of deferred financing costs | (3,781,657) | - |

| | | |
|--|----------------------|---------------------|
| Reduction of financing lease liabilities | (153,417) | - |
| Net Cash Provided by Financing Activities | 323,064,926 | 121,421,138 |
| Net Increase (Decrease) in Cash | 6,640,896 | (11,642,855) |
| Cash at Beginning of Period | 3,363,726 | 15,006,581 |
| Cash at End of Period | <u>\$ 10,004,622</u> | <u>\$ 3,363,726</u> |
| Supplemental Cash flow Information | | |
| Cash paid for interest | <u>\$ 10,364,313</u> | <u>\$ 323,916</u> |

Noncash Investing and Financing Activities

| | | |
|---|--------------------|------------|
| Asset retirement obligation incurred during development | 631,727 | 1,311,956 |
| Asset retirement obligation acquired | 39,701 | 2,571,549 |
| Asset retirement obligation revision of estimate | - | 87,980 |
| Operating lease assets obtained in exchange for new operating lease liability | 2,319,185 | - |
| Financing lease assets obtained in exchange for new financing lease liability | 858,513 | - |
| Prepaid asset settled in divestiture of oil and natural gas properties | 1,019,876 | |
| Oil and natural gas assets and properties acquired through stock issuance | - | 11,204,258 |
| Capitalized expenditures attributable to drilling projects financed through current liabilities | 15,170,000 | 26,000,000 |
| Acquisition of oil and gas properties | | |
| Assumption of joint interest billing receivable | 1,464,394 | - |
| Assumption of prepaid assets | 2,864,554 | - |
| Assumption of accounts and revenue payables | (1,234,862) | - |
| Asset retirement obligation incurred through acquisition | (3,705,941) | - |
| Common stock issued as partial consideration in asset acquisition | (28,331,327) | - |
| Oil and gas properties subject to amortization | 305,004,775 | - |
| Cash Paid | <u>276,061,594</u> | <u>-</u> |

RECONCILIATION OF CASH FLOW FROM OPERATIONS

| | | |
|--|-----------------------|----------------------|
| Net cash provided by operating activities | \$ 106,616,221 | \$ 70,357,321 |
| Change in operating assets and liabilities | 889,973 | (4,205,538) |
| Cash flow from operations | <u>\$ 107,506,194</u> | <u>\$ 66,151,783</u> |

Management believes that the non-GAAP measure of cash flow from operations is useful information for investors because it is used internally and is accepted by the investment community as a means of measuring the Company's ability to fund its capital program. It is also used by professional research analysts in providing investment recommendations pertaining to companies in the oil and gas exploration and production industry.

RING ENERGY, INC. NON-GAAP DISCLOSURE RECONCILIATION ADJUSTED EBITDA

| | Twelve Months Ended | |
|--|-----------------------|----------------------|
| | December 31, | December 31, |
| | <u>2019</u> | <u>2018</u> |
| NET INCOME | \$ 29,496,551 | \$ 8,999,760 |
| Net other (income) expense | 16,852,123 | 7,515,458 |
| Realized loss on derivatives | - | (11,153,702) |
| Income tax expense | 13,787,654 | 3,445,721 |
| Depreciation, depletion and amortization | 56,204,269 | 39,024,886 |
| Accretion of discounted liabilities | 943,707 | 606,459 |
| Ceiling test impairment | - | 14,172,309 |
| Stock based compensation | 3,082,625 | 3,870,934 |
| ADJUSTED EBITDA | <u>\$ 120,366,929</u> | <u>\$ 66,481,825</u> |

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Source: Ring Energy, Inc.