



## Approach Resources Inc. Announces Close of Strategic Alliance and Deleveraging Transaction

January 27, 2017

### Privately-Negotiated Debt-for-Equity Exchange of \$130 Million of 7.00% Senior Notes due 2021

FORT WORTH, Texas, Jan. 27, 2017 (GLOBE NEWSWIRE) -- Approach Resources Inc. (NASDAQ:AREX) ("Approach" or the "Company") today announced the successful closing of the previously announced exchange transaction (the "Exchange Transaction") with Wilks Brothers, LLC and SDW Investments, LLC (collectively, "Wilks"), entities beneficially owned by the Wilks Family Office, to exchange \$130,552,000 principal amount of the Company's 7.00% senior notes due 2021 ("Senior Notes"), for 39,165,600 new shares of common stock, par value \$0.01 per share (the "Common Stock"), at an implied issue price of \$3.33 per share.

The Exchange Transaction will:

- Reduce the Company's long-term debt by \$130.6 million;
- Generate approximately \$40 million in future interest savings and enhance the Company's liquidity;
- Provide the Company flexibility to increase its capital budget out of operating cash flow and return the Company to production growth in anticipation of a continued commodity price recovery;
- Increase the Company's financing and strategic flexibility by removing certain restrictive covenants from the existing Senior Notes indenture; and
- Align the Company with a significant investor in an integrated oilfield service business.

J. Ross Craft, the Company's Chairman and Chief Executive Officer, stated: "The closing of the Exchange Transaction is a critical step for us to strengthen our balance sheet and reposition the Company for future growth. We look forward to working with the Wilks Family Office as we begin the next phase of the Company."

Following the closing of the Exchange Transaction, Wilks became the Company's largest shareholder, holding approximately 48.5% of the outstanding Common Stock of Approach. Pursuant to the Exchange Agreement between the Company and Wilks dated November 2, 2016 (the "Exchange Agreement"), Wilks, as holders of the majority in principal amount of Senior Notes, has consented to amendments to the indenture governing the Senior Notes to eliminate most of the restrictive covenants and certain events of default in the indenture, which amendments became effective on the closing of the Exchange Transaction.

In connection with the Exchange Agreement, the Company also entered into a Stockholders Agreement with Wilks (the "Stockholders Agreement"). Under the Stockholders Agreement, the Company has appointed three Wilks' designees to the Board of Directors of the Company, Matthew R. Kahn, Morgan D. Neff and Matthew D. Wilks.

The Company also has agreed to offer to exchange its remaining \$99,768,000 principal amount of outstanding Senior Notes for Common Stock, which offer it expects to commence as promptly as practical subject to market, economic and other factors it considers appropriate in the circumstances.

### About Approach Resources

**Approach Resources Inc.** is an independent energy company focused on the exploration, development, production and acquisition of unconventional oil and gas reserves in the Midland Basin of the greater Permian Basin in West Texas. For more information about the Company, please visit [www.approachresources.com](http://www.approachresources.com). Please note that the Company routinely posts important information about the Company under the Investor Relations section of its website.

### Forward-Looking Statements

This press 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. All statements, other than statements of historical facts, included in this press release that address activities, events or developments that the Company expects, believes or anticipates will or may occur in the future are forward-looking statements. Without limiting the generality of the foregoing, forward-looking statements contained in this press release specifically relate to consummation of the Follow-On Exchange Offer. These statements are based on certain assumptions made by the Company based on management's experience, perception of historical trends and technical analyses, current conditions, anticipated future developments and other factors believed to be appropriate and reasonable by management. When used in this press release, the words "will," "potential," "believe," "estimate," "intend," "expect," "may," "should," "anticipate," "could," "plan," "predict," "project," "profile," "model" or their negatives, other similar expressions or the statements that include those words, are intended to identify forward-looking statements, although not all forward-looking statements contain such identifying words. Such statements are subject to a number of assumptions, risks and uncertainties, many of which are beyond the control of the Company, which may cause actual results to differ materially from those implied or expressed by the forward-looking statements. These risks, uncertainties, assumptions and other important factors include, but are not limited to (1) the inability to complete the Follow-On Exchange Offer, (2) the failure to achieve 100% participation in the Follow-On Exchange Offer, (3) a continued decline in commodities prices, (4) the Company's ability to recognize the anticipated benefits of the Exchange Transaction and the Follow-On Exchange Offer, (5) costs related to the Exchange Transaction and the Follow-On Exchange Offer, (6) changes in applicable laws or regulations, and (7) other risks and uncertainties indicated from time to time in the definitive proxy statement filed with the SEC in connection with the Exchange Transaction on December 13, 2016, including those under "Risk Factors" therein, and other documents filed or to be filed with the SEC by Approach. The Company's SEC filings are available on the Company's website at [www.approachresources.com](http://www.approachresources.com). Any forward-looking statement speaks only as of the date on which such statement is made and the Company undertakes no obligation to correct or update any forward-looking statement, whether as a result of new information, future events or otherwise, except as required by applicable law.

### NO OFFER OR SOLICITATION

THIS PRESS RELEASE IS NEITHER AN OFFER TO PURCHASE NOR A SOLICITATION TO BUY ANY OF THE EXISTING SENIOR NOTES NOR IS IT A SOLICITATION FOR ACCEPTANCE OF THE FOLLOW-ON EXCHANGE OFFER. THE COMPANY IS MAKING THE FOLLOW-ON EXCHANGE OFFER ONLY BY, AND PURSUANT TO THE TERMS OF, THE OFFERS TO EXCHANGE AND LETTERS OF TRANSMITTAL. THE FOLLOW-ON EXCHANGE OFFER IS NOT BEING MADE IN ANY JURISDICTION IN WHICH THE MAKING OR ACCEPTANCE THEREOF WOULD NOT BE IN COMPLIANCE WITH THE SECURITIES, BLUE SKY OR OTHER LAWS OF SUCH JURISDICTION. NONE OF THE COMPANY, ANY INFORMATION AGENT OR ANY EXCHANGE AGENT FOR THE FOLLOW-ON EXCHANGE OFFER MAKES ANY RECOMMENDATION IN CONNECTION WITH SUCH EXCHANGE OFFER. THIS ANNOUNCEMENT IS NEITHER AN OFFER TO SELL NOR A SOLICITATION OF AN OFFER TO BUY ANY OF THESE SECURITIES AND SHALL NOT CONSTITUTE AN OFFER, SOLICITATION OR SALE IN ANY JURISDICTION IN WHICH SUCH OFFER, SOLICITATION OR SALE IS UNLAWFUL.

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