

# PetroShale Announces Financial and Operating Results for Third Quarter 2019 and 2020 Business Plan

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CALGARY, Nov. 20, 2019 - [PetroShale Inc.](#) ("PetroShale" or the "Company") (TSXV: PSH, OTCQX: PSHIF) is pleased to announce our financial and operating results for the three and nine month periods ended September 30, 2019, along with the Company's 2020 business plan.

The Company's unaudited consolidated interim financial statements and corresponding management's discussion and analysis (MD&A) for the period will be available on SEDAR at [www.sedar.com](http://www.sedar.com), on the OTCQX website at [www.otcqx.com](http://www.otcqx.com), and on PetroShale's website at [www.petroshaleinc.com](http://www.petroshaleinc.com). Copies of the materials can also be obtained upon request without charge by contacting the Company directly. Please note, currency figures presented herein are reflected in Canadian dollars, unless otherwise noted.

## FINANCIAL AND OPERATING HIGHLIGHTS

- PetroShale's production (of which 80% is operated) achieved a record level in the third quarter, averaging 11,467 barrels of oil equivalent per day ("Boe/d") (87% liquids), 93% higher than the second quarter of 2019.
- Adjusted EBITDA<sup>1</sup> was \$30.0 million in the third quarter, an increase of 84% relative to the second quarter of 2019, reflecting increased production volumes.
- Cash flow from operating activities of \$32.3 million (\$0.16 per diluted share) was generated in the third quarter, \$1.1 million higher than the second quarter of 2019, representing the highest cash flow generated in the Company's history.
- Net income was \$5.0 million (\$0.03 per diluted share) in the third quarter, 194% higher than \$1.7 million (\$0.02 per diluted share) recorded in the previous quarter.
- Financial flexibility and liquidity were significantly enhanced, subsequent to the end of the quarter, as PetroShale's borrowing capacity under its senior loan facility was increased from US\$140.0 million to US\$177.5 million following a mid-year review by its senior lenders, reflecting the high-quality nature of the Company's asset base and continued successful operational execution.
- A total of 4.7 net wells were drilled and 5.5 net wells were brought online during the third quarter, contributing to the operational and financial performance outlined above.
- PetroShale's operating netback for the third quarter of 2019 was \$29.41 per Boe.
- The Board has approved a 2020 business plan which we anticipate will result in significant free cash flow.

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(1)  
See  
Non-IFRS  
Measures.

## FINANCIAL & OPERATING REVIEW

	Three months ended		Nine months ended	
FINANCIAL (in thousands, except per share & share data)	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Petroleum and natural gas revenue	\$ 52,887	\$ 40,123	\$ 104,689	\$ 95,566
Cash flow from operating activities	32,275	20,112	50,859	49,702
Per share – diluted	0.16	0.11	0.26	0.30
Net income	4,982	10,449	5,719	19,074
Per share - diluted	0.03	0.06	0.03	0.11
Adjusted EBITDA <sup>(1)</sup>	29,996	22,018	55,921	53,253
Capital expenditures	63,883	89,795	172,104	167,606
Net debt <sup>(1)</sup>			303,599	150,281
Common shares outstanding				
Weighted average – basic	192,168,550	175,322,589	192,014,140	164,068,659
Weighted average – diluted	197,273,567	179,017,367	197,191,551	167,820,840
OPERATING				
Daily production volumes				
Crude Oil (Bbl/d)	8,427	4,784	5,504	4,116
Natural gas (Mcf/d)	8,974	6,257	6,127	4,101
NGLs (Bbl/d)	1,544	971	979	700
Barrels of oil equivalent (Boe/d) <sup>(2)</sup>	11,467	6,797	7,504	5,500
Average realized prices <sup>(3)</sup>				
Crude Oil (\$/Bbl)	\$ 69.90	\$ 86.77	\$ 70.43	\$ 81.86
Natural gas (\$/Mcf)	1.93	3.09	2.49	3.09
NGLs (\$/Bbl)	4.82	29.19	9.84	25.24
Operating netback (\$/Boe) <sup>(1) (2)</sup>				
Revenue	\$ 50.13	\$ 64.16	\$ 51.10	\$ 63.64
Royalties	(10.08)	(13.01)	(10.15)	(12.50)
Realized loss on derivatives	-	(3.75)	-	(3.63)
Lease operating costs	(2.78)	(2.88)	(4.38)	(2.88)

Workover expense	(1.22)	(0.60)	(1.31)	(0.83)
(1) Production taxes	(4.09)	(4.82)	(4.05)	(4.91)
(2) Transportation expense	(2.55)	(1.57)	(2.30)	(1.22)
(3) Operating netback <sup>(1)</sup>	\$ 29.41	\$ 37.53	\$ 28.91	\$ 37.67
Excluding transportation and processing costs.				
Operating netback prior to hedging <sup>(1)</sup>	\$ 29.41	\$ 41.28	\$ 28.91	\$ 41.30

## PETROSHALE OVERVIEW

As a high-growth, pure-play Bakken producer with light oil assets focused in some of the most prolific sections of North Dakota's Bakken and Three Forks play, PetroShale is ideally positioned to capitalize on the stable and supportive oil and gas development environment prevalent in the U.S. Having no Canadian assets, the Company's continued growth trajectory is not limited by egress constraints nor Canadian oil pricing differentials. With an oil weighting of 73%, PetroShale's revenue and cash flow generation can directly benefit from strong torque to WTI prices.

### PetroShale Future Net Drilling Locations<sup>1</sup>

Based on 880' Spacing	74.2
Based on 660' Spacing	108.5

<sup>1</sup> Net locations are based on Company interests and reflect Company internal estimates. See "Drilling Locations".

## MESSAGE FROM THE CEO

PetroShale achieved record production of 11,467 Boe/d in the third quarter, nearly double the second quarter average, and record cash flow from operating activities of \$32.3 million (\$0.16 per diluted share). These increases are due to the significant recent drilling and completion activity on our operated properties in the North Dakota Bakken, and the prolific nature of our assets. We expect production to average between 11,000 and 12,000 Boe/d during the fourth quarter of 2019 and exit the year at a rate in excess of 12,000 Boe/d. Our previous guidance to shareholders forecast production to average between 10,000 to 11,000 Boe/d during the second half of 2019 and an expectation to exit 2019 at approximately 11,000 Boe/d.

Operationally, we are in the process of completing 1.2 net wells, and we have plans to drill but defer completion operations on an additional 1.2 net wells, all within our core South Berthold area. All of our operated wells completed to date in 2019 are performing within or above expectations. Significant activity is currently underway on several non-operated properties which is expected to result in new production in 2020, reducing the need to bring additional operated wells on production in the near term. At the end of the third quarter, the Company had commitments to make additional capital expenditures of approximately US\$48 million related to operated and non-operated wells which were partially completed as at September 30, 2019. The Company closed a small acquisition in October 2019, adding 3.5 net high-quality drilling locations, complementing our existing inventory of high-quality assets.

PetroShale maintains a strong financial position, having recently increased the borrowing capacity of our senior loan facility from US\$140.0 million to US\$177.5 million, which reflects the quality of our asset base and the increase in production. Currently, US\$134 million is drawn on the facility, leaving US\$43 million (\$57 million) of undrawn capacity which is expected to be sufficient to fund the planned capital activities in the fourth quarter of 2019 and in 2020.

While increasing our production, PetroShale has maintained a focus on creating operational efficiencies and utilizing a lean head office team. This streamlined structure combined with higher volumes resulted in

general and administrative expenses of \$0.98 per Boe in the third quarter.

## OUTLOOK AND 2020 BUSINESS PLAN

Having significantly enhanced our production level and operating cash flow profile in 2019, we plan to reduce our capital spending in 2020 and focus on the generation of free cash flow. The Company will also focus on managing operating costs and developing a plan to reduce drilling, completion and facility construction costs.

PetroShale's Board of Directors has approved a capital budget of \$70 million for 2020, which is designed to enable the execution of a development plan that is expected to achieve average annual production of between 12,000 and 13,000 Boe/d, and significant year over year growth relative to estimated 2019 average production of 8,500 Boe/d. Based on this level of capital, forecast production, and in the context of current forward commodity prices, we anticipate generating free cash flow in excess of \$50 million in 2020 which we intend to allocate to debt repayment, share repurchases and opportunistic acquisitions. The Company has committed to acquire, for cancellation, 384,615 common shares from a former officer of the Company. The acquisition is to be completed in the fourth quarter of 2019 and in accordance with the requirements of applicable securities laws.

Building on the growth and momentum generated in 2019, we look forward to the continued execution of our strategy focused in the heart of the North Dakota Bakken light oil play. PetroShale has a strong and competent team in each facet of our business to execute on our operating and capital plan. I wish to thank PetroShale's employees, directors and shareholders for their continued support and look forward to updating you on our progress and achievements in the future.

((signed))

David Rain  
CEO and Director

## About PetroShale

PetroShale is an oil company engaged in the acquisition, development and production of high quality oil-weighted assets in the North Dakota Bakken / Three Forks.

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.

## Note Regarding Forward-Looking Statements and Other Advisories

This press release contains forward-looking statements and forward-looking information (collectively "forward-looking information") within the meaning of applicable securities laws relating to, among other things, available aspects of management focus, objectives, strategies and business opportunities. More particularly and without limitation, this press release contains forward-looking information concerning the Company's expectations: that the Company expects production to average between 11,000 and 12,000 Boe/d during the fourth quarter of 2019 and exit the year at a rate in excess of 12,000 Boe/d, PetroShale intends to remain active, with steady execution of our development program and participation in several non-operated wells in the fourth quarter of 2019 and calendar 2020; PetroShale's revenue and cash flow generation can directly benefit from strong torque to WTI prices; that recent activities may lead to higher production volumes; the Company's ability to fund its future capital program; the Company's estimated commitments to make additional capital expenditures of approximately US\$48 million related to operated and non-operated wells which have been partially completed; that the Company has sufficient undrawn capacity under its credit facility to fund planned capital activities in the fourth quarter of 2019 and in 2020; the Company's ability to find ways to reduce future operating and capital costs; the Company's expectation that its 2020 business plan will achieve average annual production of between 12,000 and 13,000 Boe/d and generate free cash flow and that it will be able to deploy such free cash flow to reduce debt and/or execute on additional acquisitions; that the Company may re-commence purchases under its normal course issuer bid and otherwise purchase certain outstanding common shares; and the general outlook of the Company.

PetroShale provided such forward-looking statements in reliance on certain expectations and assumptions that it believes are reasonable at the time, including expectations and assumptions concerning prevailing commodity prices, weather, regulatory approvals, liquidity, Bakken oil differentials, the Company's lenders willingness to maintain the Company's borrowing base as a result of future well results (or otherwise); activities by third party operators; exchange rates, interest rates, applicable royalty rates and tax laws; future production rates and estimates of operating costs; performance of existing and future wells; plant turnaround times and continued rail service to transport products; reserve volumes; business prospects and opportunities; the future trading price of the Company's shares; the availability and cost of financing, labor and services; the impact of increasing competition; ability to market oil and natural gas successfully; and the Company's ability to access capital (including its senior credit facility).

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.

Although the Company believes that the expectations and assumptions on which such forward-looking information is based are reasonable, undue reliance should not be placed on the forward-looking information because the Company can give no assurance that they will prove to be correct. Forward-looking information addresses future events and conditions, which by their very nature involve inherent risks and uncertainties. The Company's actual results, performance or achievement could differ materially from those expressed in, or implied by, the forward-looking information and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking information will transpire or occur, or if any of them do so, what benefits the Company will derive therefrom. Management has included the above summary of assumptions and risks related to forward-looking information provided in this press release in order to provide security holders with a more complete perspective on the Company's future operations and such information may not be appropriate for other purposes.

Readers are cautioned that the foregoing lists of factors are not exhaustive. Additional information on these and other factors that could affect our operations or financial results are included in reports on file with applicable securities regulatory authorities and may be accessed through the SEDAR website ([www.sedar.com](http://www.sedar.com)). These forward-looking statements are made as of the date of this press release and the Company disclaims any intent or obligation to update publicly any forward-looking information, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.

All references herein to fully diluted share basis is based upon the weighted average number of fully diluted shares as disclosed in the Company's Management & Discussion Analysis as at September 30, 2019 and for the three and nine months ended September 30, 2018&ndash; "Financial and Operational Highlights".

This news release contains future oriented financial information and financial outlook information (together, "FOFI") about the Company's prospective results of operations, including generating free cash flow in 2020, which is subject to the same assumptions, risk factors, limitations and qualifications as set forth above as well as the following additional assumptions: annual average production rates in 2020 of between 12,000 to 13,000 Boe/d, \$US55.00 WTI, Bakken differential of US\$3.00, and US\$1 = C\$1.33. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on FOFI. The Company's actual results, performance or achievement could differ materially from those expressed in or implied by these FOFI, or if any of them do so, what benefits the Company will derive therefrom. Such financial outlook or future oriented financial information is provided for the purpose of providing information about management's reasonable expectations as to the anticipated results of its proposed business activities in the future. The Company disclaims any intention or obligation to update or revise any FOFI statements, whether as a result of new information, future events or otherwise, except as required by law.

#### Non-IFRS Measures:

Within this press release, references are made to "operating netback", "operating netback prior to hedging", "net debt", "adjusted EBITDA" and "free cash flow", which are not defined by IFRS and therefore may not be comparable to performance measures presented by others. Operating netback represents revenue, plus or minus any realized gain or loss on financial derivatives less royalties, production taxes, operating costs and transportation expense. The operating netback is then divided by the working interest production volumes to

derive the operating netback on a per Boe basis. Operating netback prior to hedging represents operating netback prior to any realized gain or loss on financial derivatives. Net debt represents total liabilities, excluding decommissioning obligation, lease liabilities and any financial derivative liability, less current assets. Adjusted EBITDA represents cash flow from operating activities prior to changes in non-cash working capital. The Company believes that adjusted EBITDA provides useful information to the reader in that it measures the Company's ability to generate funds to service its debt and other obligations and to fund its operations, without the impact of changes in non-cash working capital which can vary based solely on timing of settlement of accounts receivable and accounts payable. Free cash flow is a non-IFRS measure which should not be considered an alternative to, or more meaningful than, cash flow from operating activities as determined in accordance with IFRS. Free cash flow is presented to assist management and investors in analyzing performance by the Company as a measure of financial liquidity and the capacity of the Company to repay debt and pursue other corporate objectives. Free cash flow equals cash flow from operating activities less capital expenditures. Management believes that in addition to net income (loss) and cash flow from operating activities, operating netback, adjusted EBITDA and free cash flow are useful supplemental measures as they assist in the determination of the Company's operating performance, leverage and liquidity. Operating netback is commonly used by investors to assess performance of oil and gas properties and the possible impact of future commodity price changes on energy producers. Investors should be cautioned, however, that these measures should not be construed as an alternative to either net income (loss) or cash flow from operating activities, which are determined in accordance with IFRS, as indicators of the Company's performance.

The reconciliation between adjusted EBITDA and cash flow from operating activities, and the calculation of net debt, can be found within the Company's MD&A as at September 30, 2019 and for the three and nine months ended September 30, 2019 and 2018.

#### Drilling Locations:

This press release discloses drilling locations with respect to the Company's current assets (including those associated with a recent asset acquisition described herein) in two categories: (i) proved plus probable locations; and (ii) unbooked locations. In respect of the Company's current assets, the proved plus probable locations are based on an independent reserves evaluation as prepared by NSAI as of August 31, 2019, excluding the acreage associated with a recent asset acquisition described herein. The unbooked locations are internal estimates based on the Company's prospective acreage, including the acreage associated with a recent asset acquisition described herein, and an assumption as to the number of wells that can be drilled per section based on industry practice and internal review. In respect of the drilling locations described herein related to the Company's recent asset acquisition, all of such locations are currently unbooked locations. Unbooked locations do not have attributed reserves or resources. Of the 74.2 net drilling locations identified herein on the Company's current acreage on 880' spacing, 47.7 of such locations are proved plus probable locations, and 26.5 of such locations are unbooked locations. Of the 108.5 net drilling locations identified herein on the Company's current acreage on 660' spacing, 47.7 of such locations are proved plus probable locations and 60.8 of such locations are unbooked locations. Unbooked locations have been identified by management as an estimation of our multi-year drilling activities based on evaluation of applicable geologic, seismic, engineering, production and reserves information. There is no certainty that the Company will drill any unbooked drilling locations and if drilled there is no certainty that such locations will result in additional oil and gas reserves, resources or production. The drilling locations on which we actually drill wells will ultimately depend upon the availability of capital, receipt of regulatory approvals, seasonal restrictions, oil and natural gas prices, costs, actual drilling results, additional reservoir information that is obtained and other factors. While certain of the unbooked drilling locations may have been de-risked by drilling existing wells in relative close proximity to such unbooked drilling locations, management has less certainty whether wells will be drilled in such locations and if drilled there is more uncertainty that such wells will result in additional oil and gas reserves, resources or production.

#### Oil and Gas Advisories:

Where amounts are expressed on a barrel of oil equivalent ("Boe") basis, natural gas volumes have been converted to Boe using a ratio of 6,000 cubic feet of natural gas to one barrel of oil (6 Mcf: 1 Bbl). This Boe conversion ratio is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6 Mcf: 1 Bbl, utilizing a conversion ratio at 6 Mcf: 1 Bbl may be misleading as an indication of value. In this release, Mmboe refers to millions of barrels of oil equivalent.

All dollar figures included herein are presented in Canadian dollars, unless otherwise noted.

SOURCE [PetroShale Inc.](#)

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