# PetroShale Announces Third Quarter 2020 Results and Executive Appointment

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CALGARY, AB, Nov. 25, 2020 /CNW/ - PetroShale Inc. ("PetroShale" or the "Company") (TSXV: PSH) (OTCQX: PSHI
to announce our financial and operating results for the three and nine month periods ended September 30, 2020.

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

FINANCIAL AND OPERATING HIGHLIGHTS

- Production averaged 11,961 and 13,171 barrels of oil equivalent per day ("Boe/d") in the third quarter of 2020 and nine months of the year, respectively, representing increases of 4% and 76% over the same periods of 2019 due brought online during mid to late 2019, offset by natural declines and the impact of shut-in wells during both perio production is approximately 11,800 Boe/d (comprised of 66% crude oil, 18% NGLs and 16% natural gas).
- PetroShale's senior lenders agreed to reaffirm the amount of the existing borrowing capacity of US$177.5 million.
- Revenue totaled $32.9 million in Q3 2020, a 36% increase from the preceding quarter as realized crude oil and n prices significantly improved through the period. In Q3 2020 and the first nine months of the year, revenue decrea and increased by 2%, respectively, over the same periods in 2019, as higher production volumes were offset by l oil prices year-over-year stemming from severe commodity price declines caused by the COVID-19 pandemic.
- Adjusted EBITDA[1] totaled $10.2 million ($0.05 per fully diluted share) in the third quarter of 2020, a 23% increase 2020, reflecting stronger crude oil prices during the period, and totaled $43.5 million ($0.22 per fully diluted share nine months of the year.
- Total per unit operating expense decreased 6% to $7.62 per Boe in Q3 2020 and 18% to $8.02 per Boe in the firs months of 2020 from the comparable periods in 2019, due primarily to reduced per unit production taxes, offset by lease operating costs per Boe.
- Operating netback prior to hedging[1] was $14.45 per Boe in Q3 2020 compared to $29.41 per Boe in the same pe reflecting a significant year-over-year decline in crude oil prices, realized loss on financial derivatives and increas operating costs, offset by lower per unit royalty expenses, production taxes and transportation expenses.
- Net loss totaled $9.1 million ($0.05 per fully diluted share) in the third quarter, reflecting lower realized crude oil p year-over-year due to the impact of COVID-19.
- Net general and administrative ("G&A") expense per Boe was $1.57 in the third quarter of 2020 and $1.06 in the f months of the year, reflecting lower overhead recoveries and reduced capitalized G&A as a result of reduced cap
- Capital expenditures totaled approximately $2.6 million in the third quarter, reflecting the Company's continued ef minimize discretionary expenditures. In the first nine months of 2020, capital expenditures of $32.5 million were m to completion activities on 3.2 net non-operated wells and operated well workover activities. For the balance of 20 PetroShale expects to invest approximately $3.3 million into capital expenditures and generate free cash flow[1].

RECENT EVENTS

The Company exercised our right to settle the third quarter 2020 preferred share cash dividend payment of approximat million ($2.3 million) in kind rather than with cash, resulting in an increase to the current US$79.57 million liquidation pr the Preferred Shares, at a rate of 12% per annum, or US$2.387 million (approximately $3.1 million). This share dividen is expected to preserve liquidity through this period of severe commodity price weakness and the Company intends to c free cash flow[1] generated to debt repayment to enhance our financial position.

On November 18, 2020, PetroShale's senior lenders agreed to reaffirm the amount of the existing borrowing capacity o
million. The Company's next borrowing base redetermination is scheduled to occur in the second quarter of 2021. At Se
30, 2020, net debt[1] totalled $349.5 million, and the Company was drawn US$171.1 million under the senior credit facilit
cash of US$2.3 million. Additional redetermination details can be found within our third quarter 2020 MD&A.

PetroShale has been actively pursuing additional financial oil price hedges to provide price protection through the rema
2020 and for calendar 2021. A complete list of the Company's hedging contracts can be found within our third quarter 2

The Company also announces that Mr. Caleb Morgret, PetroShale's current Chief Financial Officer (CFO), has advised
that he is relocating abroad with his family for personal reasons, and as such, has tendered his resignation effective No
2020. The Company and our Board of Directors wishes to thank Caleb for his years of service and significant contributi
PetroShale. We are also pleased to announce that Mr. Scott Pittman has been appointed as CFO of PetroShale effecti
November 30, 2020. Mr. Pittman has over 15 years of senior financial management, commercial and investment bankir
experience. Most recently, Mr. Pittman served as the Chief Financial Officer of Chaparral Energy, an exploration and pr
company focused on Mid-Continent oil & gas exploration. Previously, he served as Chief Financial Officer and Vice
President-Finance at two other production companies, and as a Vice President in commercial and investment banking a
Morgan Securities Inc. for nine years. Prior to entering the energy industry, Mr. Pittman served as a Captain in the Unit
Marine Corps. Mr. Pittman holds a Bachelor of Business Administration from the University of Oklahoma and a Master
Administration from the University of Texas.

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[1] See "Non-IFRS Measures" within this press release

FINANCIAL & OPERATING REVIEW

| | Three months ended | | Nine months ended | |
|---|---|---|---|---|
| FINANCIAL<br>(in thousands, except per share & share data) | Sept 30, 2020 | Sept 30, 2019 | Sept 30, 2020 | Sept 30, 2019 |
| Petroleum and natural gas revenue | 32,928 | 52,887 | 106,238 | 104,689 |
| Cash provided by (used in) operating activities | 1,491 | 32,275 | 56,665 | 50,859 |
| Net income (loss) | (9,134) | 4,982 | (49,568) | 5,719 |
| Per share – diluted | (0.05) | 0.03 | (0.26) | 0.03 |
| Adjusted EBITDA(1) | 10,217 | 29,996 | 43,522 | 55,921 |
| Drilling and completion capital expenditures | (2,559) | (63,798) | (32,454) | (171,138) |
| Net debt(1) | | | 349,459 | 301,865 |
| Common shares outstanding | | | | |
| Weighted average – basic | 187,803,375 | 192,168,550 | 188,117,408 | 192,014,140 |
| Weighted average – diluted | 195,913,542 | 197,273,567 | 196,227,575 | 197,191,551 |
| OPERATING | | | | |
| Daily production volumes(2) | | | | |
| Crude oil (Bbls/d) | 7,983 | 8,427 | 9,180 | 5,504 |
| Natural gas (Mcf/d) | 11,471 | 8,974 | 11,567 | 6,127 |
| Natural gas liquids (Bbls/d) | 2,066 | 1,544 | 2,063 | 979 |
| Barrels of oil equivalent (Boe/d) | 11,961 | 11,467 | 13,171 | 7,504 |
| Average realized prices | | | | |
| Crude oil ($/Bbl) | 46.61 | 69.90 | 43.85 | 70.43 |
| Natural gas ($/Mcf) | 1.15 | 1.93 | 1.46 | 2.49 |
| Natural gas liquids ($/Bbl) | 10.52 | 4.82 | 6.97 | 9.84 |
| Operating netback ($/Boe) (1) | | | | |
| Petroleum and natural gas revenue | 29.92 | 50.13 | 29.44 | 51.10 |
| Royalties | (5.43) | (10.08) | (5.42) | (10.15) |
| Realized gain on financial derivatives | (3.57) | - | (0.46) | - |
| Lease operating costs | (3.95) | (2.78) | (4.84) | (4.38) |
| Workover expense | (1.24) | (1.22) | (0.74) | (1.31) |
| Production taxes | (2.43) | (4.09) | (2.44) | (4.05) |
| Transportation expense | | | | |

(2.42)

(2.55)

(2.55)

(2.42)

(2.30)

| | | | | |
|---|---|---|---|---|
| Operating netback[1] | 10.88 | 29.41 | 13.12 | 28.91 |
| Operating netback prior to hedging[1] | 14.45 | 29.41 | 13.58 | 28.91 |

(1) See "Non-IFRS Measures" within this press release

(2) See "Oil and Gas Advisories" within this press release

MESSAGE TO SHAREHOLDERS

As the incoming CEO, I am pleased to share some additional context and insights regarding PetroShale's third quarter 2020 results and preliminary outlook for the balance of the year.

COVID-19 has caused significant disruptions in global energy supply and demand in 2020, leading to severe declines in realized pricing compared to the prior year. However, during most of the third quarter, crude oil benchmark prices systematically strengthened which positively contributed to our third quarter revenue, Adjusted EBITDA[2] and operating netbacks prior to hedging[2] quarter-over-quarter. These increases were somewhat offset by wider oil differentials averaging $5.94 in Q3 2020 compared to $3.55 in Q3 2019 and $5.79 in the previous quarter, stemming from ongoing uncertainty around legal proceedings to determine whether the Dakota Access Pipeline ("DAPL") can continue operations post-2020. PetroShale's production increased 4% in Q3 2020 over Q3 2019, although declined 10% relative to Q2 2020 as a result of natural declines and non-operated shut-in wells, the majority of which were brought back online by the end of the third quarter.

While the ultimate duration and impact of the COVID-19 pandemic remains uncertain, our highest priority remains on securing the health and safety of employees and stakeholders, while continuing to conduct our operations as safely and efficiently as possible. PetroShale has implemented several operational and financial improvements to support the Company through this period of volatility. These proactive measures include reducing discretionary capital expenditures, streamlining operating costs and lowering general and administrative expenses, in addition to actively hedging to mitigate risk for the remainder of 2020 and calendar 2021. Our team remains committed to identifying and implementing further efficiency-enhancing measures as we move forward.

Building on our success to date in streamlining operations, we captured incremental per unit cost reductions in the third quarter, with transportation expense, royalties, and production taxes declining by 5%, 46% and 41%, respectively, compared to the third quarter of 2019, supporting an operating netback prior to hedging[3] of $14.45 per Boe. We invested $2.6 million in a limited capital program during the third quarter which was directed toward both development as well as maintenance activity and we will continue to prioritize the management of capital expenditures in accordance with the broader commodity price environment. We expect a limited capital program for the remainder of 2020, directed primarily towards sustaining production and maintaining the long-term integrity of the assets, and will continue to apply key learnings from our efforts to enhance efficiency in 2020 to ensure future capital activities and operations are executed in the most effective manner.

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[2] See "Non-IFRS Measures" within this press release

OUTLOOK

PetroShale's proven North Dakota Bakken strategy, supportive capital providers and cost-effective operations position us well to weather global market volatility while prudently managing and maintaining our high-quality production and reserves base. For the remainder of 2020 and into 2021, PetroShale will continue to focus on controlling per unit cash costs to optimize margins and increase operating efficiencies, while taking a disciplined approach to capital allocation based on project economics, payback and the potential for free cash flow[3] generation.

As part of our ongoing risk mitigation strategy, we have entered into crude oil derivative contracts designed to provide added stability and further mitigate the effects of severe market volatility for the remainder of 2020 and in calendar 2021. We currently have crude oil hedges on 5,000 Bbls/d of fourth quarter production in the form of costless collar contracts, and have secured additional oil price hedges on 6,500 Bbls/d throughout 2021 in the form of three-way collar contracts. The complete list of contracts can be found within our third quarter 2020 MD&A.

PetroShale is maintaining our previously stated guidance for 2020 production, which is anticipated to average between 11,000 and 12,000 Boe/d (comprised of 7,800 – 8,500 bbls/d of oil, 1,550 – 1,700 bbls/d of NGLs and 9,900 – 10,800 mcf/d of natural gas) and will continue to actively monitor external market conditions to respond as needed to protect the underlying value of our assets and financial flexibility.

On behalf of the Board, I would like to thank all of our employees and shareholders for their contributions, dedication and flexibility through this period, and we look forward to updating you on our milestones and progress as commodity markets recover.

((signed))

Jacob Roorda
President and CEO

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[3] See "Non-IFRS Measures" within this press release

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 PetroShale will continue to focus on further streamlining per unit cash costs to optimize margins, the Company's anticipated capital spending for the remainder of the year the Company's next borrowing base review, the Company's intention to direct any free cash flow to debt reduction; the Company's intention to prioritize managing capital expenditures in accordance with the broader commodity price environment and the expectation of a limited capital program for the remainder of 2020, directed primarily towards sustaining production and maintaining the long-term integrity of the Company's assets; the Company's anticipated average production rates for 2020; the Company's expectations on the continued availability of DAPL and other alternative transportation options and the potential affects on differentials; the pending resignation and appointment of the officers described herein; the expectation that the share dividend settlement is expected to preserve liquidity through this period of severe commodity price weakness; PetroShale's liquidity for the coming year; 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 (including as a result of any interruptions from DAPL or otherwise), the ability of the Company to transport its production through DAPL or other forms of transportation (and the continued availability and capacity of such transportation means); the Company's lenders willingness to maintain the Company's borrowing capacity; 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).

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). 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, 2020 and for the three and nine months ended September 30, 2020 – "Financial and Operational Highlights".

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, 2020 and for the three and nine months ended September 30, 2020 and 2019.

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.

Contact
PetroShale Inc., Jacob Roorda, President and CEO, Phone: 303.297.1407, Email: info@PetroShaleInc.com, www.petroshaleinc.com or Cindy Gray, 5 Quarters Investor Relations, Inc., Phone: 403.231.4372, Email: info@5qir.com