PetroShale Announces 2019 Financial and Operating Results

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CALGARY, March 26, 2020 - ?PetroShale Inc. ("PetroShale" or the "Company") (TSXV: PSH, OTCQX: PSHIF) is pleas announce our financial and operating results for the three and twelve month periods ended December 31, 2019.

The Company's audited consolidated financial statements and corresponding management's discussion and analysis (the period will be available on SEDAR at www.sedar.com, on the OTCQX website at www.otcqx.com, and on PetroSha at www.petroshaleinc.com.?Copies of the materials can also be obtained upon request without charge by contacting th directly.?Please note, currency figures presented herein are reflected in Canadian dollars, unless otherwise noted.?

2019 FINANCIAL AND OPERATING HIGHLIGHTS

- PetroShale achieved record production in the fourth quarter and calendar 2019, averaging 12,173 barrels of oil ec day ("Boe/d") in the fourth quarter (88% oil and natural gas liquids ("liquids")), and 8,680 Boe/d in 2019 (87% liqu and 54% increase over the same periods in 2018, respectively.?
- Adjusted EBITDA[1] increased to $35.6 million in the fourth quarter and $91.5 million in calendar 2019, an increase and 41%, respectively, reflecting the significant production increase over the same periods in 2018.
- Adjusted EBITDA per fully diluted share was $0.18 in the fourth quarter, a 204% increase over the comparative p calendar 2019, adjusted EBITDA per fully diluted share was $0.47, a 26% increase over $0.37 per share in calen
- Revenue increased 131% to $60.6 million in the fourth quarter of 2019, and 36% to $165.3 million in calendar 20 to the respective periods in 2018.
- Net income was $9.6 million ($0.05 per fully diluted share) in the fourth quarter, 92% higher than $5.0 million ($0. diluted share) in the preceding quarter, and 20% higher than $8.0 million ($0.04 per diluted share) in the compara 2018.
- Operating netback[1] totaled $32.80 per Boe in the fourth quarter of 2019, a 37% increase over the comparable pe due to higher realized prices, no realized loss on derivatives and lower lease operating and workover expenses p slightly offset by higher royalties, production taxes, and transportation expenses per Boe. ?In calendar 2019, ope netback totaled $30.30 per Boe, 11% lower than 2018, due to lower realized prices and higher transportation exp by lower royalties, no realized loss on derivatives, lower lease operating and workover costs and production taxe
- PetroShale continued to focus on advancing its Environment, Social and Governance ("ESG") initiatives and alig Company with industry leaders in responsible development.?
- As a result of participating in 95 gross (19.3 net) crude oil wells targeting the Middle Bakken and Three Forks for Company realized substantial increases in oil and natural gas reserves in 2019[2]:

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  - Proved Developed Producing ("PDP") reserves increased to 25.4 million Boe ("MMboe"), an increase of 10 MMboe in 2018, largely due to the conversion of undeveloped reserves into the lower risk producing catego
  - Total Proved ("TP") reserves increased to 57.5 MMboe, 17% higher than 49.2 MMboe in 2018.
  - Total proved plus probable ("P+P") reserves were 70.5 MMboe, a 12% increase over 62.8 MMboe in 2018.

(1)? Non-IFRS Measure.? See "Information Regarding Disclosure on Oil and Gas Reserves and Non-IFRS Measures" within this press release

(2) Reserves information is from the Company's independent corporate reserves evaluation prepared by Netherland, Sewell & Associates, Inc. with an effective date of December 31, 2019.

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FINANCIAL & OPERATING REVIEW

	Three months ended		Twelve months ended	
FINANCIAL (in thousands, except per share & share data)	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Petroleum and natural gas revenue	$ 60,569	$ 26,231	$ 165,258	$ 121,797
Cash flow from operating activities	27,677	19,810	78,536	69,512
Net income	9,608	7,982	15,327	27,056
?? Per share - diluted	0.05	0.04	0.08	0.16
Adjusted EBITDA[1]	35,566	11,684	91,487	64,937
Capital expenditures	$ 65,587	$ 27,423	$ 236,703	$ 192,723
Net debt[1]			$ 330,029	$ 176,978
Common shares outstanding			191,185,628	191,758,236
?? Weighted average ? basic	191,681,135	191,040,112	191,920,373	170,866,944
?? Weighted average ? diluted	194,684,301	194,482,248	194,395,182	174,391,337
OPERATING				
Daily production volumes				
????? Crude Oil (Bbl/d)	9,613	4,185	6,538	4,134
????? Natural gas (Mcf/d)	8,470	5,765	6,716	4,520
????? NGLs (Bbl/d)	1,148	868	1,023	743
Barrels of oil equivalent (Boe/d)[2]	12,173	6,014	8,680	5,630
Average realized prices[2]				
????? Crude Oil ($/Bbl)	$ 68.98	$ 65.20	$ 69.89	$ 79.64
????? Natural gas ($/Mcf)	2.35	4.18	2.45	3.48
????? NGLs ($/Bbl)	12.71	21.71	10.65	24.50
Barrels of oil equivalent ($/Boe)	$ 54.08	$ 47.71	$ 52.16	$ 59.27

	Three months ended		Twelve months ended	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Operating netback ($/Boe)?[(1)] [(2)]				
????? Revenue	$ 54.08	$ 47.41	$ 52.16	$ 59.27
????? Royalties	(10.43)	(9.64)	(10.25)	(11.73)
????? Realized loss on derivatives	-	(1.67)	-	(3.10)
Lease operating costs	(3.77)	(5.29)	(4.16)	(3.47)
????? Workover expense	(0.52)	(1.56)	(1.03)	(1.08)
????? Production taxes	(4.21)	(3.67)	(4.10)	(4.57)
????? Transportation expense	(2.35)	(1.68)	(2.32)	(1.35)
?????? Operating netback[(1)]	$ 32.80	$ 23.90	$ 30.30	$ 33.97
?????? Operating netback prior to hedging[(1)]	$ 32.80	$ 25.57	$ 30.30	$ 37.07

(1)????????? See "Information Regarding Disclosure on Oil and Gas Reserves and Non-IFRS Measures"?within this press release

(2)????????? See "Oil and Gas Advisories"?within this press release
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MESSAGE FROM THE CEO

Throughout 2019, PetroShale continued to focus on generating positive adjusted EBITDA through the acquisition and development of light oil assets centered within our top-tier acreage in North Dakota's Bakken and Three Forks play. Although the commodity markets remained volatile through the year, as a pure-play Bakken producer, PetroShale's continued performance was not limited by egress constraints, the geo-political environment or oil pricing differentials that impacted many Canadian producers over the past 12 to 18 months.? With a 2019 average oil weighting of 76% and an oil and liquids weighting of 87%, PetroShale's financial performance remains closely tied to WTI prices, while the Company's commitment to cost control supports netbacks.? Given our high oil weighting, the Company has outlined a conservative and defensive capital budget and operating plan for 2020 below, with the view to weathering extreme volatility in global oil markets.?

Both quarterly and annual production records were achieved in 2019, as the Company's production averaged 12,173 Boe/d in the fourth quarter, more than doubling average production in the comparable period of 2018 and exceeding PetroShale's previous fourth quarter 2019 guidance of 11,000 to 12,000 Boe/d. Full year 2019 production averaged 8,680 Boe/d, which also exceeded the Company's annual guidance of 8,500 Boe/d, successfully building on 2018 volumes of 5,630 Boe/d, and 2,445 Boe/d in 2017. ??

Our operating netback remains strong given our low operating expenses and will remain positive at current WTI prices.? Amidst ongoing market uncertainty and commodity price weakness, PetroShale will continue to take a measured, responsible and value-focused approach to the development of our top tier asset base in the heart of the North Dakota Bakken / Three Forks.?

In addition to volume growth, PetroShale recorded?significant financial improvements over calendar 2018, including a 36% increase in revenue and a 41% increase in adjusted EBITDA[1]. In an ongoing effort to enhance operational and capital efficiencies across the organization, PetroShale achieved lower net general and administrative ("G&A") expenses on both an absolute and per unit basis in 2019 despite a significant increase in operating activity. Net G&A expenses totaled $4.5 million ($1.42 per Boe) for calendar 2019, compared to $4.9 million ($2.36 per Boe) in 2018.

In calendar 2019, the Company participated in the drilling of 95 gross (19.3 net) Bakken and Three Forks wells. In addition, PetroShale directed $7.0 million to the acquisition of oil and gas leases within our core operating areas, which included increases to working interests in existing drilling units. In the fourth quarter of 2019, the Company invested $65.6 million in capital, including approximately $18 million of budgeted projects from our 2020 capital budget which was accelerated into 2019 on our non-operated properties. Activity in the fourth quarter included the spud of two gross (1.2 net) operated wells at South Berthold. In the same area, we also completed and commenced production on five gross (2.9 net) operated wells and nine gross (2.2 net) non-operated wells.? PetroShale's monthly production volumes for December 2019 averaged 14,567 Boe/d (comprised of 12,022 bbls of light oil, 1,442 bbls/d of NGL and 6,620 mcf/d of natural gas).?

Building on our commitment to ESG initiatives and the responsible development of our asset base, PetroShale took steps during 2019, and will continue to do so in 2020, to increase our rate of gas capture, reduce GHG emissions and reuse water for our fracing programs where feasible.? We are proud of PetroShale's efforts to deploy world-class operating and environmental stewardship to the North Dakota Bakken and to notify stakeholders that we have posted an ESG Summary document on the 'Responsibility' page of our website.

To support per share metrics and take tangible steps to increase the underlying value of PetroShale's common shares, a total of 1,074,615 shares were repurchased during 2019 through a combination of our active normal course issuer bid ("NCIB") and from a departing employee. PetroShale renewed our NCIB in February of 2020 for a 12-month period with a limit of 11,785,163 common shares. ?Year to date in 2020, 3,828,000 common shares have been purchased.

Based on PetroShale's 2019 independent reserves evaluation by Netherland, Sewell & Associates, we achieved significant reserves increases in 2019 across all categories and demonstrated another strong year of capital deployment. ?The Company generated robust capital efficiencies in 2019 with PDP, TP and P+P finding, development & acquisition ("FD&A")[1] costs of $12.17 per Boe, $12.71 per Boe and $13.11 per Boe, respectively, resulting in 2019 recycle ratios[1] of 2.5 times, 2.4 times and 2.3 times, respectively, based on PetroShale's operating netback prior to hedging of $30.30 per Boe.

(1)?See "Information Regarding Disclosure on Oil and Gas Reserves and Non-IFRS Measures" within this press release.

OUTLOOK AND 2020 BUSINESS PLAN

The rapid and severe deterioration of economic activity related to COVID-19 (Coronavirus), combined with a price war fueled by Russia and Saudi Arabia, led to a global equity market and oil price shock in early March. With meaningful added oil supply expected over the near term, oil prices and energy equities are expected to remain under pressure. However, this is also anticipated to cause a sizeable reduction in industry spending which should lead to lower supply and thus, more supportive pricing in the medium term. PetroShale's strategy has always been to create value by controlling cost and managing risk while seeking to expand production and reserves at a measured pace. The Company's sound capital structure, efficient operating track record, and lean overhead means that PetroShale is positioned to weather short-term commodity price impacts and preserve value by shifting capital allocation and deferring completions until the broader pricing environment improves.? The Board and management will continue to monitor commodity prices and follow a conservative strategy for capital deployment.?

In response to these broader market factors and the Company's successful development program in 2019, PetroShale will focus in 2020 on further streamlining operating costs as well as the implementation of a sustainable plan to reduce drilling, completion and facility construction costs.

PetroShale's Board of Directors previously approved a 2020 capital budget of $70 million, which was designed to generate significant free cash flow. Approximately $18 million of the 2020 capital budget was accelerated into 2019 as the operators of certain of our non-operated properties completed drilling and well completion activities earlier than anticipated.? In addition, our expected capital budget has been further reduced as certain of our current non-operated projects have been suspended by the operators. We now anticipate that our 2020 capital expenditures will be approximately $26 million, representing a reduction of approximately 89% relative to 2019.

With this significantly reduced capital spend, we anticipate a modest production decline relative to the second half of 2019, with forecast 2020 annual volumes expected to average between 11,000 and 12,000 Boe/d[2].?We anticipate generating free cash flow at current oil prices, which will be allocated to debt reduction.? The Company faces no debt maturities until June, 2021.?

As part of our ongoing risk mitigation, PetroShale has entered into crude oil derivative?contracts designed to support added stability and further mitigate the effects of severe market volatility. Through the second quarter of 2020, the Company is hedged on 71% of its expected crude oil production. The hedges are split between three way collars of 3,000 bbls/d with a bought put of US$50.33 and sold put of US$45.33, resulting in downside protection of WTI plus US$5 when WTI is less than US$45.33, and swaps of 2,500 bbls/d with weighted average downside protection of $27.09.

Management is monitoring current developments in the market and is making decisions that are best for our business. We have a high quality asset base which generates positive cash flows at low prices. We spent 2019 building our productive capacity and future drilling inventory and will be ready to exploit that when oil prices recover.? Our experienced and skilled team will underpin the sustained implementation of our operating and capital plan through this volatile environment. I wish to thank all of PetroShale's employees, directors and shareholders for their support and look forward to updating you on our progress and achievements in the future.

((signed))

David Rain
CEO and Director

[2]?Comprised of 9,150 ? 9,950 bbls/d of oil, 1,300 ? 1,400 bbls/d of NGLs and 9,300 ? 10,000 mcf/d of natural gas.

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 to continue its rate of gas capture, reduce its GHG emissions and reuse water for fracing programs in 2020, the Company's view as to the effects of reductions in industry capital spending on commodity prices, the Company's assessment on the ability of the Company to weather short-term commodity price impacts, the Company's intention in 2020 to further streamline operating costs and reduce drilling, completion and construction costs, that $15 million of the Company's budget is available for the current year for non-operated wells, production to average between 11,000 and 12,000 Boe/d during 2020, PetroShale intends to remain active, with steady execution of our development program and participation in several non-operated wells in calendar 2020; that the operators of the assets the Company has a non-operated interest in may defer spending, leading to changes in the Company's budget, including effects on production, PetroShale's expectation of generating free cash flow and the allocation of the same to debt reduction,?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 $26 million in capital expenditures in 2020; 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). 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 December 31, 2019 and for the three and twelve months ended December 31, 2019 and 2018? "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 11,000 to 12,000 Boe/d, $US30.00 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 is 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.

Information Regarding Disclosure on Oil and Gas Reserves and Non-IFRS Measures:

All amounts in this news release are stated in Canadian dollars unless otherwise specified.? Our oil and gas reserves statement for the year ended December 31, 2019, which will include complete disclosure of our oil and gas reserves and other oil and gas information in accordance with NI 51-101, will be contained within our Annual Information Form which will be available on our SEDAR profile at www.sedar.com on or before March 30, 2020. The recovery and reserve estimates contained herein are estimates only and there is no guarantee that the estimated reserves will be recovered.? In relation to the disclosure of estimates for individual properties or subsets thereof, such estimates may not reflect the same confidence level as estimates of reserves and future net revenue for all properties, due to the effects of aggregation.

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 December 31, 2019 and for the three and twelve months ended December 31, 2019 and 2018.

"Finding, development and acquisition costs" or "FD&A costs" are calculated by dividing the sum of the total capital expenditures for the year inclusive of the net acquisition costs and disposition proceeds (in dollars) by the change in reserves within the applicable reserves category inclusive of changes due to acquisitions and dispositions (in boe).

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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