

PetroShale Announces Second Quarter 2014 Results and Significant Reserves Increase

26.08.2014 | [Marketwired](#)

CALGARY, ALBERTA--(Marketwired - Aug 26, 2014) - [PetroShale Inc.](#) ("PetroShale" or the "Company") (TSX VENTURE:PSH)(OTCQX:PSHIF) is pleased to announce its financial and operating results for the second quarter ended June 30, 2014, along with increases to the Company's U.S. reserves. The Company's unaudited consolidated financial statements and corresponding Management's Discussion and Analysis (MD&A) for the three and six month periods ended June 30, 2014, are available on SEDAR at www.sedar.com, on the OTCQX website at www.otcqx.com, and on PetroShale's website at www.petroshaleinc.com. Copies of the materials can also be obtained upon request without charge by contacting the Company directly.

Q2 Highlights:

- Reported production for the quarter of 298 boe/d (Company interest, gross of royalty) weighted 95% to light crude oil and liquids (232 boe/d net of royalty interest), an 89% increase over the same period in 2013;
- Commissioned an updated interim reserves report on PetroShale's U.S. properties which demonstrates a 525% increase in proved plus probable ("P+P") booked reserves over the December 31, 2013 report, as well as an increase of 425% in the net present value (discounted at 10%) of the P+P reserves;
- Realized strong operating netbacks of \$57.86 per boe (Company interest, gross of royalty, and excluding the impact of hedging - \$74.18 per boe net of royalty interest and excluding hedging), which reflects the Company's high quality production, combined with a strong pricing environment;
- Generated \$2.1 million in revenue net of royalties during the period, an increase of 98% over the previous quarter, and 101% higher than the same period in 2013, reflecting the growth in the Company's production supported by a strong commodity price environment;
- Increased the capacity of the subordinated loan facility provided by the Company's two largest shareholders from U.S.\$20 million to U.S.\$30 million, which enhances PetroShale's ongoing financial flexibility to fund further acquisitions and capital programs;
- Completed a private placement of 5 million common voting shares at a price of \$1.30 per share, raising gross proceeds of \$6.5 million, which were used to repay outstanding debt and to fund capital expenditures;
- Subsequent to quarter end, purchased additional properties in North Dakota through a variety of transactions, for total cash consideration of U.S.\$4.4 million; and
- As at June 30, 2014, PetroShale was participating in 8 gross (1.3 net) wells that were in the process of being either drilled or completed. Currently, that activity has increased to 13 gross (2.0 net) wells.

Results of Oil and Gas Activities

For the three months ended	June 30, 2014	June 30, 2013
Sales volumes		
Oil and natural gas liquids (Bbl/d)	283	151
Natural gas (Mcf/d)	90	45
Barrel of oil equivalent (Boe/d)	298	158

Barrel of oil equivalent, net of royalty (Boe/d)		232		122
Operating Netbacks (\$/Boe)				
Revenue	\$	98.82	\$	93.37
Royalties		(21.79)		(21.36)
Realized hedge loss		(0.70)		-
Operating costs		(11.80)		(11.38)
Production taxes		(7.37)		(3.33)
Operating netback	\$	57.16	\$	57.30
Operating netback prior to hedging	\$	57.86	\$	57.30
Operating netback prior to hedging, on a net of royalty basis	\$	74.18	\$	74.30

Earnings before interest, taxes, depreciation and amortization ("EBITDA") was \$824,000 for the three month period ended June 30, 2014 compared to \$412,000 for the quarter ended June 30, 2013, an increase of 100%. For the second quarter ended June 30, 2014 the Company reported a net loss of \$578,000 (\$0.02 per share), compared to a loss of \$605,000 (\$0.02 per share) for the three month period ended June 30, 2013.

U.S. Reserves Update As at June 30, 2014:

The reserves data in this press release is based upon an evaluation by Netherland, Sewell & Associates, Inc. ("NSAI") with respect to PetroShale's assets in the United States, with an effective date of June 30, 2014. The reserves data summarizes PetroShale's crude oil and natural gas reserves in the United States and the net present values of future net revenue for these reserves using forecast prices and costs, not including the impact of any price risk management activities. The Reserve Report was prepared in accordance with the standards contained in the COGE Handbook and the reserve definitions contained in NI 51-101 and CSA 51-324.

U.S. Reserves Highlights:

- P+P reserves in the U.S. as at June 30, 2014 increased by 525% to 4,100 Mboe (3,223 Mboe net of royalty) compared to December 31, 2013;
- Total U.S. proved reserves increased 516% to 3,124 Mboe (2,452 Mboe net of royalty);
- Before tax net present value (discounted at 10%) ("NPV10") of the Company's U.S. P+P reserves totaled U.S.\$63.5 million at June 30, 2014, an increase of 425% over the U.S.\$12.1 million NPV10 as at December 31,2013; and
- The NPV10 of total proved reserves increased 376% from U.S.\$10.7 million to U.S.\$51.0 million.

Gross Company Interest Reserves

UNITED STATES OIL & GAS ASSETS AS AT JUNE 30, 2014

RESERVES CATEGORY	OIL		RESERVES NATURAL GAS		BOE	
	Gross (Mbbbls)	Net (Mbbbls)	Gross (MMcf)	Net (MMcf)	Gross (Mboe)	Net (Mboe)
PROVED:						
Developed Producing	378.3	291.8	369.6	284.6	439.9	339.2
Developed Non-Producing	20.0	15.3	23.6	18.0	23.9	18.3
Undeveloped	2,335.9	1,840.0	1,944.3	1,526.2	2,659.9	2,094.4
TOTAL PROVED	2,734.2	2,147.0	2,337.4	1,828.8	3,123.8	2,451.8
PROBABLE	848.8	670.8	762.8	600.4	975.9	770.9
TOTAL PROVED PLUS PROBABLE	3,583.0	2,817.8	3,100.3	2,429.2	4,099.7	3,222.7

Columns may not add due to rounding.

Net Present Value of Future Net Revenue

UNITED STATES OIL & GAS ASSETS AS AT JUNE 30, 2014

RESERVES CATEGORY	BEFORE INCOME TAXES DISCOUNTED AT (%/year)				
	0%	5%	10%	15%	20%
	(USD \$000s)	(USD \$000s)	(USD \$000s)	(USD \$000s)	(USD \$000s)
PROVED:					
Developed Producing	19,510.7	14,472.3	11,685.0	9,944.6	8,757.6
Developed Non-Producing	1,003.7	849.5	743.2	666.6	609.0
Undeveloped	93,254.2	57,811.4	38,538.4	26,688.7	18,736.6
TOTAL PROVED	113,768.6	73,133.2	50,966.5	37,299.9	28,103.1
PROBABLE	31,833.6	19,417.5	12,568.6	8,344.5	5,527.9
TOTAL PROVED PLUS PROBABLE	145,602.2	92,550.7	63,535.2	45,644.4	33,631.0

Columns may not add due to rounding.

Pricing Assumptions - Forecast Prices and Costs:

Following are select crude oil and natural gas price and inflation rate assumptions used by NSAI as of June 30, 2014 in estimating the U.S. reserves data using forecast prices and costs.

At June 30, 2014	NSAI Average	
	GAS U.S. Henry Hub Gas Price (\$US/MMBtu)	OIL WTI Crude Oil (\$US/bbl)
2014	\$ 3.960	\$ 94.75
2015	\$ 4.180	\$ 93.18
2016	\$ 4.550	\$ 91.92
2017	\$ 5.030	\$ 94.24
2018	\$ 5.460	\$ 95.96
2019	\$ 5.760	\$ 97.29
2020	\$ 5.920	\$ 98.88
2021	\$ 6.100	\$ 100.74
2022	\$ 6.260	\$ 102.61
2023	\$ 6.440	\$ 104.55
2024	\$ 6.730	\$ 106.44
2025	\$ 6.865	\$ 108.57
2026	\$ 7.002	\$ 110.74
2027	\$ 7.142	\$ 112.95
2028	\$ 7.285	\$ 115.21
Thereafter:	2% per year	2% per year

Message to Shareholders:

For the first half of 2014, the team at PetroShale continued to focus on the execution of our strategy centered around acquiring and consolidating working interests ("WI") in the most prolific and attractive areas of the North Dakota Bakken.

This strategy is proving successful and during the second quarter, we purchased an additional working interest of approximately 9.5% in two of our existing wells in Stockyard Creek, and acquired an interest in two additional acreage parcels in McKenzie County. At the end of the quarter, we were participating in 8 gross (1.3 net) wells that were in the process of being either drilled or completed. Subsequent to the end of the quarter, we further expanded our asset base by acquiring additional properties in North Dakota through several transactions. Currently, our drilling and completions activity has increased to 13 gross (2.0 net) wells. With continued drilling activity by our partners in North Dakota, along with pursuing additional acquisitions, we intend to grow production, leading to enhanced revenue, cash flows, and greater reserves bookings over time.

We were extremely pleased with the significant increases in reserves and net present values reflected in our updated U.S. reserves report as at June 30, 2014. Compared to December 31, 2013, our total proved reserves on the U.S. assets increased by 516% from 0.5 million boe, to more than 3.1 million boe. On a P+P basis, U.S. booked reserves increased 525% from 0.7 million boe to approximately 4.1 million boe. The

underlying value of the U.S. reserves are reflected in higher NPV10 values: our U.S. assets total proved reserve value increased 376% to \$51.0 million, and the P+P NPV10 rose 425% to \$63.5 million. Over a six month period, we have significantly enhanced the volume and value of our asset base for shareholders.

In June, we strengthened our financial position with the closing of a private placement of 5 million common voting shares at a price of \$1.30 per share, and generated gross proceeds of \$6.5 million. Directors and officers of the Company demonstrated their continued commitment and belief in the strategy by subscribing for approximately 3.4 million of these 5 million shares. We used the net proceeds to repay a portion of our outstanding debt, which along with the extension of our subordinated loan facility, affords us greater financial flexibility as we strive to pursue additional acquisitions and grow our asset base in the North Dakota Bakken.

PetroShale is well positioned for growth, and we look forward to keeping our shareholders updated on our ongoing activities and expansion.

((signed))

M. Bruce Chernoff, Executive Chairman and CEO

About PetroShale

PetroShale is a growing oil company engaged in the acquisition, development and consolidation of interests in the most prolific areas of the North Dakota Bakken.

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

Company interest means, in relation to the Company's interest in production and reserves, the Company's working interest (operating and non-operating) before the deduction of royalties payable and including such entity's royalty interest in production and reserves. Where volumes of reserves and production have been presented, they have been presented as company working interest, gross of royalties, except where otherwise noted. All operating netbacks referenced in this press release are Company working interest, except where otherwise noted. All dollar figures included herein are presented in Canadian dollars, unless otherwise noted.

Within this press release, references are made to terms commonly used in the oil and natural gas industry. The terms "funds flow", "netback", "operating netback" or "EBITDA" in this press release are not recognized measures under IFRS and therefore may not be comparable to performance measures presented by others. Funds flow represents cash flow from (used in) operating activities prior to change in non-cash working capital and settlement of decommissioning obligations. PetroShale uses "netback" as a key performance indicator and it is used by the Company to evaluate the operating performance of its petroleum and natural gas assets and is determined by deducting royalties, production, taxes, and operating expenses from petroleum and natural gas revenue. EBITDA means net income (loss) before taxes, depletion and depreciation, impairments, finance expense, foreign exchange gain or loss, share-based compensation and other non-cash charges to income. Management believes that in addition to net income (loss) and cash flow from (used in) operating activities, funds flow, netback and EBITDA are useful supplemental measures as they assist in the determination of the Company's operating performance, leverage and liquidity. Readers are cautioned, however, that these measures should not be construed as an alternative to net income (loss) or cash flow from (used in) operating activities determined in accordance with IFRS as an indication of our performance.

This press release contains forward-looking statements and forward-looking information (collectively "forward-looking information") within the meaning of applicable securities laws relating to aspects of management focus, objectives, strategies and business opportunities. The forward-looking information is based on certain key expectations and assumptions made by the Company's management, including

expectations and assumptions concerning prevailing commodity prices, exchange rates, interest rates, applicable royalty rates and tax laws; future production rates and estimates of operating costs; performance of existing and future wells; reserve and resource volumes; business prospects and opportunities; 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.

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. Since forward-looking information addresses future events and conditions, by its very nature they 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.

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, mboe refers to thousands of barrels of oil equivalent, while mbbbls refers to thousands of barrels of oil, and mmcf refers to millions of cubic feet of natural gas.**

This press release contains estimates of the net present value of the future net revenue from our reserves. Such amounts do not represent the fair market value of the reserves. There is no assurance that the forecast prices and cost assumptions will be attained and variances could be material. The recovery and reserve estimates of the crude oil, natural gas liquids and natural gas reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual crude oil, natural gas and natural gas liquids reserves may be greater than or less than the estimates provided herein.

Contact

[PetroShale Inc.](#)

Attention: Executive Chairman and CEO

Email: Info@PetroShaleInc.com

Phone: +1.303.297.1407

www.petroshaleinc.com

Cindy Gray

5 Quarters Investor Relations, Inc.

403.828.0146

cgray@5qir.com

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