PetroShale Announces Financial and Operating Results for the Third Quarter of 2017

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CALGARY, Alberta, Nov. 29, 2017 (GLOBE NEWSWIRE) -- PetroShale Inc. ("PetroShale" or the "Company") (TSXV:PSH) (OTCQX:PSHIF) is pleased to announce its financial and operating results for the three and nine month periods ending September 30, 2017. The Company’s unaudited consolidated financial statements and corresponding Management’s Discussion and Analysis (MD&A) for the period 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. Please note, currency figures presented herein are reflected in Canadian dollars, unless otherwise noted.

HIGHLIGHTS:

Following an active second quarter in which PetroShale completed a $110 million equity offering, closed a significant property acquisition, and enhanced the senior management team, the Company continued to advance our oil-focused operations in the North Dakota Bakken.

During the period, PetroShale:

- Recorded average production of 1,894 Boe per day, 23% higher than the 1,540 Boe per day in the same quarter of 2016. For the nine month period ended September 30, 2017, the Company’s production averaged 2,555 Boe per day, an increase of 64% from the corresponding period in 2016.
- Generated operating netbacks of $22.78 per Boe, and $26.41 per Boe for the three and nine months ended September 30, 2017, an increase of 11% and 43%, respectively, over the comparable periods in 2016, primarily as a result of improved WTI prices and a shrinking Bakken to WTI oil price differential.
- Generated EBITDA of $3.0 million and $15.5 million for the three and nine months ended September 30, 2017, respectively, compared to $2.4 million and $5.9 million in the corresponding periods in 2016.
- Commenced drilling two (1.7 net) wells on an operated unit in the Antelope area, with completions expected before the end of 2017, and participated in the drilling of four wells within a non-operated area in which PetroShale has a working interest of approximately 19%.
- Increased the borrowing capacity under our senior credit facility to US$39.9 million from US$30.9 million and extended the renewal date of the facility to June 30, 2018.
- Closed an acquisition of significant acreage in an undrilled spacing unit, which the Company plans to operate, in our South Berthold focus area.

Subsequent to the end of the quarter, the Company commenced drilling two (2.0 net) wells in a second operated drilling unit within the South Berthold area, with completions expected in January, 2018.

RESULTS OF OIL AND GAS ACTIVITIES

	Three months ended		Nine months ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Sales volumes				
Crude Oil (Bbl/d)	1,411	1,138	1,988	1,186
Natural gas and NGLs (Mcf/d)	2,900	2,409	3,402	2,202
Barrel of oil equivalent (Boe/d)(1)	1,894	1,540	2,555	1,553
Operating Netbacks ($/Boe) (1)				
Revenue	$ 42.69	$ 39.74	$ 47.89	$ 36.65
Royalties	(8.92)	(7.99)	(9.95)	(7.43

Operating costs	(7.83)	(8.16)	(7.97)	(7.96)
Production taxes	(3.16)	(3.04)	(3.56)	(2.82)
Operating netback[1]	$ 22.78	$ 20.55	$ 26.41	$ 18.44
Operating netback, on a net of royalty basis[1]	$ 28.96	$ 25.70	$ 33.39	$ 23.14
Benchmark WTI price during the period (US$ / bbl)	$ 48.17	$ 44.85	$ 49.39	$ 41.35

Note:
(1) See "Oil and Gas Advisory" and “Non-GAAP Measures”.

MESSAGE FROM THE CEO

I am pleased to report that following the second quarter, PetroShale enhanced our acreage portfolio with a significant acquisition of an interest in an undrilled spacing unit and commenced a four well drilling program which is expected to result in meaningful production increases in early 2018.

Our third quarter average daily production increased 23% relative to the same period in 2016. Volumes were impacted in the quarter by a temporary but anticipated cessation of production from our first operated well (“8H” - completed in December 2016), as reservoir pressures declined to a point where the well stopped flowing naturally. We are in the process of working over this well and expect to bring it back into production later in the fourth quarter.

During the quarter, we invested $15.0 million in capital, including drilling and completion costs and the acquisition of land in an operated undrilled spacing unit. During the period, PetroShale commenced drilling two (1.7 net) wells on our operated unit (“Primus”) in the prolific Antelope area and we anticipate completing these wells in December of 2017, with commencement of production expected in January 2018. We also participated in the drilling of four (0.75 net) non-operated wells in Antelope on a spacing unit (“Landforms”) immediately adjacent to Primus, in which we have a 19% working interest. We expect these wells to be completed and placed into production before the end of the fourth quarter. Subsequent to the end of the quarter, we commenced the drilling of two wells (100% working interest) on a second operated drilling unit (“Horse Camp”) in the South Berthold area, which we plan to complete in January 2018 and place on production shortly afterwards. PetroShale is also participating in an additional seven (1.0 net) non-operated wells which are in various stages of drilling and completion. As a result of these activities, we anticipate a meaningful increase in net production in the first and second quarters of 2018.

While WTI prices remained below US$50 through the third quarter, differentials between WTI and Bakken prices narrowed further following the commissioning of the Dakota Access Pipeline. Subsequent to the end of the third quarter, WTI has increased to the mid US$50’s and PetroShale took the opportunity to execute “costless” oil price collars on 1,500 barrels of oil per day (“bopd”) for calendar 2018 at an average WTI price band of US$45.67 to US$56.48. These hedges support the execution of our business plan.

PetroShale successfully secured an increase to the borrowing capacity under our senior credit facility, from US$30.9 million to US$39.9 million, with an extension of the renewal date to June 30, 2018. PetroShale also obtained an extension of our subordinated credit facility to January 15, 2019. The increase in senior borrowing capacity, the net proceeds from the equity offering completed in April, the undrawn capacity on the existing subordinated loan and the extension of maturity dates on both credit facilities are expected to provide the Company with sufficient financial flexibility to continue executing our planned capital program through the end of 2018.

I would like to thank PetroShale’s employees, directors and shareholders for your continued support of our strategy and our Company.

((signed))

Mike Wood
President and CEO

About PetroShale

PetroShale is an oil company engaged in the acquisition, development and consolidation of interests in the North Dakota Bakken / Three Forks.

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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 beliefs with respect to the Company's planned drilling program and other operations for the balance of 2017 and part of 2018, including with respect to planned drilling of operated and non-operated wells; expected timing for completion and production of wells that are planned to be drilled in 2017, including the potential benefits to the Company from the same; the Company's expectations for improved differentials on realized pricing from its oil production; the anticipated effects of the Company's recent hedging program; the Company's expectations for production increases as a result of recent activities; the Company's expectations with respect to having sufficient capital resources to execute its planned capital program; the Company's growth and development plans; 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, liquidity, exchange rates, interest rates, applicable royalty rates and tax laws; the availability of transportation facilities; future production rates, actions by the operators of the Company’s non-operated interests, and estimates of operating costs; performance of existing and future wells; reserve 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.

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.

Non-GAAP Measures:

Within this press release, references are made to “operating netback” and “EBITDA”, which are not recognized measures under IFRS and therefore may not be comparable to performance measures presented by others. EBITDA means net income (loss) before taxes, depletion and depreciation expense, exploration and evaluation expense, any impairments, finance expense, any gain or loss on property dispositions, foreign exchange gain or loss, share-based compensation expense and unrealized gain or loss on financial derivatives. Operating netback means revenue less royalties, production taxes and operating costs and has been presented on a per Boe basis. Management believes that in addition to net income (loss) and cash flow from (used in) operating activities, EBITDA and operating netback are useful supplemental measures as they assist a reader 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 and consolidated assets as determined in accordance with IFRS as an indication of our performance or value.

Oil and Gas Advisory:

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 mbbls refers to thousands of barrels of oil, and mmcf refers to millions of cubic feet of natural gas.

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