

PetroShale Announces Strategic Financing Transaction and Operations Update

02.01.2018 | [GlobeNewswire](#)

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CALGARY, Alberta, Jan. 02, 2018 (GLOBE NEWSWIRE) -- [PetroShale Inc.](#) ("PetroShale" or the "Company") (TSXV:PSH) (OTCQX:PSHIF) is pleased to announce that it has entered into an agreement (the "Investment Agreement") with First Reserve (the "Investor") in respect of a strategic financing transaction (the "Financing") for gross proceeds of US\$75 million.

First Reserve is a leading global private equity investment firm exclusively focused on energy. With nearly 35 years of industry insight, investment expertise and operational excellence, the Firm has cultivated an enduring network of global relationships and has raised approximately US \$31 billion of aggregate capital since inception. First Reserve has completed over 600 transactions (including platform investments and add-on acquisitions), creating several notable energy companies throughout the Firm's history. Upon closing of the Financing, the parties anticipate that Mr. Brooks Shughart, Managing Director of First Reserve, will be appointed to PetroShale's board of directors pursuant to the terms of the Investment Agreement.

"Establishing a long-term capital partnership with First Reserve, given their deep energy expertise, represents a significant strategic event for PetroShale," commented PetroShale's CEO, Mike Wood. "We are excited about the ability to accelerate our growth plans in the North Dakota Williston basin with this Financing, under terms and structure that are very constructive. We believe the relationship with First Reserve will be instrumental in advancing our continued growth and execution of our strategic plan."

"First Reserve has a long history of partnering with talented management teams to pursue growth strategies throughout the North American shales," said Brooks Shughart, Managing Director of First Reserve. "With a dynamic and rapidly evolving development program focused on the Bakken / Three Forks plays, PetroShale represents an exciting opportunity to further execute this strategy. We look forward to working with the PetroShale Board and management team to continue to deliver on their compelling vision and growth opportunities."

Details of the Financing

Pursuant to the terms of the Investment Agreement, the Investor has agreed to acquire US\$75 million of series A preferred shares (the "Subsidiary Preferred Shares") in the Company's wholly owned subsidiary, PetroShale (US), Inc. ("PetroShale US"). The Subsidiary Preferred Shares have a term of five years (subject to extension for an additional year at the election of the Investor) and entitle the Investor to a cumulative annual dividend of 9% per year (except that no dividends shall be payable for the extension year, if any). The Subsidiary Preferred Shares are, subject to certain conditions, exchangeable into common voting shares in the capital of the Company (the "Common Shares") at an exchange price of C\$2.40 per share (the "Exchange Price"). The Exchange Price represents a 22% premium to the 30-day volume weighted average trading price of the Common Shares on December 29, 2017, the last trading day prior to entering into the Investment Agreement. As part of the Financing, the Investor will also acquire voting preferred shares ("Parent Preferred Shares") of the Company which entitle the Investor to the "as-exchanged" voting rights of the Subsidiary Preferred Shares. A proportionate number of Parent Preferred Shares will be redeemed and cancelled by the Company, for nominal consideration, upon any redemption of the Subsidiary Preferred Shares or upon the exchange of the Subsidiary Preferred Shares for Common Shares, and carry no other material rights or privileges.

The Parent Preferred Shares issuable on closing of the Financing are anticipated to represent approximately

20.0% of the Company's pro-forma voting securities at closing (on a non-diluted basis). As such, pursuant to the terms of the Investment Agreement and the Subsidiary Preferred Shares, the Investor has covenanted and agreed with the Company and the TSX Venture Exchange ("TSXV") not to exercise voting rights in respect of any Parent Preferred Shares and/or Common Shares that, in aggregate, represent voting rights in excess of 19.9% of all then outstanding voting shares of the Company until receipt by the Company of disinterested shareholder approval (in accordance with the rules of the TSXV) for the creation of the Investor as a new "control person" of the Company. Additionally, as a term of the Subsidiary Preferred Shares, the Investor will not be permitted to exchange any Subsidiary Preferred Shares, and the Company will not be entitled to force the exchange of any Subsidiary Preferred Shares, if the Investor's voting rights (including by way of ownership in Common Shares and Parent Preferred Shares) would, as a result of such exchange, be in excess of 19.9% of all then outstanding voting shares in the capital of the Company, in each case subject to the subsequent receipt of disinterested shareholder approval as described above. A copy of the Investment Agreement will be made available under the Company's profile on SEDAR at www.sedar.com in due course.

The Financing is subject to certain third party and regulatory approvals, including approval of the TSXV, and is expected to close in early to mid January, 2018.

Financing Rationale

Management believes that the Financing, and the Company's financial partnership with a proven and energy-focused investor such as First Reserve will facilitate the ongoing successful execution of the Company's business plan. PetroShale intends to use the net proceeds of the Financing to fund: (i) capital expenditures; (ii) the non-permanent repayment of its outstanding senior loan balance; (iii) the repayment and retirement of its outstanding subordinated loan; (iv) future potential acquisition opportunities; and (v) general corporate purposes.

Completion of the Financing enhances PetroShale's financial flexibility, and provides a source of secure capital which will be directed, in part, to funding the Company's 2018 drilling and completions capital program. Upon closing of the Financing, PetroShale's senior loan balance and outstanding subordinated loan are expected to be paid in full, resulting in the Company's existing senior loan facility having material capacity remaining that may be utilized for potential acquisitions or to undertake further attractive drilling opportunities. PetroShale's senior lender recently re-affirmed the Company's borrowing base under the senior loan facility as US\$39.9 million.

Operations Update

As previously disclosed, PetroShale commenced drilling two (1.7 net) wells on its operated Primus unit in Antelope during the third quarter of 2017. The Company also commenced drilling two wells (100% working interest) on its operated Horse Camp unit during the fourth quarter, and participated in four (0.75 net) non-operated wells at Landforms. Three of the four Landforms wells were placed into production during the fourth quarter, with initial production results consistent with the Company's Antelope type curve. The Company understands the operator of the Company's non-operated Landforms wells is working over the fourth well, which has not yet been placed into production, but is expected to be on-line during the first quarter of 2018. PetroShale recently commenced completion operations on its four operated wells which are anticipated to be placed into production through late January and early February. Workover operations on the Company's first operated well, "8H" (which was completed in December of 2016) had been well underway when suspension of work was required due to the commencement of completion operations on the adjacent Primus pad. PetroShale currently anticipates that the 8H workover will be finalized in early February.

Director Appointment

At closing of the Financing, the parties anticipate that Mr. Brooks Shughart will be appointed to the Company's board.

Brooks M. Shughart is a Managing Director of First Reserve. His responsibilities include investment origination and structuring, due diligence, execution and monitoring, with a focus on the upstream energy sector. Prior to joining First Reserve, he was a Director in the Mergers and Acquisitions Group for Credit

Suisse. Prior to Credit Suisse, he held positions in the energy groups of Lazard Freres and Donaldson, Lufkin & Jenrette/CS First Boston. Mr. Shughart holds a B.B.A. from The University of Texas at Austin.

"On behalf of the Company, I am pleased to welcome Brooks to PetroShale's Board of Directors on closing of the Financing," said M. Bruce Chernoff, Chairman of PetroShale. "His deep energy and financial expertise will provide a significant contribution as the team advances through our next phase of growth. We look forward to leveraging his expertise in the execution of PetroShale's long-term growth strategy."

About PetroShale

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

For information about PetroShale, please contact:

[PetroShale Inc.](#)

Mike Wood, President and CEO	Cindy Gray
Email: Info@PetroShaleInc.com	OR 5 Quarters Investor Relations, Inc.
Phone: +1.303.297.1407	403.231.4372 or info@5qir.com
www.petroshaleinc.com	

For First Reserve media inquiries, please contact:

Jonathan Keehner / Julie Oakes
Joele Frank, Wilkinson Brimmer Katcher
joakes@joelefrank.com
(212) 355-4449

Note Regarding Forward Looking Statements

This press release contains forward-looking statements and forward-looking information (collectively "forward looking information") within the meaning of applicable securities laws. The use of any of the words "plan", "expect", "intend", "believe", "should", "anticipate" or other similar words, or statements that certain events or conditions "may" or "will" occur are intended to identify forward-looking information. Such statements represent the Company's internal beliefs concerning, among other things, future growth, future capital, business prospects and opportunities. These statements are only predictions and actual events or results may differ materially. Although the Company's management believes that the expectations reflected in the forward-looking statements are reasonable, it cannot guarantee future results, levels of activity, performance or achievement since such expectations are inherently subject to significant business, economic, competitive, political and social uncertainties and contingencies. Many factors could cause the Company's actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, PetroShale.

In particular, forward-looking statements contained in this document include, but are not limited to, statements concerning the Financing, including the timing of closing of the Financing, the Investor's pro-forma ownership of the Company after completion of the Financing, the identity and timing of the appointment of the Investor's nominee to the board, the shares to be issued pursuant to the Financing, regulatory and other approvals required for the Financing, the use of proceeds from the Financing, the anticipated benefits of the strategic relationship between the Company and the Investor, the Company's expected benefits of the Financing, the Company's post-Financing credit availabilities, the Company's expectations with respect to the timing of the operator of its Landform wells to place certain wells on production, the Company's expectations with respect to placing certain operated wells onto production as well as completing workover activities on 8H. These forward-looking statements are subject to numerous risks and uncertainties, including but not limited to, the impact of general economic conditions in Canada and the U.S.; industry conditions including changes in laws and regulations including adoption of new environmental laws and regulations, and changes in how they are interpreted and enforced, in Canada and the U.S.; timing of operations and activities by third party operators and competition; lack of availability of qualified personnel; the results of exploration and development drilling and related activities; obtaining required approvals of regulatory authorities, in Canada and the U.S.; volatility in market prices for oil; fluctuations in foreign exchange or interest rates; environmental risks; changes in income tax laws or

changes in tax laws and incentive programs relating to the oil industry; ability to access sufficient capital from internal and external sources; risk that the board of directors of PetroShale determines that it would be in the best interests of PetroShale to deploy the proceeds of the Financing for some other purpose; failure to receive all required regulatory and other approvals for the Financing; risk that the Financing does not close on the timing anticipated or at all; and other factors, many of which are beyond the control of the Company. Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could affect PetroShale's operations and financial results are included in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com).

Although the forward-looking statements contained in this document are based upon assumptions which Management believes to be reasonable, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. With respect to forward-looking statements contained in this document, PetroShale has made assumptions regarding among other things, receipt of regulatory and other approvals for the Financing and related matters and the number of outstanding shares of PetroShale on closing of the Financing, 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. Management has included the above summary of assumptions and risks related to forward-looking information provided in this document in order to provide shareholders with a more complete perspective on PetroShale's current and future operations, including in respect of the Financing, and such information may not be appropriate for other purposes. PetroShale's actual results, performance or achievements, including in respect of the Financing, could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do, what benefits PetroShale will derive there from.

These forward-looking statements are made as of the date of this press release and PetroShale disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.

This press release shall not constitute an offer to sell or the solicitation of an offer to buy the Shares in any jurisdiction. The Shares have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act") or any state securities laws and may not be offered or sold in the United States except in certain transactions exempt from the registration requirements of the U.S. Securities Act and applicable state securities laws.

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.

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<https://www.rohstoff-welt.de/news/286611--PetroShale-Announces-Strategic-Financing-Transaction-and-Operations-Update.html>

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