

# PetroShale Announces Year End 2019 Reserves Highlighted by Significant Growth

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CALGARY, March 26, 2020 - [PetroShale Inc.](#) ("PetroShale" or the "Company") (TSXV: PSH, OTCQX: PSHIF) is pleased to announce the highlights from our independent corporate reserves evaluation prepared by Netherland, Sewell & Associates, Inc. ("NSAI") with an effective date of December 31, 2019 (the "NSAI Report"). Highlights of the Company's proved developed producing ("PDP"), proved ("TP") and total proved plus probable ("P+P") reserves from the NSAI Report are provided below. All finding and development ("F&D")<sup>2</sup> and finding, development and acquisition ("FD&A")<sup>2</sup> costs below include changes in future development and acquisition ("FDC")<sup>2</sup>.

Additional details of the NSAI Report will be available in the Company's 2019 Annual Information Form to be posted on [www.sedar.com](#), on the OTCQX website at [www.otcqx.com](#), and on PetroShale's website at [www.petroshaleinc.com](#). Certain materials can also be obtained upon request without charge by contacting the Company directly. Please note, currency values presented herein are reflected in Canadian dollars, unless otherwise noted.<sup>1</sup>

## 2019 RESERVES HIGHLIGHTS

- Year-over-year, PetroShale achieved substantial increases in its oil and natural gas reserves across all categories of its active and efficient capital program focused in its South Berthold and Antelope core areas:
  - PDP reserves increased to 25.4 million boe ("MMboe"), a 107% increase over 12.3 MMboe in 2018, largely due to the conversion of undeveloped reserves into the lower-risk producing category.
  - TP reserves increased to 57.5 MMboe, 17% higher than 49.2 MMboe in 2018.
  - P+P reserves totalled 70.5 MMboe, a 12% increase over 62.8 MMboe in 2018.
- The estimated before tax net present value of future net revenue discounted at 10% ("NPV10") demonstrated meaningful growth at year end 2019, despite declines in the forward crude oil and natural gas price forecast assumed in the NSAI Report.<sup>2</sup> The NPV10 increased 91% to US\$398.5 million on a PDP basis, 15% to US\$752.9 million on a TP basis and 10% to US\$922.7 million on a P+P basis due to the Company's successful development program.
- PetroShale continued to post strong capital efficiencies in 2019, with PDP, TP and P+P F&D costs of \$13.67 per boe, \$24.65 per boe and \$24.65 per boe, respectively, while finding, development and acquisition ("FD&A") costs averaged \$12.71 per boe, \$12.71 per boe and \$13.11 per boe, respectively on PDP, TP and P+P reserves.<sup>2</sup>
- FD&A recycle ratios were 2.5 times on a PDP basis, 2.4 times on a TP basis and 2.3 times on a P+P basis, all based on annual operating netback<sup>3</sup> prior to hedging of \$30.30 per boe.
- Our reserve life indices ("RLI")<sup>2</sup> are approximately 16 years on a P+P basis and 13 years on a total proved basis, based on annualized fourth quarter 2019 average production of 12,173 BOE per day).

<sup>1</sup> Converted to Canadian dollars using the year end 2019 exchange rate of US\$1.00 = Cdn\$1.2990

<sup>2</sup>"Finding and Development costs" or "F&D costs", Finding, Development and Acquisitions costs" or "FD&A costs", "recycle ratio", and "reserve life indices" or "RLI" do not have standardized meanings. See the table "Capital Program Efficiency" and "Information Regarding Disclosure on Oil and Gas Reserves and Operational Information" contained in this news release.

<sup>3</sup>Non-IFRS Measure.<sup>2</sup> See "Information Regarding Disclosure on Oil and Gas Reserves and Non-IFRS Measures" within this press release

## 2019 YEAR-END RESERVES

The reserves data in this press release is based upon an evaluation by NSAI and summarizes PetroShale's crude oil and gas reserves and the net present value of future net revenue for these reserves using forecast prices and costs. All reserves are to gross Company reserves, meaning PetroShale's working interest reserves before consideration of royalties. The reserve report has been prepared in accordance with the standards contained in the COGE Handbook and the definitions contained in National Instrument 51-101 ("NI 51-101") and CSA Staff Notice 51-324. No attempt was made to evaluate possible reserves.

Reserves Category	Reserves							
	Tight Oil		Shale Gas <sup>(2)</sup>		Natural Gas Liquids <sup>(2)</sup> BOE			
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
	(Mbbbl)	(Mbbbl)	(Mmcf)	(Mmcf)	(Mbbbl)	(Mbbbl)	(Mboe)	(Mboe)
<b>PROVED:</b>								
Developed Producing	18,286.6	14,961.3	20,111.8	16,426.1	3,803.0	3,116.7	25,441.6	20,815.7
Developed Non-Producing	1,455.5	1,166.1	951.4	762.2	194.2	155.6	1,808.3	1,448.7
Undeveloped	23,525.5	19,263.0	19,087.5	15,528.1	3,494.4	2,855.0	30,201.2	24,706.0
<b>TOTAL PROVED</b>	<b>43,267.6</b>	<b>35,390.4</b>	<b>40,150.6</b>	<b>32,716.4</b>	<b>7,491.6</b>	<b>6,127.2</b>	<b>57,451.0</b>	<b>46,970.3</b>
<b>PROBABLE</b>	<b>9,965.6</b>	<b>8,063.0</b>	<b>8,689.4</b>	<b>7,010.7</b>	<b>1,602.5</b>	<b>1,296.2</b>	<b>13,016.3</b>	<b>10,527.7</b>
<b>TOTAL PROVED PLUS PROBABLE</b>	<b>53,233.2</b>	<b>43,453.4</b>	<b>48,840.0</b>	<b>39,727.2</b>	<b>9,094.1</b>	<b>7,423.4</b>	<b>70,467.3</b>	<b>57,498.0</b>

Notes:

(1)?? Columns may not add due to rounding.

(2)? All of our shale gas and natural gas liquids reserves are produced in solution with our tight oil. The natural gas liquid reserves are recovered from our natural gas reserves downstream of the wellhead.

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Net Present Value of Future Net Revenue

Reserves Category	?Before Income Taxes Discounted at (%/year)				
	0%	5%	10%	15%	20%
	?\$US 000s	?\$US 000s	?\$US 000s	?\$US 000s	?\$US 000s
PROVED:					
Developed Producing	698,508.6	503,813.4	398,462.0	333,913.2	290,573.2
Developed Non-Producing	54,256.1	39,944.3	32,059.3	27,139.0	23,771.8
Undeveloped	741,519.9	468,006.1	322,365.1	234,903.2	177,644.5
TOTAL PROVED	1,494,284.6	1,011,763.8	752,886.4	595,955.3	491,989.5
PROBABLE	397,943.8	245,316.2	169,854.9	126,614.3	99,123.1
TOTAL PROVED PLUS PROBABLE	1,892,228.4	1,257,080.0	922,741.4	722,569.7	591,112.6

Note:

(1)?? Columns may not add due to rounding.

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As a reporting issuer in Canada, PetroShale is required to report its reserves and NPV10 using forecast pricing and costs, as stipulated under NI 51-101. The forecast prices reflected in the NPV10 is included in the Company's 2019 Annual Information Form, filed on SEDAR and posted to the Company's website today.

Reserves Reconciliation

	Total (Mboe)		
	Total Proved	Probable	Total Proved Plus Probable
December 31, 2018	49,181.9	13,614.6	62,796.5
??? Discoveries	-	-	-
??? Extensions and Improved Recovery	-	-	-
??? Technical Revisions <sup>(1)</sup>	5,955.7	(976.8)	4979.0
??? Acquisitions <sup>(2)</sup>	6,035.1	651.1	6,686.2
??? Dispositions	-	-	-
??? Economic Factors	(553.6)	(272.6)	(826.2)
??? Production	(3,168.1)	-	(3,168.1)
December 31, 2019	57,451.0	13,016.3	70,467.3

## Notes:

- (1) Technical revisions include removal of locations based on development permitting and activity of our operators on non-operated properties. Additionally, it reflects changes to reserves based on estimates from further production information gathered in 2019 from our wells and analogous wells near our lands, and revisions to interest on certain non-operated wells.
- (2) The acquisitions amount is the estimate of reserves at December 31, 2019, adjusted for production associated with the acquired properties from the related acquisition date to December 31, 2019.
- (3) Columns may not add due to rounding.  
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## 2019 Capital Program Efficiency

	Finding, Development & Acquisition ("FD&A") <sup>(1)</sup>			Finding & Development ("F&D") <sup>(1)</sup>		
	PDP	TP	P+P	PDP	TP	P+P
Capital Costs (\$000s)						
????? Acquisitions	3,312	7,007	7,007	-	-	-
????? Capital expenditures??	195,576	229,696	229,696	195,576	229,696	229,696
????? Change in future development capital	-	(91,355)	(94,583)	-	(124,073)	(127,301)
Total FD&A / F&D Costs	198,888	145,348	142,120	195,576	105,623	102,395
Reserves additions (Mboe)						
????? Net change in reserve volumes	13,178	8,269	7,671	13,178	8,269	7,671
????? Addback production	3,168	3,168	3,168	3,168	3,168	3,168
????? Reserves associated with acquisitions		-	-	(2,036)	(6,035)	(6,686)
Total additions	16,346	11,437	10,839	14,310	5,402	4,153
FD&A and F&D Costs (\$/boe)	\$12.17	\$12.71	\$13.11	\$13.67	\$19.55	\$24.65
Three Year FD&A and F&D Costs (\$/boe) <sup>(2)?</sup>	\$12.02	\$16.70	\$13.99	\$13.02	\$22.82	\$15.85
Recycle Ratio <sup>(3)?</sup>	2.5	2.4	2.3	2.2	1.5	1.2

Notes:

- (1) The calculation of F&D and FD&A costs incorporates the change in FDC required to bring proved undeveloped and probable reserves into production. The FDC was converted to Canadian dollars using the year end 2019 exchange rate of US\$1.00 = Cdn\$1.2990. In all cases, the F&D or FD&A number is calculated by dividing the identified capital expenditures, after changes in FDC, by the applicable reserves additions. We have disclosed both finding and development costs and finding, development and acquisition costs because acquisition costs have been a significant component of our total capital expenditures and strategy, and also due to the difficulty in allocating changes in future development costs between reserve additions from drilling, technical revisions and acquisitions. For purposes of calculating finding and development costs, we have chosen to reflect the change in future development costs associated with drilling activity during the year and exclude the increase in future development costs associated with acquisitions. PDP capital costs reflect capital expenditures associated with wells that commenced production on or by December 31, 2019.
- (2) The calculation of the three-year FD&A and F&D costs per boe reflect the sum of the capital costs and net reserve additions for the years 2017 through 2019.
- (3) Recycle ratio is defined as operating netback for 2019, divided by F&D or FD&A costs, as applicable, on a per boe basis. Operating netback is calculated as revenue (excluding realized hedging gains and losses) minus royalties, lease operating costs, workover expense, production taxes and transportation expense. PetroShale's operating netback (prior to hedging) in 2019 averaged \$30.30 per boe.

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.

Information Regarding Disclosure on Oil and Gas Reserves, Operational Information 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](http://www.sedar.com) today. 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.

This press release contains metrics commonly used in the oil and natural gas industry, such as "recycle ratio", "finding and development costs", "finding and development recycle ratio", "finding, development and acquisition costs", "reserves replacement", and "reserves replacement ratio". Each of these metrics are determined by PetroShale as specifically set forth in this news release. These terms do not have standardized meanings or standardized methods of calculation and therefore may not be comparable to similar measures presented by other companies, and therefore should not be used to make such comparisons. Such metrics have been included to provide readers with additional information to evaluate the Company's performance however, such metrics should not be unduly relied upon for investment or other purposes. Management uses these metrics for its own performance measurements and to provide readers with measures to compare PetroShale's performance over time.

Both F&D and FD&A costs take into account reserves revisions during the year on a per boe basis. The aggregate of the costs incurred in the financial year and changes during that year in estimated FDC may not reflect total F&D costs related to reserves additions for that year. Finding and development costs both

including and excluding acquisitions and dispositions have been presented in this press release because acquisitions and dispositions can have a significant impact on our ongoing reserves replacement costs and excluding these amounts could result in an inaccurate portrayal of our cost structure.

This press release contains financial and performance metrics that are not defined in IFRS and do not have standardized meanings or standardized methods of calculation. As such, these terms may not be comparable to similar measures presented by other companies, and therefore should not be used to make such comparisons. Such metrics have been included herein to provide readers with additional information to evaluate the Company's performance, however such metrics should not be unduly relied upon. Management uses oil and gas metrics for its own performance measurements and to provide shareholders with measures to compare PetroShale's operations over time. Readers are cautioned that the information provided by these metrics, or that can be derived from the metrics presented in this press release, should not be relied upon for investment or other purposes.

Within this press release, references are made to "operating netback", "operating netback prior to hedging" and "net debt" 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. Management believes that in addition to net income (loss) and cash flow from operating activities, operating netback is a useful supplemental measure as it assists 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 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.

#### Forward-Looking Information and Statements

This news release contains certain forward-looking information and statements within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "may", "will", "project", "should", "believe", "plans", "intends" "forecast" and similar expressions are intended to identify forward-looking information or statements. In particular, but without limiting the foregoing, this news release contains forward-looking information and statements pertaining to the following: the recognition of significant additional reserves under the heading "2019 Year-End Reserves", the volumes and estimated value of PetroShale's oil and gas reserves, the future net value of PetroShale's reserves, the future ADR, the life of PetroShale's reserves, the estimated volumes, including shut-ins, and product mix of PetroShale's oil and gas production; production estimates; PetroShale's commodity risk management programs; future liquidity and financial capacity required to carry out our planned program; future results from operations and operating metrics; future development activities (including drilling and completion plans and associated timing and cost estimates) and related production estimates; and methods of funding our capital program.

In addition, forward-looking statements or information are based on a number of material factors, expectations or assumptions of PetroShale which have been used to develop such statements and information but which may prove to be incorrect. Although PetroShale believes that the expectations reflected in such forward-looking statements or information are reasonable, undue reliance should not be placed on forward-looking statements because PetroShale can give no assurance that such expectations will prove to be correct. In addition to other factors and assumptions which may be identified herein, assumptions have been made regarding, among other things: that PetroShale will continue to conduct its operations in a manner consistent with past operations; results from drilling and development activities consistent with past operations; the quality of the reservoirs in which PetroShale operates and continued performance from existing wells; the continued and timely development of infrastructure in areas of new production; the accuracy of the estimates of PetroShale's reserve volumes; certain commodity price and other cost assumptions; continued availability of debt and equity financing and cash flow to fund PetroShale's current and future plans and expenditures; the impact of increasing competition; the general

stability of the economic and political environment in which PetroShale operates; the general continuance of current industry conditions; the timely receipt of any required regulatory approvals; the ability of PetroShale to obtain qualified staff, equipment and services in a timely and cost efficient manner; drilling results; the ability of the operator of the projects in which PetroShale has an interest in to operate the field in a safe, efficient and effective manner; the ability of PetroShale to obtain financing on acceptable terms; field production rates and decline rates; the ability to replace and expand oil and natural gas reserves through acquisition, development and exploration; the timing and cost of pipeline, storage and facility construction and expansion and the ability of PetroShale to secure adequate product transportation; future commodity prices; currency, exchange and interest rates; regulatory framework regarding royalties, taxes and environmental matters in the jurisdictions in which PetroShale operates; and the ability of PetroShale to successfully market its oil and natural gas products.?

The forward-looking information and statements included in this news release are not guarantees of future performance and should not be unduly relied upon. Such information and statements, including the assumptions made in respect thereof, involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information or statements including, without limitation: changes in commodity prices; changes in the demand for or supply of PetroShale's products, the early stage of development of some of the evaluated areas and zones the potential for variation in the quality of formations; unanticipated operating results or production declines; changes in tax or environmental laws, royalty rates or other regulatory matters; changes in development plans of PetroShale or by third party operators of PetroShale's properties, increased debt levels or debt service requirements; inaccurate estimation of PetroShale's oil and gas reserve volumes; limited, unfavourable or a lack of access to capital markets; increased costs; a lack of adequate insurance coverage; the impact of competitors; and certain other risks detailed from time-to-time in PetroShale's public disclosure documents (including, without limitation, those risks identified in this news release and PetroShale's Annual Information Form).

The forward-looking information and statements contained in this news release speak only as of the date of this news release, and PetroShale does not assume any obligation to publicly update or revise any of the included forward-looking statements or information, whether as a result of new information, future events or otherwise, except as may be 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, Mmbbl refers to millions of barrels of oil equivalent.?  
<https://www.rohstoff-welt.de/news/347584-PetroShale-Announces-Year-End-2019-Reserves-Highlighted-by-Significant-Growth.html>  
Contact PetroShale Inc., David Rain, Interim CEO, Caleb Morgret, CFO, Phone: 303.297.1407, Email: info@PetroShaleInc.com, www.petroshaleinc.com, or Cindy Gray, 5 Quarters Investor Relations, Inc., Phone: 403.828.0146, Email: info@5qir.com

This news release contains metrics commonly used in the oil and natural gas industry, such as "recycle ratio", "operating netback", "finding and development" ("F&D") costs and "finding, development and acquisition" ("FD&A") costs. These terms do not have a standardized meaning and may not be comparable to similar measures presented by other companies, and therefore should not be used to make such comparisons. Details of how these measures have been calculated are included in the body of this press release and, in respect of operating netback, under the heading "Non-IFRS Measures". Reserve life index is calculated as by dividing the quantity of reserves by the annualized average production from those reserves for the fourth quarter of 2019.  
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