

PetroShale Announces Year End 2020 Financial, Operating and Reserves Highlights

15.03.2021 | [CNW](#)

CALGARY, March 15, 2021 - [PetroShale Inc.](#) ("PetroShale" or the "Company") (TSXV: PSH) (OTCQB: PSHIF) is pleased to provide preliminary unaudited financial and operating results for the three and twelve month periods ended December 31, 2020, as well as summary highlights from our independent corporate reserves evaluation prepared by Netherland, Sewell & Associates Inc. ("NSAI") with an effective date of December 31, 2020 (the "NSAI Report"). The Company anticipates issuing and filing its full audited annual financial statements, MD&A and statement of reserves data for the year ended December 31, 2020, about March 23, 2021.

While 2020 proved to be one of the most challenging operating environments for energy companies globally, PetroShale's performance through the year demonstrated the quality of the Company's asset base, the strength of the business strategy and the execution capability of the PetroShale team. During a period of adverse commodity pricing and economic uncertainty the Company was able to maintain production, meet annual guidance, increase proved plus probable ("2P") reserves, maintain the Company's senior loan borrowing base and continue to generate compelling economics while prudently limiting capital expenditures. In connection with the recently announced recapitalization transaction, summarized below, PetroShale will enter what the Company believes is a period of unprecedented opportunity, with a growth inventory in the core of the Bakken Shale intact and the financial flexibility to enable the Company to develop this inventory.

A part of the recently announced recapitalization transaction is a rights offering available to all eligible common shareholders. Shareholders will acquire fully trading shares when they exercise their allocated rights at a price of \$0.20 per right and can supplement their acquisition of common shares by taking advantage of the additional rights subscription whereby they may exercise additional rights also at a price of \$0.20 per right. PetroShale's share price was \$0.25 at close of trading on March 12, 2021.

FOURTH QUARTER AND YEAR END 2020 PRELIMINARY UNAUDITED FINANCIAL & OPERATING HIGHLIGHTS

The following are highlights of PetroShale's preliminary and unaudited financial and operating estimates for the three month and year ended December 31, 2020 based on information and data currently available to management.

- Fourth quarter production of approximately 12,200 barrels of oil equivalent per day ("Boe/d") remained stable relative to the third quarter of 2020 and the comparative period in 2019. Average full year production of approximately 12,900 Boe/d was above guidance and approximately 50% higher than 2019, despite reduced capital spending during 2020.
- Revenue from petroleum and natural gas totaled approximately \$143 million in 2020, despite 35% lower realized prices but supported by higher production volumes. In the fourth quarter of 2020 the Company generated approximately \$45 million of revenue (before royalties) compared to \$61 million in the comparative period of 2019 with similar production but lower realized crude prices.
- Adjusted EBITDA¹ was approximately \$15 million (\$0.08 per fully diluted share) in the fourth quarter of 2020, while Adjusted EBITDA¹ totaled approximately \$58 million (\$0.30 per fully diluted share).
- Operating netback prior to hedging was approximately \$17.65 per Boe in the fourth quarter of 2020, and approximately \$18.50 per Boe for 2020.
- Net capital expenditures totaled approximately \$3 million in the fourth quarter and approximately \$35 million in 2020, primarily directed to the completion of 3.2 net non-operated wells, reflecting the Company's prudent decision to minimize discretionary capital expenditures and preserve long-term value by deferring capital spending during weak commodity markets.
- Bank debt for year-end 2020 was \$221.9 million (US\$174.1 million) and cash for year-end 2020 was \$2.8 million.

FINANCIAL & OPERATING OVERVIEW

FINANCIAL (in thousands, except per share & share data)	Three Months Ended Dec 31, 2020 (approximate unaudited estimates)	Three Months Ended Dec 31, 2019 (Unaudited)	Twelve Months Ended Dec 31, 2020 (approximate unaudited estimates)	Twelve Months Ended Dec 31, 2019 (Actuals)
Petroleum and natural gas revenue	37,000	60,569	143,000	165,258
Adjusted EBITDA ⁽¹⁾	15,000	35,566	58,000	91,487
Drilling and completion capital expenditures	3,000	65,565	35,000	236,703
Net debt ⁽¹⁾			327,000	330,029

OPERATING

Daily production volumes ⁽²⁾

Light Crude oil (Bbls/d)	7,800	9,613	8,800	6,538
Conventional Natural Gas (Mcf/d)	12,800	8,470	11,900	6,716
Natural gas liquids (Bbls/d)	2,300	1,148	2,100	1,023
Barrels of oil equivalent (Boe/d)	12,200	12,173	12,900	8,680

⁽¹⁾ Non-IFRS Measure. 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.

2020 RESERVES HIGHLIGHTS

The reserves summary below reflects PetroShale's crude oil and natural gas reserves, the net present value of future net revenue for these reserves using forecast prices and costs and select capital efficiency metrics. All references to reserves are to gross Company reserves, meaning PetroShale's working interest reserves before consideration of royalty interests. All finding and development ("F&D")² and finding, development and acquisition ("FD&A")² costs below include changes in future development capital ("FDC"). Net present value estimates presented herein reflect an average of three independent engineer forward price decks.

- With limited capital expenditures during the year, PetroShale modestly increased 2P reserves, and maintained stable proved ("1P") and proved developed producing ("PDP") reserves, as a result of the quality and predictability of the assets.

	2020 (highlights)			2019 (actuals)		
	PDP	1P	2P	PDP	1P	2P
Light Crude Oil and Medium	17,188	40,999	51,771	18,287	43,268	53,233
Crude Oil Reserves (mdbl)						
BOE Reserves (mBoe)	25,506	56,861	72,311	25,442	57,451	70,467
NPV10 (\$000)	\$345,195	\$605,762	\$784,382	\$517,602	\$977,999	\$1,198,641

- PetroShale posted favourable capital efficiencies in 2020, including FD&A³ costs on PDP of approximately \$7.30/Boe (lower than 2019), approximately \$3.50/Boe on 1P (72% lower than 2019), and 2P FD&A costs of (\$0.38)/Boe⁴. F&D costs reflected similar year-over-year results, averaging approximately \$7.30/Boe on PDP, approximately \$3.70/Boe on 1P and \$0.41/Boe⁴ for 2P.
- FD&A recycle ratios³ were 2 times for PDP and 4 times on a 1P basis based on PetroShale's unaudited annual oil and gas netback⁵ prior to hedging of \$14.50/Boe⁵.
- The reserve additions and capital efficiencies realized by the Company in 2020 are a reflection of the value created within PetroShale's Bakken core area, evidenced by the ability to maintain stable reserve volumes year over year while committing limited capital and achieving top quartile finding costs.
- At year end 2020, PetroShale had a reserve life index ("RLI")³ of approximately 16 years on a 2P basis and 13 years on a 1P basis, (based on annualized fourth quarter 2020 average production of approximately 12,200 Boe/d).
- PetroShale's year end 2020 2P reserves were 87% light crude oil and natural gas liquids, and 1P reserves were 80% light crude oil and natural gas liquids, positioning the Company with strong torque to improving crude oil prices.

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

² "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 "Information Regarding Disclosure on Oil and Gas Reserves and Operational Information" contained in this news release.

³ See "Information Regarding Disclosure on Oil and Gas Reserves and Operational Information" contained in this news release for a description of 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".

⁴ A negative finding cost occurs when the reduction in FDC is greater than the capital spent in that year, for a given reserve category.

⁵ Non-IFRS Measure. See "Information Regarding Disclosure on Oil and Gas Reserves and Non-IFRS Measures" within this press release.

SUBSEQUENT EVENT - RECAPITALIZATION TRANSACTION

On March 4, 2021 PetroShale announced a transformational recapitalization transaction designed to significantly improve the Company's financial flexibility and sustainability (the "Transaction"). By way of a private placement to the Company's two largest shareholders and a rights offering to the remaining common shareholders, the Company will raise a minimum of \$30.0 million and up to \$60.6 million of new common equity.

These proceeds will be directed to the reduction of outstanding bank indebtedness and to substantially increase the Company's financial flexibility. Additionally, the Company's outstanding preferred shares (the "Preferred Shares") will be converted to common shares of PetroShale at a significant premium to the current trading price of the common shares, thereby eliminating the payment of approximately \$10 million in preferred dividends annually and eliminating the repayment obligation of US\$86.9 million due in January 2023. The conversion of the preferred shares will also meaningfully simplify the Company's capital structure. As a result of the Transaction, PetroShale also reached an agreement in principle with the Company's lenders under its senior secured credit facility, providing additional certainty with respect to maintaining the borrowing base at US\$177.5MM for at least the next fourteen months and extending the tenure of the credit agreement to June 2023, further enhancing the Company's liquidity.

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:

Certain financial and operating results included in this news release are based on preliminary unaudited results. These results are preliminary and unaudited and are inherently uncertain and subject to change as the Company completes its financial statements, including related audit, for the year ended December 31, 2020. There can be no assurance that PetroShale's final results will not differ from these estimates.

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: with respect to timing of the release 2020 fourth quarter and year-end audited financial and operating results and reserve information, PetroShale's assessment that it will enter what the Company believes will be a period of unprecedented opportunity with growth inventory in the core of the Bakken Shale intact and the financial flexibility to enable the Company to develop it; expectations on the entitlements with respect to the herein described rights offering; details and potential effects with respect to the proposed Transaction, including the proceeds that may be realized therefrom and the exchange of outstanding Preferred Shares for common shares in connection therewith; the use of the net proceeds of the Transaction to debt reduction; expectations on the elimination of preferred dividends and the repayment obligation relating to the Preferred Shares. In addition, information and statements relating to reserves and contingent resources are deemed to be forward-looking statements, as they involve implied assessment, based on certain estimates and assumptions, that the reserves described exist in quantities predicted or estimated, and that they can be profitably produced in the future.

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 PetroShale's ability to complete the Transaction on the terms described herein; that PetroShale will realize the anticipated benefits and affect of the Transaction as described herein; the receipt of all third party approvals for the Transaction; PetroShale formalizing its agreement in principal with its lenders, and the ongoing satisfaction of such lenders' conditions; prevailing commodity prices, weather, regulatory approvals, liquidity, the ability of the Company to transport its production through DAPL or other forms of transportation (and the continued availability and capacity of such transportation means); the Company's lenders willingness to maintain the Company's borrowing capacity (including in compliance with the terms of its amended agreements in respect of the same) enabling the Company to, among other things, exploit its development opportunities; 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).

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 estimated by management as at December 31, 2020 and for the three and twelve months ended December 31, 2020.

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, 2020, 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 about March 23, 2021. 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, because 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.

"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).

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, deferred tax 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, will be included within the Company's MD&A for the year ended December 31, 2020 which will be available on our SEDAR profile at www.sedar.com on or about March 23, 2021.

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.

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