

PetroShale Announces Formal Agreement With Syndicate of Lenders for Amendments to its Credit Facility and Provides a Recapitalization Transaction Update

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CALGARY, March 30, 2021 - [PetroShale Inc.](#) ("PetroShale" or the "Company") (TSXV: PSH) (OTCQB: PSHIF) is pleased to announce that it has entered into a formal agreement with the syndicate of lenders under its senior secured credit facility ("Credit Facility") whereby such lenders have agreed, subject to the satisfaction of certain conditions, including the completion of the Company's previously announced recapitalization transaction (the "Transaction"), to (among other things) maintain the Company's current borrowing base at US\$177.5 million and to extend the maturity date of the Credit Facility to 2023 subject to semi-annual reviews by the lenders to confirm the credit capacity of the Company (the "Credit Facility Amendment").

The entering into a formal agreement with respect to the Credit Facility Amendment represents a major milestone to complete the Transaction, which includes the conversion of the outstanding Preferred Shares (as described below) to common shares, a private placement to the Company's two largest shareholders and the rights offering to the remaining common shareholders, all designed to significantly improve the Company's financial flexibility and sustainability. The gross proceeds from the private placement and the rights offering will be between \$30.0 million and \$60.6 million and will initially be applied against outstanding borrowings under the Credit Facility.

The rights issued pursuant to the rights offering expire at 5:00 pm (Toronto time) on April 7, 2021 and eligible shareholders are encouraged to intend to participate in the rights offering, including the additional subscription privilege provided thereunder, are encouraged to directly exercise such rights (in the case of registered holders), or contact their securities broker, dealer, bank or trust company or other participant that holds such holder's rights sufficiently in advance of the expiry date of the rights offering to ensure they properly exercise such rights.

The Company confirms that it has elected to exercise its right to settle in kind the payment of the quarterly dividend due on March 31, 2021 on the outstanding preferred shares issued by its US subsidiary, PetroShale (US), Inc. (the "Preferred Shares") by electing to pay the first quarter of 2021 dividend in kind, the ordinary cash dividend of approximately US\$1.9 million (approximately CAD\$2.4 million) will be settled by way of increasing the current US\$84.4 million liquidation preference of the Preferred Shares to US\$2.53 million (approximately CAD\$3.2 million). In accordance with the terms of the Preferred Shares, the increase to the liquidation preference increases the amount of voting and exchange rights which accrue to the holder of the Preferred Shares. As a result, the Company will issue an additional 1,327,251 special voting shares to FR XIII PetroShale Holdings L.P. ("First Reserve"). Following this issuance, First Reserve will own 2,702,702 common shares and 45,568,949 special voting shares, representing approximately 20.6% of the outstanding voting shares of the Company. On closing of the Transaction, all Preferred Shares will be exchanged for 182,275,798 common shares and all special voting shares will be cancelled.

Completion of the Transaction is subject to the satisfaction of certain conditions to closing and is currently expected to be completed on or about April 8th, 2021.

PetroShale also announces that pursuant to its Bonus Award Incentive Plan (the "Plan"), an aggregate of 240,000 restricted stock awards and 960,000 performance awards were granted to Rick Kessy, the newly appointed Chief Operating Officer of the Company. The awards vest equally and annually commencing on July 31, 2022 and expire on December 15, 2024. The awards may be settled by PetroShale, in its sole discretion, in cash and/or shares, in accordance with the terms of the Plan.

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:

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, the completion of the Transaction (including various elements thereof) and the Credit Facility Amendments, the potential benefits and effects of the Transaction (including the Credit Facility Amendments) on the Company, the timing for the completion of the Transaction and related matters, including the expiry date for the rights offering, the anticipated use of the net proceeds of the financing transactions proposed under the Transaction, the anticipated elimination of the liquidation preference represented by the Preferred Shares in connection with the Transaction and First Reserve's ownership of shares after giving effect to the payment in kind settlement of the Preferred Shares).

PetroShale provided such forward-looking statements in reliance on certain expectations and assumptions that it believed to be reasonable at the time, including expectations and assumptions concerning the receipt of all regulatory and third party approvals for the Transaction, the ability of the Company to complete the Transaction and satisfy the condition to effect the Credit Facility Amendments in the manners described herein, prevailing commodity prices, weather, regulatory approvals, liquidity, Bbl differentials (including as a result of any interruptions from the Dakota Access Pipeline ("DAPL") or otherwise), the ability of the Company to transport its production through DAPL or other forms of transportation (and the continued availability and cost of such transportation means); the Company's lenders willingness to maintain the Company's borrowing capacity (including as a result of the Credit Facility Amendments); activities by third party operators; exchange rates, interest rates, applicable regulatory and tax laws; future production rates and estimates of operating costs; performance of existing and future wells; plant turnarounds and continued rail service to transport products; reserve volumes; business prospects and opportunities; the future price of the Company's shares; the availability and cost of financing, labor and services; the impact of increasing competition in the market for oil and natural gas successfully; and the Company's ability to access capital (including by way of the completion of the Transaction).

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. Forward-looking 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 filed with applicable securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com). The forward-looking information is 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, than as required by applicable securities laws.

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

SOURCE [PetroShale Inc.](#)

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