

PetroShale Announces Closing of Previously Announced Rights Offering, Private Placement and Recapitalization Transaction

09.04.2021 | [CNW](#)

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CALGARY, April 8, 2021 - [PetroShale Inc.](#) ("PetroShale" or the "Company") (TSXV: PSH) (OTCQB: PSHIF) is pleased to announce the closing of its previously announced recapitalization transaction (the "Transaction"), which included a private placement of additional equity (the "Private Placement"), a rights offering (the "Rights Offering") and the exchange of all outstanding Preferred Shares (which had been issued by the Company's wholly owned subsidiary) for common shares (the "Preferred Share Exchange"). The Rights Offering, combined with the concurrent Private Placement to the Company's two largest shareholders as described more fully below, raised total aggregate gross proceeds of \$30 million.

On March 4, 2021, the Company announced the Transaction which was designed to significantly improve the Company's financial flexibility and sustainability. The Company anticipates the Transaction will provide the following benefits to the Company:

- A comprehensive recapitalization of the Company that will improve and simplify the Company's balance sheet and enhance our business prospects going forward, for the benefit of all stakeholders. Total proceeds of \$30 million raised through the Rights Offering and Private Placement will be used to reduce outstanding borrowings under the Company's senior secured credit facility (the "Credit Facility"). The current indebtedness under the Credit Facility will be reduced to approximately US\$151.0 million and the current liquidation preference of the Preferred Shares will be eliminated with the Preferred Share Exchange, for a 42% aggregate reduction in financial obligations.
- A commitment from the Company's senior lenders to extend the maturity of the Credit Facility from June 2022 to June 2023 and, subject to ongoing semi-annual reviews, maintain the current borrowing base at US\$177.5 million, providing the Company with financial flexibility and sufficient liquidity as it resumes drilling and completion operations in 2021.
- Annual cash savings of approximately US\$7.8 million of Preferred Share dividend payments (assuming such dividends would be paid in cash at a rate of 9.0% per annum on the stated value of US\$86.9 million). When combined with the anticipated interest expense savings of approximately US\$1.1 million per annum following application of the common share equity proceeds from the Rights Offering and Private Placement against the Credit Facility, this will result in aggregate cash savings of approximately US\$8.9 million per annum.
- Reinforcement of the long-term commitment to the Company from all significant stakeholders, including Mr. M. Bruce Chernoff (the Company's Executive Chairman and a director), First Reserve (the former holder of the Preferred Shares, as further described below) and the Company's senior lenders.
- Upon closing of the Transaction, all Preferred Shares were exchanged for 182,275,798 common shares at an exchange price of \$0.60 per share and all special voting shares held by First Reserve were cancelled. With the exchange of all Preferred Shares, the priority to the Company's assets that the Preferred Shares had over the common shares has been eliminated.

The Rights Offering expired on April 7, 2021, with the rights trading on the TSXV under the symbol "PSH.RT" being de-listed at 12:00 p.m. (Toronto time) on that date. Through the Rights Offering, the Company issued 28,115,285 common shares pursuant to the basic subscription privilege, and 1,137,680 common shares pursuant to the additional subscription privilege. Upon closing of the Rights Offering, PetroShale issued a total of 29,252,965 common shares at a price of \$0.20 per share, raising proceeds from the Rights Offering of approximately \$5.9 million.

Upon closing of the Company's Private Placement with FR XIII PetroShale Holdings L.P. ("First Reserve", a U.S. based private equity investor) and a company of which Mr. M Bruce Chernoff is a significant shareholder ("Chernoffco"), First Reserve has acquired 50,000,000 common shares for aggregate subscription proceeds of \$10.0 million and Chernoffco has acquired 70,747,035 common shares for aggregate subscription proceeds of \$14.1 million. The common shares issued pursuant to the Private Placement will be subject to a hold period of four month plus one day. Following the Rights Offering, the Private Placement and the exchange of the Preferred Shares pursuant to the Preferred Share Exchange, PetroShale has 520,804,251 million common shares outstanding. As part of closing the Transaction, the Company, First Reserve and Chernoffco also entered into a new investor rights agreement.

PetroShale intends to release its 2021 first quarter operating and financial results after markets close on Wednesday May 19, 2021. Consolidated Financial Statements and Management's Discussion and Analysis will be posted to the Company's website and SEDAR shortly after the press release is disseminated.

In addition, the Company intends to hold its annual shareholder meeting on June 16, 2021. In light of the impacts associated with the COVID-19 pandemic, the Company plans to conduct its meeting through remote communication using a live webcast audio feed. As such, shareholders will have the option to vote by proxy in advance of the Meeting. At this time, the Company is intending to restrict physical attendance at the Meeting to essential personnel and registered shareholders and proxyholders entitled to attend and vote at the Meeting. Further information about the Meeting, including its location, options and instructions for voting, and details on accessing the webcast, will be outlined within the management information circular and proxy materials, which the Company intends to mail to shareholders and file on SEDAR no later than May 25, 2021.

Early Warning Disclosures

Pursuant to the Private Placement, Chernoffco acquired 70,747,035 common shares at \$0.20 per share. After giving effect to the common shares acquired by Chernoffco pursuant to the Private Placement Mr. M. Bruce Chernoff (directly or indirectly including through Chernoffco) currently beneficially owns, or exercises control or direction over, 135,202,821 common shares or approximately 26.0% of the issued and outstanding common shares (on a non-diluted basis) after giving effect to the issuance of the common shares pursuant to the Preferred Share Exchange, the Rights Offering and the Private Placement. Mr. Chernoff (through Chernoffco) acquired the 70,747,035 common shares described herein for investment purposes. Mr. Chernoff may, depending on market and other conditions, increase or decrease his ownership of common shares or other securities of the Company, whether in the open market, by privately negotiated agreement or otherwise. Mr. Chernoff will file an early warning report, pursuant to National Instrument 62-103, in respect of his acquisition of common shares, and this report will be available on the Company's SEDAR profile at www.sedar.com or by contacting Mr. Chernoff at Suite 3230, 421 - 7th Avenue SW Calgary, Alberta T2P 4K9 Phone: (403) 266-1717.

Pursuant to the Private Placement, First Reserve acquired 50,000,000 common shares at \$0.20 per share. First Reserve also exchanged all Preferred Shares for an aggregate of 182,275,798 common shares at an exchange price of \$0.60 per share pursuant to the Preferred Shares Exchange. Additionally, as part of the Preferred Share Exchange, all 45,568,949 special voting shares of the Company held by First Reserve were redeemed and cancelled by the Company for nominal consideration in accordance with the terms thereof (the "SVS Redemption"). After giving effect to the Private Placement, the Preferred Share Exchange and the SVS Redemption, First Reserve currently beneficially owns, or exercises control or direction over, 234,978,500 common shares, representing 45.1% of the issued and outstanding common shares (on a non-diluted basis) after giving effect to the issuance of the common shares pursuant to the Preferred Share Exchange, the Rights Offering and the Private Placement. First Reserve acquired the 232,275,798 common shares described herein for investment purposes. First Reserve may, depending on market and other conditions, increase or decrease its ownership of common shares or other securities of the Company, whether in the open market, by privately negotiated agreement or otherwise. First Reserve will file an early warning report, pursuant to National Instrument 62-103, in respect of its acquisition of common shares, and this report will be available on the Company's SEDAR profile at www.sedar.com or by contacting First Reserve's media representatives at (212) 355-4449.

Additional Information on the Rights Offering

As set forth above, pursuant to the Rights Offering, PetroShale issued 29,252,965 common shares at a price of \$0.20 per share for gross proceeds of approximately \$5.9 million. A total of 28,115,285 common shares were issued pursuant to the basic subscription privilege granted under the Rights Offering, of which, to the knowledge of the Company (after reasonable inquiry), 2,196,083 common shares were issued to insiders of the Company and 25,919,202 common shares were issued to non-insiders of the Company. A total of 1,137,680 common shares were issued pursuant to the additional subscription privilege granted under the Rights Offering, all of which, to the knowledge of the Company (after reasonable inquiry), were issued to non-insiders of the Company. To the knowledge of the Company, no person became an insider as a result of the Rights Offering (including after giving effect to the common shares issued under the Private Placement and the Preferred Share Exchange). There were no selling fees or commissions paid in connection with the Rights Offering.

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.

This press release shall not constitute an offer to sell or the solicitation of an offer to buy securities of the Company in the United States nor shall there be any sale of securities of the Company in any jurisdiction in which such offer, solicitation or sale would be unlawful. The securities described herein have not been, and will not be, registered under the United States Securities Act of 1933, as amended, or the securities laws of any state of the United States. Accordingly, any of the securities described herein may not be offered or sold in the United States or to U.S. persons unless an exemption from registration is available.

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 anticipated use of the net proceeds of the financing transactions proposed under the Transaction, the reduction in the current indebtedness under the Credit Facility and the expected reduction in the Company's financial obligations, exceptions with respect to the commitment from the Company's senior lenders, expected annual cash savings of Preferred Share dividend payments and interest costs and the intentions of the investors notes herein with respect to future acquisitions or dispositions of Company securities.

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 the Company's use of proceeds of the Transaction, capital structure and current and future indebtedness. The amendments to the Credit Facility will remain in effect, prevailing commodity prices, weather, regulatory approvals, liquidity, Bakken oil 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 capacity of such transportation means); the Company's lenders willingness to maintain the Company's borrowing capacity (including described herein); 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.

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). 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, other 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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