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## PETROSHALE ANNOUNCES YEAR END 2020 FINANCIAL RESULTS AND RESERVES AND PROVIDES 2021 GUIDANCE

CALGARY, ALBERTA, March 23, 2021 – PetroShale Inc. ("PetroShale" or the "Company") (TSXV: PSH, OTCQB: PSHIF) is pleased to announce its audited financial and operating results for the three and twelve month periods ended December 31, 2020, and details of its independent corporate reserves evaluation prepared by Netherland, Sewell & Associates, Inc. ("NSAI") with an effective date of December 31, 2020 (the "NSAI Report").

*The Company's audited consolidated financial statements and corresponding management's discussion and analysis (MD&A) for the periods will be available on SEDAR at [www.sedar.com](http://www.sedar.com), on the OTC website at [www.otcmarkets.com](http://www.otcmarkets.com), and on PetroShale's website at [www.petroshaleinc.com](http://www.petroshaleinc.com). Copies of the materials can also be obtained upon request without charge by contacting the Company directly. Please note, currency figures presented herein are reflected in Canadian dollars, unless otherwise noted.*

### FINANCIAL AND OPERATING HIGHLIGHTS

- Fourth quarter production averaged 12,205 barrels of oil equivalent per day ("Boe/d") and remained stable relative to both the third quarter of 2020 and the comparative period in 2019. Average full year production totaled 12,928 Boe/d which was above guidance and approximately 50% higher than 2019, despite reduced capital spending during 2020.
- Revenue from petroleum and natural gas totaled \$143.5 million in 2020, despite 35% lower realized crude oil prices compared to 2019. In the fourth quarter of 2020 the Company generated revenue of \$37.3 million compared to \$60.6 million in the comparative period of 2019 with similar production levels but lower realized crude prices.
- Adjusted EBITDA<sup>1</sup> totaled \$15.2 million (\$0.08 per fully diluted share) in the fourth quarter of 2020, while full year Adjusted EBITDA<sup>1</sup> was \$58.7 million (\$0.30 per fully diluted share).
- Operating netback prior to hedging was \$17.69 per Boe in the fourth quarter of 2020 and averaged \$14.56 per Boe for calendar 2020.
- Total per unit operating expense decreased 10% to \$7.09 per Boe in the fourth quarter of 2020 and 16% to \$7.80 per Boe in calendar 2020 from the comparable periods in 2019, due primarily to reduced per unit production taxes associated with lower crude oil prices.
- Net general and administrative ("G&A") expense per Boe remained low at \$1.42 in the fourth quarter of 2020 and \$1.14 in calendar 2020, reflecting lower gross G&A, slightly offset by lower overhead recoveries and capitalized G&A as a result of reduced capital activity.
- Net capital expenditures totaled \$2.7 million in the fourth quarter and \$35.2 million in 2020, largely directed to the completion of 3.2 net non-operated wells. Capital expenditures in 2020 reflect the Company's prudent decision to minimize discretionary expenditures and preserve long-term value by deferring capital spending during weak commodity markets.

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

- Net debt<sup>2</sup> was reduced by approximately \$3 million in 2020 relative to year end 2019, exiting the year at approximately \$327 million at December 31, 2020. Subsequent to year end, PetroShale announced the recapitalization transaction which sets the stage for long-term resilience, financial flexibility and greatly enhanced liquidity.
- PetroShale posted strong capital efficiencies in 2020, including FD&A<sup>3</sup> costs on proved developed producing reserves ("PDP") of \$7.33/Boe (40% lower than 2019), \$3.52/Boe on total proved reserves ("1P") (72% lower than 2019), and negative proved plus probable reserves ("2P") FD&A costs of (\$0.39)/Boe<sup>4</sup>. F&D<sup>3</sup> costs reflected similar year-over-year declines, averaging \$7.33/Boe on PDP, \$3.69/Boe on 1P reserves and were negative for 2P reserves at (\$0.41)/Boe<sup>4</sup>. These compare favourably to PetroShale's three-year average capital efficiencies, with FD&A<sup>3</sup> at \$11.15/Boe for PDP reserves, \$14.60/Boe for 1P reserves, \$11.05/Boe for 2P reserves while F&D<sup>3</sup> was \$11.76/Boe for PDP reserves, \$15.19/Boe for 1P reserves and \$8.81/Boe for 2P reserves.
- FD&A recycle ratios<sup>3</sup> were 2.0 times for PDP and 4.1 times on a 1P basis based on PetroShale's annual operating netback<sup>2</sup> prior to hedging of \$14.56/Boe.
- In November 2020, PetroShale's senior lenders agreed to reaffirm the amount of the existing borrowing capacity of US\$177.5 million. As described in the Recapitalization Transaction section below, the Company's lenders have recently agreed to reaffirm the borrowing base at US\$177.5 million, and further extend the maturity date of the facility.
- Net loss totaled \$12.4 million (\$0.07 per fully diluted share) in the fourth quarter, and was \$62.0 million (\$0.33 per fully diluted share) through 2020, reflecting lower realized crude oil prices year-over-year and a related asset impairment of \$24.0 million recorded in the first quarter of 2020.
- The Board has approved a 2021 capital budget range between \$50 and \$60 million, with the ultimate amount being dependent on commodity price strength, which is anticipated to result in average 2021 production between 10,500 and 11,500 Boe/d.

## **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 "Rights Offering"), 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.

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

<sup>3</sup> "Finding and Development costs" or "F&D costs", "Future Development Capital ("FDC")", "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.

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

PetroShale also reached an agreement in principle with the Company's lenders under its senior secured credit facility to maintain the borrowing base at US\$177.5MM for at least the next fourteen months and extend the tenure of the credit agreement to June 2023, further enhancing the Company's liquidity.

Eligible common shareholders who elect to exercise their allocated rights under the Rights Offering at a price of \$0.20 per share are also able to supplement their acquisition of common shares by exercising additional rights over and above their base allotment (at one right per share) at the same price of \$0.20 per share. PetroShale's share price was \$0.25 at close of trading on March 12, 2021.

## FINANCIAL & OPERATING REVIEW

FINANCIAL (in thousands, except per share & share data)	Three months ended		Twelve months ended	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Petroleum and natural gas revenue	\$ 37,268	\$ 60,569	\$ 143,506	\$ 165,258
Cash flow from operating activities	13,326	28,933	69,991	78,536
Net income (loss)	(12,417)	9,608	(61,985)	15,327
Per share - diluted	(0.07)	0.05	(0.33)	0.08
Adjusted EBITDA <sup>(1)</sup>	15,204	35,566	58,726	91,487
Capital expenditures	\$ 2,743	\$ 65,565	\$ 35,174	\$ 236,703
Net debt <sup>(1)</sup>			326,906	330,029
Common shares outstanding				
Weighted average – basic	188,459,513	191,940,018	188,240,502	191,920,373
Weighted average – diluted	196,626,613	194,943,184	196,407,602	194,395,182

<sup>(1)</sup> Non-IFRS Measure. See "Information Regarding Disclosure on Oil and Gas Reserves and Non-IFRS Measures" within this press release

OPERATING	Three months ended		Twelve months ended	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
<b>Daily production volumes<sup>(2)</sup></b>				
Tight oil (Bbl/d)	7,814	9,613	8,836	6,538
Shale gas (Mcf/d)	12,772	8,470	11,870	6,716
NGLs (Bbl/d)	2,262	1,148	2,113	1,023
Barrels of oil equivalent (Boe/d)	12,205	12,173	12,928	8,680
<b>Average realized prices<sup>(2)</sup></b>				
Tight oil (\$/Bbl)	\$ 52.30	\$ 68.98	\$ 45.73	\$ 69.89
Shale gas (\$/Mcf)	2.52	2.35	1.75	2.45
NGLs (\$/Bbl)	12.67	12.71	8.50	10.65
<b>Operating netback (\$/Boe)<sup>(1) (2)</sup></b>				
Revenue	\$ 33.19	\$ 54.08	\$ 30.33	\$ 51.91
Royalties	(5.97)	(10.43)	(5.55)	(10.25)
Realized loss on derivatives	(2.73)	-	(1.00)	-
Lease operating costs	(3.78)	(3.78)	(4.59)	(4.16)
Workover expense	(0.78)	(0.52)	(0.75)	(1.03)
Production taxes	(2.53)	(4.21)	(2.46)	(4.10)
Transportation expense	(2.44)	(2.35)	(2.42)	(2.32)
Operating netback <sup>(1)</sup>	\$ 14.96	\$ 32.79	\$ 13.56	\$ 30.05
Operating netback prior to hedging <sup>(1)</sup>	\$ 17.69	\$ 32.79	\$ 14.56	\$ 30.05

<sup>(1)</sup> Non-IFRS Measure. See "Information Regarding Disclosure on Oil and Gas Reserves and Non-IFRS Measures" within this press release

<sup>(2)</sup> See "Oil and Gas Advisories" within this press release

## **APPOINTMENT OF CHIEF OPERATING OFFICER AND SENIOR VP, CORPORATE DEVELOPMENT**

PetroShale is pleased to announce the appointment of Mr. Richard Kessy as Chief Operating Officer and Mr. Tony Izzo as Senior Vice President, Corporate Development, effective March 23, 2021. Mr. Kessy's responsibilities include providing operational and commercial leadership of PetroShale's production and development business, while Mr. Izzo's responsibilities will expand to focus on the development of future growth opportunities. The announcement comes as PetroShale progresses toward a comprehensive recapitalization to reposition and enhance its business prospects going forward and to unlock value within the Company's top tier Bakken inventory.

"Mr. Kessy's breadth of industry knowledge and operating, engineering and development experience in the oil and gas industry will help us advance our corporate priorities," said Jacob Roorda, President and CEO of PetroShale. "Meanwhile, Mr. Izzo's strong technical background, knowledge of PetroShale's business, and understanding of the competitive landscape in the Bakken will support and advance our existing and future business plans and strategies. We are pleased to welcome Mr. Kessy and Mr. Izzo to their new roles and look forward to their leadership."

Mr. Kessy has 38 years of upstream and midstream industry experience throughout the major North American oil and gas producing basins. Prior to joining PetroShale, Mr. Kessy was COO of a large Canadian Montney producer. Prior thereto, he was VP, Marcellus Business Unit, for a major international integrated producer, having also held management responsibilities for several western Canadian oil producing assets. Mr. Kessy has a BSc (Chemical Engineering) from the University of Saskatchewan and is a registered professional engineer with APEGA. Mr. Kessy will be based in PetroShale's Denver office.

Mr. Izzo has more than 30 years of combined engineering, operations and management experience in the upstream oil and gas industry, and has developed a deep knowledge of the North Dakota Bakken. Mr. Izzo has been Vice President of Engineering & Business Development at PetroShale since November 2013, and his prior experience ranges from senior technical and management positions with several US and Canadian energy companies, to being a founder of start-up oil and gas entities.

## **2020 YEAR-END RESERVES**

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

## 2020 RESERVES HIGHLIGHTS

- With limited capital expenditures during the year, PetroShale modestly increased 2P reserves, and maintained stability in 1P and PDP reserves, as a result of the quality and predictability of the Company's assets across the portfolio.
  - PDP reserves held constant at 25.5 million Boe ("MMBoe"), compared to 25.4 MMBoe in 2019.
  - 1P reserves totaled 56.9 MMBoe, 1% lower than 57.5 MMBoe in 2019.
  - 2P reserves increased 3% to 72.3 MMBoe, relative to 70.5 MMBoe in 2019.
- PetroShale's 2020 estimated before tax net present value of future net revenue discounted at 10% ("NPV10") of its various reserves categories at December 31, 2020 reflects a weaker commodity price forecast within the NSAI Report relative to 2019. PetroShale's reserves NPV10 estimates as at December 31, 2020 are \$345.2 million on a PDP basis, \$605.8 million on a 1P basis, and \$784.4 million on a 2P basis<sup>5</sup>.
- PetroShale posted strong capital efficiencies in 2020, including FD&A<sup>7</sup> costs on PDP reserves of \$7.33/Boe (40% lower than 2019), \$3.52/Boe on 1P reserves (72% lower than 2019), and negative 2P reserves FD&A costs of (\$0.39)/Boe<sup>6</sup>. F&D<sup>7</sup> costs reflected similar year-over-year declines, averaging \$7.33/Boe on PDP reserves, \$3.69/Boe on 1P reserves and were negative for 2P reserves at (\$0.41)/Boe<sup>6</sup>.
- FD&A recycle ratios<sup>7</sup> were 2.0 times for PDP and 4.1 times on a 1P basis based on PetroShale's unaudited annual operating netback<sup>8</sup> prior to hedging of \$14.56/Boe.
- The reserve additions and capital efficiencies realized by the Company in 2020 are a reflection of the value creation potential 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")<sup>7</sup> of approximately 16.2 years on a 2P basis and 12.8 years on a 1P basis, (based on annualized fourth quarter 2020 average production of 12,205 Boe/d).
- PetroShale's year end 2020 2P reserves were 87% tight oil and natural gas liquids, and 1P reserves were 87% tight oil and natural gas liquids, positioning the Company with strong torque to crude oil prices.

*All finding and development ("F&D")<sup>7</sup> and finding, development and acquisition ("FD&A")<sup>7</sup> costs referred to herein include changes in future development capital ("FDC"). Additional details of the NSAI Report will be available in the Company's 2020 Annual Information Form, which will be posted on SEDAR at [www.sedar.com](http://www.sedar.com), on the OTC website at [www.otcmarkets.com](http://www.otcmarkets.com) and on PetroShale's website at [www.petroshaleinc.com](http://www.petroshaleinc.com). Copies of the materials can also be obtained upon request without charge by contacting the Company directly. Please note, currency figures presented herein are reflected in Canadian dollars, unless otherwise noted.*

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<sup>5</sup> Values have been converted to Canadian dollars using the year end 2020 exchange rate of US\$1.00 = Cdn\$1.2725.

<sup>6</sup> A negative finding cost occurs when the reduction in FDC is greater than the capital spent in that year, for a given reserve category.

<sup>7</sup> "Finding and Development costs" or "F&D costs", "Future Development Capital" or "FDC", "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.

<sup>8</sup> Non-IFRS Measure. See "Information Regarding Disclosure on Oil and Gas Reserves and Non-IFRS Measures" within this press release.

Reserves Category	Reserves							
	Tight Oil		Natural Gas Liquids <sup>(2)</sup>		Shale Gas <sup>(2)</sup>		BOE	
	Gross (Mbbbl)	Net (Mbbbl)	Gross (Mbbbl)	Net (Mbbbl)	Gross (Mmcf)	Net (Mmcf)	Gross (MBoe)	Net (MBoe)
PROVED:								
Developed Producing	17,187.8	14,033.3	4,355.0	3,560.2	23,777.8	19,351.0	25,505.8	20,818.7
Developed Non-Producing	391.0	324.5	62.8	52.8	298.0	250.0	503.5	419.0
Undeveloped	23,420.5	19,196.2	3,893.9	3,199.4	21,224.3	17,340.2	30,851.8	25,285.6
TOTAL PROVED	40,999.3	33,554.0	8,311.7	6,812.5	45,300.2	36,941.2	56,861.0	46,523.4
PROBABLE	10,771.8	8,751.0	2,455.7	2,004.3	13,334.4	10,839.5	15,450.0	12,561.9
TOTAL PROVED PLUS PROBABLE	51,771.2	42,304.9	10,767.4	8,816.8	58,634.6	47,780.6	72,311.0	59,085.1

Notes:

<sup>(1)</sup> Columns may not add due to rounding.

<sup>(2)</sup> 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.

### Net Present Value of Future Net Revenue

Reserves Category	Before Income Taxes Discounted at (%/year)				
	0% (\$000s)	5% (\$000s)	10% (\$000s)	15% (\$000s)	20% (\$000s)
PROVED:					
Developed Producing	608,211.9	440,161.9	345,195.1	285,814.8	245,637.9
Developed Non-Producing	9,562.1	7,054.0	5,419.8	4,312.8	3,532.8
Undeveloped	662,207.0	394,836.0	255,147.6	173,984.7	122,947.9
TOTAL PROVED	1,279,980.9	842,052.1	605,762.6	464,112.3	372,118.7
PROBABLE	448,228.1	265,854.5	178,618.9	130,602.1	101,290.2
TOTAL PROVED PLUS PROBABLE	1,728,209.0	1,107,906.6	784,381.5	594,714.5	473,408.9

Notes:

<sup>(1)</sup> Columns may not add due to rounding.

<sup>(2)</sup> Values have been converted to Canadian dollars using the year end 2020 exchange rate of US\$1.00 = Cdn\$1.2725.

### Net Present Value of Future Net Revenue (\$US)

Reserves Category	Before Income Taxes Discounted at (%/year)				
	0% (\$US 000s)	5% (\$US 000s)	10% (\$US 000s)	15% (\$US 000s)	20% (\$US 000s)
PROVED:					
Developed Producing	477,966.1	345,903.3	271,273.2	224,608.9	193,035.7
Developed Non-Producing	7,514.4	5,543.4	4,259.2	3,389.2	2,776.3
Undeveloped	520,398.4	310,283.7	200,508.9	136,726.7	96,619.2
TOTAL PROVED	1,005,878.9	661,730.5	476,041.3	364,724.8	292,431.2
PROBABLE	352,242.1	208,923.0	140,368.5	102,634.3	79,599.4
TOTAL PROVED PLUS PROBABLE	1,358,121.0	870,653.5	616,409.8	467,359.1	372,030.6

Notes:

<sup>(1)</sup> Columns may not add due to rounding.

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 are included in the Company's 2020 Annual Information Form, which will be filed on SEDAR and posted to the Company's website, and are based on an average of the prices decks from GLJ Ltd, Sproule Associates Limited and McDaniel & Associates Consultants Ltd.

## Reserves Reconciliation

	<b>Total (MBoe)</b>		
	<b>Total Proved</b>	<b>Probable</b>	<b>Total Proved Plus Probable</b>
December 31, 2019	57,451.0	13,016.3	70,467.3
Discoveries	-	-	-
Extensions and Improved Recovery	-	-	-
Technical Revisions <sup>(1)</sup>	4,810.0	2,682.1	7,492.1
Acquisitions <sup>(2)</sup>	209.6	68.9	278.6
Dispositions	-	-	-
Economic Factors	(877.9)	(317.4)	(1,195.3)
Production	(4,731.7)	-	(4,731.7)
December 31, 2020	56,861.0	15,450.0	72,311.0

Notes:

- <sup>(1)</sup> 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 2020 from our wells and analogous wells near our lands, and revisions to interest on certain non-operated wells.
- <sup>(2)</sup> The acquisitions amount is the estimate of reserves at December 31, 2020, adjusted for production associated with the acquired properties from the related acquisition date to December 31, 2020.
- <sup>(3)</sup> Columns may not add due to rounding.

## 2020 Capital Program Efficiency

	<b>Finding, Development &amp; Acquisition ("FD&amp;A")<sup>(1)</sup></b>			<b>Finding &amp; Development ("F&amp;D")<sup>(1)</sup></b>		
	<b>PDP</b>	<b>1P</b>	<b>2P</b>	<b>PDP</b>	<b>1P</b>	<b>2P</b>
<b>Capital Costs (\$000s)</b>						
Acquisitions	-	27	27	-	-	-
Capital expenditures	35,147	35,147	35,147	35,147	35,147	35,147
Change in future development capital	-	(20,593)	(37,709)	-	(20,636)	(37,752)
<b>Total FD&amp;A / F&amp;D Costs</b>	<b>35,147</b>	<b>14,581</b>	<b>(2,535)</b>	<b>35,147</b>	<b>14,511</b>	<b>(2,604)</b>
<b>Reserves additions (MBoe)</b>						
Net change in reserve volumes	64	(800)	1,565	64	(800)	1,565
Addback production	4,732	4,732	4,732	4,732	4,732	4,732
Reserves associated with acquisitions	-	210	279	-	-	-
<b>Total additions</b>	<b>4,796</b>	<b>4,142</b>	<b>6,576</b>	<b>4,796</b>	<b>3,932</b>	<b>6,297</b>
<b>FD&amp;A and F&amp;D Costs (\$/Boe)</b>	<b>7.33</b>	<b>3.52</b>	<b>(0.39)</b>	<b>7.33</b>	<b>3.69</b>	<b>(0.41)</b>
<b>Three Year FD&amp;A and F&amp;D Costs (\$/Boe)<sup>(2)</sup></b>	<b>11.15</b>	<b>14.60</b>	<b>11.05</b>	<b>11.76</b>	<b>15.19</b>	<b>8.81</b>
<b>Recycle Ratio<sup>(3)</sup></b>	<b>2.0</b>	<b>4.1</b>	<b>(37.8)</b>	<b>2.0</b>	<b>3.9</b>	<b>(35.2)</b>

Notes:

- <sup>(1)</sup> 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 average 2020 exchange rate of US\$1.00 = Cdn\$1.3408. 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 in the past, 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.
- <sup>(2)</sup> Calculation of the three-year FD&A and F&D costs per Boe reflect the sum of capital costs and net reserve additions for the years 2018 through 2020.
- <sup>(3)</sup> Recycle ratio is defined as operating netback for 2020, 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 2020 averaged \$14.56 per Boe.

## **OUTLOOK**

Based on the quality of PetroShale's asset base, its proven North Dakota Bakken strategy and cost-effective operations, the Company will continue to focus on controlling cash costs to optimize margins and increase operating efficiencies, while taking a disciplined approach to capital allocation based on project economics, payback and the potential for free cash flow<sup>9</sup> generation. With the recently announced recapitalization transaction, PetroShale will enter what the Company believes will be a period of unprecedented opportunity with its growth inventory in the core of the Bakken Shale intact and the financial flexibility to enable the Company to develop it.

As part of PetroShale's ongoing risk mitigation strategy, the Company has entered into crude oil derivative contracts designed to provide added stability and further mitigate the effects of market volatility for the remainder of 2021 and through 2022. Crude oil hedges are currently in place on approximately 6,500 Bbls/d of 2021 production in the form of three-way collar contracts, and additional oil price hedges on 2,500 Bbls/d in the first quarter, 2,250 Bbls/d in the second quarter and 500 Bbls/d for the last half of 2022 in the form of costless collar contracts. The complete list of contracts can be found within the Company's fourth quarter and year end 2020 MD&A. PetroShale will continue to review its capital liquidity and capital allocation plans to pursue additional risk mitigation in 2022 as required.

After the Recapitalization Transaction, PetroShale expects to have approximately US\$150 million drawn under the Credit Facility (assuming the Recapitalization Transaction results in gross proceeds of the minimum of \$30 million which are applied to reduce borrowings under the Credit Facility and assuming C\$1.00 = US\$0.792). The Board has approved a 2021 capital budget range between \$50 and \$60 million, the ultimate amount of which will depend on commodity price strength, and which is anticipated to result in average 2021 production between 10,500 and 11,500 Boe/d. Based on this capital program and resultant production level, the Company expects to generate positive free cash flow<sup>9</sup> throughout 2021 which can be allocated to debt repayment or to further accelerate production volumes and generate incremental cash flow.

On behalf of the Board, PetroShale would like to thank all of its employees and shareholders for their contributions, dedication and flexibility through this period, and the Company looks forward to updating stakeholders on its milestones and progress through the coming year.

### **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.

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<sup>9</sup> Non-IFRS Measure. See "Information Regarding Disclosure on Oil and Gas Reserves and Non-IFRS Measures" within this press release.

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***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, 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: that PetroShale will continue to focus on further streamlining per unit cash costs to optimize margins, the Company's anticipated capital spending for the remainder of the year the Company's next borrowing base review, the Company's intention to direct any free cash flow to debt reduction; the Company's intention to prioritize managing capital expenditures in accordance with the broader commodity price environment and the expectation of a limited capital program, directed primarily towards sustaining production and maintaining the long-term integrity of the Company's assets; the Company's anticipated average production rates for 2021; the Company's expectations on the continued availability of DAPL and other alternative transportation options and the potential affects on differentials; the expectation that the share dividend settlement is expected to preserve liquidity through this period of severe commodity price weakness; PetroShale's liquidity for the coming year; and, the general outlook of the Company. 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 prevailing commodity prices, weather, regulatory approvals, liquidity, Bakken oil differentials (including as a result of any interruptions from 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; 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](http://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 as disclosed in the Company's Management & Discussion Analysis as at December 31, 2020 and for the three and twelve months ended December 31, 2020 and 2019 – "Financial and Operational Highlights".

This news release contains future oriented financial information and financial outlook information (together, "FOFI") about the Company's prospective results of operations, including generating free cash flow in 2021, which is subject to the same assumptions, risk factors, limitations and qualifications as set forth above as well as the following additional assumptions: annual average production rates in 2021 of between 10,500 and 11,500 Boe/d, \$60.00 WTI, Bakken differential of US\$3.00, and US\$1 = C\$1.27. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on FOFI. The Company's actual results, performance or achievement could differ materially from those expressed in or implied by these FOFI, or if any of them do so, what benefits the Company will derive therefrom. Such financial outlook or future oriented financial information is provided for the purpose of providing information about management's reasonable expectations as to the anticipated results of its proposed business activities in the future. The Company disclaims any intention or obligation to update or revise any FOFI statements, whether as a result of new information, future events or otherwise, except as required by law.

#### **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](http://www.sedar.com) on or about March 24, 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, 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.

"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 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, can be found within the Company’s MD&A as at December 31, 2020 and for the three and twelve months ended December 31, 2020 and 2019.

#### **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 and MBoe refers to thousand barrels of oil equivalent.**

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