



NEWS RELEASE

August 8, 2019

PIPESTONE ENERGY CORP. REPORTS SECOND QUARTER 2019 RESULTS AND GIVES AN OPERATIONS UPDATE

Calgary, Alberta, August 8, 2019 (PIPE – TSX-V) Pipestone Energy Corp. ("Pipestone Energy" or the "Company") is pleased to report its Q2 2019 financial and operational results and provide a progress report on its 2019 development program. The Company has filed its unaudited financial statements and related management's discussion and analysis ("MD&A") for the quarter ended June 30, 2019 on SEDAR. A conference call has been scheduled for Thursday, August 8 at 9:00 a.m. Mountain Daylight Time (11:00 a.m. Eastern Daylight Time) for interested investors, analysts, brokers and media representatives.

"We are extremely proud of the operational performance of our team over the past few months. As of this news release, we have completed substantially all the capital projects required to achieve our corporate guidance of increasing production 10-fold to between 14,000 and 16,000 boe/d by the end of 2019. During June and July, we completed an additional 7 wells on our 3-1 pad for an average estimated cost of \$4.0 million. This is a significant savings compared to both our development budget of \$5.1 million, and from our previous 15-14 pad completion costs of \$4.5 million per well. Pipestone Energy is reviewing the results on our 3-1 pad and applying advanced technologies to further improve our completion design and execution. The objective is to reduce costs while improving well productivity" stated Paul Wanklyn, Pipestone Energy President and Chief Executive Officer. "Additionally, the midstream transaction we entered into with Tidewater Midstream in late July will allow us to delineate two Montney zones in three previously drilled wells in the Northeastern portion of our acreage. We plan to utilize high intensity fracs and the transaction will also fund the necessary infrastructure to produce from that area, further enhancing the value proposition of Pipestone Energy to investors."

SECOND QUARTER 2019 CORPORATE HIGHLIGHTS

- Pipestone Energy successfully completed 7 wells (7 net) at the 03-01 pad-site for an average estimated final cost of \$4.0 million per well, which is approximately 22 percent less than Pipestone Energy's type well budget of \$5.1 million. These wells were completed utilizing high intensity plug and perf designs and will be brought on-stream later this fall;
- Subsequent to the end of Q2, Pipestone Energy entered into a \$30 million midstream transaction with Tidewater Midstream and Infrastructure Ltd. ("Tidewater"), which will provide the capital required to construct the East Battery (05-14-071-07W6); the initial \$14 million of capital to be received by Pipestone Energy in mid-August from Tidewater pursuant to this transaction will be deployed to accelerate a three-well completion program at the 09-14-071-07W6 ("9-14") pad into late Q3 2019; the approximately \$16 million remaining balance will be funded by Tidewater in installments as construction of the East Battery progresses into 2020;
- During Q2, the Company spent a total of \$14.6 million on the fabrication, and substantial completion of on-site production facilities at its 15-14 pad-site, 03-01 pad-site, and other production facilities in preparation to bring these pads into production later this fall;



- Pipestone Energy invested \$7.6 million to substantially complete construction of its major 17.5 km infield gathering system, oriented north / south along the primary development corridor through its western acreage. As at the date of this press release the gathering system is substantially complete and is ready to be commissioned;
- Legacy Blackbird production from South of the Wapiti river was re-started in early April 2019 as the third party owned and operated Gold Creek gas plant came back online. During Q2, including minor interruptions, production from this area averaged 1,407 boe/d; and
- Pipestone Energy continued to implement its robust commodity price risk management program, which is primarily designed to reduce cash flow volatility, enhance certainty regarding funding availability for the Company's capital expenditure program, and service debt.

Pipestone Energy Corp. – Financial and Operating Highlights

	Three months ended June 30,		Six months ended June 30,	
(\$ thousands, except per unit and per share)	2019	2018	2019	2018
Financial				
Sales of liquids and natural gas	\$ 5,457	\$ 598	\$ 5,917	\$ 1,569
Cash used in operating activities	(777)	(180)	(13,562)	(17)
Funds flow from (used in) operations ⁽¹⁾	(2,423)	132	(11,086)	612
Per share, basic and diluted ⁽²⁾	(0.01)	0.00	(0.06)	0.01
Income (loss)	4,869	(539)	567	(1,170)
Per share, basic and diluted ⁽²⁾	0.03	(0.01)	0.00	(0.02)
Capital expenditures	46,835	13,026	96,303	43,584
Acquisitions	\$ 91	\$ -	116	-
Working capital (deficit) (end of period)			(8,026)	(2,630)
Bank debt (end of period)			115,754	30,992
Shareholders' equity (end of period)			383,843	87,010
Available funding (end of period) ⁽³⁾			\$ 46,033	\$ 24,606
Shares outstanding (end of period) ⁽²⁾			189,627	52,782
Weighted-average basic shares outstanding	189,624	52,782	187,096	52,782
Weighted-average diluted shares	189,625	52,782	187,116	52,782
Operations				
Production				
Condensate and crude oil (bbls/d)	595	106	340	146
Natural gas liquids (NGL) (bbls/d)	88	-	53	-
Natural gas (Mcf/d)	4,341	-	2,340	-
Total (boe/d) ⁽⁴⁾	1,407	106	783	146
Condensate-gas ratio (CGR) (bbls/MMcf)	137	-	145	-
Benchmark prices				
Crude oil – WTI (C\$/bbl)	\$ 79.98	\$ 79.52	\$ 76.47	\$ 83.62
Condensate – Edmonton Condensate	73.69	80.30	71.20	83.37
Natural gas – AECO 5A (C\$/GJ)	1.04	1.24	1.75	1.66
Average realized prices ⁽⁵⁾				
Condensate and crude oil (per bbl)	71.83	61.94	68.34	59.50

	Three months ended June 30,		Six months ended June 30,	
(\$ thousands, except per unit and per share)	2019	2018	2019	2018
NGL (per bbl)	29.24	-	28.55	-
Natural gas (per Mcf)	3.37	-	3.39	-
Netbacks				
Revenue (per boe)	42.62	61.94	41.75	59.50
Royalties (per boe)	(2.15)	(3.08)	(2.11)	(4.19)
Operating expenses (per boe)	(13.83)	(7.61)	(15.26)	(6.95)
Transportation (per boe)	(5.72)	-	(9.85)	-
Operating netback (per boe) ⁽³⁾	20.92	51.25	14.53	48.36
Funds flow netback (per boe) ⁽³⁾	\$ (18.93)	\$ 13.50	\$ (78.22)	\$ 23.19

Note: All defined terms referenced in quotations below refer to terms or notes found within the Pipestone Energy Corp. Q2 2019 MD&A.

⁽¹⁾ See "Additional subtotal – Funds flow from operations" under "Critical Accounting Judgments, Estimates and Policies".

⁽²⁾ The number of common shares has been adjusted retrospectively to reflect the 10:1 share consolidation, as well as the 0.5996 exchange ratio, as part of the corporate acquisition transaction completed on January 4, 2019 when Pipestone Oil Corp. and Blackbird Energy Inc. ("Blackbird") amalgamated to form Pipestone Energy Corp..

⁽³⁾ See "Non-GAAP measures".

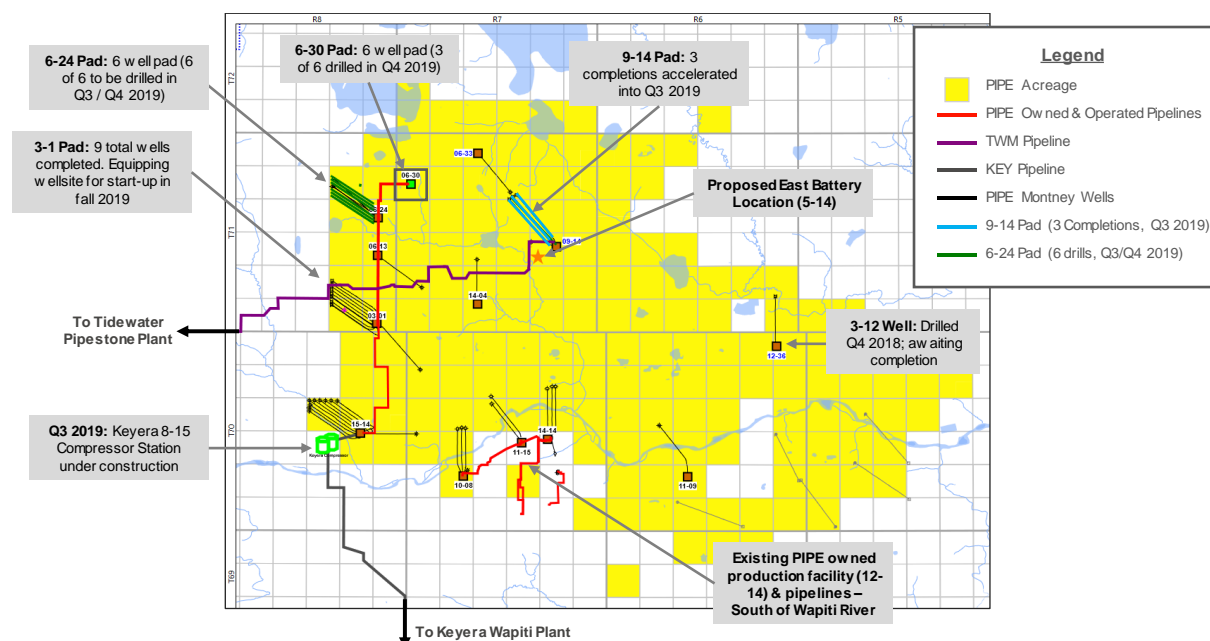
⁽⁴⁾ For a description of the boe conversion ratio, see "Basis of Barrel of Oil Equivalent".

⁽⁵⁾ Before hedging.

⁽⁶⁾ IFRS 16, Leases, was adopted on January 1, 2019 using the modified retrospective approach; therefore, comparative information was not restated. See "Critical Accounting Judgments, Estimates and Policies".

⁽⁷⁾ NMN – not meaningful number at this time as Pipestone Energy is at a pre-production stage.

2019 CAPITAL PROGRAM AND OPERATIONS UPDATE





To date, Pipestone Energy's 2019 capital program execution has been exceptional. Projects have been completed as scheduled and have come in at or below budgeted cost. Based on the work completed to date, and the combined savings achieved, Pipestone is reducing its 2019 net capital guidance to a range of \$145 - \$155 million, for a reduction to the top-end of previous guidance of \$10 million. As at the date of this press release, approximately 75% of the expected 2019 net capital program has been completed with the bulk of the remaining 2019 spend focused on drilling 9 new wells at the 6-24 and 6-30 pads and on the accelerated three-well completion program at its 09-14-pad. All of these wells will be brought on production in 2020, and as such the required drilling, completion and infrastructure capital to achieve our 2019 exit production guidance of 14,000 to 16,000 boe/d has already been incurred.

Pipestone Energy Montney Operated Horizontal Well Status Summary

	Current (August 2019)	Sept 30, 2019 (Estimate)	Dec 31, 2019 (Estimate)
North of Wapiti River ⁽¹⁾ (Keyera Wapiti & Tidewater Pipestone Processing Facilities)			
Drilled	27	29	36
Drilled + Completed	23	26	26
Tied-In / Available for Production		20	20
South of Wapiti River ⁽¹⁾ (CNRL Gold Creek Processing Facility)			
Drilled + Completed	9	9	9
Tied-In / On-Production	8	8	8

(1) Tied-In / Available for Production is a subset of the Drilled + Completed category which is a subset of the Drilled category.

Drilling & Completions

Pipestone Energy successfully completed 7 wells on the 03-1 pad site during Q2 2019 utilizing a high intensity plug and perf fracture program and up to approximately 8,500 tonnes per well. The average estimated final completion cost for these seven wells is \$4.0 million, a \$1.1 million (22%) cost savings per well from the budgeted development frac cost of \$5.1 million. These wells will be brought on production during fall 2019. The Company is preparing to complete the three wells on the 9-14 pad during September 2019 utilizing a similar high intensity plug and perf fracture program to the 3-1 pad.

Pipestone Energy has completed the construction of the 6-24 pad, which will ultimately accommodate up to 24 wells and associated wellsite facilities. The Company has contracted a rig, which will commence drilling six new wells on this pad beginning in mid-August.

Infrastructure & 3rd Party Processing

Pipestone Energy's infield gathering infrastructure is substantially complete and ready to be commissioned for production start-up into the Keyera and Tidewater natural gas processing facilities this fall. The Company has completed the equipping and tie-in on the 15-14 pad (10 wells) and the equipping of the 3-1 pad (9 wells) is expected to be finished in September 2019. A single well on the 6-24 pad, drilled and completed during 2017, will also be equipped and tied-in for production later during fall 2019.



As disclosed previously, Phase 1 of the Keyera Wapiti Gas Plant is now operational and processing third party volumes. Pipestone Energy has 60 MMcf/d of raw priority one firm service at the Keyera plant with an option to expand to 90 MMcf/d with the completion of Phase 2. Construction of Phase 2 at the Keyera facility has begun and is expected to be commissioned by mid-2020, taking the plant's gas processing capacity to 300 MMcf/d with 25,000 barrels per day of condensate handling capacity. The Keyera compressor station (at 08-15-70-08W6 and Pipestone Energy operated) and gathering system connecting to the Wapiti gas plant is expected to be complete by late Q3 2019, and is on-track for a Q4 2019 production ramp-up. The Tidewater Pipestone Sour Gas Plant (at 12-34-70-09W6) and associated gathering system remains on track to be commissioned in late Q3 2019.

Gold Creek Production – Legacy Production South of the Wapiti River

Pipestone Energy produced into the 3rd party Gold Creek processing facility with an ~90% on-stream time during Q2 2019. The Company averaged 4.3 MMcf per day of sales natural gas and 683 bbl/d of condensate and natural gas liquids (87% condensate) during the quarter.

OUTLOOK

Since closing the successful merger with Blackbird on January 4, 2019, the Company has met its critical development and capital expenditure milestones to achieve its 2019 exit production guidance of 14,000 to 16,000 boe per day for December 2019.

The Company's 2019 net capital investment program continues to be on-track, on-time, and either on or underbudget resulting in a reduced net capital guidance range for 2019 of \$145 million to \$155 million. The 2019 capital program is focused on drilling, completing, and tying-in condensate-rich Montney wells, and on the build-out of the required infrastructure that will enable Pipestone Energy to grow efficiently in future years.

Pipestone Energy is in the initial stage of executing a multi-year development strategy that meets its full-cycle investment return requirements and cashflow generation hurdles based on a flat future price deck of US\$55 per bbl WTI crude oil and \$1.40 per GJ AECO natural gas. Given its current outlook on commodity prices, and the actions taken to capture these prices through its hedging program, Pipestone Energy is confident it can meet its future development objectives.

EMPLOYEE SHARE PURCHASE PLAN

Pipestone Energy has implemented an employee share purchase plan ("ESPP") to provide its employees with an opportunity to purchase common shares in the capital of the Company ("Shares"), thereby encouraging share ownership and enhancing Pipestone Energy's ability to attract, retain and motivate its employees. Employees may direct up to 10% of their salary for the purchase of Shares under the ESPP at the 5-day volume weighted average trading price of the Shares on the TSXV, and the Company will match such personal contributions 100%. Under the terms of the ESPP, Shares may be acquired by the plan administrator on the open market or issued from treasury. 1,750,000 Shares have been reserved for issuance pursuant to the ESPP.



Conference Call August 8, 2019

9:00 a.m. MT (11:00 a.m. ET)

Pipestone Energy will host a conference call on August 8, 2019, starting at 9:00 a.m. MT (11:00 a.m. ET). To participate please dial toll free in North America (866) 953-0776 or International (630) 652-5852 and enter 2595762 when prompted.

An archived recording of the conference call will be available shortly after the event and will be available until August 15, 2019. To access the replay please dial toll free in North America (855) 859-2056 or International (404) 537-3406 and enter 2595762 when prompted. The conference call will also be archived on Pipestone Energy's website at www.pipestonecorp.com.

Advisory Regarding Non-GAAP Measures

This new release includes references to financial measures commonly used in the oil and natural gas industry. The terms "operating netback", "funds flow netback" and "available funding" are not defined under IFRS, which have been incorporated into Canadian GAAP, as set out in Part 1 of the Chartered Professional Accountants Canada Handbook – Accounting, are not separately defined under GAAP, and may not be comparable with similar measures presented by other companies.

Management believes the presentation of the non-GAAP measures provide useful information to investors and shareholders as the measures provide increased transparency and the opportunity to better analyze and compare performance against prior periods.

Operating netback and funds flow netback

Operating netback is calculated on a per-unit-of-production basis and is determined by deducting royalties, operating and transportation expenses from liquids and natural gas sales, after adjusting for realized commodity financial derivative instrument gains or losses.

Funds flow netback reflects funds flow on a per-unit-of-production basis and is determined by dividing funds flow by total production on a per-boe basis. Funds flow netback can also be determined by deducting G&A, transaction costs and cash financing expenses and adding financing income on a per-unit-of-production basis from the operating netback.

Operating netback and funds flow netback are common metrics used in the oil and natural gas industry and are used by Company management to measure operating results on a per boe basis to better analyze and compare performance against prior periods, as well as formulate comparisons against peers.

Available funding

Available funding is comprised of adjusted working capital and undrawn portions of the Company's credit facility. Adjusted working capital is comprised of current assets less current liabilities on the Company's consolidated statement of financial position and excludes the current portion of financial derivative instruments and lease liabilities. The available funding measure allows management and others to evaluate the Company's short-term liquidity.



Advisory Regarding Forward-Looking Statements

In the interest of providing shareholders of Pipestone Energy and potential investors information regarding Pipestone Energy, this news release contains certain information and statements (“forward-looking statements”) that constitute forward-looking information within the meaning of applicable Canadian securities laws. Forward-looking statements relate to future results or events, are based upon internal plans, intentions, expectations and beliefs, and are subject to risks and uncertainties that may cause actual results or events to differ materially from those indicated or suggested therein. All statements other than statements of current or historical fact constitute forward-looking statements. Forward-looking statements are typically, but not always, identified by words such as “anticipate”, “estimate”, “expect”, “intend”, “forecast”, “continue”, “propose”, “may”, “will”, “should”, “believe”, “plan”, “target”, “objective”, “project”, “potential” and similar or other expressions indicating or suggesting future results or events.

Forward-looking statements are not promises of future outcomes. There is no assurance that the results or events indicated or suggested by the forward-looking statements, or the plans, intentions, expectations or beliefs contained therein or upon which they are based, are correct or will in fact occur or be realized (or if they do, what benefits Pipestone Energy may derive therefrom).

In particular, but without limiting the foregoing, this news release contains forward-looking statements pertaining to: future completion costs and productivity; future reserves values and financial returns; infrastructure funding; commissioning of Pipestone Energy’s major 17.5 km infield gathering system; commissioning of the Keyera facility and timing thereof; commissioning of the Tidewater Pipestone Sour Gas Plant and timing thereof; drilling plans; ; receipt of funding from Tidewater and timing thereof; accelerated timing for the completion of three drilled uncompleted wells on Pipestone’s 9-14 pad; Pipestone Energy’s 2019 capital guidance range; Pipestone Energy’s 2019 exit production guidance, and Pipestone Energy’s proposed drilling locations and entry points per well.

With respect to the forward-looking statements contained in this news release, Pipestone Energy has assessed material factors and made assumptions regarding, among other things: future commodity prices and currency exchange rates, including consistency of future oil, natural gas liquids (NGLs) and natural gas prices with current commodity price forecasts; the ability to integrate Blackbird’s and Pipestone Oil’s historical businesses and operations and realize financial, operational and other synergies from the combination transaction completed on January 4, 2019; Pipestone Energy’s continued ability to obtain qualified staff and equipment in a timely and cost-efficient manner; the predictability of future results based on past and current experience; the predictability and consistency of the legislative and regulatory regime governing royalties, taxes, environmental matters and oil and gas operations, both provincially and federally; Pipestone Energy’s ability to successfully market its production of oil, NGLs and natural gas; the timing and success of drilling and completion activities (and the extent to which the results thereof meet expectations); Pipestone Energy’s future production levels and amount of future capital investment, and their consistency with Pipestone Energy’s current development plans and budget; future capital expenditure requirements and the sufficiency thereof to achieve Pipestone Energy’s objectives; the successful application of drilling and completion technology and processes; the applicability of new technologies for recovery and production of Pipestone Energy’s reserves and other resources, and their ability to improve capital and operational efficiencies in the future; the recoverability of Pipestone Energy’s reserves and other resources; Pipestone Energy’s ability to economically produce oil and gas from its properties and the timing and cost to do so; the performance of both new and existing wells; future cash flows from production; future



sources of funding for Pipestone Energy's capital program, and its ability to obtain external financing when required and on acceptable terms; future debt levels; geological and engineering estimates in respect of Pipestone Energy's reserves and other resources; the accuracy of geological and geophysical data and the interpretation thereof; the geography of the areas in which Pipestone Energy conducts exploration and development activities; the timely receipt of required regulatory approvals; the access, economic, regulatory and physical limitations to which Pipestone Energy may be subject from time to time; and the impact of industry competition.

Information and statements regarding Pipestone Energy's reserves and resources also are forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves and resources exist in the quantities predicted or estimated and can be profitably produced in the future. In addition, with respect to the type curves and test rates, there is no certainty that future wells will generate results to match type curves or test rates presented herein.

The forward-looking statements contained herein reflect management's current views, but the assessments and assumptions upon which they are based may prove to be incorrect. Although Pipestone Energy believes that its underlying assessments and assumptions are reasonable based on currently available information, undue reliance should not be placed on forward-looking statements, which are inherently uncertain, depend upon the accuracy of such assessments and assumptions, and are subject to known and unknown risks, uncertainties and other factors, both general and specific, many of which are beyond Pipestone Energy's control, that may cause actual results or events to differ materially from those indicated or suggested in the forward-looking statements. Such risks and uncertainties include, but are not limited to, volatility in market prices and demand for oil, NGLs and natural gas and hedging activities related thereto; the ability to successfully integrate Blackbird's and Pipestone Oil's historical businesses and operations; general economic, business and industry conditions; variance of Pipestone Energy's actual capital costs, operating costs and economic returns from those anticipated; the ability to find, develop or acquire additional reserves and the availability of the capital or financing necessary to do so on satisfactory terms; and risks related to the exploration, development and production of oil and natural gas reserves and resources. Additional risks, uncertainties and other factors are discussed in Blackbird's management information circular dated November 21, 2018, a copy of which is available electronically on Pipestone Energy's SEDAR at www.sedar.com.

The forward-looking statements contained in this news release are made as of the date hereof and Pipestone Energy assumes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by applicable securities laws. All forward-looking statements herein are expressly qualified by this advisory.

Pipestone Energy Corp.

Pipestone Energy Corp. is an oil and gas exploration and production company with its head office located in Calgary, Alberta. The company is focused on developing its pure-play condensate-rich Montney asset in the Pipestone area near Grande Prairie. Pipestone Energy is committed to building long term value for our shareholders and values the partnerships that it is developing within its operating community. Pipestone Energy shares trade under the symbol PIPE on the TSX Venture Exchange. For more information, visit www.pipestonecorp.com.



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