

## **PETROSHALE ANNOUNCES FINANCIAL AND OPERATING RESULTS FOR THE SECOND QUARTER OF 2017**

CALGARY, ALBERTA, August 21, 2017 – PetroShale Inc. ("PetroShale" or the "Company") (TSXV: PSH, OTCQX: PSHIF) is pleased to announce its financial and operating results for the three and six month periods ending June 30, 2017. The Company's unaudited consolidated financial statements and corresponding Management's Discussion and Analysis (MD&A) for the period are available on SEDAR at [www.sedar.com](http://www.sedar.com), on the OTCQX website at [www.otcqx.com](http://www.otcqx.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.

### **HIGHLIGHTS:**

The second quarter of 2017 was transformational for PetroShale, and included the completion of a significant equity offering, the closing of a property acquisition in our core area and the enhancement of our senior management team.

During the period, the Company:

- Achieved average second quarter production of 2,571 Boe per day, an increase of 51% from the corresponding period in 2016 as a result of new operated and non-operated wells commencing production in December 2016.
- Generated operating netbacks of \$24.14 per boe in the quarter and \$27.63 per boe for the six months ended June 30, 2017, an increase of 14% and 59%, respectively, over the corresponding periods in 2016.
- Generated EBITDA of \$4.5 million in the second quarter of 2017, compared to \$2.6 million in the corresponding quarter of 2016.
- Closed an equity offering that was fully subscribed (including full exercise of the over-allotment option) for gross proceeds of \$110 million, resulting in significant undrawn funding capacity under the Company's senior and subordinated loan facilities.
- Completed an acquisition of significant undeveloped acreage and approximately 100 Boe per day of production in our core focus area, resulting in a second PetroShale-operated drilling unit.
- Obtained a significant increase in borrowing capacity under the Company's senior credit facility to US\$39.9 million, from US\$30.9 million.
- Enhanced the senior management team with the appointment of Mike Wood as President and Chief Executive Officer, and M. Bruce Chernoff assuming the role of Executive Chairman.

## RESULTS OF OIL AND GAS ACTIVITIES

	Three months ended		Six months ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
<b>Sales volumes</b>				
Crude Oil (Bbl/d)	<b>1,910</b>	1,228	<b>2,281</b>	1,211
Natural gas and NGLs (Mcf/d)	<b>3,964</b>	2,832	<b>3,658</b>	2,098
Barrel of oil equivalent (Boe/d) <sup>(1)</sup>	<b>2,571</b>	1,700	<b>2,890</b>	1,560
<b>Operating Netbacks (\$/Boe)<sup>(1)</sup></b>				
Revenue	\$ <b>46.10</b>	\$ 38.58	\$ <b>49.63</b>	\$ 35.10
Royalties	<b>(9.53)</b>	(7.82)	<b>(10.30)</b>	(7.15)
Operating costs	<b>(9.01)</b>	(6.68)	<b>(8.01)</b>	(7.86)
Production taxes	<b>(3.42)</b>	(2.97)	<b>(3.69)</b>	(2.71)
Operating netback	\$ <b>24.14</b>	\$ 21.11	\$ <b>27.63</b>	\$ 17.38
Operating netback, on a net of royalty basis	\$ <b>30.40</b>	\$ 26.49	\$ <b>34.86</b>	\$ 21.86
Benchmark WTI price during the period (US\$ / bbl)	\$ <b>48.24</b>	\$ 45.46	\$ <b>50.00</b>	\$ 39.55

Note:

(1) See "Oil and Gas Advisory" and "Non-GAAP Measures".

## MESSAGE FROM THE CEO

I am pleased to report that during the first half of 2017, the Company has continued to demonstrate its ongoing commitment to the execution of our strategy of acquiring and developing high-quality assets within the core of our North Dakota focus area. As President and CEO, I am excited by the potential that exists within PetroShale's assets, and the opportunities the Company has to continue growing our land base, production, reserves and value.

PetroShale's production profile continues to increase year-over-year, with the completion of our first operated well and three non-operated wells in December of 2016. In June, we closed the acquisition of significant undeveloped acreage along with approximately 100 Boe per day of existing production in the heart of our core focus area. This acquisition was significant in nature as it resulted in PetroShale assuming operatorship of another drilling unit. In the latter half of 2017, the Company is planning to drill four gross (3.5 net) wells on two operated drilling units along with participating in eleven gross (1.7 net) non-operated wells. These wells are anticipated to be completed and placed on production between now and the end of the first quarter of 2018, positioning PetroShale for further production growth over the next twelve months.

For both the three and six month periods ending June 30, 2017, PetroShale generated materially higher EBITDA compared to the corresponding prior periods. As a result of increasing production and improved commodity prices, the Company's EBITDA was \$4.5 million during the quarter, up from \$2.6 million in the second quarter of 2016, and was \$12.5 million for the first six months of 2017, a 3.5 times increase over the corresponding period in 2016.

World oil prices softened through the second quarter, with WTI averaging US\$48 per Bbl, down from US\$52 per Bbl in the first quarter. Going forward, we anticipate further improvement in Bakken benchmark pricing with the narrowing of area oil price differentials due to increased takeaway capacity from the newly completed and commissioned Dakota Access Pipeline. PetroShale's second quarter

realized WTI differential averaged US\$5.97 per Bbl, down from US\$7.45 per Bbl in the same period in 2016.

With the completion of the equity offering in April, and the recent increase in the Company's borrowing base from our senior lender, PetroShale has right-sized its balance sheet and we now have significant undrawn capacity under both the existing subordinated loan and the senior credit facility to pursue both organic growth and development drilling initiatives.

We wish to thank John Fair, who will be retiring from PetroShale in September, and James Fair, who retired from the Board effective as of the Company's recent annual shareholder meeting, for their respective contributions over the years and the role they both played in developing the Company's asset base. We would also like to thank PetroShale's employees, directors and shareholders for your continued support of our strategy and our Company.

((signed))

Mike Wood  
President and CEO

### **About PetroShale**

PetroShale is an oil company engaged in the acquisition, development and consolidation of interests in the North Dakota Bakken / Three Forks.

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### **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 beliefs with respect to the potential of the Company's asset base (including production, reserves and revenue); the Company's planned drilling program for the balance of 2017, including with respect to planned drilling of operated and non-operated wells; expected timing for completion and production of wells that are planned to be drilled in 2017, including the potential benefits to the Company from the same; the Company's expectations for improved differentials on realized pricing from its oil production; the Company's growth and development plans; 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, liquidity, exchange rates, interest rates, applicable royalty rates and tax laws; future production rates, actions by the operators of the Company's non-operated interests, and estimates of operating costs; performance of existing and future wells; reserve volumes; business prospects and opportunities; 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](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.

#### **Non-GAAP Measures:**

Within this press release, references are made to "operating netback" and "EBITDA", which are not recognized measures under IFRS and therefore may not be comparable to performance measures presented by others. EBITDA means net income (loss) before taxes, depletion and depreciation expense, exploration and evaluation expense, any impairments, finance expense, any gain or loss on property dispositions, foreign exchange gain or loss, share-based compensation expense and unrealized gain or loss on financial derivatives. Operating netback means revenue less royalties, production taxes and operating costs and has been presented on a per Boe basis. Management believes that in addition to net income (loss) and cash flow from (used in) operating activities, EBITDA and operating netback are useful supplemental measures as they assist a reader in the determination of the Company's operating performance, leverage and liquidity. Readers are cautioned, however, that these measures should not be construed as an alternative to net income (loss) or cash flow from (used in) operating activities and consolidated assets as determined in accordance with IFRS as an indication of our performance or value.

#### **Oil and Gas Advisory:**

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, mboe refers to thousands of barrels of oil equivalent, while mbbls refers to thousands of barrels of oil, and mmcf refers to millions of cubic feet of natural gas.**

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