PetroShale
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PETROSHALE ANNOUNCES SECOND QUARTER 2020 RESULTS AND APPOINTMENT OF CHIEF EXECUTIVE OFFICER

CALGARY, ALBERTA, August 20, 2020 – PetroShale Inc. ("PetroShale" or the "Company") (TSXV: PSH, OTCQX: PSHIF) is pleased to announce our financial and operating results for the three and six month periods ended June 30, 2020.

The Company's unaudited interim consolidated financial statements and corresponding management's discussion and analysis (MD&A) for the period will be available on SEDAR at www.sedar.com, on the OTCQX website at www.otcmarkets.com, and on PetroShale's website at 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.

Q2 2020 FINANCIAL AND OPERATING HIGHLIGHTS

- Revenue, Adjusted EBITDA[1], Operating netback[1] and earnings were impacted significantly in the second quarter of 2020 by lower crude oil prices due to the impacts of the COVID-19 pandemic and the Saudi/Russia oil price conflict, although crude oil prices recovered dramatically by the end of the second quarter, which has returned PetroShale to more solid footing.
- Production averaged 13,291 and 13,783 barrels of oil equivalent per day ("Boe/d") in the second quarter of 2020 and the first six months of the year, respectively, representing increases of 124% and 151% over the same respective periods of 2019 due to new wells brought online in the last nine months.
- Revenue totaled $24.2 million, 21% lower than the second quarter of 2019 as higher production volumes year-over-year were offset by lower crude oil prices. For the first half of 2020, revenue totaled $73.3 million or 42% higher than the same period of 2019 as the increased production volumes and stronger prices during the first quarter were somewhat offset by weaker prices in the second quarter of 2020.
- Adjusted EBITDA[1] totaled $8.3 million ($0.04 per fully diluted share) in the second quarter of 2020, reflecting the decline in crude oil prices during the period, and $33.3 million ($0.17 per fully diluted share) in the first half of the year.
- Operating netback[1] was $7.79 per Boe in the second quarter of 2020 compared to $32.22 per Boe in the same period of 2019, reflecting the decline in crude oil prices, partially offset by lower lease operating costs, royalties and production taxes per unit, as well as a realized gain on financial derivatives.
- Net general and administrative ("G&A") expense per Boe was $0.95 in the second quarter of 2020, a decline of 52% on a per Boe basis relative to the comparable period in 2019, reflecting higher production and the Company's ongoing focus on cost management.

- Total per unit operating expense decreased 31% to $7.51 per Boe in the second quarter from the comparable period in 2019 due to reduced per unit lease operating costs, workover expenses and production taxes.
- Net loss totaled $23.2 million ($0.12 per fully diluted share) in the quarter, reflecting the decline in crude oil prices, compared to net income of $1.7 million ($0.01 per fully diluted share) in the comparable period of 2019.
- Capital expenditures totaled approximately $6.4 million in the second quarter, reflecting the Company's efforts to minimize discretionary expenditures, and included the participation in completion activities on 1.7 net non-operated wells and operated well workover activities.

RECENT EVENTS

In May 2020, the Company's lenders confirmed the amount of the existing borrowing base capacity under the senior credit facility at US$177.5 million, with the next borrowing base redetermination scheduled in the fourth quarter of 2020. At June 30, 2020, the Company was drawn US$161.3 million under the senior credit facility, net of cash of US$12.9 million.

The Company elected to settle our second quarter 2020 Preferred Share dividend payment of US$1.7 million ($2.4 million) in kind rather than with cash, resulting in a US$2.3 million ($3.1 million) increase to the liquidation preference of the Preferred Shares, helping to preserve liquidity through this period of severe commodity price weakness.

Pursuant to the Company's Bonus Award Incentive Plan ("Plan"), an aggregate of 3,080,800 restricted awards and 3,807,700 performance awards were granted to certain officers and employees of PetroShale. The awards may be settled by PetroShale, in the Company's sole discretion, in cash and/or voting common shares of PetroShale, in accordance with the terms of the Plan.

PetroShale has been actively pursuing additional financial oil price hedges providing significant price protection through the remainder of 2020 and 2021. A complete list of the Company's hedging contracts can be found within our second quarter 2020 MD&A.

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(1) Non-IFRS Measure. See "Non-IFRS Measures" within this press release

EXECUTIVE APPOINTMENT

PetroShale is pleased to announce that Mr. Jacob Roorda has been appointed President and CEO of PetroShale, effective August 24, 2020. He has been a Director of PetroShale since March 2012 and will succeed David Rain, who is currently acting as Interim CEO.

Mr. Roorda is a professional engineer and brings more than 40 years of oil and gas experience in business development, operations and corporate finance. Most recently, Mr. Roorda was the founder and CEO of Todd Energy Canada, a private exploration and development company which successfully established a significant Montney natural gas production business in northeast British Columbia. Over the past 30 years, Mr. Roorda has been involved in the formation and growth of several successful energy companies. He was President of Harvest Energy Trust, and Vice President of PrimeWest Energy Trust and Fletcher Challenge Petroleum Inc. Mr. Roorda has served on a number of private and public company boards.

M. Bruce Chernoff will continue as Executive Chairman of PetroShale's Board of Directors. In making the announcement, Mr. Chernoff commented, "I'm excited to have Jake assume the CEO role as he brings a depth of experience in oil and gas management, field development and operations, as well as the financing and growth of public companies. I look forward to working closely with Jake again at PetroShale as we continue to pursue our strategy of acquiring and developing high-quality assets within the core of our North Dakota focus area."

The Board of Directors wishes to thank Mr. Rain for his service as Interim CEO and looks forward to his continued contributions as he remains on the Board.

FINANCIAL & OPERATING REVIEW

	Three months ended		Six months ended	
FINANCIAL (in thousands, except per share & share data)	**June 30, 2020**	June 30, 2019	**June 30, 2020**	June 30, 2019
Petroleum and natural gas revenue	**24,200**	30,476	**73,310**	51,802
Cash provided by (used in) operating activities	**16,336**	(1,626)	**55,173**	18,584
Net income (loss)	**(23,169)**	1,733	**(40,435)**	737
Per share - diluted	**(0.12)**	0.01	**(0.21)**	0.00
Adjusted EBITDA(1)	**8,278**	16,344	**33,305**	25,925
Capital expenditures	**6,358**	61,251	**29,895**	107,340
Net debt(1)			**355,598**	258,537
Common shares outstanding				
Weighted average – basic	**187,615,253**	192,133,374	**188,276,150**	191,989,090
Weighted average – diluted	**187,615,253**	194,631,212	**188,276,150**	194,488,268
OPERATING				
Daily production volumes(2)				
Crude oil (Bbls/d)	**9,415**	4,447	**9,785**	4,020
Natural gas (Mcf/d)	**11,002**	4,470	**11,616**	4,680
Natural gas liquids (Bbls/d)	**2,043**	748	**2,062**	692
Barrels of oil equivalent (Boe/d)	**13,291**	5,940	**13,783**	5,493
Average realized prices				
Crude oil ($/Bbl)	**30.56**	76.48	**42.72**	70.99
Natural gas ($/Mcf)	**1.11**	2.35	**1.61**	3.04
Natural gas liquids ($/Bbl)	**2.47**	12.79	**5.17**	15.51
Operating netback ($/Boe) (1)				
Petroleum and natural gas revenue	**20.01**	56.38	**29.22**	52.13
Royalties	**(3.62)**	(11.20)	**(5.41)**	(10.22)
Realized gain on financial derivatives	**1.36**	-	**0.91**	-
Lease operating costs	**(5.44)**	(6.69)	**(5.23)**	(6.08)
Workover expense	**(0.35)**	0.25	**(0.52)**	(1.40)
Production taxes	**(1.72)**	(4.38)	**(2.44)**	(4.00)
Transportation expense	**(2.45)**	(2.14)	**(2.42)**	(2.03)
Operating netback(1)	**7.79**	32.22	**14.11**	28.40
Operating netback prior to hedging(1)	**6.43**	32.22	**13.20**	28.40

(1) See "*Non-IFRS Measures*" within this press release
(2) See "*Oil and Gas Advisories*" within this press release

MESSAGE TO SHAREHOLDERS

The impact of COVID-19 has created unprecedented conditions around the world. During this pandemic, PetroShale's main priority has been the health and safety of employees, stakeholders, and local communities, while ensuring business continuity. We implemented thorough sanitation processes within our office and field locations, adopted remote working protocols and have proactively developed corporate and field response plans to ensure all employees and contractors are protected. We are pleased to report that no incidents of COVID-19 have been reported among our team.

Production in the second quarter averaged 13,291 Boe/d, which was 7% lower than the previous quarter and reflects approximately 500 Boe/d of non-operated production that was shut-in by partners due to pricing, along with natural declines. Production held up well considering the significant amount of new production brought online in the preceding nine to twelve months.

The Company took steps to underpin cash flows and protect project economics from ongoing volatility and weakness in crude oil prices through a combination of cost reduction initiatives and hedging future oil prices. As a result of these hedges, we realized a gain of $1.7 million and $2.3 million for the second quarter and first half of 2020, respectively, which positively impacted our operating netbacks for both periods. We have also bolstered our hedging program for the remainder of 2020 and calendar 2021 to help protect future operating cash flows. We continue to look for opportunities to underpin cash flows and protect project economics through additional risk management and cost reduction.

In May 2020, the borrowing capacity of the Company's senior loan facility was maintained at US$177.5 million, reflecting the quality and resiliency of PetroShale's asset base. Our next borrowing base redetermination is scheduled for the fourth quarter of 2020. The Company intends to direct any free cash flow generated to debt repayment to further strengthen our financial position. PetroShale elected to pay our quarterly preferred share dividends due in May and August 2020 by utilizing the deferred dividend payment entitlement as a means of further conserving cash to reduce bank debt. Further details are located in our second quarter 2020 MD&A.

We effectively reduced per unit cash costs in the second quarter, as net G&A expenses totaled $0.95 per Boe, 52% lower than the second quarter of 2019 while operating expenses declined 31% to $7.51 per Boe. In addition, management elected to limit discretionary capital expenditures in order to conserve cash, investing only $6.4 million which was largely related to completion activities on 1.7 net non-operated wells and workover activities on several operated wells. We expect a limited capital program of approximately $7 to $9 million for the remainder of 2020, directed towards prudently sustaining production and maintaining the long-term integrity of the assets.

OUTLOOK

PetroShale's high-quality assets, cost-effective operations and risk management program position us well to manage through this period of commodity price volatility and continue to reduce our net debt balance, while managing production declines. Consistent with the Company's previous estimates, management anticipates 2020 production will average between 11,000 and 12,000 Boe/d (comprised of 7,800 – 8,500 bbls/d of oil, 1,550 – 1,700 bbls/d of NGLs and 9,900 – 10,800 mcf/d of natural gas). PetroShale will continue to focus on further streamlining per unit cash costs to optimize margins, increase operating efficiency and protect operating cash flows with commodity risk management contracts. For the balance of 2020, the Company has crude oil hedges on 4,000 Bbls/d in the third quarter and 5,000 Bbls/d in the fourth quarter. For 2021, the Company has hedged 5,500 Bbls/d. A complete list of contracts can be found within our second quarter 2020 MD&A.

In early July, a US court ordered that the Dakota Access Pipeline ("DAPL"), which has been operating safely and efficiently since mid-2017, be shut and emptied by its owner, Energy Transfer, until the US Army Corps of Engineers completes an environmental impact statement for a specific section of the pipeline. The DAPL currently transports approximately 570,000 Bbls/d from the Bakken to the Gulf Coast. In early August, the

DC Circuit Appeals Court granted a stay allowing DAPL to continue operating. However, if the DAPL is ordered to cease operations, which we believe would be an extreme event, there is sufficient excess rail capacity, along with capacity on other existing operating pipelines in the area, to transport all of the crude oil produced in the Bakken. Such a result may increase the differential between Bakken field price and WTI by between $2 to $5 per barrel.

While we cannot control the extent to which COVID-19, DAPL or other macro factors affect commodity prices, PetroShale remains focused on prudently managing those areas of our business that we control. We will continue to actively monitor market conditions and be prepared to respond as needed to protect the underlying value of our assets and our financial flexibility. The Company has 5.5 net drilled and uncompleted wells, which could be quickly and efficiently completed and placed into production should oil prices remain at current levels or improve.

Finally, I want to welcome Jake Roorda as our incoming CEO, and look forward to continued success under his leadership. His long-standing knowledge and contributions at the Board level will provide a seamless transition for the Company as we continue to execute our strategy, and I'm pleased to remain involved with PetroShale as a Board member.

I, and the Board, wish to thank all of our employees and stakeholders for your continued support and commitment during this unprecedented time, and we hope everyone remains healthy and safe.

((signed))

David Rain
Interim CEO and Director

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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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 anticipated average production rates for 2020; the Company's expectations on the continued availability of DAPL and other alternative transportation options and the potential affects on differentials; the potential for PetroShale to participate in further well completions once commodity prices improve; 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). 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 June 30, 2020 and for the three and six months ended June 30, 2020 – “Financial and Operational Highlights”.

Non-IFRS Measures:

Within this press release, references are made to “operating netback”, “operating netback prior to hedging”, “net debt” and “Adjusted EBITDA”, 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. Management believes that in addition to net income (loss) and cash flow from operating activities, operating netback and Adjusted EBITDA 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 June 30, 2020 and for the three and six months ended June 30, 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.**

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