

# PetroShale Announces First Quarter 2014 Results

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CALGARY, ALBERTA--(Marketwired - May 29, 2014) - [PetroShale Inc.](#) ("PetroShale" or the "Company") (TSX VENTURE:PSH)(OTCQX:PSHIF) is pleased to announce its financial and operating results for the quarter ended March 31, 2014. The Company's unaudited consolidated financial statements and corresponding Management's Discussion and Analysis (MD&A) for the three month period ended March 31, 2014, will be 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.

## Operating Highlights:

- Reported production for the quarter of 166 boe/d (Company interest, gross of royalty - 127 boe/d net of royalty interest), weighted 95% to light crude oil and liquids, a 34% increase over the same period in 2013.
- Including incremental production volumes from four (gross) new wells that came on-stream in February 2014 in the Company's Stockyard Creek asset, confirmed run-rate production through early May of approximately 300 boe/d (gross of royalty);
- In addition to the four (0.2 net) new wells brought onto production during the quarter, the Company drilled and is in various stages of completing an additional four (0.4 net) wells subsequent to the end of the quarter;
- Realized strong operating netbacks of \$54.22 per boe (Company interest, gross of royalty, and excluding the impact of hedging - \$71.14 per boe net of royalty interest and excluding hedging), which reflects the Company's high quality production, combined with a strong pricing environment and low operating expenses; and
- Continued to successfully execute on its aggressive acquisition strategy in North Dakota, closing three separate transactions during the period. These include an 18.75% Working Interest ("WI") in a proposed drilling unit in McKenzie County, an approximate 19% WI in a drilling unit in Williams County, as well as the acquisition of additional undeveloped land in Mountrail County through a Federal land sale. Subsequent to the end of the quarter, the Company closed on the acquisition of an additional 9.5% interest in two of its existing wells in Stockyard Creek, and acquired two additional acreage parcels in McKenzie County.

## Financial Highlights:

- Generated \$1.1 million in revenue net of royalties during the period, an increase of 47% over the same period in 2013, reflecting the substantial growth in the Company's assets;
- Enhanced ongoing financial flexibility to fund further acquisitions and capital programs by securing a subordinated loan facility provided by the Company's two largest shareholders. The facility was recently increased from \$20 million to \$30 million in capacity; and
- Subsequent to the end of the period, announced a private placement of up to 5 million common voting shares at a price of \$1.30 per share, for total gross proceeds of up to \$6.5 million. Proceeds will be used initially to repay outstanding debt. Completion of the private placement is subject to the approval of the TSX Venture Exchange.

## Results of Oil and Gas Activities

For the three months ended	March 31, 2014	March 31, 2013
Sales volumes		

Oil and natural gas liquids (Bbl/d)	159	117
Natural gas (Mcf/d)	41	41
Barrel of oil equivalent (Boe/d)	166	124
Barrel of oil equivalent, net of royalty (Boe/d)	127	96
Operating Netbacks (\$/Boe)		
Revenue	\$ 92.57	\$ 82.38
Royalties	(22.02 )	(18.50 )
Realized hedge loss	(0.54 )	-
Operating costs	(10.84 )	(18.50 )
Production taxes	(5.49 )	(2.23 )
Operating netback	\$ 53.68	\$ 43.15
Operating netback prior to hedging	\$ 54.22	\$ 43.15
Operating netback prior to hedging, on a net of royalty basis	\$ 71.14	\$ 55.65

Earnings before interest, taxes, depreciation and amortization (EBITDA) was \$204,000 for the three month period ended March 31, 2014 compared to \$141,000 for the quarter ended March 31, 2013. For the first quarter ended March 31, 2014 the Company reported a net loss of \$554,000 (\$0.02 per share), compared to a loss of \$17.4 million (\$0.60 per share) for the three month period ended March 31, 2013 (primarily due to an impairment charge taken in the prior period).

### Letter to shareholders:

The first three months of calendar 2014 coincide with PetroShale's first quarterly reporting period since changing our year end to December 31.

Through the first quarter, we continued to execute on our strategy of acquiring and consolidating working interests ("WI") in the most prolific and proven areas of the Williston Basin. In January 2014, we successfully acquired an 18.75% WI in a proposed drilling unit within the highly productive McKenzie County. This drilling unit has been spaced for 8 wells and will be operated by [EOG Resources Inc.](#), a leading and technically skilled operator in the North Dakota Bakken.

In February 2014, we followed up on that transaction with the purchase of acreage in Williams County, consisting of an approximately 19% WI in a drilling unit. Finally, through our participation in a Federal land sale, we successfully acquired additional prospective but undeveloped land in Mountrail County for US\$1.8 million. Subsequent to the end of the quarter, we purchased an additional working interest of approximately 9.5% in two of our existing wells in Stockyard Creek, and also acquired an interest in two additional acreage parcels in McKenzie County.

In May, 2014, we announced a private placement of up to 5 million common voting shares at a price of \$1.30 per share, to generate gross proceeds of up to \$6.5 million. Upon closing, which is anticipated in early June 2014, net proceeds will be used to repay a portion of outstanding debt. This, along with the extension of our subordinated loan facility, will provide PetroShale with enhanced financial flexibility as we continue to pursue acquisitions that add to our growing asset base in the North Dakota Bakken.

With our financial strength coupled with our business alliance with premier operator, Slawson Exploration Company Inc., we are well positioned to continue seeking strategic asset acquisitions in the Williston Basin that offer us the ability to grow organically through a high quality asset base. As drilling activity continues across our asset base through the balance of 2014, we expect to benefit from resulting increases in production, cash flow and booked reserves.

Thank you again for your interest in PetroShale, and we look forward to keeping our shareholders updated on our ongoing growth and expansion.

M. Bruce Chernoff

Executive Chairman and CEO

## About PetroShale

PetroShale is a growing oil company engaged in the acquisition and consolidation of interests in the most prolific and proven areas of the Williston Basin in North Dakota and Montana.

***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

Company interest means, in relation to the Company's interest in production and reserves, the Company's working interest (operating and non-operating) before the deduction of royalties payable and including such entity's royalty interest in production and reserves. Where volumes of reserves and production have been presented, they have been presented as company working interest, gross of royalties, except where otherwise noted. All operating netbacks referenced in this press release are Company working interest, except where otherwise noted. All dollar figures included herein are presented in Canadian dollars, unless otherwise noted.

Within this press release, references are made to terms commonly used in the oil and natural gas industry. The terms "netback", "operating netback" or "EBITDA" in this press release are not recognized measures under generally accepted accounting principles in Canada. PetroShale uses "netback" as a key performance indicator and it is used by the Company to evaluate the operating performance of its petroleum and natural gas assets and is determined by deducting royalties and production and operating expenses from petroleum and natural gas revenue. EBITDA means earnings before interest, taxes, depletion and depreciation, impairments, finance expense, foreign exchange gain or loss, share-based compensation and other non-cash charges to income. Management believes that in addition to net income (loss), operating netback and EBITDA are useful supplemental measures as they assist 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 determined in accordance with IFRS as an indication of our performance.

This press release contains forward-looking statements and forward-looking information (collectively "forward-looking information") within the meaning of applicable securities laws relating to aspects of management focus, objectives, strategies and business opportunities. Forward-looking information typically uses words such as "anticipate", "believe", "project", "expect", "goal", "plan", "intend" or similar words suggesting future outcomes, statements that actions, events or conditions "may", "would", "could" or "will" be taken or occur in the future. The forward-looking information is based on certain key expectations and assumptions made by the Company's management, including expectations and assumptions concerning prevailing commodity prices, exchange rates, interest rates, applicable royalty rates and tax laws; future production rates and estimates of operating costs; performance of existing and future wells; reserve and resource volumes; anticipated timing and results of capital expenditures; anticipated timing of the closing and the size of the private placement, and the use of proceeds therefrom; the success obtained in drilling new wells; the sufficiency of budgeted capital expenditures in carrying out planned activities; the timing, location and extent of future drilling operations; the state of the economy and the exploration and production business; results of operations; performance; 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; the Company's ability to access capital, and obtaining the necessary regulatory approvals, including the approval of the TSX Venture Exchange.

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. Since forward-looking information addresses future events and conditions, by its very nature they 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 that 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.

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.**

## Contact

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