

CALGARY, ALBERTA--(Marketwired - May 20, 2015) - [PetroShale Inc.](#) ("PetroShale" or the "Company") (TSX VENTURE:PSH) (OTCQX:PSHIF) is pleased to announce its financial and operating results for the first quarter ended March 31, 2015. The Company's unaudited consolidated financial statements and corresponding Management's Discussion and Analysis (MD&A) for the three month period ended March 31, 2015, 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.

#### Highlights:

- Reported record production of 757 boe/d (Company interest, gross of royalty) weighted 93% to light crude oil and liquids (587 boe/d net of royalty interest), an increase of 356% compared to the same period in 2014, and an increase of 46% over the previous quarter.
- Production is expected to increase through the second and third quarters of 2015 as a result of ongoing completions and tie-ins occurring through the current quarter, including commencement of production from 5 gross (1.3 net) wells completed in late 2014 and early 2015 as they are tied into gas processing infrastructure.
- Generated netbacks of \$22.60 per boe (Company interest, gross of royalty; \$28.98 per boe net of royalty interest) attributable to the high-quality and concentrated position of PetroShale's assets in the heart of the North Dakota Bakken / Three Forks play, where economics have remained strong despite the significant drop in oil prices.
- Completed several transactions during the quarter to continue expanding and enhancing the Company's asset base with a total of US\$9.1 million invested in capital additions. This included the acquisition of additional working interests in existing drilling spacing units and the extension of an existing lease, all situated within the Company's core focus area. PetroShale also participated in the drilling and completion of 47 gross (1.4 net) wells, 16 gross (0.8 net) wells of which were brought on-line during the quarter, contributing to the production volumes.
- To date in the second quarter, PetroShale has acquired an additional US\$4.8 million of new leases, mineral and working interests, and sold interests in 5 gross (1.3 net) drilling locations outside of our focus area for US\$1.0 million.
- As a result of the transactions completed year to date, PetroShale's proforma (effective December 31, 2014 - see table below) proved reserves increased 15% from year end 2014 to 7,599 mboe, and the estimated net present value (discounted at 10% -"NPV10") of proved reserves increased 14% to US\$116.3 million. Proforma proved plus probable reserves increased 10% to 11,265 mboe while the estimated NPV10 of proved plus probable reserves increased 11% to US\$157.3 million.
- Negotiated an increase in the borrowing base of its bank facility to US\$15.5 million and extended its renewal date to March 24, 2016, and increased the available capacity under the subordinated loan from US\$50.0 million to US\$60.0 million, subject to senior lender approval.

#### Results of Oil and Gas Activities

	March 31, 2015	March 31, 2014
For the three months ended		
Sales volumes		
Crude Oil (Bbl/d)	705	159
Natural gas (Mcf/d)	309	41
Barrel of oil equivalent (Boe/d)	757	166
Barrel of oil equivalent, net of royalty (Boe/d)	587	126
Operating Netbacks (\$/Boe)		
Revenue	\$ 44.07	\$ 92.57
Royalties	(9.88 )	(22.02 )
Realized loss on hedge	-	(0.54 )
Operating costs & production taxes	(11.59 )	(16.33 )
Operating netback	\$ 22.60	\$ 53.68
Operating netback prior to hedging	\$ 22.60	\$ 54.22
Operating netback prior to hedging, on a net of royalty basis	\$ 28.98	\$ 71.14

Earnings before interest, taxes, depreciation and amortization ("EBITDA") was \$928,000 for the three month period ended March 31, 2015 compared to \$204,000 for the same quarter in 2014, an increase of 355%. For the first quarter ended March 31, 2015 the Company reported a net loss of \$2,538,000 (\$0.07 per share), compared to a loss of \$554,000 (\$0.02 per share) for the first quarter in 2014.

#### Pro Forma U.S. Reserves Update Effective December 31, 2014:

The reserves data described herein as pro forma reflects an evaluation performed by NSAI of our United States assets as at

December 31, 2014, including a reserves evaluation prepared by Company management on those United States assets arising from acquisitions completed by PetroShale subsequent to December 31, 2014 (including those completed during the current quarter), all with an effective date of December 31, 2014. The reserves data has been prepared in accordance with the standards contained in the COGE Handbook and the reserve definitions contained in NI 51-101 and CSA 51-324 other than the fact that certain assets were not owned by PetroShale on December 31, 2014. No attempt was made to evaluate possible reserves.

	Proforma	AIF Disclosure
U.S. Reserves	December 31, 2014	December 31, 2014
Proved reserves <sup>(1)</sup> (mboe)	7,599	6,600
Proved NPV10 <sup>(2)</sup> (US\$MM)	\$116.3	\$102.1
Proved plus probable reserves <sup>(1)</sup> (mboe)	11,265	10,260
Proved plus probable NPV10 <sup>(2)</sup> (US\$MM)	\$157.3	\$142.0

(1) Based on working interest reserves after the deduction of any royalties and including any royalty interests payable to the Company. Reserves estimates related to additions subsequent to December 31, 2014 are based on PetroShale's internal evaluation and were prepared by a member of the Company's management who is a qualified reserves evaluator in accordance with National Instrument 51-101 effective December 31<sup>st</sup>, 2014.

(2) Before tax net present value based on a 10 percent discount rate and Netherland, Sewell & Associates, Inc. ("NSAI") December 31, 2014 forecast prices.

#### Message to Shareholders:

During the first quarter of 2015, PetroShale continued to enhance our asset base with acquisitions of additional working interests in existing drilling spacing units situated within the heart of the North Dakota Bakken / Three Forks. As a result of benchmark oil prices falling significantly since early in the fourth quarter of 2014, netbacks and capital investment in the oil and gas industry in general have declined substantially. Challenging market periods help demonstrate the strength of PetroShale's focused strategy. We have identified and targeted assets situated within the core of the North Dakota Bakken / Three Forks, chosen to partner only with premium operators, and as a result, continue to generate attractive netbacks while advancing our capital activities in a prudent manner.

We have seen meaningful pull backs in capital spending plans for 2015 by the major operators in the Williston Basin, which has resulted in lower drilling activity and as such, deferred growth. To offset some of this low price impact, North Dakota introduced a drilling tax incentive effective February 1, 2015. For wells completed between February 1, 2015 and July 1, 2015, the extraction taxes as a percent of revenue are reduced by 4.5%, limited to the lesser of the first 75,000 Bbls or 18 months of oil production. Once WTI benchmark prices average above US\$70 per barrel for one month, the incentive will be eliminated, but in the interim, we expect 1.2 of PetroShale's new net wells to realize this tax benefit.

Throughout the second quarter and into the third quarter, we are forecasting significant growth in net production, as new volumes come on-stream from wells that were completed and tied-in during the first quarter, including one new well (18.75% PetroShale interest) which is expected to be completed by late June 2015. We also have 5 gross (1.3 net) wells which we anticipate commencing production late in the second quarter.

As part of our ongoing strategy, we have taken steps to enhance our asset base, and since the end of 2014 we have acquired further lease, mineral and working interests in our core areas, including consolidation of interests in existing drilling spacing units. After the end of the first quarter, we successfully acquired US\$4.8 million of new lease acreage.

As a direct result of the transactions completed subsequent to year end 2014, we are very pleased to report further increases in our U.S. reserves and underlying NPV of those reserves. On a total proved basis, our reserves increased by 15% over year end 2014 to 7,599 mboe with an estimated NPV10 of US\$116.3 million. Proved plus probable reserves increased 10% to 11,265 mboe with an estimated NPV10 of US\$157.3 million. As our reserves, production and cash flow increase, we anticipate realizing greater financial flexibility and access to capital which will underpin our future growth.

Following the reporting of our reserves increase at year end 2014, PetroShale negotiated an increase in the borrowing base of its bank facility to US\$15.5 million and extended the renewal date to March 24, 2016. We also increased, subject to senior lender approval, the available capacity of our subordinated loan from US\$50.0 million to US\$60.0 million.

Although the industry is facing challenging conditions, we are encouraged with PetroShale's performance over the past few quarters. By deliberately targeting assets within the heart of the North Dakota Bakken / Three Forks, and partnering with the best operators, we are exposed to the highest quality, most economic assets within the play. We believe this will enable us to take advantage of the low oil price environment, by pursuing further acquisition and development opportunities in our core areas, while simultaneously benefiting from the production increases that we expect in the second and third quarters of 2015. We wish to thank all of our employees, directors and particularly our shareholders for your ongoing support of our strategy.

M. Bruce Chernoff, Executive Chairman and CEO

## About PetroShale

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

*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 IFRS and therefore may not be comparable to performance measures presented by others. 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, production taxes, and operating expenses from petroleum and natural gas revenue. EBITDA means net income (loss) before 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) and cash flow from (used in) operating activities, 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. More particularly and without limitation, this press release contains forward-looking information concerning: the timing of drilling, the timing of commencement and the amount of production; completion and tie-in of the Company's inventory of wells, and the related impact on the Company; the sufficiency of the Company's financial flexibility and capital requirements; the Company's growth and development plans outside and within its focus areas; the Company's participation in drilling opportunities; 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, 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; 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.

Statements relating to "reserves" are also deemed to be forward looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described exist in the quantities predicted or estimated and that the reserves can be profitably produced in the future.

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, 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.

### 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, 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.

This press release contains estimates of the net present value of the future net revenue from our reserves. Such amounts do not represent the fair market value of the reserves. There is no assurance that the forecast prices and cost assumptions will be attained and variances could be material. The recovery and reserve estimates of the crude oil, natural gas liquids and natural gas reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual crude oil, natural gas and natural gas liquids reserves may be greater than or less than the estimates provided herein.

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