PetroShale Announces Financial and Operating Results for Second Quarter 2018

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CALGARY, Aug. 28, 2018 - PetroShale Inc. ("PetroShale" or the "Company") (TSXV: PSH, OTCQX: PSHIF) is pleased announce its financial and operating results for the three and six month periods ending June 30, 2018.

The Company's unaudited consolidated financial statements and corresponding Management's Discussion and Analysi for the period will be available on SEDAR at www.sedar.com, on the OTCQX website at www.otcqx.com, and on Petro website at www.petroshaleinc.com. Copies of the materials can also be obtained upon request without charge by conta Company directly. Please note, currency figures presented herein are reflected in Canadian dollars, unless otherwise r

PetroShale recently announced a strategic acquisition of assets within our North Dakota Bakken core area for total con US$52.6 million (the "Acquisition"). The assets include three undeveloped drilling units that PetroShale will operate, ar enhancement of our drilling location inventory (increasing it by 14 net wells), a significant increase to our undeveloped l and 550 barrels of oil equivalent per day ("boepd") of light oil, low decline production (the "Acquired Assets"). A concur deal public equity financing and private placement financing (the "Equity Financings") closed on August 14, 2018, and r aggregate gross proceeds of $46 million and $12.5 million, respectively. Net proceeds from the Equity Financings, alon draw of US$10.5 million on the Company's credit facility, were used to fund the Acquisition. The Acquisition provides n benefits that we believe will position PetroShale for further production growth and enhanced sustainability.

HIGHLIGHTS

- Production averaged 6,350 boepd (89% liquids) in the second quarter, a 147% increase from the second quarter 92% higher than the first quarter 0f 2018.
- Revenue totaled $36.2 million, an increase of 242% over the second quarter of 2017, and 88% higher than the fir 2018, driven by both pricing increases and production growth.
- Adjusted EBITDA for the second quarter increased to $20.3 million, 347% higher than the second quarter of 2017 higher than the first quarter of 2018.
- Operating netback for the quarter, prior to the impact of hedging, was $40.95 per boe, an increase of 70% over th quarter of 2017.
- Capital expenditures of $77.8 million in the first half of 2018 were directed to participating in 7.0 net wells, and inc significant undeveloped land acquisition for US$17.9 million.
- The borrowing base under our senior credit facility increased to US$82.0 million based on the Company's year er reserves, and was further increased to US$92.0 million following closing of the Acquisition.

RESULTS OF OIL AND GAS ACTIVITIES

	Three months ended		Six months ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Sales volumes				
Crude Oil (Bbl/d)	4,765	1,910	3,777	2,281
Natural gas (Mcf/d)	4,327	2,415	3,005	2,039
NGLs (Bbl/d)	864	258	563	270
Barrel of oil equivalent (Boe/d)[1]	6,350	2,571	4,841	2,890
Operating Netbacks ($/Boe) [1]				
Revenue	$ 62.60	$ 45.24	$ 63.28	$ 49.02
Royalties	(11.98)	(9.53)	(12.12)	(10.30)
Realized loss on hedge	(3.48)	-	(3.54)	-
Operating costs	(3.72)	(7.01)	(3.87)	(6.35)
Production taxes	(4.95)	(3.42)	(4.97)	(3.69)
Transportation expense	(1.00)	(1.14)	(0.98)	(1.05)
Operating netback[2]	$ 37.47	$ 24.14	$ 37.80	$ 27.63
Operating netback prior to hedging[2]	$ 40.95	$ 24.14	$ 41.34	$ 27.63

[1] See "Oil and Gas Advisories".

[2] See "Non-GAAP Measures".

MESSAGE FROM THE CEO

PetroShale maintained its positive momentum through the second quarter of 2018, which contributed to an active and successful first half of the year. Our second quarter production increased 92% over the previous quarter and 147% over the same period in 2017. The significant increase reflects a full quarter's impact of new volumes from four (3.7 net) operated wells that were completed in the first quarter and the resumption of production from our first operated Primus '8H' well following a workover.

During the quarter we continued to focus on driving value through the development of our high-quality assets in the prolific South Berthold and Antelope areas. We invested $24.1 million in capital expenditures to participate in 14 gross (1.0 net) wells in various stages of completion and in the completion of four (1.6 net) non-operated wells that commenced production in July. In addition to our successful drilling and completion activity, we completed two acquisitions of additional high-quality acreage within South Berthold, the first of which closed during the first quarter and the second, described earlier as the Acquisition, that closed in August. The Acquisition increases PetroShale's existing undeveloped land position by over 34% and increases our inventory of low-risk infill drilling locations by 24%.

WTI benchmark prices continued to strengthen during the quarter and averaged just under $68 per barrel.

The improved price environment and increase in production volumes led to higher revenue, cash flow from operations and adjusted EBITDA in the second quarter of 2018 relative to the same period in 2017. Adjusted EBITDA for the quarter was $20.3 million, an increase of 347% over the second quarter of last year. Pre-hedging operating netbacks of $40.95 were 70% higher than the second quarter of 2017, reflecting higher oil and NGL pricing and reduced workover costs relative to 2017. PetroShale's operating costs in the second quarter were $3.72 per boe, a reduction of 47% from the second quarter of 2017 and 10% from the first quarter of 2018.

Following the recent growth in production, reserves and acreage, the borrowing capacity of our senior credit facility increased to US$82 million from US$50 million in July and further increased to US$92 million on closing of the Acquisition. Following the closing of the Acquisition and Equity Financings, we were drawn US$44 million on our credit facility, leaving US$48 million undrawn.

PetroShale's drilling, completions and acquisition activity during the first half of 2018 set the stage for an exciting second half of the year. We commenced a drilling program in the third quarter, and have completed drilling two wells and are now drilling a third well. Completion of these wells and the drilling of more wells is scheduled through the first quarter of 2019 as part of an ongoing development program where we expect results from these high-value opportunities to generate per share growth in production, reserves and EBITDA.

As always, we wish to thank all of PetroShale's employees, directors and shareholders for your continued support and look forward to updating you on our progress and achievements in the future.

((signed))

Mike Wood
President & CEO

About PetroShale

PetroShale is an 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

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 belief that the Acquisition provides numerous benefits that will position the Company for further production growth and enhanced sustainability, expected timing for the completion of certain wells and the timing for drilling of more wells in the first quarter of 2019 as part of the Company's ongoing development program and the Company's expectation that results from these high-value opportunities may generate per share growth in production, reserves and EBITDA; 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 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). 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", "operating netback prior to hedging" and "adjusted EBITDA", which are not recognized measures under IFRS and therefore may not be comparable to performance measures presented by others. Adjusted EBITDA represents cash flow from operating activities prior to changes in non-cash working capital. Operating netback represents revenue, plus or minus realized gain or loss on financial derivatives, less royalties, production taxes, operating costs and transportation expense, with the net amount 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. The Company believes that in addition to net income (loss) and cash flow from (used in) operating activities, adjusted 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 as determined in accordance with IFRS as an indication of our performance or value.

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 discloses a number of drilling locations related to the Acquisition and an increase in the Company's drilling locations (on a percentage basis) as a result of the Acquisition, which are based on two categories: (i) proved plus probable locations as at December 31, 2017; (ii) unbooked locations as at December 31, 2017; and (iii) proved and probable locations attributable to the Acquisition as at March 1, 2018. Proved plus probable drilling locations set forth herein (prior to the Acquisition) are based on the Company's most recent independent reserves evaluation as prepared by Netherland, Sewell and Associates, Inc. ("NSAI") as of December 31, 2017, updated for the acquisition of additional working interests in existing drilling spacing units ("DSUs") where drilling locations have been booked as proved and probable locations. Proved plus probable locations related to the Acquisition are derived from our internal reserves evaluation in respect of the Acquisition as prepared by a member of our management who is a qualified reserves evaluator in accordance with NI 51-101 effective March 1, 2018. Unbooked locations are internal estimates based on the Company's prospective acreage and an assumption as to the number of wells that can be drilled per section based on industry practice and internal review. Unbooked locations do not have attributed reserves or resources. Reflected in the drilling locations described herein, of the 488 gross (59.5 net) drilling locations identified herein on the Company's acreage (not including the Acquisition) on 880' spacing, 244 gross (37.2 net) are proved plus probable locations, and 244 gross (22.3 net) are unbooked locations.

Additionally, as it relates to the Acquisition, 19 gross (14.3 net) drilling locations have been ascribed on an 880' spacing basis, and all of such locations are proved plus probable locations. Unbooked locations have been identified by management as an estimation of our multi-year drilling activities based on evaluation of applicable geologic, seismic, engineering, production and reserves information. There is no certainty that the Company will drill any unbooked drilling locations and if drilled there is no certainty that such locations will result in additional oil and gas reserves, resources or production. The drilling locations on which we actually drill wells will ultimately depend upon the availability of capital, regulatory approvals, seasonal restrictions, oil and natural gas prices, costs, actual drilling results, additional reservoir information that is obtained and other factors. While certain of the unbooked drilling locations may have been de-risked by drilling existing wells in relative close proximity to such unbooked drilling locations, management has less certainty whether wells will be drilled in such locations and if drilled there is more uncertainty that such wells will result in additional oil and gas reserves, resources or production.

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

SOURCE PetroShale Inc.

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