

## **PETROSHALE ANNOUNCES SECOND QUARTER 2015 FINANCIAL AND OPERATING RESULTS AND SIGNIFICANT PRODUCTION INCREASE**

CALGARY, ALBERTA, August 14, 2015 – PetroShale Inc. ("PetroShale" or the "Company") (TSXV: PSH, OTCQX: PSHIF) is pleased to announce its financial and operating results for the second quarter ended June 30, 2015. The Company's unaudited consolidated financial statements and corresponding Management's Discussion and Analysis (MD&A) for the three and six month periods ended June 30, 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:**

- Earnings before interest, taxes, depletion and amortization ("EBITDA") was \$3.2 million for the three month period ended June 30, 2015 compared to \$824,000 for the same quarter in 2014, an increase of 290%;
- Production for the quarter reached a record 1,340 Boe/d (Company interest, gross of royalty - 1,039 Boe/d net of royalty interest), a 77% increase over the previous quarter and 350% higher than the same period in 2014. Production was weighted 93% to light crude oil and liquids;
- Increased production is primarily attributable to new volumes from 10 gross (0.4 net) wells completed in the quarter and 5 gross (1.3 net) wells that were drilled and completed previously and placed into production in June following tie-in to gas infrastructure;
- At the end of the quarter, PetroShale participated at an 18.75% working interest in a significant well completed on one of our non-operated properties which generated approximately 82,000 bbl of oil in its first 30 days of production;
- Drilling and acquisition activity during the quarter totalled US\$7.4 million, including the drilling and completion of 75 gross (0.8 net) wells and the acquisition of 420 net acres primarily located within the heart of the Company's Antelope and South Berthold core areas;
- PetroShale generated strong netbacks of \$32.08 per Boe (Company interest, gross of royalty; \$41.36 per Boe net of royalty interest) despite the challenging commodity price environment, primarily due to the high-quality and concentrated position of the Company's assets, coupled with a meaningful reduction in operating costs;
- During the quarter, the Company's independent reserves evaluator performed an updated evaluation of our US assets, reflecting a further expansion to management's pro forma estimates released in May, 2015. Relative to our year end December 31, 2014 reserve evaluation, total proved reserve volumes increased 22% to 8,038 mboe and the estimated NPV (discounted at 10% - "NPV10") increased 18% to \$121 million, while proved plus probable reserves increased 15% to 11,786 mboe and NPV10 increased 14% to \$161.5 million;
- As a result of acquiring incremental working interests in several existing drilling units coupled with the strong initial production results from several new wells, PetroShale successfully negotiated an increase

in the borrowing base of its bank facility to US\$22.5 million from US\$15.5 million, with an extension of the renewal date to July 16, 2016; and

- PetroShale successfully divested its Canadian working interest assets which were not core to our strategy and not material to our financial results.

#### Results of Oil and Gas Activities:

	Three months ended		Six months ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
<b>Sales volumes</b>				
Crude Oil (Bbl/d)	<b>1,248</b>	283	978	221
Natural gas (Mcf/d)	<b>551</b>	90	431	66
Barrel of oil equivalent (Boe/d)	<b>1,340</b>	298	1,050	233
Barrel of oil equivalent, net of royalty (Boe/d)	<b>1,039</b>	232	816	180
<b>Operating Netbacks (\$/Boe)</b>				
Revenue	\$ <b>56.39</b>	\$ 98.82	\$ <b>51.97</b>	\$ 96.52
Royalties	<b>(12.51)</b>	(21.79)	<b>(11.57)</b>	(21.86)
Realized loss on hedge	-	(0.70)	-	(0.64)
Operating costs & production taxes	<b>(11.80)</b>	(19.17)	<b>(11.73)</b>	(18.15)
Operating netback	\$ <b>32.08</b>	\$ 57.16	\$ <b>28.67</b>	\$ 55.87
Operating netback prior to hedging	\$ <b>32.08</b>	\$ 57.86	\$ <b>28.67</b>	\$ 56.51
Operating netback prior to hedging, on a net of royalty basis	\$ <b>41.36</b>	\$ 74.18	\$ <b>36.91</b>	\$ 73.12

#### Reserves Update Effective December 31, 2014:

PetroShale's May 20, 2015 press release included a pro forma reserves update comprising a reserves evaluation completed by Netherland, Sewell & Associates, Inc. ("NSAI") and a reserves evaluation prepared by Company management on US assets that were acquired subsequent to December 31, 2014. The new reserves figures outlined in the table below reflect a reserves evaluation completed by NSAI, and represent an increase to previously reported information.

This updated reserves data reflects an evaluation performed by NSAI of our United States assets, including assets acquired by PetroShale during the six months ended June 30, 2015, 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.

<b>U.S. Reserves</b>	<b>Updated December 31, 2014</b>	AIF Disclosure December 31, 2014
Proved reserves <sup>(1)</sup> (mboe)	<b>8,038</b>	6,600
Proved NPV10 <sup>(2)</sup> (US\$MM)	<b>\$121.0</b>	\$102.1
Proved plus probable reserves <sup>(1)</sup> (mboe)	<b>11,786</b>	10,260
Proved plus probable NPV10 <sup>(2)</sup> (US\$MM)	<b>\$161.5</b>	\$142.0

(1) Based on working interest reserves after the deduction of any royalties and including any royalty interests payable to the Company.

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

### **Message to Shareholders:**

PetroShale has remained focused on the execution of our strategy, and as such, has continued to post strong growth in production and reserves. We are well positioned to manage through periods of low oil prices because we have assembled an asset position concentrated in the heart of the prolific North Dakota Bakken and Three Forks play. Our recent well results have met or exceeded our expectations. Despite current low oil prices, we are generating positive cash flow and solid economic returns on new wells.

We are pleased to report a record level of production which averaged 1,340 Boe/d for the quarter, which was 77% higher than the previous quarter and 350% higher than the second quarter of 2014. This substantial growth stems from an active drilling and completion program in the quarter. We also realized production additions from 5 gross (1.3 net) wells that were drilled and completed previously and tied in to gas processing facilities in June.

At the end of the quarter, the Company participated at an 18.75% working interest in an industry record Bakken well completed by a large US based operator in the Antelope area. This well produced approximately 82,000 bbls of oil during its first 30 days. Currently, the associated gas production has not been tied into processing and transportation infrastructure. The Company's interest in this new well increases our productive capacity to approximately 2,000 Boe/d. Offsetting the impact of this well in the third quarter is downtime on several recently completed wells due to workover activity carried out by the operator, and a general pullback in production by another one of our operators given current low oil prices. We remain comfortable with the total current company production estimate we provided on June 24<sup>th</sup> of approximately 1,600 to 1,700 Boe/d.

The DSU on which this latest well was drilled is immediately adjacent to a DSU which PetroShale operates and has a 49% working interest in. The success of this non-operated well reinforces our view of the quality of our land base, and we are currently working on drilling plans for this operated DSU.

In addition to demonstrating growth in production, we are also pleased with the continued expansion of our reserves volumes and net present value, following the NSAI updated evaluation of our US assets. PetroShale's total proved and proved plus probable reserves increased 22% and 15%, respectively, while the related NPV10 values rose to \$121.0 million and \$161.5 million.

As a result of the success to date in 2015, we successfully negotiated an increase to the borrowing base of our bank facility to US\$22.5 million, with an extension of the renewal date to July 16, 2016. At the end of June, 2015 the facility was drawn to US\$15.2 million.

PetroShale further focused our asset base with the successful disposition of our non-core legacy Canadian working interest assets which did not fit our business strategy. PetroShale acquired additional leases totalling 420 acres, primarily situated in our core Antelope and South Berthold operating areas. Subsequent to the end of the quarter, we entered into an agreement to purchase additional lease interests in an existing drilling spacing unit that offers near term drilling activity plus approximately 50 Boe/d of existing production, for US\$6.6 million.

PetroShale continues to seek opportunities to enhance our asset base with additional land and working interest acquisitions which may be attractive in the current pricing environment. PetroShale is well positioned and has significant upside in its existing non-operated and operated land positions.

PetroShale is pleased to be participating and presenting at EnerCom's The Oil & Gas Conference® 2015 at 3:35pm MT on Monday August 17th, 2015 in Denver, CO at the Westin Hotel. A live and archived webcast of the presentation may be accessed commencing on the day of the presentation through the 'Presentations & Events' page on PetroShale's website at [www.petroshaleinc.com](http://www.petroshaleinc.com) or by clicking the following link: <http://www.oilandgas360.com/togc-webcast/psh/>.

We wish to thank all of our employees, directors and particularly our shareholders for your ongoing support of our strategy.

((signed))

M. Bruce Chernoff  
Executive Chairman 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**

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 and share-based compensation. 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 sufficiency of the Company's financial flexibility and capital requirements; the Company's growth and development plans; the Company's participation in drilling opportunities; the impact of changes to commodity prices and general industry economics; 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. 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. Forecast price assumptions used reflect NSAI December 31, 2014 forecast prices which are higher than current forward strip commodity prices. The December 31, 2014 NSAI forecast prices were used to facilitate a comparison to the reserves disclosure included in the Company’s AIF as at December 31, 2014. 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.