



PETROSHALE ANNOUNCES SIGNIFICANT PRODUCTION INCREASE

CALGARY, ALBERTA, January 16, 2017 – PetroShale Inc. ("PetroShale" or the "Company") (TSXV: PSH, OTCQX: PSHIF) is pleased to announce initial results from its first operated well (PetroShale "8H"), and its participation in three recently completed non-operated wells, all situated within the heart of the North Dakota Bakken / Three Forks play.

PetroShale's operated drilling spacing unit ("DSU"), in which PetroShale has a 73% working interest, is immediately adjacent to an industry record Bakken well completed in 2015 by EOG Resources ("EOG"). EOG's adjacent well, in which PetroShale has an 18.8% working interest, has produced over 635,000 boe during its first 18 months of production.

PetroShale's 8H operated well was completed and commenced production testing on December 31, 2016. The Company employed a high-intensity completion method, completing 30 fracture stages. The Company is pleased with initial well test production rates of 2,500 to 3,000 barrels of oil per day (bopd). The well continues to flow naturally, without artificial lift, and is currently stabilizing between 1,100 and 1,400 bopd (880 to 1,120 bopd net of royalty). The Company experienced mechanical issues with drilling out the stage packers after fracing and as such, the well is only producing from an estimated 9 of 30 stages. We will continue to produce the well and once downhole pressures have subsided we will evaluate drilling out the remaining packers to produce from more of the completed stages in the wellbore.

In addition, three non-operated wells were recently completed in a DSU operated by EOG in which PetroShale has a 24.7% working interest. The three non-operated wells are currently tied in and producing, in aggregate, approximately 5,600 bopd (1,400 bopd PetroShale working interest; 1,120 bopd net of royalty) from the Middle Bakken and Three Forks formations. Production from these wells is initially outperforming estimates reflected in our independent reserve report as at December 31, 2015 (the "Reserve Report").

The Company's current working interest production is approximately 4,000 boe/d, compared to an average of 1,540 boe/d in the third quarter of 2016. Production volumes are subject to fluctuation, as we clean up the 8H well and each of the new wells stabilizes, as well as natural declines.

The 8H well is the first horizontal well drilled on our operated DSU, and targeted the Middle Bakken. PetroShale currently has an additional 11 proved plus probable locations booked on this DSU in our Reserve Report based on 1,320 foot spacing.

PetroShale is very encouraged by the results from its first operated well, as well as its participation in the non-operated DSU within the core of the Company's land base, and significantly their longer-term impact on production, reserves and revenue growth potential for the Company.

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 production have been presented, they have been presented as company working interest, gross of royalties, except where otherwise noted. The Company's net of royalty production volume is the share of production to the Company after all burdens, such as royalties and overriding royalties, have been deducted from the Company's working interest.

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: intentions to complete clean-up operations on the Company's 8H well; estimated future development locations on the Company's operated drilling unit; and plans to further optimize the Company's operated well. 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.

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.

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.**

Any reference in this news release to initial, early and/or test or production/performance rates are useful in confirming the presence of hydrocarbons, however, such rates are not determinative of the rates at which such wells will continue production and decline thereafter. Additionally, such rates may also include recovered “load oil” fluids used in well completion stimulation. While encouraging, readers are cautioned not to place reliance on such rates in calculating the aggregate production for PetroShale. The initial production or test rates may be estimated based on other third party estimates or limited data available at this time. In all cases in this news release initial production or test rates are not necessarily indicative of long-term performance of the relevant well or fields or of ultimate recovery of hydrocarbons. Well-flow test result data should be considered to be preliminary until a pressure transient analysis and/or well-test interpretation has been carried out.

In this news release, PetroShale has provided certain information on the production rate of a well on properties adjacent to the Company’s acreage which is “analogous information” as defined by applicable securities laws. This analogous information is derived from publicly available information sources which the Company believes are predominantly independent in nature. Some of this data may not have been prepared by qualified reserves evaluators or auditors and the preparation of any estimates may not be in strict accordance with Canadian Oil & Gas Evaluation Handbook. Regardless, estimates by engineering and geotechnical practitioners may vary and the differences may be significant. PetroShale believes that the provision of this analogous information is relevant to PetroShale’s activities and forecasting, given its property ownership in the area; however, readers are cautioned that there is no certainty that the forecasts provided herein based on analogous information will be accurate.