

## **PETROSHALE ANNOUNCES FINANCIAL AND OPERATING RESULTS FOR FIRST QUARTER 2017**

CALGARY, ALBERTA, May 25, 2017 – PetroShale Inc. ("PetroShale" or the "Company") (TSXV: PSH, OTCQX: PSHIF) is pleased to announce its financial and operating results for the three month period ended March 31, 2017. The Company's unaudited consolidated financial statements and corresponding Management's Discussion and Analysis (MD&A) for the period 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. Please note, currency figures presented herein are reflected in Canadian dollars, unless otherwise noted.

### **HIGHLIGHTS:**

PetroShale continued to focus on developing its core land base in the North Dakota Bakken / Three Forks play. The Company achieved a significant increase in production as a result of its first operated well and participation in three recently completed non-operated wells. The Company's recent \$110 million equity financing is expected to allow PetroShale to continue to be aggressive in acquiring more undeveloped land and drilling locations in its core area, and increase production through additional drilling activity.

Since December 31, 2016, the Company:

- Achieved a significant increase in production to 3,213 boe/d, a 134% increase over the first quarter of 2016 and 73% higher than the fourth quarter of 2016.
- Generated operating netbacks of \$30.45 per boe, an increase of 128% from \$13.35 per boe in the same quarter of 2016, due to a combination of increased realized oil prices and decreased operating costs.
- Realized EBITDA of \$8.0 million in the first quarter of 2017, compared to \$0.9 million in the corresponding quarter of 2016.
- Closed an equity offering that was fully subscribed (including the full exercise of the over-allotment option) and generated gross proceeds of \$110 million.
- Increased the borrowing capacity under the Company's senior credit facility to US\$30.9 million, from US\$23.7 million, and extended the renewal date to February 28, 2018.

## RESULTS OF OIL AND GAS ACTIVITIES

	Three months ended	
	March 31, 2017	March 31, 2016
<b>Sales volumes</b>		
Crude Oil (Bbl/d)	2,655	1,194
Natural gas and NGLs (Mcf/d)	3,349	1,091
Barrel of oil equivalent (Boe/d) <sup>(1)</sup>	3,213	1,376
<b>Operating Netbacks (\$/Boe) <sup>(1)</sup></b>		
Revenue	\$ 52.48	\$ 31.98
Royalties	(10.92)	(6.57)
Operating costs	(7.20)	(9.58)
Production taxes	(3.91)	(2.48)
Operating netback	\$ 30.45	\$ 13.35
Operating netback, on a net of royalty basis	\$ 38.48	\$ 16.84

Note:

(1) See "Oil and Gas Advisory".

## MESSAGE FROM THE CEO

The beginning of 2017 has been one of the most significant periods in PetroShale's history with respect to execution of the Company's strategy. We realized a significant production increase following the successful drilling of our first operated well (73% working interest) in the Antelope area, and our \$110 million equity financing in April has substantially enhanced our liquidity.

As a result of the significant increase in production, we generated \$7.6 million in funds flow from operations and \$8.0 million of EBITDA in the first quarter, which are substantial increases over \$1.0 million and \$0.9 million, respectively in the same period of 2016.

Following completion of the equity financing, we have approximately US\$78 million of undrawn capacity under our credit facilities, affording PetroShale significant financial flexibility. We are seeking opportunities to enhance our high-quality asset base within our core area and look forward to converting more of our undeveloped acreage to production with additional drilling locations in 2017 and 2018.

Our first quarter 2017 operating netback of \$30.45 was positively impacted by the strengthening of the WTI benchmark price and a reduction in both operating expenses and Bakken price differentials. This netback demonstrates the quality of our acreage and drilling locations. In addition, our per boe G&A expenses were reduced by nearly half from Q1 2016 as a result of increased production and stable overhead costs. We are seeing WTI prices continue to fluctuate but we believe that our strong netbacks will continue to support economic development of our assets.

With the strengthening of our financial position, we intend to pursue operated positions in other drilling units in our core focus area. We continue to be encouraged by the proven ability of our assets to generate positive impacts on production, reserves and revenue growth.

We would like to thank PetroShale's employees, directors and shareholders for your continued support of our strategy and our Company, and we look forward to updating you on our progress and achievements.

((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**

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 expectation that its recent equity financing will allow PetroShale to continue to be aggressive in acquiring more undeveloped land and drilling locations in its core area, and increase production through additional drilling activity; the Company's intention to convert more undeveloped acreage to production with additional drilling locations in 2017 and 2018; the pursuit of operated positions in other drilling units in the Company's core focus area; PetroShale's intention to seek out land acquisition opportunities and to increase production through drilling activities; the Company's growth and development plans; 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](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.

#### **Non-GAAP Measures:**

Within this press release, references are made to “operating netback”, “EBITDA” and “funds flow from operations”, which are not recognized measures under IFRS and therefore may not be comparable to performance measures presented by others. EBITDA means net income (loss) before taxes, depletion and depreciation expense, exploration and evaluation expense, any impairments, finance expense, any gain or loss on property dispositions, foreign exchange gain or loss, share-based compensation expense and unrealized gain or loss on financial derivatives. Operating netback means revenue less royalties, production taxes and operating costs and has been presented on a per Boe basis. Management believes that in addition to net income (loss) and cash flow from (used in) operating activities, 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. Funds flow from operations is calculated based on cash flow from operating activities before changes in non-cash working capital and decommissioning expenditures. Management utilizes funds flow from operations as a key measure to assess the ability of the Company to finance operating activities, capital expenditures and debt repayments. 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 and consolidated assets as determined in accordance with IFRS as an indication of our performance or value.

#### **Oil and Gas Advisory:**

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 mbbbls refers to thousands of barrels of oil, and mmcf refers to millions of cubic feet of natural gas.**

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