PETROSHALE ANNOUNCES SECOND QUARTER 2021 FINANCIAL AND OPERATING RESULTS

CALGARY, ALBERTA, August 19, 2021 – PetroShale Inc. ("PetroShale" or the "Company") (TSXV: PSH, OTCQB: PSHIF) is pleased to announce our financial and operating results for the three and six month periods ended June 30, 2021.

The Company's unaudited interim consolidated financial statements and corresponding management's discussion and analysis (MD&A) for the period will be available on SEDAR at www.sedar.com, on the OTCQB website at www.otcmarkets.com, and on PetroShale's website at 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.

FINANCIAL AND OPERATING HIGHLIGHTS

- Production averaged 9,341 and 9,722 barrels of oil equivalent per day ("Boe/d") in the second quarter of 2021 and the first six months of the year, respectively, 30% lower than the same periods in 2020, reflecting the impact of limited capital investments, natural declines, and temporary production shut-ins following operated and non-operated well workover activity.
- Revenue from petroleum and natural gas sales totaled $44.9 million during the second quarter, representing an 85% increase over the same period in 2020, and increased 20% in the first half of 2021 over the same period in 2020 to $88.3 million. Significantly higher realized prices across all product types supported the revenue increases.
- Adjusted EBITDA[1] grew 67% to $13.9 million ($0.034 per fully diluted share) in the second quarter of 2021 as compared to the same period in 2020, largely due to improved commodity prices. Adjusted EBITDA[1] totalled $28.9 million ($0.08 per fully diluted share) in the first half of the year.
- Net income totaled $3.6 million ($0.01 per fully diluted share) in the second quarter of 2021 compared to a net loss of $23.2 million ($0.12 per fully diluted share) during the same period of the prior year, reflecting increased petroleum and natural gas sales, reduced expenses, and a $22.1 million impairment recovery, offset by realized and unrealized losses on financial derivatives. In the first six months of 2021, PetroShale recorded a net loss of $40.8 million compared to a $40.4 million net loss in the same period of 2020.
- Operating netback prior to hedging[1] increased 365% to $29.87 per Boe in the second quarter of 2021 and was $28.19 per Boe in the first six months of the year; the increases are attributable to higher revenue per Boe, partially offset by increased royalties, and higher production taxes.
- Net debt[1] of $182.4 million at June 30, 2021 declined approximately $144.6 million relative to year end 2020, primarily due to the closing of the transformative recapitalization transaction (the "Transaction") in the second quarter which reduced net debt and enhanced financial flexibility, as described more fully in PetroShale's MD&A.

[1] See "Non-IFRS Measures" within this press release.

- Net capital expenditures in the period were $10.6 million, fully funded from operating cash flows, and were largely directed to the completion of operated and non-operated wells, workover activities on operated and non-operated wells, and facility expansions. With the strengthening commodity markets to date in 2021, the Company anticipates resuming capital activity but at a level considerably lower than in 2019. The Company recently completed two operated wells (1.24 net) in late June, and has plans to participate in further completions of non-operated wells and new drilling activities in the second half of 2021.
- Operating expenses per Boe, net of production taxes, totalled $7.28 and $7.03 in the second quarter of 2021 and the first half of the year, respectively. These unit cost increases reflect the Company's lower capital activity levels in the past 18 months and the resulting decline in production per well, and are expected to improve with the increased completion and drilling levels planned. Transportation expenses of $1.85 per Boe in the second quarter declined by 25% over the same period of 2020 as a result of lower production volumes.

FINANCIAL & OPERATING REVIEW

	Three months ended		**Six months ended**	
FINANCIAL (in thousands, except per share & share data)	**June 30, 2021**	June 30, 2020	**June 30, 2021**	June 30, 2020
Petroleum and natural gas revenue	**44,854**	24,200	**88,259**	73,310
Cash provided by (used in) operating activities	**15,005**	16,336	**30,898**	55,173
Net income (loss)	**3,578**	(23,169)	**(40,846)**	(40,435)
Per share - diluted	**0.01**	(0.12)	**(0.12)**	(0.21)
Adjusted EBITDA(1)	**13,851**	8,278	**28,918**	33,305
Capital expenditures, net	**10,586**	6,358	**12,713**	29,895
Net debt(1)			**182,350**	355,598
Common shares outstanding				
Weighted average – basic	**491,794,606**	187,615,253	**341,001,738**	188,276,150
Weighted average – diluted	**506,621,797**	190,001,720	**349,762,504**	190,662,617

(1) See "Non-IFRS Measures" within this press release.

OPERATING	**Three months ended**		**Six months ended**	
Daily production volumes(2)	**June 30, 2021**	June 30, 2020	**June 30, 2021**	June 30, 2020
Tight oil (Bbl/d)	**5,856**	9,415	**6,114**	9,785
Shale gas (Mcf/d)	**10,613**	11,002	**10,948**	11,616
NGLs (Bbl/d)	**1,716**	2,043	**1,783**	2,062
Barrels of oil equivalent (Boe/d)	**9,341**	13,292	**9,722**	13,783
Average realized prices(2)				
Tight oil ($/Bbl)	**80.18**	30.56	**74.59**	42.72
Shale gas ($/Mcf)	**3.05**	1.11	**3.61**	1.61
NGLs ($/Bbl)	**25.62**	2.47	**25.68**	5.17

Operating netback ($/Boe) [1]	**June 30, 2021**	June 30, 2020	**June 30, 2021**	June 30, 2020
Revenue	**52.77**	20.01	**50.15**	29.22
Royalties	**(9.76)**	(3.62)	**(9.23)**	(5.41)
Realized gain (loss) on derivatives	**(12.31)**	1.36	**(10.11)**	0.91
Lease operating costs	**(6.13)**	(5.44)	**(5.76)**	(5.23)
Workover expense	**(1.15)**	(0.35)	**(1.27)**	(0.52)
Production taxes	**(4.01)**	(1.72)	**(3.68)**	(2.44)
Transportation expense	**(1.85)**	(2.45)	**(2.02)**	(2.42)
Operating netback[1]	**17.56**	7.79	**18.08**	14.11
Operating netback prior to hedging[1]	**29.87**	6.43	**28.19**	13.20

(1) See "Non-IFRS Measures" within this press release.

(2) See "*Oil and Gas Advisories"* within this press release

MESSAGE TO SHAREHOLDERS

In the second quarter of 2021, PetroShale benefitted from positive momentum in both short and long-term fundamentals for crude oil and natural gas, with continued stability returning to global commodity markets as worldwide COVID-19 vaccination efforts facilitated a partial return to normality. Improved benchmark prices supported the generation of higher petroleum and natural gas revenue for PetroShale, which increased 85% over the second quarter of 2020, while operating netbacks before hedging[2] improved 365% to average $29.87 per Boe.

Our Q2 2021 production averaged 9,341 Boe/d and 9,722 Boe/d in the first half of the year which supported cash flow from operating activities of $15.0 million and $30.9 million for the same respective periods. The majority of new wells brought online in the second quarter of 2021 did not commence production until the end of the period, resulting in only a partial contribution to the period average. These new volumes along with new wells successfully completed in July 2021 will support production moving into the second half of 2021.

We continued to prudently invest capital during the quarter, with net expenditures of $10.6 million fully funded by internal cash flows. PetroShale successfully brought onstream two (1.2 net) operated wells that were drilled and uncompleted ("DUCs"), with production from those wells exceeding expectations. In addition, late in the quarter through early July, PetroShale commenced completion activities on 4.2 net non-operated wells which are anticipated to commence production later in the third quarter.

The closing of our Transaction, combined with the financial and operating successes we realized during the second quarter of this year, have enabled PetroShale to reduce net debt[2] by approximately $144.6 million relative to year end 2020, resulting in net debt[2] of $182.4 million at June 30, 2021. The significantly improved and simplified balance sheet allows for superior financial flexibility as we emerge from a period of extreme volatility linked to the COVID-19 pandemic.

[2] See "Non-IFRS Measures" within this press release.

Consistent with our historical practices, PetroShale remains committed to upholding our responsible environmental, social and governance ("ESG") principles, which contribute to a strong safety track record and have helped to drive improved environmental performance. We will actively identify and apply new operational efficiencies as we develop our high-quality asset base while constantly evaluating opportunities that can further strengthen the balance sheet.

OUTLOOK

Over the past 12 months, PetroShale has strategically repositioned the Company to capture value from our assets while building for long-term sustainability. When combined with our proven North Dakota Bakken strategy, lean corporate structure and efficient operations, the Company is entering a highly opportunistic period for our strategy that is focused in the heart of the North Dakota Bakken light oil play. Looking ahead to the second half of 2021, in light of current strong commodity prices, we are targeting continued development through the prudent allocation of additional capital based on project economics, payback and the potential for free cash flow generation.

To facilitate the allocation of additional capital and certain operational logistics, management has opted to accelerate $20 million of capital spending from 2022 into the latter part of 2021, resulting in a revision of our prior guidance of 2021 capital from $50-$60 million to $70-$75 million. As part of the expanded capital program, preparation is underway for the drilling of 4.9 net operated wells at our Anderson and Explorer properties, which are expected to bolster production volumes through the fourth quarter of 2021 and the first quarter of 2022.

This acceleration of capital will result in increased production in early 2022 than previously planned, setting the stage for new volumes to come on-stream into a favourable forecast pricing environment, and will support our long-term strategy of building shareholder value by enhancing free cash flow and increasing asset value. This timing results in expected average annual 2021 production remaining between 10,500 Boe/d and 11,500 Boe/d[3], but increases our 2021 exit rate and production in 2022. Management anticipates the increase in capital spending to be largely within operating cash flow for 2021, but the increased production will significantly enhance free cash flow in 2022.

As part of our ongoing efforts to protect future cash flows, we had previously entered into hedging contracts designed to provide stability and further mitigate the effects of potential market volatility during 2021 and 2022. We currently have crude oil hedges on a total of 5,500 Bbls/d of production through to the fourth quarter of 2021 in the form of three-way collars, and on an average of 2,000 Bbls/d of production from the first quarter of 2022 to the fourth quarter of 2022 between various swaps and collar contracts. A complete list of volumes by contract type can be found within our second quarter 2021 MD&A. We will continue to look for opportunities to further secure our financial structure with additional hedging.

Building on the operational momentum generated in the first six months of this year, we look forward to reporting to our stakeholders on the continued execution of our strategy. We wish to thank all of PetroShale's employees, directors and shareholders for their continued support.

About PetroShale

PetroShale is an oil company engaged in the acquisition, development and production of high-quality oil-weighted assets in the North Dakota Bakken / Three Forks.

---

[3] 2021 forecast volumes are comprised of 65%-68% of tight oil, 15%-18% of natural gas liquids and 15%-18% shale gas.

For more information, please contact:

PetroShale Inc.
Jacob Roorda, President and CEO
Scott Pittman, Chief Financial Officer
Phone: 303.297.1407
Email: Info@PetroShaleInc.com
www.petroshaleinc.com

or

Cindy Gray
5 Quarters Investor Relations, Inc.
Phone: 403.231.4372
Email: info@5qir.com

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 expectations: that PetroShale will continue to focus on further streamlining per unit cash costs to optimize margins, the Company's anticipated capital spending for full year 2021, and the remainder of the year; the Company's next borrowing base review, the Company's intention to direct any free cash flow to debt reduction; the Company's intention to prioritize managing capital expenditures in accordance with the broader commodity price environment and the expectation of a limited capital program, directed primarily towards sustaining production and maintaining the long-term integrity of the Company's assets; the Company's anticipated average production rates for 2021; the Company's expectations on the continued availability of DAPL and other alternative transportation options and the potential affects on differentials; PetroShale's liquidity for the coming year; 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, weather, regulatory approvals, liquidity, Bakken oil differentials (including as a result of any interruptions from DAPL or otherwise), the ability of the Company to transport its production through DAPL or other forms of transportation (and the continued availability and capacity of such transportation means); the Company's lenders willingness to maintain the Company's borrowing capacity; activities by third party operators; exchange rates, interest rates, applicable royalty rates and tax laws; future production rates and estimates of operating costs; performance of existing and future wells; plant turnaround times and continued rail service to transport products; reserve volumes; business prospects and opportunities; the future trading price of the Company's shares; 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 (including its senior credit facility).

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.

All references herein to fully diluted share basis is based upon the weighted average number of fully diluted shares as disclosed in the Company's Management & Discussion Analysis as at June 30, 2021 and for the three and six months ended June 30, 2021 and 2020 – "Financial and Operational Highlights".

This news release contains future oriented financial information and financial outlook information (together, "FOFI") about the Company's prospective results of operations, including generating free cash flow in 2021 or 2022, which is subject to the same assumptions, risk factors, limitations and qualifications as set forth above as well as the following additional assumptions: annual average production rates in 2021 of between 10,500 and 11,500 Boe/d, $60.00 WTI, Bakken differential of US$3.00, and US$1 = C$1.25. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on FOFI. The Company's actual results, performance or achievement could differ materially from those expressed in or implied by these FOFI, or is any of them do so, what benefits the Company will derive therefrom. Such financial outlook or future oriented financial information is provided for the purpose of providing information about management's reasonable expectations as to the anticipated results of its proposed business activities in the future. The Company disclaims any intention or obligation to update or revise any FOFI statements, whether as a result of new information, future events or otherwise, except as required by law.

Non-IFRS Measures:

Within this press release, references are made to "operating netback", "operating netback prior to hedging", "net debt", "Adjusted EBITDA" and "free cash flow", which are not defined by IFRS and therefore may not be comparable to performance measures presented by others. Operating netback represents revenue, plus or minus any realized gain or loss on financial derivatives less royalties, production taxes, operating costs and transportation expense. The operating netback is then 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. Net debt represents total liabilities, excluding decommissioning obligation, lease liabilities and any financial derivative liability, less current assets. Adjusted EBITDA represents cash flow from operating activities prior to changes in non-cash working capital. The Company believes that Adjusted EBITDA provides useful information to the reader in that it measures the Company's ability to generate funds to service its debt and other obligations and to fund its operations, without the impact of changes in non-cash working capital which can vary based solely on timing of settlement of accounts receivable and accounts payable. Free cash flow is a non-IFRS measure which should not be considered an alternative to, or more meaningful than, cash flow from operating activities as determined in accordance with IFRS. Free cash flow is presented to assist management and investors in analyzing performance by the Company as a measure of financial liquidity and the capacity of the Company to repay debt and pursue other corporate objectives. Free cash flow equals cash flow from operating activities less capital expenditures. Management believes that in addition to net income (loss) and cash flow from operating activities, operating netback, Adjusted EBITDA and free cash flow are useful supplemental measures as they assist in the determination of the Company's operating performance, leverage and liquidity. Operating netback is commonly used by investors to assess performance of oil and gas properties and the possible impact of future commodity price changes on energy producers. Investors should be cautioned, however, that these measures should not be construed as an alternative to either net income (loss) or cash flow from operating activities, which are determined in accordance with IFRS, as indicators of the Company's performance.

The reconciliation between Adjusted EBITDA and cash flow from operating activities, and the calculation of net debt, can be found within the Company's second quarter 2021 MD&A and financial statements for the three and six months ended June 30, 2021 and 2020.

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, Mmboe refers to millions of barrels of oil equivalent.**

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