

PetroShale Announces Third Quarter 2014 Financial and Operating Results, Strategic Acquisitions and Increase to Loan Facility

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CALGARY, ALBERTA--(Marketwired - Nov 17, 2014) - [PetroShale Inc.](#) ("PetroShale" or the "Company") (TSX VENTURE:PSH) (OTCQX:PSHIF) is pleased to announce its financial and operating results for the third quarter ended September 30, 2014. The Company's unaudited consolidated financial statements and corresponding Management's Discussion and Analysis (MD&A) for the three and nine month periods ended September 30, 2014, are available on SEDAR at www.sedar.com, on the OTCQX website at www.otcqx.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.

Q3 Highlights:

- Reported production for the quarter of 248 boe/d (Company interest, gross of royalty) weighted 97% to light crude oil and liquids (195 boe/d net of royalty interest);
- Realized strong operating netbacks of \$53.43 per boe (Company interest, gross of royalty; \$67.85 per boe net of royalty interest, each excluding the impact of hedging), reflecting the Company's high-quality, light oil weighted asset base.
- Showed strong production growth by generating \$1.6 million in revenue net of royalties during the period, a 21% increase over the same period in 2013.
- Successfully expanded the Company's asset base through numerous consolidation transactions in the quarter, investing a total of U.S.\$13.3 million in lease, mineral and working interest acquisitions.
- Engaged in an active drilling program during the quarter, that featured drilling and development capital investment of U.S.\$10.7 million.
- Currently, PetroShale is participating in 26 gross (2.2 net) wells that are in the process of being either drilled or completed and are expected to positively impact production in the first and second quarter of 2015.
- Increased the capacity of the subordinated loan facility provided by the Company's two largest shareholders from U.S.\$30 million to U.S.\$50 million, on existing terms.
- Successfully replaced its existing senior loan facility with a new senior, revolving credit facility from a Canadian bank with a borrowing base of U.S.\$10.0 million, which, along with the expansion of the subordinated loan facility, enhances PetroShale's financial flexibility to continue the development and expansion of its activities in North Dakota.
- Continued focus on building the Company's core North Dakota asset base by completing several purchases of high quality mineral leases, as well as additional working interests in wells that were at various stages of drilling.

Results of Oil and Gas Activities

For the three months ended	September 30, 2014	September 30, 2013
Sales volumes		
Oil and natural gas liquids (Bbl/d)	240	172
Natural gas (Mcf/d)	47	146
Barrel of oil equivalent (Boe/d)	248	196
Barrel of oil equivalent, net of royalty (Boe/d)	195	157
Operating Netbacks (\$/Boe)		
Revenue	\$ 91.40	\$ 94.28
Royalties	(19.38)	(18.87)
Realized hedge loss	(1.14)	-
Operating costs	(10.74)	(9.57)

Production taxes	(7.85)	(4.92)
Operating netback	\$ 52.29	\$ 60.92
Operating netback prior to hedging	\$ 53.43	\$ 60.92
Operating netback prior to hedging, on a net of royalty basis	\$ 67.85	\$ 76.16

Earnings before interest, taxes, depreciation and amortization ("EBITDA") was \$649,000 for the three month period ended September 30, 2014 compared to \$617,000 for the quarter ended September 30, 2013, an increase of 5%. For the third quarter ended September 30, 2014 the Company reported a net loss of \$892,000 (\$0.03 per share), compared to a loss of \$87,000 (\$0.00 per share) for the three month period ended September 30, 2013.

Message to Shareholders:

Through the end of the third quarter of 2014, PetroShale has been focused on growing and expanding our assets through a combination of quality consolidation acquisitions coupled with high-impact, targeted drilling in the heart of the North Dakota Bakken.

In the first nine months of 2014, PetroShale invested an aggregate of U.S.\$26.7 million to close more than 21 acquisitions in North Dakota with \$13.3 million of that expended in the third quarter. These transactions added further oil and gas leases in McKenzie, Williams and Mountrail counties, providing existing or potential working interests in multiple drilling spacing units ("DSUs"), with associated proved undeveloped or probable reserves. PetroShale also purchased working interests in wells at varying stages of drilling, and assumed the related capital obligations to conclude drilling and completion of those wells. Within this expanded asset base, PetroShale continues to identify and participate in attractive drilling opportunities with top tier operators and prudently invest our capital in high-quality drilling locations.

During the third quarter, we executed the largest North Dakota Bakken drilling program in PetroShale's history, with U.S.\$10.7 million directed to drilling and completions. In undertaking this program, we allocated capital across our core area, where analogous wells have shown very strong initial production rates, quick well payouts and attractive rates of return. We are currently drilling or completing 26 gross (2.2 net) wells, which we anticipate will have positive impacts on our production and revenue in the first and second quarter of 2015.

In light of the broader market and commodity price volatility experienced late in the third quarter and into the fourth quarter, the importance of balance sheet strength and financial flexibility for oil and gas companies continues to be an important consideration. PetroShale is well positioned to meet our anticipated capital expenditures over the next 12 months, as a result of our U.S.\$50 million subordinated loan facility (with undrawn capacity of U.S.\$20.5 million at the end of the third quarter) coupled with our U.S.\$10 million senior credit facility (with undrawn capacity of U.S.\$7.0 million at September 30, 2014). With continued drilling, production and reserves growth, we anticipate being able to enhance this flexibility over time as the strength and magnitude of the assets grows.

Going forward, PetroShale plans to continue to grow organically through our strategic alliance with Slawson Exploration Company Inc. and pursue further drilling on our existing assets. In addition to developing the leases and DSU's that are already within our portfolio, we will continue to review potential acquisitions that fit with our objective of focusing on high-impact, high-quality acreage in the heart of the North Dakota Bakken. We believe the current weakness in commodity prices will provide opportunities for further acquisitions.

PetroShale is well positioned for growth due to our financial flexibility and strategy to focus on developing the best parts of the play. Based on this foundation and current drilling activities PetroShale is excited for our growth prospects for 2015 and beyond.

M. Bruce Chernoff, Executive Chairman and CEO

About PetroShale

PetroShale is a growing oil company engaged in the acquisition, development and consolidation of interests

in the most prolific areas of the North Dakota Bakken.

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

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, share-based compensation and other non-cash charges to income. 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 timing of drilling and completion of the Company's inventory of wells, the impact of the well on the Company; the sufficiency of the Company's financial flexibility and capital requirements; the Company's growth and development plans outside and within its focus areas; the Company's participation in drilling opportunities; 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. Since forward-looking information addresses future events and conditions, by its very nature they 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, 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. 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.

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