

Petroshale Announces Closing of Strategic Acquisition

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CALGARY, Aug. 17, 2018 - [PetroShale Inc.](#) ("PetroShale" or the "Company") (TSXV: PSH, OTCQX: PSHIF) is pleased to confirm the closing of our previously announced acquisition of high quality, light oil-weighted assets situated in our South Berthold core focus area in the North Dakota Bakken (the "Acquisition"). Total cash consideration for the Acquisition was US\$52.6 million, after closing adjustments.

The Acquisition includes approximately 550 barrels of oil equivalent per day ("boepd") (~90% light oil and liquids) of low decline production, as well as significant working interests in three primarily undeveloped drilling units which will be operated by PetroShale. The Acquisition increases our inventory of low-risk, infill drilling locations by 24%, and our undeveloped land position by over 34%.

The Acquisition was funded from a \$46 million bought deal public offering of subscription receipts (which included full exercise of the over-allotment option), a \$12.5 million concurrent non-brokered private placement of subscription receipts (collectively, the "Equity Financings") and a US\$10.5 million draw on the Company's senior credit facility. The Equity Financings closed in escrow on August 14, 2018 and following the closing of the Acquisition, the funds were released to the Company and an aggregate of 31,622,205 common shares were issued upon the conversion of the subscription receipts issued pursuant to the Equity Financings. Haywood Securities Inc. acted as financial advisor to PetroShale in connection with the Acquisition.

On closing of the Acquisition, PetroShale's borrowing base under its senior credit facility increased from US\$82 million to US\$92 million, affording the Company approximately US\$48 million of undrawn capacity and significant financial flexibility to execute on our ongoing capital program.

This press release is not an offer of the securities for sale in the United States. The securities may not be offered or sold in the United States absent registration or an exemption from registration. The securities will not be publicly offered in the United States. The securities have not been and will not be registered under the U.S. Securities Act, or any state securities laws.

About PetroShale

PetroShale is an oil company engaged in the acquisition, development and consolidation of interests in the North Dakota Bakken / Three Forks.

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.

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Forward Looking Statements

This press release contains forward-looking statements and forward-looking information (collectively "forward-looking information") within the meaning of applicable securities laws relating to the Company's inventory of drilling locations, the ability of the Company to sustain production at higher levels going forward, the expectation for sufficient undrawn capacity under the Company's credit facility, the Company having financial flexibility to execute on its ongoing capital program and other matters ancillary or incidental to the foregoing.

Forward-looking information typically uses words such as "anticipate", "believe", "project", "target", "guidance", "expect", "goal", "plan", "intend" or similar words suggesting future outcomes, statements that actions, events or conditions "may", "would", "could" or "will" be taken or occur in the future. The forward-looking information is based on certain key expectations and assumptions made by PetroShale's

management, including expectations concerning prevailing commodity prices, exchange rates, interest rates, applicable royalty rates and tax laws; capital efficiencies; decline rates; future production rates and estimates of operating costs; performance of existing and future wells; reserve and resource volumes; anticipated timing and results of capital expenditures; the success obtained in drilling new wells; the sufficiency of budgeted capital expenditures in carrying out planned activities; the timing, location and extent of future drilling operations; the state of the economy and the exploration and production business; results of operations; performance; business prospects and opportunities; the availability and cost of financing, labour and services; the impact of increasing competition; ability to market oil and natural gas successfully; PetroShale's ability to access capital and the continued availability of the Company's credit facility in the amounts expected.

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 PetroShale 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 that the Company will derive therefrom, including the anticipated benefits of the Acquisition may not be realized. Management has included the above summary of assumptions and risks related to forward-looking information provided in this press release in order to provide securityholders with a more complete perspective on PetroShale's future operations and such information may not be appropriate for other purposes.

Barrel of oil equivalents or BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcf: 1 bbl 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 of 6 Mcf: 1 bbl may be a misleading indication of value. This press release discloses an increase in drilling locations (on a percentage basis) which are based two categories: (i) proved and probable locations; and (ii) unbooked locations as at December 31, 2017 and pro-forma the Acquisition as at March 1, 2018. Proved plus probable drilling locations set forth herein are based on the Company's most recent independent reserves evaluation as prepared by Netherland, Sewell and Associates, Inc. ("NSAI") as of December 31, 2017, updated for the acquisition of additional working interests in existing drilling spacing units ("DSUs") where drilling locations have been booked as proved and probable locations. Proved plus probable locations related to the Acquisition are derived from our internal reserves evaluation in respect of the Acquisition as prepared by a member of our management who is a qualified reserves evaluator in accordance with NI 51-101 effective March 1, 2018. Unbooked locations are internal estimates based on the Company's prospective acreage and an assumption as to the number of wells that can be drilled per section based on industry practice and internal review. Unbooked locations do not have attributed reserves or resources. Reflected in the drilling locations described herein, 488 gross (59.5 net) drilling locations identified herein on the Company's current acreage (not including the Acquisition) on 880' spacing, 244 gross (37.2 net) are proved plus probable locations, and 244 gross (22.3 net) are unbooked locations. Additionally, as it relates the Acquisition, 19 gross (14.3 net) drilling have been ascribed on an 880' spacing basis, and all of such locations are proved and probable locations. Unbooked locations have been identified by management as an estimation of our multi-year drilling activities based on evaluation of applicable geologic, seismic, engineering, production and reserves information. There is no certainty that the Company will drill any unbooked drilling locations and if drilled there is no certainty that such locations will result in additional oil and gas reserves, resources or production. The drilling locations on which we actually drill wells will ultimately depend upon the availability of capital, regulatory approvals, seasonal restrictions, oil and natural gas prices, costs, actual drilling results, additional reservoir information that is obtained and other factors. While certain of the unbooked drilling locations may have been de-risked by drilling existing wells in relative close proximity to such unbooked drilling locations, management has less certainty whether wells will be drilled in such locations and if drilled there is more uncertainty that such wells will result in additional oil and gas reserves, resources or production.

Readers are cautioned that the foregoing lists of factors are not exhaustive. Additional information on these and other factors that could affect PetroShale's 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 PetroShale 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.

SOURCE [PetroShale Inc.](#)

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