PetroShale
Calgary • Denver

PRESS RELEASE

May 18, 2022

PETROSHALE INC. ANNOUNCES FIRST QUARTER 2022 FINANCIAL & OPERATING RESULTS

CALGARY, ALBERTA – PetroShale Inc. ("PetroShale" or the "Company") (TSXV: PSH, OTCQB: PSHIF) is pleased to announce financial and operating results for the three months ended March 31, 2022. The associated Management's Discussion and Analysis ("MD&A") and unaudited financial statements as at and for the quarter ended March 31, 2022 can be found at www.sedar.com or www.petroshaleinc.com.

All dollar amounts in this news release are stated in Canadian dollars unless otherwise noted.

Highlights

	Three months ended		
(in thousands, except share data)	**March 31 2022**	December 31 2021	March 31 2021
Financial			
Funds flow [(1)]	**$33,601**	$19,962	$12,432
Per share basic	**$0.06**	$0.04	$0.07
Per share diluted	**$0.05**	$0.04	$0.06
Funds flow, excluding transaction costs [(1)]	**$35,701**	$19,962	$12,432
Per share basic	**$0.06**	$0.04	$0.07
Per share diluted	**$0.06**	$0.04	$0.06
Adjusted EBITDA [(1)]	**$35,664**	$22,409	$15,067
Per share basic	**$0.06**	$0.04	$0.08
Per share diluted	**$0.06**	$0.04	$0.08
Net cash from operating activities	**$38,242**	$17,449	$15,893
Net income (loss)	**$5,888**	$25,065	($44,424)
Per share basic	**$0.01**	$0.05	($0.24)
Per share diluted	**$0.01**	$0.05	($0.24)
Exploration and development expenditures [(1)]	**$11,062**	$29,547	$2,005
Net debt [(1)]	**$121,092**	$196,067	$318,285
Common shares			
Shares outstanding, end of period	**659,638**	523,388	188,556
Weighted average shares (basic)	**609,679**	521,800	188,544
Weighted average shares (diluted)	**623,170**	532,491	197,304
Operations			
Production			
Tight oil (Bbls per day)	**7,065**	7,342	6,376
Shale gas (Mcf per day)	**11,138**	11,615	11,288
NGL (Bbls per day)	**1,760**	1,628	1,851
Barrels of oil equivalent (Boepd, 6:1)	**10,681**	10,906	10,108
Average realized price			
Tight oil ($ per Bbl)	**$119.28**	$94.72	$69.37
Shale gas ($ per Mcf)	**$4.87**	$4.71	$1.67
NGL ($ per Bbl)	**$27.30**	$25.81	$11.41
Barrels of oil equivalent ($ per Boe, 6:1)	**$88.26**	$72.64	$47.71
Operating netback per Boe (6:1)			
Operating netback [(1)]	**$41.11**	$23.77	$18.57
Operating netback (prior to hedging) [(1)]	**$56.01**	$43.74	$26.62
Funds flow netback per Boe (6:1) [(1)]			
Including transaction related costs [(1)]	**$34.95**	$19.90	$13.67
Excluding transaction related costs [(1)]	**$37.14**	$19.90	$13.67

(1) Management uses these non-GAAP financial measures to analyze operating performance, leverage and investing activity. These measures do not have a standardized meaning under GAAP and therefore may not be comparable with the calculation of similar measures for other companies. See *Non-GAAP Measures* within this document for additional information.

MESSAGE TO SHAREHOLDERS

The first quarter of 2022 marked the beginning of PetroShale's transition to a new business strategy with a focus on the Company's long-term objectives of delivering disciplined growth, while enhancing financial flexibility.

During the quarter, PetroShale appointed a new management team (the "New Management Team"), led by Brett Herman as President & Chief Executive Officer, Jason Skehar as Chief Operating Officer, Marvin Tang as Vice President, Finance & Chief Financial Officer, Anthony Baldwin as Vice President, Business Development, Sandy Brown as Vice President, Geosciences, Kristine Lavergne as Vice President, Engineering, and Shane Manchester as Vice President, Operations. The New Management Team has a successful track record of creating long-term shareholder value through the execution of a disciplined and integrated strategy of acquiring and developing assets.

Concurrent with the appointment of the New Management Team, PetroShale successfully raised total gross proceeds of $54.5 million from an equity offering, which included a direct investment of $9.5 million by the New Management Team. Proceeds from the financing were used to reduce debt levels, positioning the Company to execute on a disciplined corporate strategy of accretive acquisitions and responsibly developing PetroShale's high-quality light oil-weighted assets in North Dakota.

PetroShale maintained a disciplined approach to operations, capital allocation and cost control in the first quarter amid a strengthening commodity price environment. The Company invested $11.1 million in exploration and development expenditures[1] during the period which was largely directed to the construction of a multi-well oil facility and completion of one gross well (0.5 net), and was designed to manage the pace of development while targeting free funds flow[1] generation for continued debt reduction.

The Company's achievements in the first quarter of 2022 include:

- Realized average production of 10,681 boepd compared to 10,906 boepd in the fourth quarter of 2021 and 10,108 boepd in the first quarter of 2021;
- Increased operating netback[1] prior to hedging by 28% to $56.01 per Boe compared to $43.74 in the fourth quarter of 2021 and 110% compared to $26.62 per Boe in the first quarter of 2021;
- Generated quarterly funds flow[1] of $33.6 million, relative to $20.0 million in the fourth quarter of 2021 and $12.4 million in the first quarter of 2021;
- Generated funds flow per share of $0.06 compared to $0.04 in the fourth quarter of 2021 and $0.07 in the first quarter of 2021;
- Invested $11.1 million in exploration and development expenditures[1] on funds flow[1] of $33.6 million, representing a payout ratio[1] of 33%;
- Successfully raised total gross proceeds of $54.5 million from a private placement equity offering; and
- Reduced net debt[1] to $121.1 million at March 31, 2022, from $196.1 million at December 31, 2021 and $318.3 million at March 31, 2021.

OPERATIONAL UPDATE

In the first quarter of 2022, the Company invested $11.1 million, which resulted in the completion of one gross (0.5 net) well that was drilled in 2021, along with the construction of a multi-well oil facility that will support ongoing operations.

PetroShale's production averaged 10,681 boepd in the first quarter, a 6% increase from 10,108 boepd during the same period in 2021 and a reduction of 2% from fourth quarter 2021 production of 10,906 boepd, reflecting the Company's efforts to stabilize the overall corporate decline rate.

As a result of the average production volumes coupled with higher operating netbacks, the Company generated $33.6 million of funds flow[1] during the first quarter of 2022, of which $11.1 million was invested in exploration and development expenditures[1] driving a conservative payout ratio[1] of 33%. Free funds flow[1] was allocated to debt repayment and strengthening the balance sheet.

PetroShale exited the first quarter of 2022 with net debt of $121.1 million, a reduction of 38% compared to the fourth quarter of 2021 and a decrease of 62% from the first quarter of 2021.

PetroShale's lower-risk North Dakota assets are characterized by compelling rates of return driven by robust operating netbacks, strong initial production rates and high estimated ultimate recoveries. With a corporate production decline profile estimated at approximately 30% for 2022, coupled with high operating netbacks, the Company's assets yield significant free funds flow[1] in the current commodity price environment. Consistent with the corporate strategy, PetroShale intends to allocate free funds flow[1] to continued debt repayment, positioning for ongoing expansion of the Company's production, reserves base and overall asset value.

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

OUTLOOK AND SUSTAINABILITY

The New Management Team is pleased with the Company's achievements year to date in 2022 and the ongoing performance of PetroShale's high-quality asset base. The Company's assets offer stable production volumes, robust operating netbacks[1] and free funds flow[1] generation in the current price environment that can be directed to strengthening the balance sheet. The Company will continue to execute a disciplined development program by investing within funds flow[1], thereby positioning for longer-term sustainability. In addition, PetroShale remains committed to operational excellence and prioritizing strong environmental, social and governance ("ESG") principles as pillars of the Company's strategy.

Based on a 2022 capital expenditure budget of US$45 million, the Company anticipates drilling 6.8 net wells, targeting light oil opportunities where PetroShale has realized strong well performance in previous drilling programs. The budget also includes the construction of the multi-well oil facility to support ongoing operations as mentioned above.

As PetroShale establishes enhanced financial flexibility, the New Management Team has the opportunity to consider a variety of capital allocation options, including debt repayment, accretive growth or a return of capital to shareholders. As the final stage in the Company's transformation and new strategy, PetroShale's shareholders will be asked to approve a change of the Company's name to "Lucero Energy Corp." at the upcoming Annual General Meeting of shareholders to be held May 19, 2022. Subsequent to the shareholder meeting, the Company anticipates that the ticker symbol on TSX Venture Exchange will be changed to "LOU", with further details to be provided.

Following are key operational, financial and guidance metrics for PetroShale:

Production Guidance	2022E Average: 10,500 – 11,000 boepd (85% light oil and liquids) 2022E Exit: 11,000 boepd (85% light oil and liquids)
Total Proved plus Probable Reserves(1)	~72 MMboe (85% light oil and liquids)
Development Inventory	>45 net undrilled locations
Sustainability Assumptions	Corporate Production Decline: 30% (2022E) Capital Efficiency(2),(3): ~C$17,000/boepd (IP 365)
2022 Capital Program(3)	US$45 million (~C$58 million)
Net Debt as at March 31, 2022	C$121 million
Common Shares Outstanding (basic)	660 million

(1) *All reserves information in this press release are gross Company reserves, meaning PetroShale's working interest reserves before deductions of royalties and before consideration of PetroShale's royalty interests. The reserve information for PetroShale in the foregoing table is derived from the independent engineering report effective December 31, 2021 prepared by NSAI evaluating the oil, NGL and natural gas reserves attributable to all of the Company's properties.*
(2) *Capital efficiency is a measure of all-in corporate forecast capital expenditures divided by forecast production additions.*
(3) *Assumes a foreign exchange rate of US$1.00 = CDN$1.29.*

For further information please contact:

Brett Herman
President and Chief Executive Officer
PetroShale Inc.
Telephone: (825) 509-4480
Email: info@petroshaleinc.com

Marvin Tang
Vice President, Finance and Chief Financial Officer
PetroShale Inc.
Telephone: (825) 509-4480
Email: info@petroshaleinc.com

READER ADVISORIES

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 plans, strategy, business model, focus, objectives and other aspects of PetroShale's anticipated future operations and financial, operating and drilling and development plans and results, including, expected future production, production mix, reserves, drilling inventory, net debt, funds flow, operating netbacks, decline rate and decline profile, product mix, capital expenditure program, capital efficiencies, and commodity prices. In addition, and without limiting the generality of the foregoing, this press release contains forward-looking information regarding: the focus and allocation of PetroShale's 2022 capital budget; anticipated average and exit production rates, available free funds flow, management's view of the characteristics and quality of the opportunities available to the Company; PetroShale's dividend policy and plans; 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

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

and the exploration and production business; results of operations; performance; 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 PetroShale'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 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 there from. 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 PetroShale'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 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.

Non-GAAP Measures

This document includes non-GAAP measures commonly used in the oil and natural gas industry. These non-GAAP measures do not have a standardized meaning prescribed by International Financial Reporting Standards ("IFRS", or alternatively, "GAAP") and therefore may not be comparable with the calculation of similar measures by other companies. For details, descriptions and reconciliations of these and other non-GAAP measures, see the Company's Management's Discussion and Analysis ("MD&A") for the three months ended March 31, 2022.

***"Funds flow"** represents cash from operating activities prior to changes in non-cash operating working capital, including cash finance expenses, and is a measure of 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. **"Funds flow, excluding transaction related costs"** represents funds flow prior to transaction related costs. **"Funds flow netback per Boe"** represents funds flow divided by production volumes for the corresponding period, and is presented including and excluding transaction related costs.*

***"Net debt"** represents total liabilities, excluding decommissioning obligation, deferred tax liability, lease liability and financial derivative liability, less current assets, excluding financial derivative assets. PetroShale believes net debt is a key measure to assess the Company's liquidity position at a point in time. Net debt is not a standardized measure and may not be comparable with similar measures for other entities.*

***"Operating netback"** represents petroleum and natural gas revenue, plus or minus any realized gain or loss on financial derivatives, less royalties, lease operating costs, workover expense, production taxes, and transportation expense. **"Operating netback prior to hedging"** represents operating netback prior to any realized gain or loss on financial derivatives. PetroShale believes that in addition to net income (loss) and cash provided by operating activities, operating netback, operating netback prior to hedging, and Adjusted EBITDA 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.*

***"Exploration and development expenditures"** represents additions to property, plant and equipment in the cash flow used in investing activities, less capitalized general and administrative expenses. Exploration and development expenditures is a measure of the Company's investments in property, plant and equipment.*

***"Free funds flow"** represents funds flow, less exploration and development expenditures. Management considers this measure to be useful in determining its available discretionary cash to fund capital expenditures, acquisitions or returns of capital to shareholders.*

***"Payout ratio"** represents exploration and development expenditures as a percentage of funds flow.*

Oil and Gas Disclosures

The term "boe" or barrels of oil equivalent may be misleading, particularly if used in isolation. A boe conversion ratio of six thousand cubic feet of natural gas to one barrel of oil equivalent (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. Additionally, given that the value ratio based on the current price of crude oil, as compared to natural gas, is significantly different from the energy equivalency of 6:1; utilizing a conversion ratio of 6:1 may be misleading as an indication of value.

This press release discloses drilling locations in three categories: (i) proved locations; (ii) probable locations; and (iii) unbooked locations. Proved locations and probable locations are derived from the reserves evaluation prepared by NSAI as of December 31, 2021 and account for drilling locations that have associated proved and/or probable reserves, as applicable. Unbooked locations are internal estimates prepared by a qualified reserves evaluator based on PetroShale'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. Of the 45 net drilling locations identified herein, 27 are proved locations, 6 are probable locations and 12 are unbooked 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 PetroShale will drill all unbooked drilling locations and, if drilled, there is no certainty that such locations will result in additional oil and gas reserves 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 have been derisked by drilling existing wells in relative close proximity to such unbooked drilling locations, some of other unbooked drilling locations are farther away from existing wells where management has less information about the characteristics of the reservoir and therefore there is more uncertainty 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 or production.