Lucero
ENERGY CORP.

Annual Information Form
Year Ended December 31, 2022

March 31, 2023

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GLOSSARY OF TERMS

Capitalized terms in this Annual Information Form have the meanings set forth below:

Entities

Board of Directors means our board of directors.

NDIC means the North Dakota Industrial Commission.

Lucero, **we**, **us, our** or the **Corporation** means Lucero Energy Corp. (formerly PetroShale Inc.) and where the context requires, means us and all our controlled entities on a consolidated basis, and where the context requires, also means our predecessor issuers, Mondak Petroleum Inc., Algonquin Oil & Gas Limited and their controlled entitles on a consolidated basis.

PetroShale US means PetroShale (US), Inc., our subsidiary incorporated under the laws of Delaware.

Shareholders mean holders of our Common Shares.

Independent Engineering

COGE Handbook means the Canadian Oil and Gas Evaluation Handbook, maintained by the Society of Petroleum Evaluation Engineers (Calgary Chapter), as amended from time to time.

CSA 51-324 means Staff Notice 51-324 – *Glossary to NI 51-101 Standards of Disclosure for Oil and Gas Activities* of the Canadian Securities Administrators.

NSAI means Netherland, Sewell & Associates, Inc., worldwide independent petroleum consultants.

NSAI Report means the report prepared by NSAI dated March 2, 2023 evaluating the crude oil, natural gas and natural gas liquids reserves attributable to all of our oil and natural gas assets located in Montana and North Dakota, United States at December 31, 2022.

NI 51-101 means National Instrument 51-101– *Standards of Disclosure for Oil and Natural Gas Activities*.

Securities

Common Non-Voting Shares means our common non-voting shares as presently constituted. See "*Description of Our Share Capital – Common Non-Voting Shares*".

Common Shares means our common voting shares as presently constituted. See "*Description of Our Share Capital – Common Shares*".

Preferred Shares means our class A preferred shares as presently constituted. See "*Description of Our Share Capital – Preferred Shares*".

Special Voting Shares means our series 1 class A preferred shares as presently constituted. See "*Description of Our Share Capital – Special Voting Shares*".

Subsidiary Preferred Shares means the Series A Preferred Stock of our subsidiary, PetroShale US. See "*Description of Our Share Capital – Subsidiary Preferred Shares*".

Other

COVID-19 means the the novel coronavirus disease outbreak.

IFRS means International Financial Reporting Standards.

First Reserve means FR XIII PetroShale Holdings L.P.

TSXV means the TSX Venture Exchange.

United States or **US** means the United States of America.

ABBREVIATIONS

Oil and Natural Gas Liquids		**Natural Gas**	
Bbl	barrel	Mcf	thousand cubic feet
Bbls	barrels	MMcf	million cubic feet
Bbls/d	barrels per day	Mcf/d	thousand cubic feet per day
Mbbls	thousand barrels	MMbtu	million British Thermal Units

Other

API	American Petroleum Institute
°API	an indication of the specific gravity of crude oil measured on the API gravity scale
BOE or Boe	barrel or barrels of oil equivalent, using the conversion factor of 6 Mcf of natural gas being equivalent to one barrel of oil
Boe/d	barrels of oil equivalent per day
MBoe	thousand barrels of oil equivalent
MMboe	million barrels of oil equivalent
NGL	natural gas liquids
WTI	West Texas Intermediate, the reference price paid in US dollars at Cushing, Oklahoma for the crude oil standard grade
$000s	thousands of dollars

CONVENTIONS

Certain terms used herein are defined in the "*Glossary of Terms*". Certain other terms used herein but not defined herein are defined in NI 51-101 and CSA 51-324 and, unless the context otherwise requires, shall have the same meanings herein as in NI 51-101 and CSA 51-324. References herein to "$", "$Cdn", "C$" or "dollars" are to Canadian dollars and references herein to "US$" or "US dollars" are to United States dollars. Unless otherwise indicated, all financial information herein has been presented in Canadian dollars.

CONVERSIONS

The following table sets forth certain conversions between Standard Imperial Units and the International System of Units (or metric units).

To Convert From	To	Multiply By
Mcf	cubic metres	28.317
cubic metres	cubic feet	35.315
Bbls	cubic metres	0.159
cubic metres	Bbls	6.289
feet	metres	0.305
metres	feet	3.281
miles	kilometres	1.609
kilometres	miles	0.621
acres	hectares	0.405
hectares	acres	2.471
gigajoules	MMbtu	0.950
MMbtu	gigajoules	1.0526

BARREL OF OIL EQUIVALENCY

The term "Boe" 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 (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 at 6 Mcf: 1 Bbl may be misleading as an indication of value**.

FORWARD-LOOKING INFORMATION AND STATEMENTS

This Annual Information Form, including documents incorporated by reference herein, contains forward-looking information and statements (collectively, "**forward-looking statements**"). These forward-looking statements relate to future events or our future performance. All information and statements other than statements of historical fact contained in this Annual Information Form are forward-looking statements. Such forward-looking statements may be identified by looking for words such as "about", "approximately", "may", "believe", "expects", "will", "intends", "should", "plan", "budget", "predict", "potential", "projects", "anticipates", "forecasts", "estimates", "continues" or similar words or the negative thereof or other comparable terminology. In addition, there are forward-looking statements in this Annual Information Form under the headings "*General Description of our Business*" our business plan and strategy, the effect of negotiation of contracts, potential acquisitions and our acquisition plans and strategy, and meeting existing environmental standards and regulations and the anticipated effect of controls and regulations governing the oil and natural gas industry; "*Statement of Reserves Data and Other Oil and Natural Gas Information*" as to our reserves and future net revenue from our reserves, income taxes and pricing, exchange and inflation rates, the development of our proved undeveloped reserves and probable undeveloped reserves, the amount of future developments costs, our plans to fund future development costs through a combination of internally generated cash flow, debt and equity issuances and anticipated funding costs; and as to our exploration and development plans and opportunities, anticipated land expiries, hedging and marketing policies, abandonment and reclamation obligations, tax horizon and future production; "*Oil and Natural Gas Wells – Significant Factors or Uncertainties Relevant to Properties With No Attributed Reserves*" as to the expected requirement to make substantial capital expenditures in order to prove, exploit, develop and produce oil, natural gas and natural gas liquids from the Corporation's properties and the potential availability of debt and equity financing to meet these requirements; "*Oil and Natural Gas Wells – Exploration and Development Activities*" as to the number of wells to be drilled in 2023 in North Dakota; and "*Dividend Policy*" as to our dividend policy and the future payment of dividends.

In addition to the forward-looking statements identified above, this Annual Information Form contains forward-looking statements pertaining to the following:

- well completions and the timing thereof;
- the performance characteristics of our oil and natural gas properties;
- expectation of future production rates, volumes and product mixes;
- projections of market prices and costs, and exchange and inflation rates;
- supply and demand for oil, natural gas and natural gas liquids;
- expectations regarding our ability to raise capital and to continually add to reserves through acquisitions, development and optimization;
- the estimated levels of certainty in respect of the Corporation's reserves;
- the anticipated timeframe for completing undeveloped projects;
- the lack of any anticipated significant economic factors or significant uncertainties affecting any particular component of our reserves data;
- treatment under governmental regulatory regimes and tax laws;
- productive capacity of wells, anticipated or expected production rates and anticipated dates of commencement of production and timing of results therefrom;
- fluctuations in depletion, depreciation and accretion rates;
- expectations regarding the costs and timing to drill and complete oil and natural gas wells;
- expectations regarding the costs to produce, process and transport our oil, natural gas and natural gas liquids to markets;

- expected changes in regulatory regimes in respect of royalties and production taxes as well as the general regulatory requirements applicable to the oil and gas industry in North Dakota and the effects of such changes;
- income tax payable;
- adjustments to the senior loan borrowing base in terms of redetermination;
- expected obligations related to increased or additional environmental standards and policies;
- expectations of operating costs, costs to abandon and reclaim well sites and related production and transportation infrastructure;
- plans to expand recovery from certain of our properties;
- the belief that the Corporation will not be affected by any new rules implemented by FERC (as defined herein) in a manner materially different than any other similarly situated natural gas producer;
- the belief that pipelines in which we have an interest will meet the "primary function test" under FERC regulations, if applicable; and
- the anticipated expenditures of the Corporation in respect of our efforts to comply with all environmental regulations and requirements.

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 developed and profitably produced in the future.

Forward-looking statements are subject to risks, uncertainties and assumptions, including those discussed below and elsewhere in this Annual Information Form. Although we believe that the expectations represented in such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. Some of the risks which could affect future results and could cause results to differ materially from those expressed in the forward-looking statements contained herein include the following:

- volatility in market prices for oil, natural gas and natural gas liquids;
- operational risks and liabilities inherent in oil and natural gas operations;
- uncertainties associated with estimating oil and natural gas reserves;
- competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel and services;
- uncertainties in our plans and the plans of the operators of our oil and natural gas properties in regard to the timing of development programs;
- incorrect assessments of the value of acquisitions;
- geological, technical, drilling, completion and processing problems;
- access to pipelines and processing capacity and the costs thereof;
- fluctuation in foreign exchange or interest rates;
- stock market volatility;
- environmental risks;
- the inability to access sufficient capital from internal and external sources to develop reserves;
- changes in general economic, market and business conditions;
- the accuracy of oil and natural gas reserves estimates and estimated production levels as they are affected by exploration and development drilling and estimated decline rates;
- fluctuations in the costs of borrowing;
- political or economic developments;
- ability to obtain regulatory and other third party approvals;
- the occurrence of unexpected events;
- the results of litigation or regulatory proceedings that may be brought against us;
- changes in income tax laws or changes in tax laws and incentive programs relating to the oil and natural gas industry; and
- the other factors discussed under "*Risk Factors*".

With respect to forward-looking statements contained in this Annual Information Form, we have made assumptions regarding, among other things: the timing of obtaining regulatory approvals; commodity prices and royalty and production tax regimes; availability of skilled labour; timing and amount of capital expenditures; future currency exchange rates; the realized price of our oil, natural gas and natural gas liquids production; the impact of increasing competition; conditions in general economic and financial markets; access to capital; availability of drilling and related equipment; effects of regulation by governmental agencies; royalty rates; and future operating costs.

We have included the above summary of assumptions and risks related to forward-looking statements provided in this Annual Information Form in order to provide investors with a more complete perspective on our current and future operations and such information may not be appropriate for other purposes.

You are further cautioned that the preparation of financial statements in accordance with IFRS requires management to make certain judgments and estimates that affect the reported amounts of assets, liabilities, revenues and expenses. Estimating reserves is also critical to several accounting estimates and requires judgments and decisions based on available geological, geophysical, engineering and economic data. These estimates may change, having either a negative or positive effect on net earnings as further information becomes available and as the economic environment changes. **The information contained in this Annual Information Form identifies additional factors that could affect our operating results and performance. We urge you to carefully consider those factors.** See "*Risk Factors*".

The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement. The forward-looking statements included in this Annual Information Form are made as of the date of this Annual Information Form and we undertake no obligation to publicly update such forward-looking statements to reflect new information, subsequent events or otherwise unless required by applicable securities laws.

NON-IFRS MEASURES

Throughout this document and in other materials disclosed by us, we adhere to International Accounting Standards Board's most current International Financial Reporting Standards ("**IFRS**" or "**GAAP**"), however we also employ certain non-GAAP and other financial measures to analyze financial performance, financial position, and cash flow including, but not limited to "netbacks". These non-GAAP and other financial measures do not have any standardized meaning prescribed under IFRS and therefore may not be comparable to similar measures presented by other entities. The non-GAAP and other financial measures used herein should not be considered to be more meaningful than GAAP measures which are determined in accordance with IFRS, such as earnings (loss), cash flow from operating activities, and cash flow used in investing activities, as indicators our performance. The most directly comparable GAAP measure for netback is s petroleum and natural gas revenue. Refer to the section entitled "Non-GAAP and Other Financial Measures" contained within our MD&A for the year ended December 31, 2022, available on SEDAR at www.sedar.com, for additional disclosures relating to these non-GAAP measures, which information is incorporated in this Annual Information Form by reference.

LUCERO ENERGY CORP.

General

We are an independent oil company focused on the acquisition, development and production of oil-weighted assets in the Bakken and Three Forks formations in the Williston Basin of North Dakota. We incorporated as "Mondak Petroleum Inc." under the *Business Corporations Act* (Alberta) (the "**Act**") on November 9, 2011.

On March 8, 2012, we completed a reverse takeover of Algonquin Oil & Gas Limited pursuant to a plan of arrangement. Following such arrangement, we filed Articles of Amendment to re-designate our Common Shares to create the Common Non-Voting Shares and to make consequential amendments to the rights, restrictions, privileges and conditions attached to our Preferred Shares. Also, on March 8, 2012, we filed articles of amendment to consolidate our Common Shares and Common Non-Voting Shares on a 10 for 1 basis and to change our name from Algonquin Oil & Gas Limited to "PetroShale Inc."

On July 1, 2013, we amalgamated with our then wholly-owned subsidiary Mondak Petroleum Inc.

In September of 2015, we divested of our Canadian working interest oil and natural gas properties and sold our then wholly owned subsidiary GEL Exploration Limited.

On January 24, 2018, we filed articles of amendment to create, and authorize for issuance, an unlimited number of Special Voting Shares.

On May 24, 2022, we changed our name from "PetroShale Inc." to "Lucero Energy Corp.".

Our corporate head office is located at Suite 1800, 350 - 7 Avenue S.W., Calgary, Alberta T2P 3N9, our US head office is located at 303 E. 17th Avenue, Suite 940, Denver, CO 80203 and our registered office is located at 2400, 525 – 8th Avenue S.W., Calgary, Alberta T2P 1G1.

Intercorporate Relationships

Currently, we have one wholly-owned subsidiary, PetroShale US. PetroShale US was incorporated under the laws of Delaware on November 10, 2011, under the name "Mondak Petroleum (US), Inc." and changed its name to "PetroShale (US), Inc." on April 4, 2012.

GENERAL DEVELOPMENT OF OUR BUSINESS

History and Development

Year Ended December 31, 2020

On February 10, 2020, we commenced a normal course issuer bid to purchase, from time to time, up to a maximum of 11,785,163 Common Shares on the open market through the facilities of the TSXV and alternative trading systems. The normal course issuer bid terminated on February 10, 2021. An aggregate of 3,865,000 Common Shares were purchased and cancelled pursuant to the normal course issuer bid, at a weighted average price of $0.48 per Common Share.

In March 2020, weakness in commodity prices and reduced global economic activity following the outbreak of COVID-19 resulted in the Company reducing 2020 capital expenditures. We undertook a variety of initiatives in 2020 in response to low commodity prices including: entering crude oil derivative contracts designed to provide added stability and further mitigate the effects of severe market volatility, reducing general and administrative costs by approximately $700,000 annually, including placing a freeze on senior management salaries, reducing the salary of the Interim Chief Executive Officer by 20% and deferring cash compensation to the Board of Directors, negotiated various cost reductions with key service providers and accessed the US paycheck protection program for additional funds.

On May 4, 2020, we announced the election to settle in kind the payment of the quarterly dividend due in May 2020 on the Subsidiary Preferred Shares. The ordinary cash dividend of approximately US$1.7 million was settled by way of increasing the US$75 million liquidation preference of the Subsidiary Preferred Shares, at a rate of 12% per annum, or US$2.25 million. In connection with such in-kind payment, we also issued an additional 1,179,246 Special Voting Shares to First Reserve such that, after such issuance, First Reserve held an aggregate of 40,487,422 Special Voting Shares.

In May 2020, the borrowing base of our senior credit facility was reaffirmed at US$177.5 million.

Effective May 20, 2020, Mr. Brooks Shughart resigned from the Board of Directors and Mr. Gary Reaves, Managing Director of First Reserve, was appointed to the Board of Directors as First Reserve's board nominee.

On May 27, 2020, the renewal date of our senior credit facility was extended to June 26, 2021.

On August 12, 2020, we announced the election to settle in kind the payment of the quarterly dividend due in August 2020 on the Subsidiary Preferred Shares. The ordinary cash dividend of approximately US$1.7 million was settled by way of increasing the US$77.25 million liquidation preference of the Subsidiary Preferred Shares at a rate of 12% per annum or US$2.3175 million. In connection with such in-kind payment, we also issued an additional 1,214,622 Special Voting Shares to First Reserve such that, after such issuance, First Reserve held an aggregate of 41,702,044 Special Voting Shares.

Effective August 24, 2020, Mr. Jacob Roorda was appointed to President and Chief Executive Officer, succeeding Mr. David Rain who was acting as interim Chief Executive Officer.

On September 17, 2020, the terms of the Subsidiary Preferred Shares were amended to remove the limitation on the number of payment in kind elections made in any twelve month period, which provided additional flexibility in managing and preserving liquidity and cash flows.

On November 12, 2020, we announced the election to settle in kind the payment of the quarterly dividend due in November 2020 on the Subsidiary Preferred Shares. The ordinary cash dividend of approximately US$1.8 million was settled by way of increasing the US$79.57 million liquidation preference of the Subsidiary Preferred Shares, at a rate of 12% per annum, or US$2.387 million. In connection with such in-kind payment, we also issued an additional 1,251,061 Special Voting Shares to First Reserve such that, after such issuance, First Reserve held an aggregate of 42,953,105 Special Voting Shares.

On November 18, 2020, the borrowing base of our senior credit facility was reaffirmed at US$177.5 million.

Effective November 30, 2020, Mr. Caleb Morgret resigned as Chief Financial Officer and Mr. Scott Pittman was appointed Chief Financial Officer.

Year Ended December 31, 2021

On February 16, 2021, we announced the election to settle in kind the payment of the quarterly dividend due in February 2021 on the Subsidiary Preferred Shares. The ordinary cash dividend of approximately US$1.8 million was settled by way of increasing the US$82.0 million liquidation preference of the Subsidiary Preferred Shares, at a rate of 12% per annum, or US$2.4 million. Additionally, we also issued an additional 1,288,593 Special Voting Shares to First Reserve such that First Reserve held an aggregate of 44,241,698 Special Voting Shares.

On March 4, 2021, the Corporation, PetroShale US, First Reserve and a company that Mr. M. Bruce Chernoff (our Chairman) is a significant shareholder of ("**Chernoffco**") entered into an agreement (the "**Repositioning Agreement**") with respect to a comprehensive repositioning transaction of the Corporation ("**Repositioning Transaction**"). The Repositioning Transaction was completed on April 8, 2021 and provided for the following transactions:

- The exchange price of the Subsidiary Preferred Shares was amended from $2.40 per Common Share to $0.60 per Common Share. The amended exchange price of the Subsidiary Preferred Shares was a 200% premium to the Issue Price (as defined below) and a 150% premium to the 20-day average of the closing prices of the Common Shares on the TSXV to March 3, 2021.

- First Reserve exchanged, in accordance with the terms of the Subsidiary Preferred Shares, all Subsidiary Preferred Shares for Common Shares at the amended exchange price of $0.60 per Common Share (the "**Preferred Share Exchange**") and the outstanding Special Voting Shares held by First Reserve were cancelled and terminated.

- We conducted a rights offering to all Shareholders by way of rights offering circular (the "**Rights Offering**"), providing each Shareholder of the Corporation a right to purchase one Common Share, for each Common Share owned, at a price of $0.20 per share (the "**Issue Price**"). Through the Rights Offering, the Corporation issued a total of 29,252,965 Common Shares at a price of $0.20 per share, raising proceeds from the Rights Offering of approximately $5.9 million. In order to provide Shareholders the maximum ability to participate in the Rights Offering, each of First Reserve and Mr. Chernoff (and his affiliated entities) waived all rights of participation in the Rights Offering.

- Concurrently with the completion of the Preferred Share Exchange and the Rights Offering, we completed a private placement financing of Common Shares to First Reserve and Chernoffco at the Issue Price (the "**Private Placement**"). In connection with the Private Placement, First Reserve acquired 50 million Common Shares at $0.20 per share for aggregate subscription proceeds of $10.0 million and Chernoffco acquired 70,747,035 Common Shares at $0.20 per share for aggregate subscription proceeds of $14,149,407.

- As part of closing the Repositioning Transaction, the Corporation, First Reserve and Chernoffco entered into a new investor rights agreement (the "**New Investor Rights Agreement**"). The New Investor Rights Agreement provides First Reserve registration rights, participation rights, certain governance rights and board representation rights (for one director), and Mr. Chernoff with participation rights. See "*Material Contracts*".

- In connection with the Repositioning Transaction, the Corporation also reached an agreement with the lenders under its senior credit facility whereby such lenders agreed to maintain the borrowing base of such facility at US$177.5 million and extend the maturity date of such facility to June 2023.

Year Ended December 31, 2022

On January 13, 2022, Lucero appointed a 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, Sandy Brown as Vice President, Geosciences, Kristine Lavergne as Vice President, Engineering, and Shane Manchester as Vice President, Operations. In addition to the new management team, we appointed one new independent director, Dale O. Shwed, to the board of directors. Concurrently with the new management appointments, Mr. Jacob Roorda departed as President and Chief Executive Officer of the Corporation, Scott Pittman departed as Chief Financial Officer of the Corporation and Rick Kessy departed as Chief Operating Officer of the Corporation. In addition, we announced that it intended to seek the approval of the holders of Common Shares to change its name from "PetroShale Inc." to "Lucero Energy Corp." at the next annual general meeting of shareholders. In connection with the foregoing, on February 2, 2022, we completed a non-brokered private placement of 23,750,000 units (the "**Units**") at a price of $0.40 per Unit for total proceeds of $9.5 million. Each Unit was comprised of one Common Share and one warrant ("**Warrant**") entitling the holder to purchase one Common Share at a price of $0.475 per Common Share for a period of five years from the issuance date. The Warrants vest and become exercisable as to one-third upon the 20-day volume weighted average trading price of the Common Shares (the "**Trading Price**") equalling or exceeding $0.67 per Common Share, an additional one-third upon the Trading Price equalling or exceeding $0.83 per Common Share and the final one-third upon the Trading Price equalling or exceeding $0.95 per Common Share. Concurrently with closing the non-brokered private placement, the Corporation also closed a brokered private placement through which we issued an aggregate of 112,500,000 Common Shares at a price of $0.40 per Common Share for gross proceeds of $45.0 million.

On February 22, 2022, we announced the appointment of Anthony Baldwin as Vice President, Business Development.

On May 24, 2022, Lucero completed its name change from "PetroShale Inc." to "Lucero Energy Corp.".

On June 27, 2022, the borrowing base of our senior credit facility was increased to US$180.0 million.

Significant Acquisitions

We did not complete any individually significant acquisitions during the year ended December 31, 2022.

GENERAL DESCRIPTION OF OUR BUSINESS

Stated Business Objectives and Strategy

We are an independent energy company focused on the acquisition, development and production of oil-weighted assets in the Bakken and Three Forks formations in the Williston Basin of North Dakota. Our strategy focuses on acquiring and developing leases in the most prolific areas of the Williston Basin where the resources and stacked pay zones are highly prospective. We have a mix of operated and non-operated properties with the majority being operated.

We have various operated undrilled spacing units and will continue to pursue operated working interests in and surrounding our core fields. In addition, our non-operated interests are operated by large, experienced and capable operators.

Cyclical and Seasonal Impact of Industry

Our operational results and financial condition are dependent on the prices received for our oil and natural gas production. Oil and natural gas prices have fluctuated widely during recent years. Commodity prices are determined by supply and demand, geopolitical factors, weather and general economic conditions, as well as conditions in other oil and natural gas regions. Declines in oil and natural gas prices could have an adverse effect on our financial condition. In addition, the development of oil and natural gas reserves is dependent on access to areas where drilling and other oilfield operations are to be undertaken. Seasonal weather variation including freeze-up and break-up, affect access to our properties in certain circumstances. See "*Risk Factors – Prices, Markets and Marketing*" and "*Risk Factors – Exploration, Development and Production Risks*".

Ongoing Acquisition Activities

Potential Acquisitions

We evaluate potential acquisitions of various types of oil and natural gas and other energy related assets as part of our ongoing asset portfolio optimization and management programs. We may be in the process of evaluating and offering on several potential acquisitions at any one time which individually or together could be material and it is in the normal course of our business to routinely make offers on properties or acquisitions that fit within our business strategy and objectives.

Environment Policies

The oil and natural gas industry is subject to extensive controls and regulations governing its operations imposed by legislation enacted by various levels of government, all of which should be carefully considered by investors in the oil and natural gas industry. Since these requirements apply to all operators in the oil and natural gas industry, it is not anticipated that our competitive position within the industry will be adversely affected in a manner materially different than that of other oil and natural gas companies of similar size. All legislation is a matter of public record and we are unable to predict what additional legislation or amendments may be enacted.

Compliance with provincial, state and federal environmental legislation can require significant expenditures or operational restrictions. Breach of such requirements may result in the suspension or revocation of necessary licenses and authorizations, civil liability for pollution damage and the imposition of material fines and penalties, all of which have the potential to negatively impact our earnings and corporate growth. We maintain an active list of our expected future expenditures to reclaim our properties to acceptable regulatory standards. This list is reviewed on an ongoing basis and the present value of these costs is recorded as a liability on our financial statements. The expected future obligation is not outside the norm for a company of our size and operations. At present, to the best of our knowledge, we, and the operators of our non-operated properties, meet all existing environmental standards and regulations and have included appropriate amounts in our capital expenditure budget to continue to meet current environmental protection requirements. Internal procedures have been adopted to ensure environmental factors have been assessed before approval. See "*Risk Factors – Environmental*".

Renegotiation or Termination of Contracts

At the date hereof, we do not anticipate that any aspect of our business may be materially negatively affected in the remainder of 2023 by the renegotiation or termination of contracts or subcontracts, other than our ability to carry on business may be negatively affected if our senior credit facility was unexpectedly terminated. See "*Description of Our Capital Structure – Credit Facility*" and "*Risk Factors – Credit Facility Arrangements*".

Competitive Conditions

We are a member of the energy industry which is highly competitive. We compete with other companies for business inputs, including development prospects, access to commodity markets, acquisition opportunities, available capital and personnel. Additionally, the area in which we operate is a very competitive area of North Dakota. See "*Risk Factors – Competition*".

We strive to be competitive by maintaining financial flexibility, capitalizing on acquisitions and by utilizing current technologies to enhance optimization, development and operational activities.

Human Resources

At December 31, 2022 we had 23 full-time employees.

Material Reorganization Transactions

Except with respect to the Repositioning Transaction as described above, we have not completed any material reorganizations within the three most recently completed financial periods.

Foreign Operations

We conduct our business in the United States through PetroShale US and, as such, our business is dependent upon foreign operations in the United States and associated risks. See "*Risk Factors*".

STATEMENT OF RESERVES DATA AND OTHER OIL AND NATURAL GAS INFORMATION

The statement of reserves data and other oil and natural gas information set forth below is dated December 31, 2022 and the preparation date is March 2, 2023. The statement is effective as of December 31, 2022. *The Report On Reserves Data By Independent Qualified Reserves Evaluators* in Form 51-101F2 and the *Report Of Management and Directors on Oil and Gas Disclosure* in Form 51-101F3 are attached as Appendices B and C, respectively to this Annual Information Form.

Disclosure of Reserves Data

The reserves data set forth below is based upon the evaluation by NSAI with an effective date of December 31, 2022 as contained in the NSAI Report. The reserves data summarizes our crude oil, natural gas liquids and natural gas reserves and the net present values of future net revenue for these reserves using forecast prices and costs, not including the impact of any price risk management activities. The NSAI Report has been prepared in accordance with the standards contained in the COGE Handbook and the reserve definitions contained in NI 51-101 and CSA 51-324. We engaged NSAI to provide an evaluation of our proved and proved plus probable reserves in the United States. Possible reserves were not evaluated.

Our reserves are in the United States, specifically in North Dakota and Montana. **All financial information provided herein with respect to our United States reserves are in US$. The exchange rate in effect at December 31, 2022 was US$1.00 = $1.3544 Cdn.**

We determined the future net revenue and present value of future net revenue after income taxes by using NSAI's before income tax future net revenue and our estimate of income tax. Our estimates of the after income tax value of future net revenue have been prepared based on before income tax reserves information and include assumptions and estimates of our tax pools and the sequences of claims and rates of claim thereon. The values shown may not be representative of future income tax obligations, applicable tax horizon or after tax valuation. The after tax net present value of our oil and natural gas properties reflects the tax burden of our properties on a stand-alone basis. It does not provide an estimate of our value as a business entity which may be significantly different. Our financial statements for the period ended December 31, 2022 should be consulted for additional information regarding our taxes.

Forecasts of revenue, estimated using forecast prices and costs, arising from the anticipated development and production of resources, are presented net of the associated royalties, operating costs, development costs and abandonment and reclamation costs. The estimated future net revenue contained in the following tables does not necessarily represent the fair market value of our reserves. There is no assurance that the forecast price and cost assumptions contained in the NSAI Report will be attained and variations could be material. Other assumptions and qualifications relating to costs and other matters are summarized in the notes to or following the tables below. Readers should review the definitions and information contained in "*Definitions and Notes to Reserves Data Tables*" below in conjunction with the following tables and notes. The recovery and reserve estimates on our properties described herein are estimates only. The actual reserves on our properties may be greater or less than those calculated. See "*Risk Factors*".

Reserves Data (Forecast Prices and Costs)

SUMMARY OF OIL AND NATURAL GAS RESERVES
AS OF DECEMBER 31, 2022
FORECAST PRICES AND COSTS

	RESERVES					
	TIGHT OIL		SHALE GAS (1)		NATURAL GAS LIQUIDS (1)	
RESERVES CATEGORY	Gross (Mbbls)	Net (Mbbls)	Gross (MMcf)	Net (MMcf)	Gross (Mbbls)	Net (Mbbls)
PROVED:						
Developed Producing	17,569.4	14,369.9	38,066.7	31,048.4	6,996.3	5,765.7
Developed Non-Producing	489.5	408.7	948.9	791.4	275.6	230.3
Undeveloped	16,736.9	13,587.4	15,897.7	12,876.4	2,647.7	2,155.7
TOTAL PROVED	34,795.9	28,365.9	54,913.3	44,716.2	9,919.5	8,151.7
PROBABLE	12,328.2	10,028.7	20,617.5	16,792.1	3,882.7	3,189.4
TOTAL PROVED PLUS PROBABLE	47,124.0	38,394.7	75,530.8	61,508.2	13,802.3	11,341.1

Note:
(1) All of our shale gas reserves and natural gas liquids are produced in solution with our tight oil.

NET PRESENT VALUE OF FUTURE NET REVENUE
FORECAST PRICES AND COSTS

	BEFORE INCOME TAXES DISCOUNTED AT (%/year)					
RESERVES CATEGORY	0% (US$000s)	5% (US$000s)	10% (US$000s)	15% (US$000s)	20% (US$000s)	Unit Value Before Income Tax Discounted at 10% per Year US$/Boe (1)
PROVED:						
Developed Producing	978,520.8	654,948.9	495,149.0	402,799.7	343,131.7	19.55
Developed Non-Producing	27,654.2	20,023.2	15,871.6	13,305.5	11,563.6	20.59
Undeveloped	758,715.1	481,125.0	343,215.0	262,714.4	210,392.1	19.19
TOTAL PROVED	1,764,890.1	1,156,097.1	854,235.6	678,819.6	565,087.4	19.43
PROBABLE	703,534.2	401,072.1	269,012.0	198,570.5	155,703.6	16.80
TOTAL PROVED PLUS PROBABLE	2,468,424.3	1,557,169.2	1,123,247.6	877,390.1	720,791.0	18.72

Note:
(1) Unit values are based on net volumes.

RESERVES CATEGORY	AFTER INCOME TAXES DISCOUNTED AT (%/year) 0% (US$000s)	5% (US$000s)	10% (US$000s)	15% (US$000s)	20% (US$000s)
PROVED:					
Developed Producing	797,626.2	539,113.7	410,826.2	336,275.3	287,823.8
Developed Non-Producing	20,885.4	15,172.6	12,055.1	10,126.3	8,817.1
Undeveloped	573,082.2	363,183.9	258,877.7	197,987.3	158,428.1
TOTAL PROVED	1,391,593.7	917,470.1	681,759.0	544,388.9	455,069.0
PROBABLE	529,610.1	302,021.5	202,347.6	149,201.5	116,884.1
TOTAL PROVED PLUS PROBABLE	1,922,350.5	1,219,589.2	884,115.9	693,591.3	571,953.3

TOTAL FUTURE NET REVENUE
(UNDISCOUNTED)
AS OF DECEMBER 31, 2022
FORECAST PRICES AND COSTS

RESERVES CATEGORY	REVENUE[1] (US$000s)	ROYALTIES[2] (US$000s)	OPERATING COSTS (US$000s)	DEVELOPMENT COSTS (US$000s)	ABANDONMENT AND RECLAMATION COSTS[3] (US$000s)	FUTURE NET REVENUE BEFORE INCOME TAXES[4] (US$000s)	INCOME TAXES (US$000s)	FUTURE NET REVENUE AFTER INCOME TAXES[4] (US$000s)
Total Proved	3,378,812.6	623,281.4	509,001.2	184,241.1	16,480.9	1,764,890.1	373,296.4	1,391,593.7
Total Proved plus Probable	4,650,796.8	859,606.5	660,176.2	257,923.2	19,507.8	2,468,424.3	546,073.8	1,922,350.5

Notes:

(1) Total revenue includes company revenue before royalties and includes other income.
(2) Royalties include freehold and overriding royalties and mineral production tax.
(3) For more information, see "*Significant Factors or Uncertainties Affecting Reserves Data – Abandonment and Reclamation Costs*".
(4) The estimated values of future net revenues disclosed do not represent fair market value.

FUTURE NET REVENUE
BY PRODUCT TYPE
AS OF DECEMBER 31, 2022
FORECAST PRICES AND COSTS[1]

RESERVES CATEGORY	PRODUCT TYPE	FUTURE NET REVENUE BEFORE INCOME TAXES (discounted at 10%/year) (US$000s)	UNIT VALUE [2] (US$/boe)
Proved	Tight Oil [1]	854,235.6	19.43
	Total	854,235.6	
Proved plus Probable	Tight Oil [1]	1,123,247.6	18.72
	Total	1,123,247.6	

Notes:

(1) All of our shale gas reserves and natural gas liquids are produced in solution with our tight oil. The natural gas liquid reserves are recovered from our natural gas reserves downstream of the wellhead. As such we are not able to break out the various capital and operating cost components for each product type.
(2) Unit values are based on net reserve volumes.

Definitions and Notes to Reserves Data Tables

In the tables set forth above in "*Reserves Data (Forecast Prices and Costs)*" and elsewhere in this Annual Information Form the following definitions and other notes are applicable:

1. "**Gross**" means:

   (a) in relation to our interest in production and reserves, our working interest (operating and non-operating) share before deduction of royalties and without including any of our royalty interests;

   (b) in relation to wells, the total number of wells in which we have an interest; and

   (c) in relation to properties, the total area of properties in which we have an interest.

2. "**Net**" means:

   (a) in relation to our interest in production and reserves, our working interest (operating and non-operating) share after deduction of royalty obligations, plus our royalty interest in production or reserves;

   (b) in relation to wells, the number of wells obtained by aggregating our working interest in each of our gross wells; and

   (c) in relation to our interest in a property, the total area in which we have an interest multiplied by our working interest.

3. Definitions used for reserve categories are as follows:

   Reserve Categories

   Reserves are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, from a given date forward, based on:

   (a) analysis of drilling, geological, geophysical and engineering data;

   (b) the use of established technology; and

   (c) specified economic conditions (see the discussion of "*Economic assumptions*" below).

   Reserves are classified according to the degree of certainty associated with the estimates.

   (a) Proved reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.

   (b) Probable reserves are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.

4. "**Economic assumptions**" are the forecast prices and costs used in the estimate.

   Development and Production Status

   Each of the reserve categories (proved and probable) may be divided into developed and undeveloped categories:

   (a) Developed reserves are those reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (for example, when compared to the cost of drilling a well) to put the reserves on production. The developed category may be subdivided into producing and non-producing.

(i) Developed producing reserves are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut-in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty.

(ii) Developed non-producing reserves are those reserves that either have not been on production, or have previously been on production, but are shut-in, and the date of resumption of production is unknown.

(b) Undeveloped reserves are those reserves expected to be recovered from known accumulations where a significant expenditure (for example, when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves category (proved, probable) to which they are assigned.

Levels of Certainty for Reported Reserves

The qualitative certainty levels referred to in the definitions above are applicable to individual reserves entities (which refers to the lowest level at which reserves calculations are performed) and to reported reserves (which refers to the highest level sum of individual entity estimates for which reserves are presented). Reported reserves should target the following levels of certainty under a specific set of economic conditions:

(a) at least a 90 percent probability that the quantities actually recovered will equal or exceed the estimated proved reserves; and

(b) at least a 50 percent probability that the quantities actually recovered will equal or exceed the sum of the estimated proved plus probable reserves.

A quantitative measure of the certainty levels pertaining to estimates prepared for the various reserves categories is desirable to provide a clearer understanding of the associated risks and uncertainties. However, the majority of reserves estimates will be prepared using deterministic methods that do not provide a mathematically derived quantitative measure of probability. In principle, there should be no difference between estimates prepared using probabilistic or deterministic methods.

5. "**Exploratory well**" means a well that is not a development well, a service well or a stratigraphic test well.

6. "**Development costs**" means costs incurred to obtain access to our reserves and to provide facilities for extracting, treating, gathering and storing the oil and natural gas from our reserves. More specifically, development costs, including applicable operating costs of support equipment and facilities and other costs of development activities, are costs incurred to:

(a) gain access to and prepare well locations for drilling, including surveying well locations for the purpose of determining specific development drilling sites, clearing ground, draining, road building and relocating public roads, natural gas lines and power lines, to the extent necessary in developing the reserves;

(b) drill and equip development wells, development type stratigraphic test wells and service wells, including the costs of platforms and of well equipment such as casing, tubing, pumping equipment and wellhead assembly;

(c) acquire, construct and install production facilities such as flow lines, separators, treaters, heaters, manifolds, measuring devices and production storage tanks, natural gas cycling and processing plants, and central utility and waste disposal systems; and

(d) provide improved recovery systems.

7. "**Development well**" means a well drilled inside the established limits of an oil and natural gas reservoir, or in close proximity to the edge of the reservoir, to the depth of a stratigraphic horizon known to be productive.

8. "**Exploration costs**" means costs incurred in identifying areas that may warrant examination and in examining specific areas that are considered to have prospects that may contain oil and natural gas reserves, including costs of drilling exploratory wells and exploratory type stratigraphic test wells. Exploration costs may be incurred both before acquiring the related property and after acquiring the property. Exploration costs which include applicable operating costs of support equipment and facilities and other costs of exploration activities, are:

(a) costs of topographical, geochemical, geological and geophysical studies, rights of access to properties to conduct those studies, and salaries and other expenses of geologists, geophysical crews and others conducting those studies;

(b) costs of carrying and retaining unproved properties, such as delay rentals, taxes (other than income and capital taxes) on properties, legal costs for title defence and the maintenance of land and lease records;

(c) dry hole contributions and bottom hole contributions;

(d) costs of drilling and equipping exploratory wells; and

(e) costs of drilling exploratory type stratigraphic test wells.

9. "**Service well**" means a well drilled or completed for the purpose of supporting production in an existing field. Wells in this class are drilled for the following specific purposes: natural gas injection (natural gas, propane, butane or flue gas), water injection, steam injection, air injection, salt water disposal, water supply for injection, observation or injection for combustion.

10. "**Forecast prices and costs**"

These are future prices and costs that are:

(a) generally acceptable as being a reasonable outlook of the future; and

(b) if and only to the extent that, there are fixed or presently determinable future prices or costs to which we are legally bound by a contractual or other obligation to supply a physical product, including those for an extension period of a contract that is likely to be extended, those prices or costs rather than the prices and costs referred to in paragraph (a).

11. "**Natural Gas Liquids**" means those hydrocarbon components that can be recovered from natural gas as a liquid including, but not limited to, ethane, propane, butanes, pentanes plus, and condensates.

12. "**Shale gas**" means natural gas:

(a) contained in dense organic-rich rocks, including low-permeability shales, siltstones and carbonates, in which the natural gas is primarily adsorbed on the kerogen or clay minerals; and

(b) that usually requires the use of hydraulic fracturing to achieve economic production rates.

13. "**Tight oil**" means crude oil:

(a) contained in dense organic-rich rocks, including low-permeability shales, siltstones and carbonates, in which the crude oil is primarily contained in microscopic pore spaces that are poorly connected to one another; and

(b) that typically requires the use of hydraulic fracturing to achieve economic production rates.

14. Numbers may not add due to rounding.

15. The estimates of future net revenue presented in the tables above do not represent fair market value.

16. We do not have any synthetic oil or other products from non-conventional oil and natural gas activities.

Pricing Assumptions

The forecast cost and price assumptions in this statement assume primarily increases in wellhead selling prices and take into account inflation with respect to future operating and capital costs. Crude oil and natural gas benchmark reference pricing, inflation and exchange rates utilized in the NSAI Report were as follows:

SUMMARY OF PRICING AND RATE ASSUMPTIONS
FORECAST PRICES AND COSTS (1)

	NATURAL GAS US HENRY HUB PRICE (US$/MMbtu)				OIL WTI CRUDE OIL (US$/Bbl)				NGL (US$/Bbl)(3)
Year	**McDaniel & Associates Consultants Ltd.**	**GLJ Petroleum Consultants**	**Sproule Worldwide Petroleum Consultants**	**NSAI Average**	**McDaniel & Associates Consultants Ltd.**	**GLJ Petroleum Consultants**	**Sproule Worldwide Petroleum Consultants**	**NSAI Average**	**NSAI**
Forecast									
2023	4.50	4.71	5.00	4.74	80.00	75.00	86.00	80.33	26.75
2024	4.50	4.50	4.50	4.50	76.50	75.00	84.00	78.50	26.14
2025	4.42	4.27	4.25	4.31	75.43	75.43	80.00	76.95	25.63
2026	4.51	4.35	4.34	4.40	74.28	76.94	81.60	77.61	25.84
2027	4.60	4.44	4.42	4.49	75.77	78.48	83.23	79.16	26.36
2028	4.69	4.53	4.51	4.58	77.29	80.05	84.90	80.74	26.89
2029	4.79	4.62	4.60	4.67	78.83	81.65	86.59	82.36	27.43
2030	4.88	4.71	4.69	4.76	80.41	83.28	88.33	84.00	27.97
2031	4.98	4.80	4.79	4.86	82.02	84.95	90.09	85.69	28.53
2032	5.08	4.90	4.88	4.95	83.66	86.65	91.89	87.40	29.10
2033	5.18	5.00	4.98	5.05	85.33	88.38	93.73	89.15	29.69
Thereafter	2.0%/year	2.0%/year	2.0%/year	2.0%/year	2.0%/year	2.0%/year	2.0%/year	2.0%/year	2.0%/year

Notes:
(1) At December 31, 2022.
(2) Inflation rate for costs used is 2.0% per year.
(3) NGL pricing reflects the fixed % differential to the NSAI average WTI price based on the Corporation's historical results.

Weighted average historical prices realized by us for the year ended December 31, 2022, excluding price risk management activities, were US$95.58/Bbl for tight oil, US$4.55/Mcf for shale gas and US$17.46/Bbl for natural gas liquids.

Reserves Reconciliation

RECONCILIATION OF GROSS RESERVES BY PRINCIPAL PRODUCT TYPE FORECAST PRICES AND COSTS

	TIGHT OIL			SHALE GAS			NATURAL GAS LIQUIDS		
	Gross Proved (Mbbls)	Gross Probable (Mbbls)	Gross Proved Plus Probable (Mbbls)	Gross Proved (MMcf)	Gross Probable (MMcf)	Gross Proved Plus Probable (MMcf)	Gross Proved (Mbbls)	Gross Probable (Mbbls)	Gross Proved Plus Probable (Mbbls)
December 31, 2021	38,776	11,175	49,951	48,467	15,437	63,904.9	8,701.4	2,671.0	11,372.4
Discoveries	-	-	-	-	-	-	-	-	-
Extensions and Improved Recovery	-	-	-	-	-	-	-	-	-
Technical Revisions (1)	(2,680)	865	(1,815)	9,104	4,759	13,863	1,810	1,156	2,966
Acquisitions (2)	908	300	1,208	1,544	463	2,006	201	64	264
Dispositions	-	-	-	-	-	-	-	-	-
Economic Factors	187	(11)	176	254	(42)	212	38	(8)	30
Production	(2,396)	-	(2,396)	(4,455)	-	(4,455)	(830)	-	(830)
December 31, 2022	**34,796**	**12,328**	**47,124**	**54,913**	**20,618**	**75,531**	**9,920**	**3,883**	**13,802**

Notes:

(1) Technical revisions include removal or additions of locations based on development permitting and activity of our operators on non-operated properties and probable reserve assignments to proved well locations. Additionally, it reflects changes to reserves based on estimates from further production information gathered in 2022 from our wells and analogous wells near our lands, and revisions to interest on certain non-operated wells.

(2) The acquisitions amount is the estimate of reserves at December 31, 2022 adjusted for production associated with the acquired properties from the related acquisition date to December 31, 2022.

Additional Information Relating to Reserves Data

Undeveloped Reserves

Undeveloped reserves are attributed by NSAI in the NSAI Report in accordance with standards and procedures contained in the COGE Handbook. Proved undeveloped reserves are those reserves that can be estimated with a high degree of certainty and are expected to be recovered from known accumulations where a significant expenditure is required to render them capable of production. Probable undeveloped reserves are those reserves that are less certain to be recovered than proved reserves and are expected to be recovered from known accumulations where a significant expenditure is required to render them capable of production.

We have been active in developing our operated properties and converting undeveloped reserves to producing reserves. We expect to continue our development activities, including participating in the development of our non-operated properties, to convert our undeveloped reserves to producing reserves. All of our proved undeveloped reserves are located in our core areas in the Williston Basin in North Dakota. Over the next several years, we anticipate actively investing capital to develop our operated properties as well as our non-operated properties, along with the operators of our non-operated properties in these core areas. As such, we expect that the large majority of our booked undeveloped projects will be completed within a five-year time frame. We intend to fund the development of our undeveloped reserves through a combination of internally generated cash flow, debt and equity issuances. There are a number of factors that could result in delayed or cancelled development, including the following: (i) changing economic conditions (due to commodity prices, operating and capital expenditure fluctuations); (ii) changing technical conditions (including production anomalies, such as water and/or natural gas breakthrough or accelerated depletion); (iii) if applicable, multi-zone developments (for instance, a prospective formation completion may be delayed until the initial completion is no longer economic); (iv) a larger development program may need to be spread out over several years to optimize capital allocation and facility utilization; (v) changes to our ability to obtain financing for such development; (vi) changes to development plans of the operators of our properties; and (vii) surface access issues (including those relating to land owners, weather conditions and regulatory approvals). For more information, see "*Risk Factors*".

Proved Undeveloped Reserves

The following table discloses, for each product type, the volumes of gross proved undeveloped reserves that were attributed in each of the most recent three financial years.

Year	Tight Oil (Mbbls)		Shale Gas (MMcf)		Natural Gas Liquids (Mbbls)	
	First Attributed	**Cumulative at Year End**	**First Attributed**	**Cumulative at Year End**	**First Attributed**	**Cumulative at Year End**
2020	367.6	23,420.5	252.6	21,224.3	54.7	3,893.9
2021	46.5	17,518.0	39.8	15,736.2	-	2,935.2
2022	56.4	16,736.9	36.69	15,897.7	0.43	2,647.7

The majority of our proved undeveloped reserves evaluated in the NSAI Report are attributable to our core properties in the Williston Basin in North Dakota. Proved undeveloped reserves have been assigned in areas where the reserves can be estimated with a high degree of certainty. In most instances, proved undeveloped reserves will be assigned on lands immediately offsetting existing producing wells within the same accumulation or pool. NSAI has assigned 22,034 MBoe of proved undeveloped reserves with respect to our oil and natural gas assets in the NSAI Report with US$170.6 million of associated undiscounted capital, all of which is forecast to be spent in the next five years.

Probable Undeveloped Reserves

The following table discloses, for each product type, the volumes of gross probable undeveloped reserves that were first attributed in each of the three most recent financial years.

Year	Tight Oil (Mbbls)		Shale Gas (MMcf)		Natural Gas Liquids (Mbbls)	
	First Attributed	**Cumulative at Year End**	**First Attributed**	**Cumulative at Year End**	**First Attributed**	**Cumulative at Year End**
2020	122.9	6,362.1	172.0	6,251.8	25.8	1,104.0
2021	2.7	5,896.9	2.1	5,831.8	-	963.5
2022	1,468.8	7,321.4	2,846.9	9,102.1	853.0	1,791.5

Probable undeveloped reserves have been assigned in areas where the reserves can be estimated with less certainty. It is equally likely that the actual remaining quantities recovered will be greater or less than the proved plus probable reserves. In most instances probable undeveloped reserves have been assigned on lands in the area with existing producing wells but there is some uncertainty as to whether they are directly analogous to the producing accumulation or pool. NSAI has assigned 19,647 MBoe of probable undeveloped reserves with respect to our oil and natural gas assets in the NSAI Report with US$73.7 million of associated undiscounted capital all of which is forecast to be spent in the next five years.

Significant Factors or Uncertainties Affecting Reserves Data

Changes in future commodity prices relative to the forecasts provided under "*Pricing Assumptions*" above could have a negative impact on our reserves and in particular the development of our undeveloped reserves unless future development costs are adjusted in parallel. Many of our properties are operated by third parties, and as such, the capital allocation decisions and uncertainties affecting the operators of our properties can have a direct effect on our reserves. We do not anticipate any significant economic factors or significant uncertainties will affect any particular components of our reserves data. However, our reserves can be affected significantly by fluctuations in product pricing, capital expenditures, operating costs, royalty regimes and well performance that are beyond our control. See "*Risk Factors*".

Abandonment and Reclamation Costs

Our overall abandonment and reclamation costs are based on combining the cost of well bore abandonment and reclamation costs and liability issues such as flare pit remediation, facility decommissioning, remediation and reclamation costs. These costs were estimated using our experience and the relevant experience of operators in North

Dakota. We and the operators of our non-operated properties review inactive well bores for reactivation, recompletion or sale and conduct systematic abandonment programs for those well bores that do not meet established criteria. Our abandonment and reclamation obligations are evaluated for retirement annually and facilities are decommissioned when all wells producing to them have been abandoned.

At December 31, 2022, we had 683 gross (95.6 net) wells for which we expect to incur abandonment and reclamation costs. The NSAI Report deducted US$19.5 million (undiscounted and inflated) and US$0.8million (10% discount) for abandonment costs of all wells in which the Corporation owns an interest, whether or not such wells have proved and probable reserves associated with them as reported in the NSAI Report or have estimated future net revenues disclosed in this Annual Information Form. However, the amount of abandonment and reclamation costs associated with wells with no proved and probable reserves associated with them in the NSAI Report is less than US$300,000. The undiscounted and uninflated amount of estimated future abandonment and reclamation costs reflected in our December 31, 2022 financial statements is C$10.3 million. The estimate reflected in our financial statements only reflects abandonment and reclamation costs for existing wells, and excludes costs associated with forecast wells to be drilled which are included in the costs used by NSAI in estimating the future net revenues disclosed herein.

Future Development Costs

The following table sets forth development costs deducted in the estimation of our future net revenue attributable to the reserve categories noted below.

	FORECAST PRICES AND COSTS	
Year	**Proved Reserves (US$000s)**	**Proved Plus Probable Reserves (US$000s)**
2023	54,890.4	54,890.8
2024	41,662.1	50,052.7
2025	46,576.4	60,169.9
2026	30,775.8	75,623.9
2027	10,336.1	17,185.8
Remaining	-	-
Total (Undiscounted)	184,241.1	257,923.2

We expect to fund the development costs of our reserves through a combination of internally generated cash flow, debt and equity issuances. We do not anticipate that the cost of obtaining the funds required for these development activities to have a material effect on our disclosed petroleum reserves. There can be no guarantee that funds will be available or that our Board of Directors will allocate funding to develop all of the reserves attributed in the NSAI Report. Failure to develop those reserves could have a negative impact on our future cash flow. Interest, other costs of external funding and general and administrative expenses are not included in our reserves and future net revenue estimates and would reduce reserves and future net revenue to some degree depending upon the funding sources utilized. We do not anticipate that interest or other funding costs would make development of any of our properties uneconomic.

Description of Properties

The following is a description of our principal oil properties. Information in respect of current production is average production, net to our working interest.

Our assets are crude oil properties located primarily in McKenzie and Dunn counties North Dakota. We also have minor interests in Mountrail and Williams counties, North Dakota, Richland County, Montana and miscellaneous royalty interests in Alberta and Ontario, but these properties only have nominal value associated with them.

We have approximately 8,606 net acres of land in Fort Berthold, primarily in McKenzie and Dunn counties, of which 8,606 net acres are held by production. For the year ended December 31, 2022, we operated an average of approximately 72% of our production. The North Dakota Bakken is characterized with high initial deliverability of light sweet crude oil (42° API), with associated natural gas. The associated natural gas has a high heat content and can provide a favourable NGL yield following processing. During 2022, we spent approximately $59.9 million on development of our assets. During the year ended December 31, 2022, the Company drilled 5 (4.95 net) operated wells and an additional 1.8 net non-operated wells, along with the completion of 3 (2.48 net) operated wells and an additional 0.15 net non-operated wells. Production averaged 10,874 Boe/d (consisting of 6,564 Bbls/d of tight oil, 2,275 Bbls/d of NGLs and 12,207 Mcf/d of shale gas) during 2022, with a liquids weighting of approximately 81%.

At December 31, 2022, we have approximately 73.5 MMboe of total proved plus probable reserves associated with this property which is 2% higher than at December 31, 2021.

Oil and Natural Gas Wells

The following table sets forth the number and status of wells in which we had a working interest at December 31, 2022.

	OIL WELLS				**NATURAL GAS WELLS**			
	Producing		**Non-Producing**		**Producing**		**Non-Producing**	
	Gross	**Net**	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**
Montana	6.0	0.5	-	-	-	-	-	-
North Dakota	533.0	59.2	5.0	1.7	-	-	-	-
Total	539.0	59.7	5.0	1.7	-	-	-	-

Of the non-producing wells, no wells were drilled in 2022 that were capable of production and had reserves assigned to them.

Properties with No Attributed Reserves

The following table sets out our developed and undeveloped land holdings at December 31, 2022.

	UNDEVELOPED ACRES		**DEVELOPED ACRES**		**TOTAL ACRES**	
	Gross	**Net**	**Gross**	**Net**	**Gross**	**Net**
Montana	-	-	5,516	478	5,516	478
North Dakota	-	-	19,664	8,128	19,664	8,128
Total	-	-	25,180	8,606	25,180	8,606

Significant Factors or Uncertainties Relevant to Properties with No Attributed Reserves

There are several economic factors and significant uncertainties that affect our anticipated development of our properties to which no reserves are attributed. We will be required to make substantial capital expenditures in order to prove, exploit, develop and produce oil and natural gas from these properties in the future. If cash flow from operations is not sufficient to satisfy our capital expenditure requirements, there can be no assurance that additional debt or equity financing will be available to meet these requirements or, if available, on terms acceptable to us. Failure to obtain such financing on a timely basis could cause us to forfeit our interest in certain properties, miss certain opportunities and reduce or terminate our operations on such properties. Our inability to access sufficient capital for our exploration and development purposes could have a material adverse effect on our ability to execute our business strategy to develop these prospects. See also "*Risk Factors*".

The primary economic factors that affect the development of these lands to which no reserves have been attributed are future commodity prices for crude oil and natural gas (and our outlook relating to such prices) and the future costs of drilling, completing, tying in and operating wells at the time that such activities are considered.

The primary uncertainties that affect the development of such lands are the future drilling and completion results achieved in the development activities, drilling and completion results achieved by others on lands in close proximity to these lands, and future changes to applicable regulatory or royalty regimes that affect timing or economics of proposed development activities. All of these uncertainties have the potential to delay the development of such lands. Conversely, uncertainty as to the timing and nature of the evolution or development of better exploration, drilling, completion and production technologies have the potential to accelerate development activities and enhance the economics relating to such lands.

We do not expect any abandonment or reclamation costs to materially affect any potential activities on our properties with no attributed reserves.

Forward Contracts

We are exposed to market risks resulting from fluctuations in commodity prices, foreign exchange rates and interest rates in the normal course of operations. A variety of derivative instruments may be used by us from time to time to reduce our exposure to fluctuations in commodity prices and foreign exchange rates. We are exposed to losses in the event of default by the counterparties to these derivative instruments. We manage this risk by contracting with large, well capitalized counterparties.

We may use certain financial instruments to hedge exposure to commodity price fluctuations on a portion of our future crude oil and natural gas production. For further information, see note 17 to our financial statements for the year ended December 31, 2022. See "*Risk Factors – Hedging*".

Tax Horizon

Based on our recent developments and estimated pro-forma 2023 cash flow and capital expenditures, we estimate that we will not be required to pay current income taxes until at least 2024.

Costs Incurred

The following table summarizes the costs incurred related to our activities for the year ended December 31, 2022.

Expenditure	**Year Ended December 31, 2022 (C$000s)**
Property acquisition costs – Unproved properties	-
Property acquisition costs – Proved properties (1)	8,858
Net corporate acquisition costs	-
Exploration costs (2)	-
Development costs (3)	59,924
Other	-
Total	68,782

Notes:
(1) Net of dispositions, if any.
(2) Geological and geophysical capital expenditures and drilling costs for exploration wells.
(3) Development costs include development drilling, completion and equipping, tie-in and facility costs for all wells.

Exploration and Development Activities

In 2022, the Corporation drilled 5 (4.95 net) operated tight oil wells and an additional 1.8 net non-operated tight oil wells. In 2023, we expect to drill approximately 5 gross (4.3 net) tight oil wells in North Dakota.

Production Estimates

The following table sets out the volumes of our working interest production estimated for the year ended December 31, 2023 which is reflected in the estimate of future net revenue disclosed in the forecast price tables contained above under the subheading "*Disclosure of Reserves Data*". Actual 2023 production may vary from the estimates provided by NSAI as the Corporation's actual development programs, timing and priorities may differ from the forecast of development by NSAI.

	Tight Oil (Bbls/d)	**Shale Gas (Mcf/d)**	**Natural Gas Liquids (Bbls/d)**	**BOE (Boe/d)**
Total Proved				
Montana	5.8	-	-	5.8
North Dakota	8,106.1	14,062.5	2,857.2	13,307.1
Total	8,111.9	14,062.5	2,857.2	13,312.9

	Tight Oil (Bbls/d)	Shale Gas (Mcf/d)	Natural Gas Liquids (Bbls/d)	BOE (Boe/d)
Total Proved plus Probable				
Montana	6.3	-	-	6.3
North Dakota	9,210.8	16,286.0	3,303.8	15,228.9
Total	9,217.1	16,286.0	3,303.8	15,235.2

Production History

The following tables summarize certain information in respect of our production, product prices received, royalties paid, production taxes and transport, production costs and resulting netback for the year ended December 31, 2022:

	Quarter Ended 2022			
	March 31	**June 30**	**September 30**	**December 31**
Average Daily Production				
Tight Oil (Bbls/d)	7,065	6,489	6,385	6,326
Shale Gas (Mcf/d)	11,138	10,439	13,991	13,218
Natural Gas Liquids (Bbls/d)	1,760	2,667	2,187	2,480
Combined (Boe/d)	10,681	10,896	10,904	11,009
Average Net Production Prices Received (2)				
Tight Oil ($/Bbl)	119.28	139.79	123.06	114.49
Shale Gas ($/Mcf)	4.87	6.51	6.90	5.34
Natural Gas Liquids ($/Bbl)	27.30	23.48	28.56	13.25
Combined (Boe/d)	88.26	95.55	86.58	75.18
Royalties Paid				
Tight Oil ($/Bbl)	23.55	26.47	23.02	19.62
Shale Gas ($/Mcf)	0.70	1.07	1.25	1.05
Natural Gas Liquids ($/Bbl)	2.36	4.58	5.21	2.54
Combined (Boe/d)	16.48	18.23	16.11	13.11
Production Taxes & Transport (1)				
Tight Oil ($/bbl)	11.73	15.89	15.34	14.76
Shale Gas ($/Mcf)	0.03	0.07	0.10	0.13
Natural Gas Liquids ($/bbl)	0.07	0.20	0.27	0.21
Combined (Boe/d)	7.80	9.58	9.17	8.68
Production Costs (1)				
Tight Oil ($/Bbl)	10.75	12.59	12.88	14.19
Shale Gas ($/Mcf)	0.44	0.58	0.72	0.66
Natural Gas Liquids ($/Bbl)	2.47	2.11	2.98	1.64
Combined (Boe/d)	7.97	8.57	9.06	9.32
Netback Received(3)				
Tight Oil ($/Bbl)	73.25	84.84	71.82	65.92
Shale Gas ($/Mcf)	3.70	4.78	4.82	3.49
Natural Gas Liquids ($/Bbl)	22.40	16.59	20.01	8.86
Combined (Boe/d)	56.01	59.17	52.24	44.07

Notes:

(1) A number of assumptions are required to allocate these costs between product types.

(2) Average net production prices received for shale gas and NGLs include transportation and processing costs.

(3) Netback is a Non-GAAP measure. Refer to the section entitled "Non-GAAP and Other Financial Measures" contained within our MD&A for the year ended December 31, 2022, available on SEDAR at www.sedar.com, for certain additional disclosures relating to this non-GAAP measure, which information is incorporated in this Annual Information Form by reference.

DESCRIPTION OF OUR CAPITAL STRUCTURE

Common Shares

The holders of Common Shares are entitled to: dividends if, as and when declared by the Board of Directors; to one vote per Common Share at meetings of the holders of our Common Shares; and upon liquidation, dissolution or winding up of the Corporation to receive pro rata the remaining property and assets of the Corporation. The Common Shares shall not be subdivided, consolidated, reclassified or otherwise adjusted unless, contemporaneously therewith, the Common Non-Voting Shares are subdivided, consolidated, reclassified or otherwise adjusted in the same proportion and in the same manner. As of March 30, 2023 there are 662,410,687 Common Shares issued and outstanding.

Common Non-Voting Shares

The holders of Common Non-Voting Shares are entitled to: dividends if, as and when declared by our Board of Directors provided that no dividend may be declared unless concurrently therewith the same dividend is conferred upon the holders of our Common Shares; and upon liquidation, dissolution or winding up of the Corporation to receive pro rata the remaining property and assets of the Corporation. A holder of Common Non-Voting shares shall have the right to convert all or some of the Common Non-Voting Shares into Common Shares on a one-for-one basis at any time, however the holder cannot convert the Common Non-Voting Shares if it would result in the holder beneficially owning or exercising control or direction of ten percent or more of our Common Shares at any time. The Common Non-Voting Shares shall not be subdivided, consolidated, reclassified or otherwise adjusted unless, contemporaneously therewith, the Common Shares are subdivided, consolidated, reclassified or otherwise adjusted in the same proportion and in the same manner. If an offer to acquire is made, the holders of the Common Non-Voting Shares shall not be entitled to accept such offer until the offeror has made the offer to all of the holders of the Common Shares on the same terms and conditions as the offer was made to the holders of the Common Non-Voting shares. As of the date hereof there are no Common Non-Voting Shares issued and outstanding.

Preferred Shares

Our Board of Directors may fix the designation, rights, privileges, restrictions and conditions attached to each series of our Preferred Shares prior to them being issued. In the event of liquidation, dissolution or winding-up of the Corporation, holders of each series of Preferred Shares shall be entitled to be paid in priority to holders of Common Shares and Common Non-Voting Shares on a distribution of the capital of the Corporation. As of the date hereof there are no Preferred Shares issued and outstanding.

Special Voting Shares

The Special Voting Shares are the first series of Preferred Shares authorized by the Board of Directors for issuance, in an unlimited number. The Special Voting Shares entitle the holder thereof to one vote per Special Voting Share on all matters submitted to a vote of the holders of Common Shares, together as a single class. The Special Voting Shares may be redeemed, for nominal consideration, as necessary to ensure that the aggregate number of Special Voting Shares outstanding is equal to the "as exchanged" number of Subsidiary Preferred Shares issued and outstanding from time to time, based on the Exchange Price in effect at such time, subject to certain adjustments and restrictions. The Special Voting Shares are not entitled to any dividends, and shall only be entitled to a nominal amount of US$0.000001 upon liquidation, dissolution or winding up of the Corporation. In the event of any subdivision, consolidation, reclassification or other adjustment to the Common Shares, the Special Voting Shares shall be subdivided, consolidated, reclassified or otherwise adjusted in the same proportion and in the same manner. The Special Voting Shares must be transferred together with the Subsidiary Preferred Shares and are, in effect, "stapled" securities. As of the date hereof, no Special Voting Shares are issued and outstanding. The outstanding Special Voting Shares were previously held by First Reserve and were cancelled and terminated pursuant to the Repositioning Transaction.

Subsidiary Preferred Shares

Prior to the completion of the Repositioning Transaction, First Reserve held all of the issued and outstanding Subsidiary Preferred Shares, which were initially issued to First Reserve in connection with its US$75 million investment in PetroShale US in January 2018. As part of the Repositioning Transaction, all Subsidiary Preferred Shares were exchanged for Common Shares, such that no Subsidiary Preferred Shares are currently issued and outstanding. The Subsidiary Preferred Shares carry a 9.0% per annum cumulative dividend right, are non-voting, redeemable by PetroShale US in certain instances and are, subject to the restrictions and conditions described below, exchangeable for Common Shares of the Corporation at the Exchange Price. The Subsidiary Preferred Shares have an initial term of five (5) years from closing on January 25, 2018, with the holder thereof having an option to extend the term for one (1) additional year with no additional dividend rights for the additional year (the "**Term**"). Provided the Subsidiary Preferred Shares have not otherwise previously been redeemed or exchanged pursuant to their terms prior to the end of the Term, on the expiry of the Term, the holder thereof will be entitled to the "Liquidation Preference" for each Subsidiary Preferred Share of US$1,000 per share, plus all accrued and unpaid dividends at such date.

As part of the original issuance of the Subsidiary Preferred Shares to First Reserve, First Reserve also concurrently acquired Special Voting Shares (as described above) which Special Voting Shares provided First Reserve voting rights in respect of the Corporation, in the same manner as if First Reserve had subscribed for voting shares of the Corporation. The number of Special Voting Shares initially issued to First Reserve are equal to the "as exchanged" number of Common Shares First Reserve would acquire on exchange of all of the Subsidiary Preferred Shares (i.e. such number of Common Shares as is equal to the Canadian dollar equivalent (based on an exchange rate of C$1.00 = US$0.795) of US$75 million divided by the Exchange Price) which resulted in the issuance of 39,308,176 Special Voting Shares on the closing of such financing. Upon the exchange of every one Subsidiary Preferred Share (each with a deemed Liquidation Preference of US$1,000), 524 Special Voting Shares will be redeemed and cancelled for nominal consideration and 524 Common Shares will be issued.

The Subsidiary Preferred Shares do not entitle the subscriber to attend at or to vote at any meetings of the shareholders of PetroShale US other than for the purposes of effecting or validating: (a) any issuance, authorization or creation of, or any increase by PetroShale US in the issued or authorized amount of, any specific class or series of shares of PetroShale US that rank in parity or senior to the Subsidiary Preferred Shares; (b) any increase in the number of issued or authorized amount of Subsidiary Preferred Shares or any reissuance thereof; (c) any exchange, reclassification or cancellation of the Subsidiary Preferred Shares; and (d) any amendment, modification or alteration of the constating documents of the PetroShale US that would materially or adversely affect the rights, preferences, privileges or voting powers of the Subsidiary Preferred Shares.

In the event of any liquidation, winding-up or dissolution of the Corporation or PetroShale US, whether voluntary or involuntary, PetroShale US is required to redeem all Subsidiary Preferred Shares outstanding. PetroShale US is required to effect such redemption by paying to the holders of the Subsidiary Preferred Shares, an amount equal to the applicable "Redemption Price" which "Redemption Price" is equal to the sum of: (i) the issue price per each Subsidiary Preferred Share (US$1,000); (ii) any then applicable "make-whole premium"; and (iii) the amount of any accrued and unpaid dividends thereon. In accordance with the terms of the Subsidiary Preferred Shares, after the payment of the Redemption Price to the holders of Subsidiary Preferred Shares, the holders of Subsidiary Preferred Shares, in their capacities as such, shall have no right or claim to any of the remaining property or assets of PetroShale US (including any dividends) or the Corporation (including in respect of any Common Shares).

PetroShale US may redeem all (but not less than all) of the Subsidiary Preferred Shares for an amount, per share of Subsidiary Preferred Shares, equal to the value of the "Liquidation Preference" at such time plus the then applicable "make whole premium" amount and all accrued and unpaid dividends thereon.

As a result of amendments to the terms of the Subsidiary Preferred Shares in 2018, PetroShale US may, in certain circumstances and subject to certain limits, elect to pay certain quarterly dividend amounts "in kind" at a rate of 12.0% per annum in lieu of paying a cash dividend for such quarter. PetroShale US is permitted to exercise such election, on or after the first anniversary of the date of issuance of the Subsidiary Preferred Shares (being January 25, 2018), with respect to a maximum of six (6) fiscal quarters in total. In such event, the "Liquidation Preference" in respect of the Subsidiary Preferred Shares will increase by the dollar amount represented by the "in kind" dividend, and, as a result, additional Special Voting Shares would be issued by us at such time and the number of Common Shares to which the

Subsidiary Preferred Shares may be exchangeable into will also be proportionately increased. In the event the Liquidation Preference is increased as a result of any "in kind" dividend payment, no additional Subsidiary Preferred Shares would be issued and the "in kind" amount will be reflected by the increased "Liquidation Preference".

Credit Facility

We currently have a senior secured revolving line of credit with a syndicate of Canadian financial institutions. The senior loan facility is US$180.0 million and is guaranteed by Lucero and PetroShale US. Our senior credit facility has a term out date of May 31, 2023, at which point the facility can be further extended at the option of the lenders or converted to a one-year term loan.

MARKET FOR OUR SECURITIES

Trading Price and Volume

Our Common Shares trade on the TSXV under the symbol "LOU" (and prior to the name change to Lucero Energy Corp. under the symbol "PSH"). The following sets out the high and low trading prices and aggregate volume of trading of our Common Shares on the TSXV for the periods noted below:

Period	High ($)	Low ($)	Volume
2022			
January	0.81	0.42	13,760,923
February	0.93	0.78	17,778,659
March	0.94	0.73	9,365,662
April	0.84	0.68	5,920,009
May	0.90	0.62	3,944,206
June	0.97	0.64	18,721,006
July	0.78	0.58	4,320,517
August	0.71	0.55	8,193,103
September	0.63	0.44	6,771,349
October	0.63	0.52	3,969,371
November	0.66	0.58	5,210,678
December	0.60	0.48	6,451,231
2023			
January	0.58	0.49	4,417,038
February	0.60	0.53	5,116,100
March (to March 30)	0.55	0.41	8,277,500

Prior Sales

On February 2, 2022, we issued an aggregate of 23,750,000 Units at a price of $0.40 per Unit pursuant to a non-brokered private placement. Each Unit was comprised of one Common Share and one Warrant entitling the holder to purchase one Common Share at a price of $0.475 per Common Share for a period of five years from the issuance date. Additionally, on February 2, 2022 we also closed a brokered private placement through which we issued an aggregate of 112,500,000 Common Shares at a price of $0.40 per Common Share.

During the year ended December 31, 2022 we issued 2,297,872 restricted share bonus awards and 24,211,833 performance share bonus awards under our bonus award incentive plan that may, at our option, be settled for cash and/or Common Shares. Additionally, during the year ended December 31, 2022, an aggregate of 4,551,484 Common Shares were issued on settlement of previously outstanding restricted share bonus awards and performance share bonus awards.

DIRECTORS AND OFFICERS

The names, municipalities of residence, any offices held with us, the period served as a director and principal occupations of our directors and officers are set out below.

Name and Municipality of Residence	Position with Lucero	Director Since	Principal Occupation
M. Bruce Chernoff [3] Calgary, Alberta, Canada	Chairman and Director	August 31, 2012	Our Chairman and President of Caribou Capital Corp., a private investment company.
David Rain [1][3] Calgary, Alberta, Canada	Director	December 3, 2018	Chief Financial Officer and Vice President of Caribou Capital Corp., a private investment company. Our Interim Chief Executive Officer from October 15, 2019 to August 24, 2020.
Gary Reaves [1][2][3] Houston, Texas, USA	Director	May 20, 2020	Managing Director of First Reserve, a private equity investment firm.
Jacob Roorda[2] Calgary, Alberta, Canada	Director	March 8, 2012	Independent businessman. Mr. Roorda was the President and Chief Executive Officer of the Corporation from August 24, 2020 to January 2022 and prior thereto Managing Director of Windward Capital Limited, a private advisory company.
Dale O. Shwed [1][2] Calgary, Alberta, Canada	Director	January 13, 2022	Mr. Shwed has been the President & Chief Executive Officer and a Director of Crew Energy Inc. since June 2003.
Brett Herman Calgary, Alberta, Canada	President, Chief Executive Officer and Director	March 8, 2012	President & Chief Executive Officer of the Corporation since January 2022. Prior thereto, Mr. Herman was the President & Chief Executive Officer of TORC Oil & Gas Ltd. from December 2010 until February 2021. Prior thereto, Mr. Herman was the President & Chief Executive Officer and a Director of Result Energy Inc. from November 2009 to April 2010 and the President & Chief Executive Officer and a Director of TriStar Oil & Gas Ltd. from August 2006 to October 2009.
Jason Skehar Calgary, Alberta, Canada	Chief Operating Officer	N/A	Chief Operating Officer of the Corporation since January 2022. Prior thereto, Mr. Skehar was the President and Chief Executive Officer of Bonavista Energy Corporation from December 2012 to October 2020, and the President & Chief Operating Officer of Bonavista Energy Corporation from December 2008 to November 2012.
Marvin Tang Calgary, Alberta, Canada	Vice President, Finance and Chief Financial Officer	N/A	Vice President, Finance and Chief Financial Officer of the Corporation since January 2022. Previously thereto, Vice President & Controller of TORC Oil & Gas Ltd. from February 2019 to February 2021 and Controller of TORC Oil & Gas Ltd. from March 2016 to February 2019.
Anthony Baldwin Denver, Colorado, USA	Vice President, Business Development	N/A	Vice President, Business Development of the Corporation since January 2022. President of Crescent Point Energy U.S. Corp. from August 2018 to July 2021. Prior thereto, Vice President, Land and Business Development of Crescent Point U.S. Corp. from January 2018 to July 2018.

Name and Municipality of Residence	Position with Lucero	Director Since	Principal Occupation
Sandy Brown Calgary, Alberta, Canada	Vice President, Geosciences	N/A	Vice President, Geosciences of the Corporation since January 2022. Prior thereto, Mr. Brown was the Vice President, Geosciences of TORC Oil & Gas Ltd. from December 2014 to February 2021. Prior thereto, Mr. Brown was the New Ventures Manager/Senior Geological Advisor at Apache Canada from November 2007 to November 2014 and the Vice President, Exploration of Rock Energy Inc. from January 2003 to October 2007.
Kristine Lavergne Calgary, Alberta, Canada	Vice President, Engineering	N/A	Vice President, Engineering of the Corporation since January 2022. Prior thereto, Ms. Lavergne was the Engineering Manager of TORC Oil & Gas Ltd. from October 2013 to February 2021.
Shane Manchester Calgary, Alberta, Canada	Vice President, Operations	N/A	Vice President, Operations of the Corporation since January 2022. Prior thereto, Mr. Manchester was Vice President, Operations of TORC Oil & Gas Ltd. from January 2013 to February 2021. Prior thereto, Mr. Manchester was the Vice President, Operations of Vero Energy Inc. from March 2006 to November 2013.

Notes:
(1) Member of our Audit Committee.
(2) Member of our Reserves Committee.
(3) Member of our Corporate Governance and Compensation Committee.

The term of office of each of our directors expires at the next annual meeting of our Shareholders.

At March 30, 2023, our directors and executive officers, as a group, beneficially owned, or directed or controlled, directly or indirectly, 164,154,782 Common Shares or approximately 25% of our issued and outstanding Common Shares. First Reserve owns 234,978,500 Common Shares (approximately 36% of all currently outstanding Common Shares). Gary Reaves, one of our directors, is a managing director of First Reserve.

Corporate Cease Trade Orders, Bankruptcies or Penalties or Sanctions

None of our directors or executive officers (nor any personal holding company of any of such persons) is, as of the date of this Annual Information Form, or was within ten years before the date of this Annual Information Form, a director, chief executive officer or chief financial officer of any company (including us), that was subject to a cease trade order (including a management cease trade order), an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, in each case that was in effect for a period of more than 30 consecutive days (collectively, an "**Order**") that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, or was subject to an Order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer other than Mr. Roorda who was formerly a director of Argosy Energy Inc. ("**Argosy**") when it was cease traded for failure to file financials in April of 2012.

None of our directors or executive officers (nor any personal holding company of any of such persons), or Shareholder holding a sufficient number of our securities to affect materially the control of us is, as of the date of this Annual Information Form, or has been within the ten years before the date of this Annual Information Form, a director or executive officer of any company (including us) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets other than the following. Mr. Chernoff and Mr. Rain were each formerly directors of Calmena Energy Services Inc. ("**Calmena**") (a public oilfield service company) which was placed in receivership on January 20, 2015. Mr. Chernoff and Mr. Rain resigned as directors of Calmena effective January 15, 2015. Mr. Roorda was a director of Argosy, a TSX listed company which entered receivership pursuant to a Court order resulting from a creditor petition. Concurrently with the receivership, Mr. Roorda resigned as a director of Argosy. Mr. Roorda was formerly an alternate director of Wolf Mineral Limited ("**Wolf**"), a specialty mining company based in Australia and the U.K. which was listed on the AIM market of the London Stock Exchange ("**AIM**") and the Australian Stock Exchange ("**ASX**"). Mr. Roorda served at the request of his employer at the time, a shareholder of Wolf. Wolf was placed into voluntary administration on October 10, 2018. Mr. Roorda served as an alternate director to a non-executive director of Wolf until his resignation as an alternate director effective October 10, 2018. On September 27, 2018, prior to its appointment into administration, Wolf announced that it had been voluntary suspended from the ASX as a result of a failure to file its annual report when due. On October 10, 2018, Wolf announced that in connection with the appointment of an administrator, it had been suspended from trading on the AIM.

None of our directors or executive officers (nor any personal holding company of any of such persons), or Shareholder holding a sufficient number of our securities to affect materially the control of us is, has, within the ten years before the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or Shareholder.

None of our directors or executive officers (nor any personal holding company of any of such persons), or Shareholder holding a sufficient number of our securities to affect materially the control of us, has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

Our directors and officers may, from time to time, be involved with the business and operations of other oil and natural gas issuers, in which case a conflict may arise. See "*Risk Factors*". Circumstances may arise where members of our Board of Directors serve as directors or officers of corporations which are in competition to our interests. No assurances can be given that opportunities identified by such board members will be provided to us.

The Act provides that in the event a director has an interest in a contract or proposed contract or agreement, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided under the Act. To the extent that conflicts of interests arise, such conflicts will be resolved in accordance with the provisions of the Act.

AUDIT COMMITTEE INFORMATION

The charter of our audit committee (the "**Audit Committee**") is attached to this Annual Information Form as Appendix "A".

Composition of the Audit Committee

The current members of the Audit Committee are Messrs. Rain (Chair), Reaves and Shwed. Each member of the Audit Committee is independent and is financially literate.

Relevant Education and Experience

Mr. Rain is the chairman of our Audit Committee. Mr. Rain's education and experience relevant to the performance of his responsibilities as an Audit Committee member are derived from his professional training as a chartered professional accountant and over 25 years of experience as either a Vice President, Finance, a Chief Financial Officer or a President and Chief Executive Officer of various companies.

Mr. Reaves' education and experience relevant to the performance of his responsibilities as an Audit Committee member are derived from his educational background and professional experience of nearly 20 years in the energy industry as a finance professional and private equity investor. In conjunction with his professional responsibilities, he serves or has served on numerous public and private companies as a director and as a member of the Audit Committee.

Mr. Shwed is a experienced businessperson, and has served as the President and Chief Executive Officer of Crew Energy Inc., a public oil and gas company, since June, 2003. Prior to Crew Energy Inc., Mr. Shwed was a founder of Baytex Energy Ltd. where he was the President and Chief Executive Officer from 1993 through 2003 when Baytex reorganized into an income trust and spun out Crew Energy Inc. Mr. Shwed started his career in the oil and gas industry in 1980 and has served on the boards of a number of public and private energy companies.

Reliance on Certain Exemptions

At no time since the commencement of our most recently completed financial year has the Corporation relied on the exemption in Section 2.4 of Multilateral Instrument 52-110 – *Audit Committees* ("**MI 52-110**") (De Minimis Non-audit Services), or an exemption from MI 52-110, in whole or in part, granted under Part 8 of MI 52-110.

Audit Committee Oversight

At no time since the commencement of our most recently completed financial year was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board of Directors.

Pre-Approval Policies and Procedures

The Audit Committee must pre-approve all non-audit services to be provided to the Corporation by the external auditors. The Audit Committee may delegate to one or more members of the Board of Directors, the authority to pre-approve non-audit services, provided that the member report to the Audit Committee at the next scheduled meeting such pre-approval and the member complies with such other procedures as may be established by the Audit Committee from time to time.

External Auditor Service Fees (By Category)

The aggregate fees billed by the Corporation's external auditors in each of the last two fiscal years for audit fees are as follows:

Financial Year Ending	Audit Fees(1)	Audit Related Fees	Tax Fees	All Other Fees(2)
2021	$256,720	-	-	-
2022	$298,725	-	-	$24,155

Notes:
(1) "Audit Fees" includes fees related to annual audit and quarterly reviews of our consolidated financial statements.
(2) "All Other Fees" for 2022 relate to services rendered in respect of Lucero's private placement in February 2022.

Exemption

The Corporation is relying on the exemption provided in Section 6.1 of MI 52-110 and, as such, we are exempt from Parts 3 (Composition of the Audit Committee) and 5 (Reporting Obligations) of MI 52-110.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

On March 4, 2021, the Corporation entered into the Repositioning Agreement with each of PetroShale US, First Reserve and Chernoffco to complete the Repositioning Transaction and in connection with the same entered into the

New Investment Agreement on closing of such transaction. See "*General Development of our Business – Recent Developments*" and "*Material Contracts*".

DIVIDEND POLICY

We have not declared or paid any dividends on our Common Shares or Common Non-Voting Shares. Any decision to pay dividends on the Common Shares will be made by our Board of Directors on the basis of our earnings, financial requirements and other conditions that the Board of Directors may consider appropriate in the circumstances. The Special Voting Shares are not entitled to any dividends.

In accordance with the terms of the Subsidiary Preferred Shares, the holder(s) of Subsidiary Preferred Shares were entitled to a cumulative quarterly cash dividend at a rate of 9.0% per annum of the "Liquidation Preference" in respect of the Subsidiary Preferred Share which based on a base "Liquidation Preference" of US$75 million, resulted in dividends payments of US$1,687,500 per quarter. In certain events (the "**Events of Non Compliance**"), the dividend rate of the Subsidiary Preferred Shares was subject to increase by an increment of one percentage point. Thereafter, until such time as no Event of Non Compliance exists, the dividend rate was subject to increase automatically at the end of each succeeding 90-day period by an additional increment of one percentage point(s) (but in no event shall the dividend rate increase more than three percentage points). Starting in 2020, the Corporation elected to exercise its right to settle in kind the payment of the quarterly dividend on the Subsidiary Preferred Shares. See "*General Development of Our Business – Year Ended December 31, 2020*" and "*General Development of Our Business – Year Ended December 31, 2021*". In connection with the Repositioning Transaction, all Subsidiary Preferred Shares were exchanged by First Reserve, the sole holder thereof, for an aggregate of 182,275,798 Common Shares and as such, no Subsidiary Preferred Shares remain outstanding as at the date hereof. See "*General Development of Our Business – Year Ended December 31, 2021*".

Dividend History

We have not paid any dividends in the last three financial years. The following table sets forth details regarding the cash dividends that were declared on the Subsidiary Preferred Shares for the three most recently completed financial years, up to the date of their exchange in April 2021:

Record Date	Payment Date	Type	Amount (US$)
March 30, 2020	45 days after record date	In Kind	$2,250,000[(1)]
June 30, 2020	45 days after record date	In Kind	$2,317,500[(1)]
September 30, 2020	45 days after record date	In Kind	$2,387,025[(1)]
December 31, 2020	45 days after record date	In Kind	$2,458,636[(1)]
March 30, 2021	April 8, 2021	Cash and In Kind	$2,532,395[(1)(2)]

Notes:

(1) This represents the amount by which the liquidation preference of the Subsidiary Preferred Shares increased.

(2) On closing of the Repositioning Transaction and the exchange of the Subsidiary Preferred Shares thereunder on April 8, 2021, the liquidation preference of the Subsidiary Preferred Shares was increased by US$2,532,395 in satisfaction of the 2021 first quarter dividend, which Subsidiary Preferred Shares were thereafter exchanged for 182,275,798 Common Shares and PetroShale US paid to First Reserve, the sole holder of the Subsidiary Preferred Shares, a cash amount equal to all accrued and unpaid interest from April 1, 2021 up to the date prior to the date of closing of the Repositioning Transaction of US$152,154.70.

INDUSTRY CONDITIONS

Companies operating in the oil and natural gas industry are subject to extensive regulation and control of operations (including land tenure, exploration, development, production, refining and upgrading, transportation and marketing) as a result of legislation enacted by various levels of government and with respect to the pricing and taxation of oil and natural gas through agreements among the governments of the United States, Montana and North Dakota, all of which should be carefully considered by investors in the oil and natural gas industry. All current legislation is a matter of public record and we are unable to predict what additional legislation or amendments may be enacted.

Our wholly-owned subsidiary, PetroShale US, holds interests in oil and natural gas properties and related assets in Montana and North Dakota in the United States. Outlined below are some of the principal aspects of legislation, regulations and agreements governing the oil and natural gas industry in the areas where we operate.

Pricing, Taxes, Marketing and Transportation

United States

The sales prices of oil, natural gas liquids and natural gas are currently set by the market. However, we cannot predict whether new legislation to regulate the price of energy commodities might be proposed, what proposals, if any, might actually be enacted by the US Congress or the various state legislatures and what effect, if any, such proposals might have on the operations of the underlying properties.

On December 22, 2017, the United States enacted the Tax Cuts and Jobs Act ("TCJA") which, among other things, includes changes to US federal tax rates, imposes new limitation on the utilization of net operating losses and the deductibility of interest and executive compensation, currently allows for expensing of certain capital expenditures, and eliminates the corporate Alternative Minimum Tax (as defined in the TCJA). On August 16, 2022, the United Stated enacted the Inflation Reduction Act of 2022 (“**IRA**”) which, among other things, reinstated an alternative minimum tax for certain corporations, and imposed n excise tax on certain corporate stock purchases. The IRA also took action to expand oil and gas leasing in certain activities, increased royalty rates on new federal oil and gas leases, encourages streamlining of certain infrastructure projects (which may include pipelines), adopted fees and other incentives to reduce methane emissions, and establishes incentives for carbon capture and storage and the production of hydrogen. The IRA also expanded, extended and added tax production and investm3ent tax credits to encourage investment in renewable energy resources. In addition, various proposals have periodically been made recommending the elimination of certain key US federal income tax incentives currently available to oil and natural gas exploration and production companies. While these incentives have not been eliminated, future legislation may be introduced which would implement these proposals. Some of these changes could include: (i) repeal of the percentage depletion allowance for oil and natural gas properties; (ii) the elimination of current deductions for intangible drilling and development costs; and (iii) an extension of the amortization period for certain geological and geophysical expenditures. It is unclear whether any of these changes will be enacted or how soon they could be effective.The US Federal Energy Regulatory Commission ("**FERC**") regulates rates and service conditions for the transportation of natural gas in interstate commerce which affects the marketing of natural gas we produce, as well as the revenues we receive for sales of such production. FERC exercises its ratemaking authority by applying cost-of-service principles, allowing for the negotiation of rates where there is a cost-based alternative rate or the granting of market-based rates in certain circumstances. FERC has also undertaken various initiatives to increase competition in the natural gas industry which may indirectly affect our business and the markets for products derived from our business. These policies include regulations on open access transportation, natural gas quality, capacity release and market center promotion. We may be also indirectly subject to certain reporting requirements of FERC based on the sale of natural gas from producing properties in which we have interest.

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The prices and terms of access to intrastate pipeline transportation are subject to state regulation. FERC has proposed and implemented new rules and regulations affecting natural gas transportation in recent years. We do not believe that we will be affected by any such rules or changes to existing rules in a manner materially different than any other similarly situated natural gas producer.

Rates and service conditions for the interstate transportation of oil and natural gas liquids are also regulated by FERC. In general, these rates must be cost-based or based on an indexing system of transportation rates that allows pipelines to take an annual inflation-based rate increase. FERC has also established market-based rates and settlement rates as alternative forms of ratemaking in certain circumstances. We cannot predict with any certainty what effect, if any, these regulations will have, but other factors being equal, the regulations may, over time tend to increase transportation costs which may have the effect of reducing net prices for oil and natural gas liquids.

Natural gas gathering facilities are exempt from regulation by FERC under Section 1(b) of the *Natural Gas Act*. We believe that pipelines in which we have an interest will meet the "primary function test" that FERC has used to establish a pipeline's status as a gathering system not subject to FERC jurisdiction. However, the distinction between FERC-regulated transmission pipelines and unregulated gathering systems has been subject to extensive litigation and is made by FERC on a case-by-case basis. Consequently, the classification and regulation of gathering facilities in which we have an interest may be subject to change based on future determinations by FERC, the courts or US Congress. Such a change may result in increased regulation of such assets and could have an adverse and material effect on our operations, operating expenses and revenues.

Finally, natural gas and crude oil take-away capacity is critical in the Williston Basin. Limited pipeline capacity and interrupted development may lead to the need for increased use of rail transportation and may create limits to market availability leading to downward price pressure on the Basin's crude oil, natural gas and natural gas liquids. North Dakota statutory and regulatory limitations on flaring and venting may also place pressure on take-away capacity for associated natural gas in the Williston Basin.

Land Tenure and Royalties

United States

In the United States, the federal government and each state have statutes and regulations which govern oil and natural gas lease terms, including tenure, royalties, production rates and other provisions. Oil and natural gas lessees are often required to pay annual rental payments to comply with federal, state and private lease provisions until production begins or the lease term expires. Upon commencement of production, royalties and production taxes are paid on revenue received from oil and natural gas produced from federal, state and private lands. The royalty and production tax regime is a significant factor in the profitability of oil and natural gas production. Royalties payable on production from lands other than federal and state lands in the US are determined by negotiations between the private mineral owner and the lessee. Federal, US Indian and state royalties and production taxes in the US are determined by government regulation and are generally calculated as a percentage of the value of the gross production less approved marketing and transportation deductions. The royalty rate payable for federal leases is generally fixed and varies from state to state for leases covering state-owned minerals. Other royalties and royalty-like interests are from time to time carved out of the working interest owner's interest through non-public transactions. These are often referred to as overriding royalty interests, or net profits interests.

Calculation of royalties on private lands in the United States is determined by individual lease terms but is also subject to specific rules and laws concerning payment of royalties and calculation of production or post-production costs. Generally, post-production costs are not deducted from the price used to calculate royalties. Costs of production, on the other hand, are taken from the gross revenue as an adjustment to the actual market value "at the well" in states such as North Dakota. Many US states require the producer to demonstrate that the cost deducted enhanced the value received for the production. States such as North Dakota require that the price at the well not reflect post production costs. The risk in North Dakota is in the characterization of costs in determination of whether the royalty calculation includes certain costs. Judicial determinations can alter these characterizations and may create the risk of large royalty-owner disputes with the potential for large damage awards.

Private mineral ownership in the US is prevalent and generally on lands settled and patented before the early 1900's. The federal government and the state in which the minerals are located also hold ownership to mineral rights. The federal mineral rights are administered by the Bureau of Land Management under the Department of the Interior

("**BLM**"). These owners, from governmental bodies to private individuals, grant rights to explore for and produce oil and natural gas pursuant to oil and natural gas leases, providing for varying consideration, term and royalties. As to those rights held by private owners, all terms and conditions may be negotiated. For those rights held by governmental agencies, typically the terms and conditions of the oil and natural gas lease have been predetermined by each governing or regulatory body and the consideration is determined by oral bidding.

A lease may generally be continued after the primary term provided certain minimum levels of drilling operations or production have been achieved and all lease rentals have been timely paid, subject to certain exceptions. To develop minerals, including oil and natural gas, it is necessary for the mineral estate owner(s) to have access to the surface estate. Under common law, the mineral estate is considered the "dominant" estate with the right to extract minerals subject to reasonable use of the surface. Each state has developed and adopted their own statutes and regulations that operators must follow both prior to drilling and following drilling including notification requirements and to provide compensation for lost land use and surface damages. The surface rights required for pipelines and facilities are generally governed by leases, easements, rights-of-way, permits or licenses granted by landowners or governmental authorities. The *North Dakota Surface Damage Compensation Act* governs much of our asset base and contains a number of requirements concerning notice, surface damage assessment and payments and loss of use by the surface owner. These requirements can lead to increased costs of production and must be complied with prior to beginning drilling operations.

Environmental Regulation

United States

Our US oil and natural gas operations are regulated by administrative agencies under statutory and regulatory provisions of the states where such operations are conducted and by certain agencies of the federal government for operations on federal leases. These statutory and regulatory provisions regulate matters such as the exploration for and production of crude oil and natural gas, including provisions related to permits for the drilling of wells, bonding requirements in order to drill or operate wells, the location of wells, the method of drilling and casing wells, the surface use and restoration of properties upon which wells are drilled and the abandonment of wells. Our US operations are also subject to various conservation laws and regulations which regulate matters such as the size of drilling and spacing units or proration units, the number of wells which may be drilled in a spacing unit and the unitization or pooling of crude oil and natural gas properties. In addition, state conservation laws sometimes establish maximum rates of production from crude oil and natural gas wells, generally restrict the venting or flaring of natural gas, and impose certain requirements regarding the rateability or fair apportionment of production from fields and individual wells. In particular, the NDIC implemented rules in 2014 mandating a natural gas capture plan and production restrictions to reduce natural gas flaring associated with oil production. In 2014, the NDIC established a 74% natural gas-capture goal; and the NDIC has increased that goal several times since. The current natural gas-capture goal is at 91%. Our operations in the US may also be subject to the regulation or threat of regulation initiated by the Mandan, Hidatsa and Arikara Native American Nations (also known as the Three Affiliated Tribes or MHA Nation). Special interest groups opposing development also seek to enforce these requirements through litigation. Compliance with these requirements can involve significant expenditures, including expenditures related to the imposition of material fines and penalties, administrative, civil and criminal liability for pollution, resolving the suspension or revocation of necessary licenses and authorizations, and compliance with clean-up orders. The federal government has also attempted to regulate natural gas capture. On November 18, 2016, the BLM issued a rule concerning, among other things, the alleged waste of Federal and Indian gas through venting, flaring, and leaks. The rule is called either the Waste Prevention Rule or the Venting and Flaring Rule. On September 28, 2018, the BLM revised the Venting and Flaring rule due to its regulatory burden on energy production and jobs, and reinstated the rules that were in place before promulgation of the Venting and Flaring rule. On October 8, 2020, the US District Court for the District of Wyoming found that the BLM exceeded its statutory authority and acted arbitrarily in promulgating the Venting and Flaring Rule. The court ordered that the rule be vacated, except for certain severable provisions. The effect of the court's order is to vacate all provisions of the Waste Prevention Rule pertaining to the loss of natural gas through venting, flaring, and leaks, and to reinstate NTL-4A with respect to venting, flaring, and avoidably/unavoidably lost determinations. On November 30, 2022, BLM published a new proposed rule to reduce the waste of natural gas from venting, flaring, and leaks during oil and gas production activities on federal and Indian leases. *See* Waste Prevention, Production Subject to Royalties, and Resource Conservation, 87 Fed. Reg. 73588 (Nov. 30, 2022). The BLM reports that the new proposed rule, if adopted, would replace the BLM's current requirements governing venting and flaring, would require that operators take reasonable steps to prevent the waste of gas through venting, flaring and leakage, and would also ensure that, when Federal or Indian gas is wasted, the public and Indian mineral owners are compensated through royalty payments. 87 Fed. Reg at 73588.

At the federal level, well planning and permitting is primarily regulated by the BLM and Bureau of Indian Affairs for operations on public and tribal lands under the *Federal Land Policy and Management Act* and the *National Environmental Policy Act* ("**NEPA**"). Environmental conservation and cultural and natural resources protection at the federal level are administered by numerous agencies under multiple statutes. The BLM can suspend permit approvals in specific areas while environmental analyses are being conducted and compliance documents required by the NEPA are being prepared (e.g. environmental assessments and environmental impact statements). And there is substantial uncertainty regarding the ability to obtain leases and permit approvals for federal oil and natural gas operations in light of President Biden's Executive Order No. 14,008, dated January 27, 2021, to the US Secretary of the Interior to pause new oil and natural gas leasing on public lands. On June 15, 2021, the US District Court for the Western District of Louisiana issued a preliminary injunction preventing implementation of the "pause" on onshore and offshore oil and natural gas leasing that was announced in Executive Order No. 14,008. The scope of the injunction was nationwide. After the Fifth Circuit Court of Appeals vacated the District Court's preliminary injunction, *Louisiana v. Biden*, 45 F.4th 841 (5th Cir. 2022), the District Court permanently enjoined the Department of the Interior from implementing the "pause," but limited the geographic scope of the injunction to 13 states. *Louisiana v. Biden*, No. 2:21-cv-00778, 2022 WL 3570933, at *20 (W.D. La. Aug. 18, 2022). Environmental groups have also invoked NEPA requirements in many lawsuits challenging the issuances of federal oil and natural gas leases and permits. Such litigation seeks the reversal or withdrawal of government approvals and injunctions prohibiting approved activities from proceeding, and often take years to resolve and inject uncertainty into ongoing and planned operations.

Environmental planning, permitting and compliance related to media protection and contaminants at the federal level are administered primarily by the US Environmental Protection Agency ("**EPA**") or by various states whose programs have been approved for implementation by the EPA. The EPA governs federal legislation, including the *Clean Air Act*, the *Clean Water Act*, the *Resource Conservation and Recovery Act* (other than oil and natural gas exempt wastes), the *Comprehensive Environmental Response, Compensation, and Liability Act*, the *Oil Pollution Act*, the *Emergency Planning and Community Right-to-Know Act*, the *Safe Drinking Water Act* (other than exclusions for underground injection) and federal Executive Orders. PetroShale US's operations are subject to various regulations, including those relating to well permits, linear facilities, hydraulic fracturing, underground injection and setbacks (buffers) for environmental protection which are enforced by state agencies regulating oil and natural gas activities. In addition to the agencies that directly regulate oil and natural gas operations, there are other state and local conservation and environmental protection agencies that regulate air quality, state water quality, fish, wildlife, visual quality, transportation, noise, spills and incidents.

Additional regulations affecting our operations include: the Federal Implementation Plan for Oil and Natural Gas Production Facilities (which requires oil and natural gas owners and operators producing from the Bakken Pool on the Fort Berthold Indian Reservation in North Dakota to reduce emissions of volatile organic compounds) and the EPA's 2012 and 2016 air emission control rules for the oil and natural gas industry (which limit emissions of volatile organic compounds, sulphur dioxide and other air toxics in the oil and natural gas sector and include the first federal air standards for natural gas wells that are hydraulically fractured). In addition to providing emission control requirements, these regulations imposed monitoring, recordkeeping and reporting requirements. In 2020, the EPA issued two further rules which include policy amendments to the 2012 and 2016 rules, and technical amendments to the 2012 rules. On June 30, 2021, President Biden signed into law a joint Congressional resolution disapproving the 2020 final policy amendments to EPA's 2012 and 2016 New Source Performance Standards **("NSPS").** According to EPA, a rule that is subject to a joint resolution of disapproval "shall be treated as though such rule had never taken effect." On November 15, 2021, the EPA published a proposed rule regarding NSPS for the oil and natural gas sector. Parts of the proposed rule reverse the Trump administration's regulations regarding volatile organic compounds and methane emissions. According to EPA, if the proposed rule is adopted, it will "sharply reduce methane and other harmful air pollution from both new and existing sources in the oil and natural gas industry." On December 6, 2022, the EPA issued a supplemental proposal to update, strengthen, and expand the standards proposed on November 15, 2021. *See* Standards of Performance for New, Reconstructed, and Modified Sources and Emissions Guidelines for Existing Sources: Oil and Natural Gas Sector Climate Review, 87 Fed. Reg. 74702 (Dec. 6, 2022). According to EPA, the supplemental proposal "would lead to significant and cost-effective reductions in climate and health-harming pollution and encourage the continued development and deployment of innovative technologies to further reduce this pollution in the Crude Oil and Natural Gas source category." 87 Fed. Reg. at 74705.

Hydraulic fracturing is a well stimulation technique used to maximize production of oil and natural gas in unconventional reservoirs, such as shale, coalbeds, and tight sands. During hydraulic fracturing, specially engineered fluids containing chemical additives and proppant are pumped under high pressure into the well to create and hold open fractures in the formation. These fractures increase the exposed surface area of the rock in the formation and, in turn, stimulate the flow of natural gas or oil to the wellbore. As the use of hydraulic fracturing has increased, so have concerns about its potential environmental and human health impacts. Many concerns about hydraulic fracturing center on potential risks to drinking water resources, although other issues have been raised. In response to public concern, the US Congress directed the EPA to conduct scientific research to examine the relationship between hydraulic fracturing and drinking water resources. Hydraulic fracturing is typically regulated by state oil and natural gas conservation commissions, though federal agencies have asserted regulatory authority over certain aspects of the hydraulic fracturing process. For example, in 2011, the EPA began research under its Plan to Study the Potential Impacts of Hydraulic Fracturing on Drinking Water Resources. The BLM which regulates oil and natural gas operations located on federal and tribal lands, also issued rules imposing standards on hydraulic fracturing operations which targeted groundwater protection by updating the requirements for well-bore integrity, wastewater disposal and public disclosure of chemicals during hydraulic fracturing operations. The BLM rescinded the hydraulic fracturing rule on December 29, 2017. However, the rescission is subject to pending litigation on appeal to the United States Court of Appeals for the Ninth Circuit.

States also have the authority to regulate hydraulic fracturing. North Dakota and Montana have regulations that require operators to disclose information about the chemicals used in their hydraulic fracturing fluids on the internet-based chemical registry FracFocus. FracFocus is operated by the Ground Water Protection Council, a group of state water officials, and the Interstate Oil and Gas Compact Commission, an association of oil and natural gas producing states. The online registry was created in 2011, in response, at least in part, to concerns from landowners about the chemical content of fracturing fluids that were being injected into oil and natural gas wells on their land as well as adjacent properties. FracFocus is widely accepted among the petroleum industry.

Crude oil production is transported by a diverse mix of pipeline, trucking and rail, all of which are subject to various regulatory risks. For example, regulations concerning the usage of certain types of tank cars that transport crude oil and NGLs by rail in the United States have been enacted, and this could increase the cost of utilizing rail to transport crude oil or NGLs.

Implementation of more stringent environmental regulations could affect the capital and operating expenditures and plans for our operations. We minimize the potential of these impacts to our operations in many ways, including through participation and membership in trade organizations, such as the North Dakota Petroleum Council and focus on drilling near pipeline infrastructure.

We believe that, in all material respects, we and the operators of our non-operated properties are in compliance with, and have complied with, all applicable environmental laws and regulations. We have made and will continue to make expenditures in our efforts to comply with all environmental regulations and requirements. We consider these a normal, recurring cost of our ongoing operations and not an extraordinary cost of compliance with governmental regulations. We believe that our continued compliance with existing requirements has been accounted for and will not have a material and adverse impact on our financial condition, results of operations and operating cash flows. However, we cannot predict the passage of or quantify the potential impact of any more stringent future laws and regulations at this time.

Climate Change Regulation

United States

Both Canada and the United States were part of the United Nations Framework Convention on Climate Change ("**UNFCCC**") meeting in Paris in 2015. The UNFCCC has instigated numerous policy experiments with respect to climate governance. On April 22, 2016, 197 countries signed the Paris Agreement, committing to prevent global temperatures from rising more than 2° Celsius above pre-industrial levels and to pursue efforts to limit this rise to no more than 1.5° Celsius. As of January 1, 2019, 184 of the 197 parties to the convention had ratified the Paris Agreement. However, in June of 2017, the United States announced its intention to withdraw from the Paris Agreement, delivering written notice of such to the United Nations on August 4, 2017. Although the United States announced its withdrawal from the Paris Agreement, federally the EPA has issued emissions regulations pursuant to the *Clean Air Act* that establish a reporting program for carbon dioxide, methane and other greenhouse gas ("**GHG**") emissions. It has also established a permitting program for certain large GHG emissions sources. On February 19, 2021, the United States rejoined the Paris Agreement.

With respect to the permitting program, on December 15, 2009, the EPA published its final findings that emissions of carbon dioxide, methane and other GHGs present an endangerment to public health and welfare of current and future generations. These findings allow the EPA to adopt and implement regulations that would restrict GHG emissions under existing provisions of the federal *Clean Air Act.*

One such regulation establishes GHG emission thresholds that determine when stationary industrial sources must obtain permits under the Prevention of Significant Deterioration ("**PSD**") and Title V Operating Permit programs of the *Clean Air Act* ("**Tailoring Rule**"). The permitting requirements of the PSD program apply only to newly-constructed or modified major sources of GHG emissions. Obtaining a PSD permit requires state and local permitting agencies to ensure that a source adopts the best available control technology ("**BACT**") for those regulated pollutants that are emitted in certain quantities. Montana and North Dakota are in a position to issue permits consistently with the Tailoring Rule as their existing rules and regulations are consistent with the framework for implementation of the Tailoring Rule provisions.

The Tailoring Rule established a phased in approach to provide time for large industrial facilities and state governments to develop the capacity to implement permitting requirements for GHG emissions. But on June 23, 2014, the Unites States Supreme Court ruled that the EPA cannot treat GHGs as an air pollutant for the purposes of determining whether a source is a major source required to obtain a PSD or title V permit. However, PSD permits that are otherwise required based on emissions of other pollutants (referred to as "anyway sources") may continue to impose limitations on GHG emissions based on BACT.

With respect to reporting GHG emissions, on November 30, 2010, the EPA published a final rule that expands its rule on mandatory reporting of GHG emissions to include owners and operators of petroleum and natural gas systems with GHG emissions above certain threshold levels (25,000 tons or more of GHG emissions per year). And with respect to permitting, there has been considerable uncertainty surrounding regulation of methane emissions in the United States. As described in the *Environmental Regulation* section, in 2012 and 2016, the EPA published final regulations under the *Clean Air Act* establishing NSPS for reduction of volatile organic compounds and methane from certain new, modified or reconstructed oil and natural gas facility sources. The EPA under former President Trump's administration took several measures to delay or restrict implementation of those standards, including publishing in September 2020 final rule policy and technical amendments to the NSPS, for stationary sources of air emissions. In particular, the policy amendments removed the transmission and storage sector from the regulated source category and rescinded methane and volatile organic compound requirements for the remaining sources, and the technical amendments included changes to fugitive emissions monitoring and repair schedules for gathering and boosting compressor stations and low-production wells, recordkeeping and reporting requirements, and more. Various states, industry groups and environmental groups challenged both the 2016 rules and the 2020 rules (that sought to roll back the 2016 rules).

On January 20, 2021, President Biden issued an executive order directing the EPA to reconsider the technical amendments and issue a proposed rule suspending, revising or rescinding those amendments by no later than September 2021. The executive order also directed the establishment of new methane and volatile organic compound standards applicable to existing oil and natural gas operations, including the production, transmission, processing and storage segments. On June 30, 2021, President Biden signed into law a joint Congressional resolution disapproving the 2020 final policy amendments to EPA's 2012 and 2016 NSPS. According to the EPA, a rule that is subject to a joint resolution of disapproval "shall be treated as though such rule had never taken effect." On November 15, 2021, the EPA published a proposed rule regarding NSPS for the oil and natural gas sector. Parts of the proposed rule reverse the Trump administration's regulations regarding volatile organic compounds and methane emissions. An additional subpart would create emission guidelines that target existing oil and natural gas sources. As explained earlier, on December 6, 2022, the EPA issued a supplemental proposal to update, strengthen, and expand the standards proposed on November 15, 2021. *See* Standards of Performance for New, Reconstructed, and Modified Sources and Emissions

Guidelines for Existing Sources: Oil and Natural Gas Sector Climate Review, 87 Fed. Reg. 74702 (December 6, 2022). There is uncertainty in the industry regarding whether the EPA has authority under Section 111 of the *Clean Air Act* to make new methane and volatile organic compound standards applicable to existing—instead of new—sources.

Recent developments in the U.S. Supreme Court may have additional implications for the oil and gas sector. On October 29, 2021, the U.S. Supreme Court agreed to review the D.C. Circuit's decision striking down the Trump administration's rollback of Obama-era GHG emission standards for existing power plants. In *West Virginia v. EPA*, 142 S. Ct. 2587 (2022), the US Supreme Court reversed the decision of the D.C. Circuit and held Congress did not grant EPA in section 111(d) of the Clean Air Act the authority to devise emission caps based on the generating shifting approach the EPA took in the Clean Power Plan.

Additional uncertainty exists on whether the federal government may use the social cost of carbon to determine the potential benefits of controlling releases of carbon dioxide, methane, and nitrous oxide. On February 11, 2022, the US District Court for the Western District of Louisiana issued a preliminary injunction against use of an interim metric to measure the social cost of carbon. *State of Louisiana v. Biden*, Case No. 2:21-CV-01074, 2022 WL 438313 (W.D. La. Feb. 11, 2022). The court's decision has been appealed to the United States Court of Appeals for the Fifth Circuit. On March 16, 2022, the Fifth Circuit entered an order staying the preliminary injunction pending the outcome of the appeal. Hence, the District Court’s preliminary injunction is no longer in effect while the appeal is pending.

While the US Congress has considered numerous legislative initiatives to reduce or tax GHG emissions, to date no laws in that regard have been enacted. On a state level, some states have enacted laws concerning GHG emissions. See "*Risk Factors – Climate Change*".

The adoption and implementation of any regulations imposing reporting obligations on, or limiting GHG emissions from, our operations, and the equipment utilized in those operations, could have a material adverse effect on our results of operations, cash flows and financial condition. Depending on the legislation or regulatory programs that may be adopted to address GHG emissions in the future, we could be required to incur costs to reduce GHG emissions resulting from our operations and could be required to purchase and surrender allowances for GHG emissions associated with our operations or the oil and natural gas we produce. Although we do not anticipate that we would be impacted to a greater degree than other similarly situated producers of oil and natural gas, a stringent GHG emissions control program could have an adverse effect on our cost of doing business and could reduce demand for the oil and natural gas we produce.

RISK FACTORS

Investors should carefully consider the risk factors set out below and consider all other information contained herein and in our other public filings before making an investment decision. The risks set out below are not an exhaustive list and should not be taken as a complete summary or description of all the risks associated with our business and the oil and natural gas business generally.

Prices, Markets and Marketing

Our ability to market our oil and natural gas may depend upon our ability to acquire capacity in pipelines that deliver natural gas, natural gas liquids and crude oil to commercial markets or contract for the delivery of crude oil and natural gas liquids by rail or by truck. Deliverability uncertainties exist related to the distance of our reserves are from pipelines, railway lines, processing and storage facilities, operational problems affecting pipelines, railway lines and processing and storage facilities as well as government regulation relating to prices, taxes, royalties, land tenure, allowable production and the export of oil and natural gas.

Oil and natural gas prices may be volatile for a variety of reasons including market uncertainties over the supply and demand of these commodities due to the current state of the world economies and the resulting impact on demand, OPEC actions, actions of certain nations with significant oil production capacity, political uncertainties, geopolitical conflicts, and sanctions imposed on certain oil producing nations by other countries.

Prices for oil and natural gas are also subject to the availability of foreign markets and our ability to access such markets. A material decline in prices could result in a reduction of our net production revenue. The economics of producing from some wells may change because of lower prices which could result in reduced production of oil or natural gas and a reduction in the volumes and the value of our reserves. We, or the operators of our properties, might also elect not to produce from certain wells at lower prices. Any substantial and extended decline in the price of oil and natural gas would have an adverse effect on the carrying value of our reserves, borrowing capacity, revenues, profitability and cash flows from operations and may have a material adverse effect on our business, financial condition, results of operations and prospects.

Disruption, curtailment, or limited access to pipeline transportation could have a negative impact on the price we receive for our oil production. All these factors could result in a material decrease in our expected net production revenue and a reduction in our oil and natural gas production, development and exploration activities. Any substantial and extended decline in the price of oil and natural gas would have an adverse effect on the carrying value of our reserves, borrowing capacity, revenues, profitability and cash flows from operations and may have a material adverse effect on our business, financial condition, results of operations and prospects.

Volatile oil and natural gas prices make it difficult to estimate the value of producing properties for acquisitions and often cause disruption in the market for oil and natural gas producing properties, as buyers and sellers have difficulty agreeing on such value. Price volatility also makes it difficult to budget for and project the return on acquisitions and development and exploitation projects. See "*Risk Factors – Weakness and Volatility in the Oil and Natural Gas Industry*".

The demand for oil and natural gas, is generally linked to broad-based economic activities in the jurisdictions Lucero operates. If there was a slowdown in economic growth, an economic downturn or recession or other adverse economic or political development in the jurisdictions where we operate, there could be a significant adverse effect on global financial markets and market prices. Global or national health concerns, including the outbreak of pandemic or contagious diseases may adversely affect us by (i) reducing economic activity thereby resulting in lower demand for oil and natural gas consumption, (ii) impairing our supply chain (for example, by limiting the manufacturing of materials or the supply of services used in our operations), and (iii) affecting the health of our workforce, rendering employees unable to work or travel. These and other factors disclosed elsewhere in this Annual Information Form that affect the demand for oil and natural gas and our business and industry would ultimately have an adverse impact on our prospects, results of operations and cash flow.

Exploration, Development and Production Risks

Oil and natural gas operations involve many risks that even a combination of experience, knowledge and careful evaluation may not be able to overcome. Our long-term commercial success depends on our ability, and those of the operators of our non-operated properties, to find, acquire, develop and commercially produce oil and natural gas reserves. See also "*Risk Factors – Operational Dependence*" below. Without the continual addition of new reserves, our existing reserves, and the production from them will decline over time as we produce from such reserves. A future increase in our reserves will depend on both our ability and the ability of the operators of our non-operated properties to explore and develop our existing properties and our ability to select and acquire suitable producing properties or prospects. There is no assurance that we will be able to continue to find satisfactory properties to acquire or participate in. Moreover, if such acquisitions or participations are identified, our management may determine that current markets, terms of acquisition, participation or pricing conditions make potential acquisitions or participation uneconomic. There is also no assurance that we will discover or acquire further commercial quantities of oil and natural gas.

Future oil and natural gas exploration may involve unprofitable efforts from dry wells or from wells that are productive but do not produce sufficient petroleum substances to return a profit after drilling, completing (including hydraulic fracturing), operating and other costs. Completion of a well does not ensure a profit on the investment or recovery of drilling, completion and operating costs. Drilling hazards, environmental damage and various field operating conditions could greatly increase the cost of operations and adversely affect the production from successful wells. Field operating conditions include, but are not limited to, delays in obtaining governmental approvals or consents, shut-ins of wells resulting from extreme weather conditions, insufficient storage or transportation capacity or geological and mechanical conditions. While diligent well supervision, effective maintenance operations and the development of enhanced oil recovery technologies can contribute to maximizing production rates over time, it is not possible to eliminate production delays and declines from normal field operating conditions which can negatively affect revenue and cash flow levels to varying degrees.

Oil and natural gas exploration, development and production operations are subject to all the risks and hazards typically associated with such operations, including, but not limited to, fire, explosion, blowouts, cratering, sour gas releases, spills and other environmental hazards. These typical risks and hazards could result in substantial damage to oil and natural gas wells, production facilities, other property and the environment and cause personal injury or threaten wildlife.

Oil and natural gas production operations are also subject to geological and seismic risks, including encountering unexpected formations or pressures, premature decline of reservoirs and the invasion of water into producing formations. Losses resulting from the occurrence of any of these risks may have a material adverse effect on our business, financial condition, results of operations and prospects.

As is standard industry practice, we are not fully insured against all risks, nor are all risks insurable. Although we maintain liability insurance in an amount that we consider consistent with industry practice, liabilities associated with certain risks could exceed policy limits or not be covered. See "*Risk Factors – Insurance*". In either event, we could incur significant costs.

Operational Dependence

Other companies operate some of the assets in which we have an interest. We have limited ability to exercise influence over the operation of those assets or their associated costs which could adversely affect our financial performance. Our return on assets operated by others depends upon a number of factors that may be outside of our control, including, but not limited to, the timing and amount of capital expenditures, the operator's expertise and financial resources, the approval of other participants, the selection of technology and risk management practices.

In addition, due to volatile commodity prices, many companies, including companies that may operate some of the assets in which we have an interest, may be in financial difficulty which could impact their ability to fund and pursue capital expenditures, carry out their operations in a safe and effective manner and satisfy regulatory requirements with respect to abandonment and reclamation obligations. If companies that operate some of the assets in which we have an interest fail to satisfy regulatory requirements with respect to abandonment and reclamation obligations we may be required to satisfy such obligations and to seek reimbursement from such companies. To the extent that any of such companies become bankrupt or insolvent or make a proposal or institute any proceedings relating to bankruptcy or insolvency, it could result in such assets being shut-in, the potential of us becoming subject to additional liabilities relating to such assets and us having difficulty collecting revenue due from such operators or recovering amounts owing to us from such operators for their share of abandonment and reclamation obligations. Any of these factors could materially adversely affect our financial and operational results.

Credit Facility Arrangements

We currently have a credit facility and the amount authorized thereunder is dependent on the borrowing base determined by our lenders. We are required to comply with covenants under our credit facility which may, in certain cases, include certain financial ratio tests which may, from time to time, either affect the availability, or price, of additional funding and in the event that we do not comply with these covenants, our access to capital could be restricted or repayment could be required. Events beyond our control may contribute to our failure to comply with such covenants. A failure to comply with covenants could result in default under our credit facility which could result in us being required to repay amounts owing thereunder. In addition, our credit facility may impose operating and financial restrictions on us that could include restrictions on, the payment of dividends, repurchase or making of other distributions with respect to our securities, incurring of additional indebtedness, the provision of guarantees, the assumption of loans, making of capital expenditures, entering into of amalgamations, mergers, take-over bids or disposition of assets, among others.

The Corporation's lenders use the Corporation's reserves, commodity prices, applicable discount rate and other factors to determine periodically the Corporation's borrowing base. Any decrease in commodity prices could reduce the

Corporation's borrowing base, reducing the funds available to the Corporation under the credit facility. This could result in the requirement to repay a portion, or all, of the Corporation's indebtedness.

If our lenders require repayment of all or a portion of the amounts outstanding under our credit facilities for any reason, including for a default of a covenant, or the reduction of a borrowing base, there is no certainty that we would be in a position to make such repayment. Even if we are able to obtain new financing in order to make any required repayment under our credit facilities, it may not be on commercially reasonable terms, or terms that are acceptable to us. If we are unable to repay amounts owing under credit facilities, the lenders under our credit facilities could proceed to foreclose or otherwise realize upon the collateral granted to them to secure the indebtedness.

Significant Debt

Our senior credit facility contains certain non-financial covenants. At December 31, 2022, we were in compliance with all covenants under the terms of our senior credit facility, however, we may in the future fail to maintain our compliance with the terms of such credit facilities which may give rise to the requirements to repay amounts owing thereunder, or other rights of the lenders, including the enforcement of their security. Additionally, absent an extension or full re-payment, the senior credit facility will mature on May 31, 2023, at which point the facility can be extended at the option of the lenders or converted to a one-year term loan. There is no guarantee that we will have sufficient funds (or make sufficient arrangements) to reduce or eliminate the amounts owing under such facilities. There can be no assurance that these facilities will continue to be available to us in the future, or on terms that are acceptable to us. Any failure by us to receive an extension or amendment to such facilities, or otherwise repay in full on or prior to their respective maturity dates, may cast significant doubt with respect to our ability to continue as a going concern.

Our debt levels could have important negative effects on us, such as:

- limiting our ability to obtain additional financing, if needed, or refinancing, when needed, for debt service;
- requirements, working capital, capital expenditures or other purposes;
- increasing our vulnerability to current and future adverse economic and industry conditions;
- requiring us to dedicate a substantial portion of our cash flows from operations to make payments on our debt;
- causing us to monetize assets on terms that may be unfavourable to us or at a time when values of such assets may be depressed;
- causing us to offer debt or equity securities on terms that may not be favourable to us or our Shareholders;
- reducing funds available for operations, future business opportunities or other purposes;
- limiting our flexibility in planning for, or reacting to, changes and opportunities in our business and industry;
- increasing employee turnover and uncertainty, diverting management's attention from routine business and hindering our ability to recruit qualified employees; and
- placing us at a competitive disadvantage compared to our competitors that have less debt.

Issuance of Debt

From time to time, we may enter into transactions to acquire assets or shares of other entities. These transactions may be financed in whole, or in part, with debt which may increase our debt levels above industry standards for oil and natural gas companies of similar size. Depending on future exploration and development plans, we may require additional debt financing that may not be available or, if available, may not be available on favourable terms. Neither our articles nor our bylaws limit the amount of indebtedness that we may incur. The level of our indebtedness from time to time could impair our ability to obtain additional financing on a timely basis to take advantage of business opportunities that may arise.

Impacts of Pandemics

In March 2020, the World Health Organization declared COVID-19 a global pandemic, prompting many countries around the world to close international borders and order the closure of institutions and businesses deemed non-essential. This resulted in a swift and significant reduction in economic activity in the United States, Canada and internationally along with a sudden drop in demand for oil, liquids and natural gas. Since 2020, oil prices have recovered from their historic lows, but price support from future demand cannot be assured as countries continue to experience varying degrees of virus outbreak and newly emerging virus variants. Low commodity prices resulting from reduced demand associated with the impact of COVID-19 has had, and may continue to have, a negative impact on the Corporation's operational results and financial condition. Low prices for oil, liquids and natural gas would reduce the Corporation's funds from operations, and impact the Corporation's level of capital investment and may result in the reduction of production at certain producing properties.

Any resurgence of COVID-19 may cause disruptions to production operations, reduced access to materials and services, increased employee absenteeism from illness, and temporary closures of the Corporation's facilities.

The extent to which the Corporation's operational and financial results are affected by COVID-19 will depend on various factors and consequences beyond its control such as the duration and scope of the pandemic; additional actions taken by business and government in response any resurgence of to the pandemic, and the speed and effectiveness of responses to combat any resurgence of the virus. Additionally, COVID-19 and its effect on local and global economic conditions stemming from the pandemic could also aggravate the other risk factors identified herein, the extent of which is not yet known.

Significant Shareholders

Mr. Chernoff holds directly or indirectly 135,210,513 Common Shares, representing approximately 20% of our Common Shares and First Reserve owns 234,978,500 Common Shares representing approximately 35% of our Common Shares. In addition, First Reserve and the Corporation have entered into the New Investor Rights Agreement which provides First Reserve certain governance rights. As a result, such persons exercise significant control over us, giving them the ability to, among other things affect the voting results with respect to the election of directors, the approval of significant corporate transactions and the ability to delay or prevent a change of control that could be otherwise beneficial to minority Shareholders. Such persons will generally have the ability to influence the outcome of any matter submitted for the vote or consent of our Shareholders. In some cases, the interests of such persons may not be the same as those of our other Shareholders. The effect of such persons' rights and influence may impact the price that other investors are willing to pay for our securities. If any of the foregoing persons sells a substantial number of the shares in which they own in the public market, or otherwise, the market price of the Common Shares could fall. The perception among the public that these sales will occur could also contribute to a decline in the market price of the Common Shares.

Foreign Subsidiaries

We conduct most of our operations through our US subsidiary, PetroShale US. The ability of our subsidiary and other companies to make payments to us may be constrained by among other things: the level of taxation, particularly corporate profits and withholding taxes, in the jurisdiction in which they operate; and the introduction of exchange controls or repatriation restrictions.

Foreign Operations

Our principal interests in oil and natural gas properties are located in the United States. As such, we are subject to political, economic and other uncertainties in the United States, including, but not limited to, changes in energy policies or the personnel administering them, currency fluctuations and devaluations, exchange controls, tariffs, royalty and tax increases and other risks arising out of governmental sovereignty over areas in which our operations are conducted. Our operations may also be affected by laws and policies of Canada affecting foreign trade, taxation and investment. In the event of a dispute arising in connection with our operations outside of Canada, we may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdictions of the courts of Canada or enforcing Canadian judgments in other jurisdictions. We may also be hindered or prevented from enforcing our rights with respect to a governmental instrumentality because of the doctrine of sovereign immunity. Accordingly, our exploration, development and production activities outside of Canada could be substantially impacted by factors beyond our control, any of which could have a material impact on us. We will seek to operate in such a manner as to minimize and mitigate our exposure to these risks. However, there can be no assurance that we will be successful in protecting ourselves from the impact of all of these risks.

Third Party Credit Risk

We may be exposed to third party credit risk through our contractual arrangements with our current or future joint venture partners, marketers of our petroleum and natural gas production, counterparties to any hedge agreements and other parties. In addition, we may be exposed to third party credit risk from operators of our non operated properties. In the event such entities fail to meet their contractual obligations to us, such failures may have a material adverse effect on our business, financial condition, results of operations and prospects. In addition, poor credit conditions in the industry, generally, and of our joint venture partners may affect a joint venture partner's willingness to participate in our ongoing capital program, potentially delaying the program and the results of such program until we find a suitable alternative partner. To the extent that any of such third parties go bankrupt, become insolvent or make a proposal or institute any proceedings relating to bankruptcy or insolvency, it could result in us being unable to collect all or a portion of any money owing from such parties. Any of these factors could materially adversely affect our financial and operational results.

Substantial Capital Requirements

We anticipate making substantial capital expenditures for the acquisition, exploration, development and production of oil and natural gas reserves in the future. As future capital expenditures will be financed out of cash generated from operations, borrowings and possible future equity issuances, our ability to do so is dependent on, among other factors:

- the overall state of the capital markets;
- commodity prices;
- our existing debt leverage;
- compliance with the terms of the Subsidiary Preferred Shares;
- interest rates;
- royalty rates;
- overall profitability of our existing operations and production;
- tax burden due to current and future tax laws; and
- investor interest for investments in the energy industry and our securities in particular.

Further, if our revenues or reserves decline, we may not have access to the capital necessary to undertake or complete future drilling programs. The conditions in, or affecting, the oil and natural gas industry have negatively impacted the ability of oil and natural gas companies to access additional financing and/or the cost thereof. There can be no assurance that debt or equity financing, or cash generated by operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to us. Moreover, future activities may require us to alter our capitalization significantly, including selling a portion or all of our interest in one or more projects. We may be required to seek additional equity financing on terms that are highly dilutive to existing Shareholders. Our inability to access sufficient capital for our operations could have a material adverse effect on our business financial condition, results of operations and prospects.

Lack of Diversification

Substantially all of our production currently comes from the North Dakota Bakken/Three Forks reservoirs and a majority from a limited number of producing wells. As a result, we lack diversification in terms of the size, nature and geographic scope of our business. Accordingly, factors affecting our particular properties, the oil and natural gas industry or the particular regions in North Dakota where we operate will likely impact us more acutely than if our business was more diversified.

Market Price of Common Shares

The trading price of the securities of oil and natural gas issuers is subject to substantial volatility often based on factors related and unrelated to the financial performance or prospects of the issuers involved. Factors unrelated to our performance could include macroeconomic developments nationally, within North America or globally, domestic and global commodity prices and/or current perceptions of the oil and natural gas market. In recent years, the volatility of commodities has increased due, in part, to the implementation of computerized trading and the decrease of discretionary commodity trading. In addition, in certain jurisdictions, institutions, including government sponsored entities, have determined to decrease their ownership in oil and natural gas entities which may impact the liquidity of certain securities and may put downward pressure on the trading price of those securities. Similarly, the market price of our Common Shares could be subject to significant fluctuations in response to variations in our operating results, financial condition, liquidity and other factors. Accordingly, the price at which our Common Shares will trade cannot be accurately predicted.

Additionally, a large percentage of our Common Shares are held by a small number of holders and consequently this has an effect on the liquidity of our Common Shares. There can be no assurance that an active trading market will develop for our Common Shares, or if developed, that such market will be sustained. See "*Risk Factors – Significant Shareholders*".

Failure to Realize Anticipated Benefits of Acquisitions and Dispositions

We consider acquisitions and dispositions of businesses and assets in the ordinary course of business. Achieving the benefits of acquisitions depends on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner and our ability to realize the anticipated growth opportunities and synergies from combining the acquired businesses and operations with ours. The integration of acquired businesses and assets may require substantial management effort, time and resources diverting management's focus from other strategic opportunities and operational matters. Management continually assesses the value and contribution of services provided by third parties and the resources required to provide such services. In this regard, non-core assets may be periodically disposed of so that we can focus our efforts and resources more efficiently. Depending on the market conditions for such non-core assets, certain of our non-core assets may realize less on disposition than their carrying value on our financial statements.

Project Risks

We, and the operators of our non-operated properties manage a variety of small and large projects in the conduct of our business. Project interruptions may delay expected revenues from operations. Significant project cost overruns could make a project uneconomic. Our ability to execute projects and to market oil and natural gas depends upon numerous factors beyond our, and their, control, including:

- availability of processing capacity;
- availability and proximity of pipeline capacity;
- availability of storage capacity;
- availability of natural gas transportation and processing capacity;
- availability of, and the ability to acquire, water supplies needed for drilling and hydraulic fracturing, availability and costs of fracturing sand, or our ability to dispose of water used or removed from strata at a reasonable cost and in accordance with applicable environmental regulations;
- availability of energy sources;
- effects of inclement and severe weather events, including fire, drought and flooding;
- availability of drilling, completion and oilfield service-related equipment, at a reasonable cost or at all;
- unexpected cost increases;
- accidental events;
- currency fluctuations;
- regulatory changes;
- availability and productivity of skilled labour;
- shut-ins of producing wells resulting from extreme weather conditions, or inability to access pipelines or processing facilities for our oil and natural gas production; and
- regulation of the oil and natural gas industry by various levels of government and governmental agencies including but not limited to the BLM, the Bureau of Indian Affairs, the Three Affiliated Tribes, and the NDIC in relation to our US assets.

Because of these factors, we, or the operators of our properties, could be unable to execute projects on time, on budget, or at all, and may be unable to transport, process and/or market the oil and natural gas that we produce effectively.

Political Uncertainty

Russian Ukrainian Conflict.

In February 2022, Russian military forces invaded Ukraine. In response, Ukrainian military personnel and civilians are actively resisting the invasion. Many countries throughout the world have provided aid to the Ukraine in the form of financial aid and in some cases military equipment and weapons to assist in their resistance to the Russian invasion. The North Atlantic Treaty Organization ("**NATO**") has also mobilized forces to NATO member countries that are close to the conflict as deterrence to further Russian aggression in the region. The outcome of the conflict is uncertain and is likely to have wide-ranging consequences on the peace and stability of the region and the world economy.

In addition, certain countries including Canada and the United States, have imposed strict financial and trade sanctions against Russia, which sanctions may have far reaching effects on the global economy. As part of the sanctions package, the German government paused the certificate process for the 1,200 km Nord Stream 2 natural gas pipeline that was built to carry natural gas from Russia to Germany. Russia is a major exporter of oil and natural gas. Disruption of supplies of oil and natural gas from Russia could cause a significant worldwide supply shortage of oil and natural gas and have a significant impact on worldwide prices of oil and natural gas. A lack of supply of energy and high prices of oil and natural gas could have a significant adverse impact on the world economy. The long-term impacts of the conflict and the sanctions imposed on Russia remain uncertain.

The Corporation's business may be adversely affected by political and social events and decisions made in the United States and elsewhere.

The Corporation's results can be adversely impacted by political, legal, or regulatory developments in the United States and elsewhere that affect local operations and local and international markets. Changes in government, government policy or regulations, changes in law or interpretation of settled law, third-party opposition to industrial activity generally or projects specifically, and duration of regulatory reviews could impact the Corporation's existing operations and planned projects. This includes actions by regulators or other political actors to delay or deny necessary licenses and permits for the Corporation's activities or restrict the operation of third-party infrastructure that the Corporation relies on. Additionally, changes in environmental regulations, assessment processes or other laws, and increasing and expanding stakeholder consultation (including Indigenous stakeholders), may increase the cost of compliance or reduce or delay available business opportunities and adversely impact the Corporation's results.

Other government and political factors that could adversely affect the Corporation's financial results include increases in taxes and changes in trade policies and agreements. Further, the adoption of regulations mandating efficiency standards, and the use of alternative fuels or uncompetitive fuel components could affect the Corporation's operations. Many governments are providing tax advantages and other subsidies to support alternative energy sources or are mandating the use of specific fuels or technologies. Governments and others are also promoting research into new technologies to reduce the cost and increase the scalability of alternative energy sources, and the success of these initiatives may decrease demand for the Corporation's products.

A change in federal, state or municipal governments in the United States may have an impact on the directions taken by such governments on matters that may impact the oil and natural gas industry including the balance between economic development and environmental policy. The oil and natural gas industry has become an increasingly politically polarizing topic in the United States, which has resulted in a rise in civil disobedience surrounding oil and natural gas development—particularly with respect to infrastructure projects. Protests, blockades and demonstrations have the potential to delay and disrupt the Corporation's activities.

Gathering and Processing Facilities, Pipeline Systems and Rail

We deliver our products through gathering and processing facilities and pipeline systems, most of which we do not own, and by trucking or rail. The amount of oil and natural gas that we can produce and sell is subject to the accessibility, availability, proximity and capacity of these gathering and processing facilities, pipeline systems and railway lines. The lack of availability of capacity in any of the gathering and processing facilities, pipeline systems and railway lines, and in particular the processing facilities, could result in our inability to realize the full economic potential of our production or in a reduction of the price offered for our production. New natural gas flaring restrictions implemented by the NDIC in 2014 and amended by the NDIC in 2018 severely limit the amount of associated natural gas flaring that can take place on a well-by-well basis creating further potential restrictions on the ability to commence production from new wells without natural gas tie-in infrastructure in place. The lack of firm pipeline capacity continues to affect the oil and natural gas industry by limiting the ability to transport produced oil and natural gas to market. Unexpected shut downs or curtailment of capacity of pipelines for maintenance or integrity work or because of actions taken by regulators could also affect our production, operations and financial results. As a result, producers are increasingly turning to rail lines as an alternative means of transportation. In recent years, the volume of crude oil shipped by rail in North America has increased dramatically. Any significant change in market factors or other conditions affecting these infrastructure systems and facilities, as well as any delays or uncertainty in constructing new infrastructure systems and facilities could harm our business and, in turn, our financial condition, results of operations and cash flows.

A significant portion of crude oil currently sold in North Dakota is transported through the Dakota Access Pipeline ("**DAPL**") to the US Gulf Coast. The DAPL crosses many waterways, including Lake Oahe, an artificial reservoir in the Missouri River. A small segment of the DAPL is buried beneath Lake Oahe. In 2020, the US District Court for the District of Columbia ruled that the US Army Corps of Engineers ("**USACE**") which had granted an easement under that lake to allow the DAPL to be completed in 2017, wrongfully failed to prepare an environmental impact statement ("**EIS**") for the easement and ordered the DAPL to be shut down and emptied of oil while USACE prepared the necessary environmental analysis. Energy Transfer which owns the DAPL, and the USACE appealed that decision to the DC Circuit Court of Appeals ("**DCCOA**"). The DCCOA reversed the order to suspend operations and empty the pipeline but upheld the vacatur of the easement under Lake Oahe. The USACE has agreed to allow DAPL to continue to operate, and concurrently began public scoping for the EIS in September 2020. In May 2021, the US District Court for the District of Columbia declined to halt pipeline operations pending completion of the EIS. The USACE's website reports that publication of the draft EIS is now projected for Spring 2023. If in the unlikely event the DAPL is required to shut down for a period of time, management believes there is currently adequate excess rail capacity due to declining production in the basin to transport crude oil from North Dakota to markets to handle any oil displaced by a DAPL shutdown. Transporting crude oil by rail is more expensive than transportation through the DAPL and may lead to an increase in realized price differentials if such an event occurs.

Following major accidents in Lac-Megantic, Quebec and North Dakota, the Transportation Safety Board of Canada and the United States National Transportation Board have recommended additional regulations for railway tank cars carrying crude oil. In June 2015, as a result of these recommendations, the Government of Canada passed the *Safe and Accountable Rail Act* which increased insurance obligations on the shipment of crude oil by rail and imposed a per tonne levy of $1.65 on crude oil shipped by rail to compensate victims and for environmental cleanup in the event of a railway accident. In addition to this legislation, new regulations have implemented the TC-117 standard for all rail tank cars carrying flammable liquids which formalized the commitment to retrofit and eventually phase out the DOT-111 tank cars carrying crude oil. The increased regulation of rail transportation may reduce the ability of railway transportation to alleviate pipeline constraints and adds additional costs to the transportation of crude oil by rail.

A significant portion of our production is processed through facilities owned by third parties and over which we do not have control. From time to time these facilities may discontinue or decrease operations either as a result of normal servicing requirements or as a result of unexpected events. A discontinuation or decrease of operations could have a material adverse effect on our ability to process our production and deliver the same for sale. Midstream and pipeline companies may take actions to maximize their return on investment which may in turn adversely affect producers and shippers, especially when combined with a regulatory framework that may not always align with the interests of particular shippers.

Competition

The petroleum industry is competitive in all of its phases. We compete with numerous other entities in the exploration, development, production and marketing of oil and natural gas. Our competitors include oil and natural gas companies that have substantially greater financial resources, staff and facilities than ours. Some of these companies not only explore for, develop and produce oil and natural gas, but also carry on refining operations and market oil and natural gas on an international basis. As a result of these complementary activities, some of these competitors may have greater and more diverse competitive resources to draw on than us. Our ability to increase our reserves in the future will depend not only on our ability to explore and develop our present properties, but also on our ability to select and acquire other suitable producing properties or prospects for exploratory drilling. Competitive factors in the distribution and marketing of oil and natural gas include price, process and reliability of delivery and storage.

Cost of New Technologies

The petroleum industry is characterized by rapid and significant technological advancements and introductions of new products and services utilizing new technologies. Other companies may have greater financial, technical and personnel resources that allow them to implement and benefit from technological advantages. There can be no assurance that we will be able to respond to such competitive pressures and implement such technologies on a timely basis or at an acceptable cost. If we do implement such technologies, there is no assurance that we will do so successfully. One or more of the technologies currently utilized by us or implemented in the future may become obsolete. If we are unable to utilize the most advanced commercially available technology, or we are unsuccessful in implementing certain technologies our business, financial condition and results of operations could also be adversely affected in a material way.

Alternatives to and Changing Demand for Petroleum Products

Fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas and technological advances in fuel economy and energy generation systems could reduce the demand for oil, natural gas and other liquid hydrocarbons. Recently, certain jurisdictions have implemented policies or incentives to decrease the use of fossil fuels and encourage the use of renewable fuel alternatives which may lessen the demand for petroleum products and put downward pressure on commodity prices. Advancements in energy efficient products have a similar effect on the demand for oil and natural gas products. We cannot predict the impact of changing demand for oil and natural gas products, and any major changes may have a material adverse effect on our business, financial condition, results of operations and cash flows.

Regulatory

Various levels of governments impose extensive controls and regulations on oil and natural gas operations (including exploration, development, production, pricing, marketing and transportation). Governments may regulate or intervene with respect to exploration and production activities, prices, taxes, royalties and the exportation of oil and natural gas. Amendments to these controls and regulations may occur from time to time in response to economic or political conditions. See "*Industry Conditions*". The implementation of new regulations or the modification of existing regulations affecting the oil and natural gas industry could reduce demand for crude oil and natural gas and increase our costs, either of which may have a material adverse effect on our business, financial condition, results of operations and prospects. In order to conduct oil and natural gas operations, we require regulatory permits, licenses, registrations, approvals and authorizations from various governmental authorities. There can be no assurance that we will be able to obtain all of the permits, licenses, registrations, approvals and authorizations that may be required to conduct operations that we may wish to undertake. In addition to regulatory requirements pertaining to the production, marketing and sale of oil and natural gas mentioned above, our business, financial condition and market value of our Common Shares could be influenced by federal legislation affecting, in particular, foreign investment, through legislation such as the *Competition Act* (Canada) and the *Investment Canada Act* (Canada).

Royalty Regimes

There can be no assurance that the US Federal or state governments in the jurisdictions in which we have assets will not adopt new royalty regimes or modify the existing royalty regimes, which may have an impact on the economics of our projects. For example, the Supreme Court of North Dakota ruled on a change in how certain natural gas royalty payments are calculated under North Dakota law with respect to certain state leases and post production costs. The impact of these changes are still not clear at this point in time. An increase in royalties would reduce our earnings and could make future capital investments, or our operations, less economic. Acquisitions of new assets in the US may require us to negotiate royalty rates with private landowners and there is a risk that such royalty rates may increase due to increased competition for such lands over time.

Hydraulic Fracturing

Hydraulic fracturing involves the injection of water, sand, and small amounts of additives under high pressure into tight rock formations that were previously unproductive to stimulate the production of oil, liquids and natural gas. Concerns about seismic activity, including earthquakes, caused by hydraulic fracturing has resulted in regulatory authorities implementing additional protocols for areas that are prone to seismic activity or completely banning hydraulic fracturing in other areas. Any new laws, regulations, or permitting requirements regarding hydraulic fracturing could lead to operational delays, increased operating costs, third-party or governmental claims, and could increase the Corporation's costs of compliance and doing business, as well as delay the development of oil, liquids and natural gas resources from shale formations, which are not commercial without the use of hydraulic fracturing. Restrictions or bans on hydraulic fracturing in the areas where the Corporation operates could result in the Corporation being unable to economically recover its oil and gas reserves and reserves, which would result in a significant decrease in the value of the Corporation's assets.

Water is an essential component of the Corporation's drilling and hydraulic fracturing processes. Limitations or restrictions on the Corporation's ability to secure sufficient amounts of water (including limitations resulting from natural causes such as drought), could materially and adversely impact its operations. Severe drought conditions can result in local water authorities taking steps to restrict the use of water in their jurisdiction for drilling and hydraulic fracturing in order to protect the local water supply. If the Corporation is unable to obtain water to use in its operations from local sources, it may need to be obtained from new sources and transported to drilling sites, resulting in increased costs, which could have a material adverse effect on its financial condition, results of operations, and cash flows.

In addition, the Corporation must dispose of the fluids produced from oil, liquids and natural gas production operations, including produced water, which it does directly or through the use of third-party vendors. The legal requirements related to the disposal of produced water into a non-producing geologic formation by means of underground injection wells are subject to change based on concerns of the public or governmental authorities regarding such disposal activities.

Another consequence of seismic events may be lawsuits alleging that disposal well operations have caused damage to neighboring properties or otherwise violated laws and regulations regarding waste disposal. These developments could result in additional regulation and restrictions on the use of injection wells by the Corporation or by commercial disposal well vendors that the Corporation may use from time to time to dispose of produced water. Increased regulation and attention given to induced seismicity could also lead to greater opposition, including litigation to limit or prohibit oil and natural gas activities utilizing injection wells for produced water disposal. Any one or more of these developments may result in the Corporation or its vendors having to limit disposal well volumes, disposal rates and pressures or locations, or require the Corporation or its vendors to shut down or curtail the injection of produced water into disposal wells, which events could have a material adverse effect on the Corporation's business, financial condition, and results of operations.

Environmental

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, state and local laws and regulations. Environmental legislation provides for, among other things, the initiation and approval of new oil and natural gas projects, restrictions and prohibitions on the spill, release or emission of various substances produced in association with certain oil and natural gas industry operations. In addition, such legislation sets out the requirements with respect to oilfield waste handling and storage, habitat protection and the satisfactory operation, maintenance, abandonment and reclamation of well and facility sites.

Compliance with environmental legislation can require significant expenditures and a breach of applicable environmental legislation may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require us to incur costs to remedy such discharge. Although we believe that we, and the operators of our properties, are in material compliance with current applicable environmental legislation, no assurance can be given that environmental compliance requirements will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise have a material adverse effect on our business, financial condition, results of operations and prospects.

In addition, increased attention to environmental issues in a changing political and regulatory environment could lead to greater opposition to oil and natural gas production activities by special-interest groups, including litigation. Such litigation could seek the reversal or withdrawal of government approvals and injunctions prohibiting approved activities from proceeding, and could take years to resolve.

Climate Change

Global climate issues continue to attract public and scientific attention. Numerous reports, including reports from the Intergovernmental Panel on Climate Change, have engendered concern about the impacts of human activity, especially hydrocarbon combustion, on global climate issues. In turn, increasing public, government, and investor attention is being paid to global climate issues and to emissions of GHG, including emissions of carbon dioxide and methane from the production and use of oil, liquids and natural gas. The majority of countries across the globe, including Canada, have agreed to reduce their carbon emissions in accordance with the Paris Agreement. In addition, during the course of the 2021 United Nations Climate Change Conference in Glasgow, Scotland, world leaders, including in Canada and the United States, made several pledges aimed at reducing emissions and environmental impact. As discussed below, the Corporation faces both transition risks and physical risks associated with climate change and climate change policy and regulations.

Transition risks

Foreign and domestic governments continue to evaluate and implement policy, legislation, and regulations focused on restricting emissions commonly referred to as GHG emissions and promoting adaptation to climate change and the transition to a low-carbon economy. It is not possible to predict what measures foreign and domestic governments may implement in this regard, nor is it possible to predict the requirements that such measures may impose or when such measures may be implemented. However, international multilateral agreements, the obligations adopted thereunder and legal challenges concerning the adequacy of climate-related policy brought against foreign and domestic governments may accelerate the implementation of these measures. Given the evolving nature of climate change policy and the control of GHG emissions and resulting requirements, including carbon taxes and carbon pricing schemes implemented by varying levels of government, it is expected that current and future climate change regulations will have the effect of increasing the Corporation's operating expenses, and, in the long-term, potentially reducing the demand for oil, liquids, natural gas and related products, resulting in a decrease in the Corporation's profitability and a reduction in the value of its assets.

Claims have been made against certain energy companies alleging that GHG emissions from oil and natural gas operations constitute a public nuisance under certain laws or that such energy companies provided misleading disclosure to the public and investors of current or future risks associated with climate change. As a result, individuals, government authorities, or other organizations may make claims against oil and natural gas companies, including the Corporation, for alleged personal injury, property damage, or other potential liabilities. While the Corporation is not a party to any such litigation or proceedings, it could be named in actions making similar allegations. An unfavorable ruling in any such case could adversely affect the demand for and price of securities issued by the Corporation, impact its operations and have an adverse impact on its financial condition.

Given the perceived elevated long-term risks associated with policy development, regulatory changes, public and private legal challenges, or other market developments related to climate change, there have also been efforts in recent years affecting the investment community, including investment advisors, sovereign wealth funds, banks, public pension funds, universities and other institutional investors, promoting direct engagement and dialogue with companies in their portfolios on climate change action (including exercising their voting rights on matters relating to climate change) and increased capital allocation to investments in low-carbon assets and businesses while decreasing the carbon intensity of their portfolios through, among other measures, divestments of companies with high exposure to GHG-intensive operations and products. Certain stakeholders have also pressured insurance providers and commercial and investment banks to reduce or stop financing, and providing insurance coverage to oil and natural gas and related infrastructure businesses and projects. The impact of such efforts require the Corporation's management to dedicate significant time and resources to these climate change-related concerns, may adversely affect the Corporation's operations, the demand for and price of the Corporation's securities and may negatively impact the Corporation's cost of capital and access to the capital markets.

Emissions, carbon and other regulations impacting climate and climate-related matters are constantly evolving. With respect to environmental, social, governance and climate reporting, the International Sustainability Standards Board has issued an IFRS Sustainability Disclosure Standard with the aim to develop sustainability disclosure standards that are globally consistent, comparable and reliable. In addition, the Canadian Securities Administrators published for comment Proposed National Instrument 51-107 – *Disclosure of Climate Related Matters*, intended to introduce climate-related disclosure requirements for reporting issuers in Canada with limited exceptions. If the Corporation is not able to meet future sustainability reporting requirements of regulators or current and future expectations of investors, insurance providers, or other stakeholders, its business and ability to attract and retain skilled employees, obtain regulatory permits, licences, registrations, approvals, and authorizations from various governmental authorities, and raise capital may be adversely affected.

Physical risks

Based on the Corporation's current understanding, the potential physical risks resulting from climate change are long-term in nature and associated with a high degree of uncertainty regarding timing, scope, and severity of potential impacts. Many experts believe global climate change could increase extreme variability in weather patterns such as increased frequency of severe weather, rising mean temperature and sea levels, and long-term changes in precipitation patterns. Extreme hot and cold weather, heavy snowfall, heavy rainfall, and wildfires may restrict the Corporation's ability to access its properties and cause operational difficulties, including damage to equipment and infrastructure. Extreme weather also increases the risk of personnel injury as a result of dangerous working conditions. Certain of the Corporation's assets are located in locations that are proximate to forests and rivers and a wildfire or flood may lead to significant downtime and/or damage to the Corporation's assets or cause disruptions to the production and transport of its products or the delivery of goods and services in its supply chain.

Inflation and Cost Management

The Corporation's operating costs could escalate and become uncompetitive due to supply chain disruptions, inflationary cost pressures, equipment limitations, escalating supply costs, commodity prices, and additional government intervention through stimulus spending or additional regulations. The Corporation's inability to manage costs may impact project returns and future development decisions, which could have a material adverse effect on its financial performance and cash flows.

The cost or availability of oil and gas field equipment may adversely affect the Corporation's ability to undertake exploration, development and construction projects. The oil and gas industry is cyclical in nature and is prone to shortages of supply of equipment and services including drilling rigs, geological and geophysical services, engineering and construction services, major equipment items for infrastructure projects and construction materials generally. These materials and services may not be available when required at reasonable prices. A failure to secure the services and equipment necessary to the Corporation's operations for the expected price, on the expected timeline, or at all, may have an adverse effect on the Corporation's financial performance and cash flows.

Variations in Foreign Exchange Rates and Interest Rates

World oil and natural gas prices are quoted in United States dollars. The Canadian/United States dollar exchange rate which fluctuates over time, consequently affects the price received by Canadian producers of oil and natural gas. Material increases in the value of the Canadian dollar relative to the United States dollar will negatively affect our production revenues. Accordingly, exchange rates between Canada and the United States could affect the future value of our reserves as determined by independent evaluators. Although a low value of the Canadian dollar relative to the United States dollar may positively affect the price we receive for our oil and natural gas production, it could also result in an increase in the price for certain goods used for our operations which may have a negative impact on our financial results. Lucero's production is primarily marketed in the United States and we receive payment for our production in US dollars, and the majority of our costs are also denominated and settled in US dollars. However, we present our financial results in Canadian dollars and any fluctuation in the exchange rate between the Canadian dollar and the US dollar could impact our financial results in Canadian dollars. In addition, our debt is denominated in US dollars and accordingly, any change in the exchange rate between the Canadian dollar and US dollar will impact the amount of debt we present on our balance sheet.

To the extent that we engage in risk management activities related to foreign exchange rates, there is a credit risk associated with counterparties with which we may contract.

An increase in interest rates could result in a significant increase in the amount we pay to service debt, resulting in a reduced amount available to fund our exploration and development activities, and if applicable, the cash available for dividends. Such an increase could also negatively impact the market price of our Common Shares.

Additional Funding Requirements

Our cash flow from our reserves may not be sufficient to fund our ongoing activities at all times and from time to time, we may require additional financing in order to carry out our oil and natural gas acquisition, exploration and development activities. Failure to obtain financing on a timely basis could cause us to forfeit our interest in certain properties, miss certain acquisition opportunities and reduce or terminate our operations. Due to the conditions in the oil and natural gas industry and/or global economic and political volatility, we may from time to time have restricted access to capital and increased borrowing costs. The current conditions in the oil and natural gas industry have negatively impacted the ability of oil and natural gas companies to access, or the cost of, additional financing.

As a result of global economic and political conditions and the domestic lending landscape, we may, from time to time, have restricted access to capital and increased borrowing costs. Failure to obtain suitable financing on a timely basis could cause us to forfeit our interest in certain properties, miss certain acquisition opportunities and reduce or terminate our operations. If our revenues from our reserves decrease as a result of lower oil and natural gas prices or otherwise, it will affect our ability to expend the necessary capital to replace our reserves or to maintain our production. To the extent that external sources of capital become limited, unavailable, or available on onerous terms, our ability to make capital investments and maintain existing assets may be impaired, and our assets, liabilities, business, financial condition and results of operations may be affected materially and adversely as a result. In addition, the future development of our petroleum properties may require additional financing and there are no assurances that such financing will be available or, if available, will be available upon acceptable terms. Alternatively, any available financing may be highly dilutive to our existing Shareholders. Failure to obtain any financing necessary for our capital expenditure plans may result in a delay in development or production on our properties.

Hedging

From time to time, we may enter into agreements to receive fixed prices on our oil, NGLs, and natural gas production to offset the risk of revenue losses if commodity prices decline. However, to the extent that we engage in price risk management activities to protect us from commodity price declines, we may also be prevented from realizing the full benefits of price increases above the levels of the derivative instruments used to manage price risk. In addition, our hedging arrangements may expose us to the risk of financial loss in certain circumstances, including instances in which:

- production falls short of the hedged volumes or prices fall significantly lower than projected;
- there is a widening of price-basis differentials between delivery points for production and the delivery point assumed in the hedge arrangement;
- counterparties to the hedging arrangements or other price risk management contracts fail to perform under those arrangements; or
- a sudden unexpected event materially impacts oil and natural gas prices.

Similarly, from time to time we may enter into agreements to fix the exchange rate of Canadian to United States dollars in order to offset the risk of revenue losses if the Canadian dollar increases in value compared to the United

States dollar. However, if the Canadian dollar declines in value compared to the United States dollar, we would not benefit from the fluctuating exchange rate if we had entered into such a hedging agreement.

Title to Assets

Although title reviews may be conducted prior to the purchase of oil and natural gas properties or the commencement of drilling wells, such reviews do not guarantee or certify that a defect in the chain of title will not arise. Our actual title to and interest in our properties, and our right to produce and sell the oil and natural gas therefrom, may vary from our records. In addition, there may be valid legal challenges or legislative changes that affect our title to and right to produce from our oil and natural gas properties which could impair our activities and result in a reduction of the revenue received by us.

If a defect exists in the chain of title or in our right to produce, or a legal challenge or legislative change arises, it is possible that we may lose all, or a portion of, the properties to which the title defect relates and/or our right to produce from such properties. This may have a material adverse effect on our business, financial condition, results of operations and prospects.

Reserves Estimates

There are numerous uncertainties inherent in estimating quantities of oil, natural gas and natural gas liquids reserves and the future cash flows attributed to such reserves. The reserves and associated cash flow information set forth in this Annual Information Form are estimates only. Generally, estimates of economically recoverable oil and natural gas reserves (including the breakdown of reserves by product type) and the future net cash flows from such estimated reserves are based upon a number of variable factors and assumptions, such as:

- historical production from the properties;
- production rates;
- ultimate reserve recovery;
- future commodity prices;
- capital costs associated with future development of proven undeveloped and probable reserves;
- timing and amount of capital expenditures;
- our ability to fund future capital expenditures;
- marketability of oil and natural gas;
- royalty rates; and
- the assumed effects of regulation by governmental agencies and future operating costs (all of which may vary materially from actual results).

For those reasons, estimates of the economically recoverable oil and natural gas reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues associated with reserves prepared by different engineers, or by the same engineers at different times may vary. Our actual production, revenues, taxes and development and operating expenditures with respect to our reserves will vary from estimates and such variations could be material.

The estimation of proved reserves that may be developed and produced in the future are often based upon volumetric calculations and upon analogy to similar types of reserves rather than actual production history. Recovery factors and drainage areas are often estimated by experience and analogy to similar producing pools. Estimates based on these methods are generally less reliable than those based on actual production history. Subsequent evaluation of the same reserves based upon production history and production practices will result in variations in the estimated reserves and such variations could be material.

In accordance with applicable securities laws, our independent reserves evaluator has used forecast prices and costs in estimating the reserves and future net cash flows as summarized herein. Actual future net cash flows will be affected by other factors, such as actual production levels, supply and demand for oil and natural gas, curtailments or increases in consumption by oil and natural gas purchasers, changes in governmental regulation or taxation and the impact of inflation on costs.

Actual production and cash flows derived from our oil and natural gas reserves will vary from the estimates contained in the reserve evaluation, and such variations could be material. The reserve evaluation is based in part on the assumed success of activities we intend to undertake in future years. The reserves and estimated cash flows to be derived therefrom and contained in the reserve evaluation will be reduced to the extent that such activities do not achieve the level of success assumed in the reserve evaluation. The reserve evaluation is effective as of a specific effective date and, except as may be specifically stated, has not been updated and therefore does not reflect changes in our reserves since that date.

Insurance

Our involvement in the exploration for and development of oil and natural gas properties may result in us becoming subject to liability for pollution, blowouts, leaks of sour natural gas, property damage, personal injury or other hazards. Although we maintain insurance in accordance with industry standards to address certain of these risks, such insurance has limitations on liability and may not be sufficient to cover the full extent of such liabilities. In addition, certain risks are not, in all circumstances, insurable or, in certain circumstances, we may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or other reasons. The payment of any uninsured liabilities would reduce the funds available to us. The occurrence of a significant event that we are not fully insured against, or the insolvency of the insurer of such event, may have a material adverse effect on our business, financial condition, results of operations and prospects.

The Corporation's insurance policies are generally renewed on an annual basis and, depending on factors such as market conditions, the premiums, policy limits, coverage terms and/or deductibles for certain insurance policies can vary substantially. In some instances, certain insurance may become unavailable or available only for reduced amounts of coverage. Significantly increased costs could lead the Corporation to decide to reduce or possibly eliminate, coverage. In addition, insurance is purchased from a number of third-party insurers, often in layered insurance arrangements, some of whom may discontinue providing insurance coverage for their own policy or strategic reasons. Should any of these insurers refuse to continue to provide insurance coverage, the Corporation's overall risk exposure could be increased and the Corporation could incur significant costs.

Geopolitical Risks

Political events throughout the world that cause disruptions in the supply of oil that affects the marketability and price of oil and natural gas acquired or discovered by us. Conflicts, or conversely peaceful developments, arising outside of Canada and the United States, including changes in political regimes or parties in power, may have a significant impact on the price of oil and natural gas. Any particular event could result in a material decline in prices and result in a reduction of our net production revenue. See "*Risk Factors – Political Uncertainty – Russian Ukrainian Conflict*".

In addition, our oil and natural gas properties, wells and facilities could be the subject of a terrorist attack. If any of our properties, wells or facilities are the subject of terrorist attack it may have a material adverse effect on our business, financial condition, results of operations and prospects. We do not have insurance to protect against the risk from terrorism.

Asset Concentration

The Corporation's producing properties are geographically concentrated. As a result, to the extent demand for and costs of personnel, equipment, power, services, and resources in such geographic area are high it could result in a delay or inability to secure the personnel, equipment, power, services, and resources. Any delay or inability to secure the personnel, equipment, power, services, and resources could result in crude oil, liquids and natural gas production volumes being below the Corporation's forecasted production volumes. In addition, any such negative effect on production volumes, or significant increases in costs, could have a material adverse effect on the Corporation's financial conditions, results of operations, cash flow, and profitability.

As a result of this concentration, the Corporation may be disproportionately exposed to the impact of delays or interruptions of operations or production in this area caused by external factors such as governmental regulation, politics, market limitations, supply shortages, or extreme weather-related conditions.

Non-Governmental Organizations

The oil and natural gas exploration, development and operating activities conducted by us may, at times, be subject to public opposition. Such public opposition could expose us to the risk of higher costs, delays or even project cancellations due to increased pressure on governments and regulators by special interest groups including Indigenous groups, landowners, environmental interest groups (including those opposed to oil and natural gas production operations) and other non-governmental organizations, blockades, legal or regulatory actions or challenges, increased regulatory oversight, reduced support from the federal, provincial or municipal governments, delays in, challenges to, or the revocation of regulatory approvals, permits and/or licenses, and direct legal challenges, including the possibility of climate-related litigation. There is no guarantee that we will be able to satisfy the concerns of the special interest groups and non-governmental organizations and attempting to address such concerns may require us to incur significant and unanticipated capital and operating expenditures.

Management of Growth

We may be subject to growth related risks including capacity constraints and pressure on our internal systems and controls. Our ability to manage growth effectively will require us to continue to implement and improve our operational and financial systems and to expand, train and manage our employee base. Our inability to deal with this growth may have a material adverse effect on our business, financial condition, results of operations and prospects.

Expiration of Licenses and Leases

Our properties are held in the form of licences and leases and working interests in licences and leases. If we or the holder of the licence or lease fails to meet the specific requirement of a licence or lease, the licence or lease may terminate or expire. There can be no assurance that any of the obligations required to maintain each licence or lease will be met. The termination or expiration of our licences or leases or the working interests relating to a licence or lease may have a material adverse effect on our business, financial condition, results of operations and prospects.

Dividends

We have not paid any dividends on our Common Shares since incorporation. Payment of dividends in the future will be dependent on, among other things, the cash flow, results of operations and our financial condition, the need for funds to finance ongoing operations and other considerations, as our Board of Directors considers relevant.

Litigation

In the normal course of our operations, we may become involved in, named as a party to, or be the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions. Potential litigation may develop in relation to personal injuries (including resulting from exposure to hazardous substances, property damage, property, taxes, land and access rights, environmental issues, including claims relating to contamination or natural resource damages and contract disputes). The outcome of outstanding, pending or future proceedings cannot be predicted with certainty and may be determined adversely to us and as a result, could have a material adverse effect on our assets, liabilities, business, financial condition and results of operations. Even if we prevail in such legal proceedings, the proceedings could be costly and time consuming and may divert the attention of management and key personnel from business operations which could have an adverse effect on our financial condition.

Breach of Confidentiality

While discussing potential business relationships or other transactions with third parties, we may disclose confidential information relating to our business, operations or affairs. Although confidentiality agreements are generally signed by third parties prior to the disclosure of any confidential information, a breach could put us at competitive risk and may cause significant damage to our business. The harm to our business from a breach of confidentiality cannot presently be quantified, but may be material and may not be compensable in damages. There is no assurance that, in the event of a breach of confidentiality, we will be able to obtain equitable remedies, such as injunctive relief, from a court of competent jurisdiction in a timely manner, if at all, in order to prevent or mitigate any damage to our business that such a breach of confidentiality may cause.

Income Taxes

We file all required income tax returns and believe that we are in full compliance with the provisions of the relevant and all other applicable tax legislation. However, such returns are subject to reassessment by the applicable taxation authority. In the event of a successful reassessment of us, such reassessment may have an impact on current and future taxes payable.

Income tax laws relating to the oil and natural gas industry, such as the treatment of resource taxation or dividends, may in the future be changed or interpreted in a manner that adversely affects us. Furthermore, tax authorities having jurisdiction over us may disagree with how we calculate our income for tax purposes or could change administrative practices to our detriment.

Seasonality

The level of activity in the Canadian and United States oil and natural gas industry is influenced by seasonal weather patterns. Wet weather and spring thaw may make the ground unstable which prevents, delays or makes operations more difficult. Consequently, municipalities and local transportation departments enforce road bans that restrict the movement of rigs and other heavy equipment, thereby reducing activity levels. In addition, certain oil and natural gas producing areas are located in areas that are inaccessible other than during the winter months because the ground surrounding the sites in these areas consists of swampy terrain. Severe winter weather in North Dakota where the majority of our operations are carried out may have an impact on our ability to develop new production or maintain existing production. Seasonal factors and unexpected weather patterns may lead to declines in exploration and production activity and corresponding decreases in the demand for our goods and services.

Conflicts of Interest

Certain of our directors or officers may also be directors or officers of other oil and natural gas companies and as such may, in certain circumstances, have a conflict of interest. Conflicts of interest, if any, will be subject to and governed by procedures prescribed by the Act which require a director or officer of a corporation who is a party to, or is a director or an officer of, or has a material interest in any person who is a party to, a material contract or proposed material contract with us to disclose his or her interest and, in the case of directors, to refrain from voting on any matter in respect of such contract unless otherwise permitted under the Act.

Reliance on Key Personnel

The operations and management of the Corporation require the recruitment and retention of a skilled workforce, including engineers, technical personnel and other professionals. The loss of key members of such workforce, or a substantial portion of the workforce as a whole, could result in the failure to implement the Corporation's business plans which could have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects.

Competition for qualified personnel in the oil and natural gas industry is intense and there can be no assurance that the Corporation will be able to continue to attract and retain all personnel necessary for the development and operation of its business. The Corporation does not have any key personnel insurance in effect. Contributions of the existing management team to the immediate and near term operations of the Corporation are likely to be of central importance. In addition, certain of the Corporation's current employees may have significant institutional knowledge that must be transferred to other employees prior to their departure from the workforce. If the Corporation is unable to: (i) retain current employees; (ii) successfully complete effective knowledge transfers; and/or (iii) recruit new employees with the requisite knowledge and experience, the Corporation could be negatively impacted. In addition, the Corporation could experience increased costs to retain and recruit these professionals.

Expansion into New Activities

Our operations and the expertise of our management are currently focused primarily on oil and natural gas production and development in the Williston Basin, North Dakota. In the future we may acquire or move into new industry related activities or new geographical areas, may acquire different energy related assets, and as a result may face unexpected risks or alternatively, significantly increase our exposure to one or more existing risk factors which may in turn result in our future operational and financial conditions being adversely affected.

Information Technology Systems and Cyber-Security

We have become increasingly dependent upon the availability, capacity, reliability and security of our information technology infrastructure and our ability to expand and continually update this infrastructure, to conduct daily operations. We depend on various information technology systems to estimate reserve quantities, process and record financial data, manage our land base, manage financial resources, analyze seismic information, administer our contracts with our operators and lessees and communicate with employees and third-party partners.

Further, we are subject to a variety of information technology and system risks as a part of our normal course operations, including potential breakdown, invasion, virus, cyber-attack, cyber-fraud, security breach, and destruction or interruption of our information technology systems by third parties or insiders. Unauthorized access to these systems by employees or third parties could lead to corruption or exposure of confidential, fiduciary or proprietary information, interruption to communications or operations or disruption to our business activities or our competitive position. In addition, cyber phishing attempts, in which a malicious party attempts to obtain sensitive information such as usernames, passwords, and credit card details (and money) by disguising as a trustworthy entity in an electronic communication, have become more widespread and sophisticated in recent years. If we become a victim to a cyber phishing attack it could result in a loss or theft of our financial resources or critical data and information, or could result in a loss of control of our technological infrastructure or financial resources. Our employees are often the targets of such cyber phishing attacks, as they are and will continue to be targeted by parties using fraudulent "spoof" emails to misappropriate information or to introduce viruses or other malware through "Trojan horse" programs to our computers. These emails appear to be legitimate emails, but direct recipients to fake websites operated by the sender of the email or request recipients to send a password or other confidential information through email or to download malware.

We maintain procedures that address and implement employee protocols with respect to electronic communications and electronic devices and conduct annual cyber-security risk assessments. We also employ encryption protection of its confidential information, all computers and other electronic devices. Despite our efforts to mitigate such cyber phishing attacks through education and training, cyber phishing activities remain a serious problem that may damage its information technology infrastructure. We apply technical and process controls in line with industry-accepted standards to protect its information, assets and systems. However, these controls may not adequately prevent cyber-security breaches. Disruption of critical information technology services, or breaches of information security, could have a negative effect on our performance and earnings, as well as on our reputation, and any damages sustained may not be adequately covered by our current insurance coverage, or at all. The significance of any such event is difficult to quantify, but may in certain circumstances be material and could have a material adverse effect on our business, financial condition and results of operations.

Reputational Risks

Our business, operations or financial condition may be negatively impacted as a result of any negative public opinion towards us or as a result of any negative sentiment toward, or in respect of, our reputation with stakeholders, special interest groups, political leadership, the media or other entities. Public opinion may be influenced by certain media and special interest groups' negative portrayal of the industry in which we operate as well as their opposition to certain oil and natural gas projects. Potential impacts of negative public opinion or reputational issues may include delays or interruptions in operations, legal or regulatory actions or challenges, blockades, increased regulatory oversight, reduced support for, delays in, challenges to, or the revocation of regulatory approvals, permits and/or licenses and increased costs and/or cost overruns. Our reputation and public opinion could also be impacted by the actions and activities of other companies operating in the oil and natural gas industry, particularly other producers, over which we have no control. In particular, our reputation could be impacted by negative publicity related to environmental damage, loss of life, injury or damage to property caused by our operations, or due to opposition from special interest groups opposed to oil and natural gas development. In addition, if we develop a reputation of having an unsafe work site it may impact our ability to attract and retain the necessary skilled employees and consultants to operate our business.

Reputational risk cannot be managed in isolation from other forms of risk. Credit, market, operational, insurance, regulatory and legal risks, among others, must all be managed effectively to safeguard our reputation. Damage to our reputation could result in negative investor sentiment towards us which may result in limiting our access to capital, increasing the cost of capital, and decreasing the price and liquidity of our securities.

Changing Investor Sentiment

A number of factors, including the effects of the use of fossil fuels on climate change, the impact of oil and natural gas operations on the environment, environmental damage relating to spills of petroleum products during transportation and indigenous rights, have affected certain investors' sentiments towards investing in the oil and natural gas industry. As a result of these concerns, some institutional, retail and public investors have announced that they no longer are willing to fund or invest in oil and natural gas properties or companies or are reducing the amount thereof over time. In addition, certain institutional investors are requesting that issuers develop and implement more robust environmental, social and governance policies and practices (commonly referred to as ESG principles). Developing and implementing such policies and practices can involve significant costs and require a significant time commitment from the Board of Directors, management and employees. Failing to implement the policies and practices as requested by institutional investors may result in such investors reducing their investment in us or not investing in us at all. Any reduction in the investor base interested or willing to invest in the oil and natural gas industry and more specifically, us, may result in limiting our access to capital, increasing the cost of capital, and decreasing the price and liquidity of our securities even if our operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause a decrease in the value of our assets which may result in an impairment charge.

Intellectual Property Litigation

Due to the rapid development of oil and natural gas technology, in the normal course of our operations, we may become involved in, named as a party to, or be the subject of, various legal proceedings in which it is alleged that we have infringed the intellectual property rights of others or which we initiate against others we believe are infringing upon our intellectual property rights. Our involvement in intellectual property litigation could result in significant expense, adversely affecting the development of our assets or intellectual property or diverting the efforts of our technical and management personnel, whether or not such litigation is resolved in our favour. In the event of an adverse outcome as a defendant in any such litigation, we may, among other things, be required to: (a) pay substantial damages and/or cease the development, use, sale or importation of processes that infringe upon other patented intellectual property; (b) expend significant resources to develop or acquire non-infringing intellectual property; (c) discontinue processes incorporating infringing technology; or (d) obtain licences to the infringing intellectual property. However, we may not be successful in such development or acquisition, or such licences may not be available on reasonable terms. Any such development, acquisition or licence could require the expenditure of substantial time and other resources and could have a material adverse effect on our business and financial results.

Indigenous Land and Rights Claims

Opposition by Indigenous groups to the conduct of our operations, development or exploratory activities in any of the jurisdictions in which the Corporation conducts business may negatively impact it in terms of public perception, diversion of management's time and resources, legal and other advisory expenses, and could adversely impact the Corporation's progress and ability to explore and develop properties.

Some Indigenous groups have established or asserted Indigenous treaty, title and rights to portions of the United States. There are outstanding Indigenous and treaty rights claims, which may include Indigenous title claims, on lands where the Corporation operates, and such claims, if successful, could have a material adverse impact on its operations or pace of growth. No certainty exists that any lands currently unaffected by claims brought by Indigenous groups will remain unaffected by future claims.

Forward-Looking Information May Prove Inaccurate

Shareholders and prospective investors are cautioned not to place undue reliance on our forward-looking information. By its nature, forward-looking information involves numerous assumptions, known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking information or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate.

Additional information on the risks, assumption and uncertainties are found under the heading "*Forward-Looking Information and Statements*" of this Annual Information Form.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

In the normal course of business, the Corporation is involved in various claims and litigation. While the Corporation does not currently believe the outcome of such claims would have a material adverse impact on the Corporation's financial position, the outcome of these matters is uncertain and there can be no assurance that such matters will be resolved in favor of the Corporation.

There were no: (i) penalties or sanctions imposed against us by a court relating to securities legislation or by a security regulatory authority during the most recently completed financial year; (ii) other penalties or sanctions imposed by a court or regulatory body against us that would likely be considered important to a reasonable investor in making an investment decision; or (iii) settlement agreements we entered into before a court relating to securities legislation or with a securities regulatory authority during our most recently completed financial year.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for our Common Shares is Odyssey Trust Company, at its principal office in Calgary, Alberta.

MATERIAL CONTRACTS

Except for our credit facilities (including amendments thereto), the Repositioning Agreement and the New Investor Rights Agreement, we have not entered into any material contracts during the current financial year, the year ended December 31, 2022, or before the most recently completed financial year which are still in effect. Our material contracts have been filed under our profile on SEDAR at www.sedar.com.

EXPERTS

Interests of Experts

To our knowledge, no registered or beneficial interests, direct or indirect, in any of our securities or other property: (i) were held by NSAI or by the "designated professionals" (as defined in Form 51-102F2) of NSAI, when NSAI prepared the NSAI Report; (ii) were received by NSAI or the designated professionals of NSAI after NSAI prepared the NSAI Report; or (iii) is to be received by NSAI or the designated professionals of NSAI.

KPMG LLP are our auditors and have confirmed that they are independent with respect to us within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulations.

ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities and options to purchase securities, if applicable, is contained in the Corporation's Information Circular for the most recent annual meeting of Shareholders that involved the election of directors. Additional financial information is provided for in the Corporation's financial statements and the management's discussion and analysis for the year ended December 31, 2022. These documents, along with other documents affecting the rights of securityholders and other information relating to the Corporation, may be found on SEDAR at www.sedar.com.

APPENDIX A
AUDIT COMMITTEE CHARTER

POLICY STATEMENT

It is the policy of Lucero Energy Corp. (the "**Corporation**") to establish and maintain an Audit Committee (the "**Committee**"), composed of independent directors, to assist the Board of Directors (the "**Board**") in carrying out their oversight responsibility for the Corporation's external audit, internal controls, disclosure, financial reporting and risk management.

The Committee's function is one of oversight only and shall not relieve management of its responsibilities.

The Corporation's external auditor shall report directly to the Committee.

COMPOSITION OF THE COMMITTEE

1. The Committee shall consist of at least three (3) directors.

2. Each director appointed to the Committee by the Board shall be independent as such term is defined in Section 1.4 of *Multilateral Instrument 52-110*.

3. Each member of the Committee shall be financially literate as such term is defined in Section 1.6 of Multilateral Instrument 52-110 and at least one (1) member shall have accounting or related financial management expertise.

4. The Board shall appoint the members of the Committee and may seek the advice and assistance of the Corporate Governance and Compensation Committee in identifying qualified candidates. The Board shall appoint one (1) member of the Committee to be the Chair of the Committee.

5. A director appointed by the Board to the Committee shall be a member of the Committee until replaced by the Board or until his or her resignation. A member shall cease to be a member of the Committee upon ceasing to be a director of the Corporation.

6. The Secretary of the Corporation shall be the Secretary of the Committee.

MEETINGS OF THE COMMITTEE

1. The Committee shall convene a minimum of four (4) times each year at such time and places as may be designated by the Chair of the Committee and whenever a meeting is requested by the Board, a member of the Committee, the external auditors, or a senior officer of the Corporation.

2. Notice of each meeting of the Committee shall be given to each member and to the external auditors, who shall be entitled to attend each meeting of the Committee and shall attend whenever requested to do so by a member of the Committee or the Secretary of the Committee.

3. Notice of a meeting of the Committee shall:

   (a) Be in writing.

   (b) State the nature of the business to be transacted at the meeting in reasonable detail.

   (c) To the extent practicable, be accompanied by copies of documentation to be considered at the meeting.

   (d) Be given at least forty-eight (48) hours' notice preceding the time stipulated for the meeting or such shorter period as the members of the Committee may permit.

4. A quorum for the transaction of business at a meeting of the Committee shall consist of two (2) members of the Committee.

5. A member of the Committee may participate in a meeting of the Committee by means of such telephonic, electronic or other communication facilities, provided it permits all persons participating in the meeting to

communicate adequately with each other. A member participating in such a meeting by any such means is deemed to be present at the meeting.

6. In the absence of the Chair of the Committee, the members of the Committee shall choose one of the members present to be Chair of the meeting and, in the absence of the Secretary of the Committee, the members shall choose one of the persons present to be the Secretary of the meeting.

7. The Committee may invite the Chairman of the Board, other directors, senior management of the Corporation and other parties to attend meetings of the Committee; however, the Committee may meet separately with the external auditors or with invited management.

8. At each regular meeting of the Committee, the agenda shall include an opportunity for the members of the Committee to meet *in-camera*.

9. Minutes shall be kept of all meetings of the Committee and shall be signed by the Chair and the Secretary of the meeting.

10. Minutes of the meetings of the Committee shall be retained by the Secretary of the Corporation and shall be available, on request, to any member of the Board.

DUTIES AND RESPONSIBILITIES OF COMMITTEE MEMBERS

1. Committee members shall have and maintain a sufficient knowledge of company operations and changes in operations including the principal risks, systems and abilities of key personnel involved in financial reporting and disclosure processes to reasonably discharge their duties.
2. Committee members have an obligation to remain independent of the affairs of the Corporation and shall disclose any circumstances that create a conflict of interest with his or her role as a Committee member or may appear to create a conflict of interest.

DUTIES AND RESPONSIBILITIES OF THE COMMITTEE

1. The Committee's primary duties and responsibilities are to:

   (a) Select and recommend the nomination and compensation of the external auditors.

   (b) Oversee the independence, work and performance of the Corporation's external auditors.

   (c) Review the principal risks that could impact the financial reporting of the Corporation and monitor how management is dealing with such risks.

   (d) Monitor the integrity of the Corporation's disclosure and financial reporting process and its system of internal controls regarding financial reporting and accounting compliance.

   (e) Oversee the resolution of any disagreements among external auditors, management and the internal auditing department, if any.

   (f) If requested by the Board and permitted by applicable law and policies, review and approve unaudited quarterly financial statements or other public disclosure documents containing financial information.

2. The Committee shall annually select and recommend to the Board the nomination of an external auditor, recommend the replacement of the current external auditor when circumstances warrant it and monitor the independence, work and performance of the external auditors. This shall include:

   (a) Considering the views of management in respect of the nomination of the external auditors.

   (b) Reviewing and recommending, for approval by the Board, the terms of the external auditors' engagement and audit plan, including the reasonableness of the proposed audit fees.

   (c) Pre-approving any engagement for non-audit services to be provided by the external auditors' firm or its affiliates, together with estimated fees. This shall involve considering the potential impact of such services on the independence of the external auditors.

(d) When there is to be a change of external auditors, reviewing all issues and providing documentation related to the change, including the information to be included in the Notice of Change of Auditors and documentation called for under *National Instrument 51-102* as defined in Section 4.11 and the planned steps for an orderly transition.

(e) Reviewing all reportable events, including disagreements, unresolved issues and consultations with external auditors, as defined by applicable securities policies, on a routine basis, whether or not there is to be a change of external auditors.

(f) The Committee shall have the opportunity to meet with the external auditors apart from management at each regular meeting to receive assessments relating to audit scope limitations, management cooperation and any issues relating to financial competencies

3. In carrying out its primary duties and responsibilities, the Committee shall:

(a) Review the annual audit plan with the external auditors and with management.

(b) Discuss with management and the external auditors any proposed changes in major accounting policies or principles, the potential impact of significant risks and uncertainties on future operations, and key estimates and judgments of management that may be material to financial reporting.

(c) Review with management and with the external auditors significant financial reporting issues arising during the most recent fiscal period and the resolution or proposed resolution of such issues.

(d) Review any problems experienced or concerns expressed by the external auditors in performing an audit, including any restrictions imposed by management or significant accounting issues on which there was a disagreement with management.

(e) Review periodically with management the Corporation's disclosure controls and procedures as such term is defined in *Multilateral Instrument 52-109* and monitor the certification process set out therein.

(f) Review audited annual financial statements and related documents in conjunction with the report of the external auditors.

(g) Consider and review with management, the internal control memorandum or management letter containing the recommendations of the external auditors and management's response, if any, including an evaluation of the adequacy and effectiveness of the internal financial controls of the Corporation and subsequent follow-up to any identified weaknesses.

(h) Review with management and the external auditors, if engaged to perform such a review, the quarterly unaudited financial statements before release to the public.

(i) Before release, review and if appropriate, recommend for approval by the Board, all public disclosure documents containing audited or unaudited financial information including any press release, annual report, annual information form, management discussion and analysis of operations, prospectus (and all documents which may be incorporated by reference into such prospectus) and all other securities offering documents of the Corporation.

(j) Review periodically with management the internal procedures implemented to review any other public disclosure of financial information extracted or derived from the Corporation's financial statements.

(k) Approve the hiring of any partners, employees or former partners and employees of the Corporation's present and former external auditor.

4. In addition, the Committee shall:

(a) Oversee the receipt, review and follow-up of questions, concerns or complaints pursuant to the Corporation's Code of Business Conduct and Ethics and the procedures set out in Appendix "A" thereto.

(b) The Committee shall periodically review the manner of delegation and limits of authority that management has implemented throughout the Corporation.

(c) The Committee shall review changes in accounting principles, regulations and emerging issues that may be relevant to the Corporation.

(d) In conjunction with the Corporate Governance and Compensation Committee, monitor financial and accounting personnel succession planning within the Corporation and review the appointments of the Chief Financial Officer and any key financial managers who are involved in the financial reporting process.

(e) Inquire into and determine the appropriate resolution of any conflict of interest in respect of audit or financial matters.

(f) Quarterly, review any legal matter that could have a significant impact on the Corporation's financial statements, and any enquiries received from regulators, or government agencies.

(g) Report to the Board, at the earliest opportunity after each meeting, the results of its activities and any reviews undertaken and make recommendations to the Board as deemed appropriate. In particular, the Committee shall make recommendations to the Board in connection with: (i) the appointment of external auditors; (ii) approval of financial statements, MD&A and related disclosure documents; and (iii) changes in significant accounting policies.

(h) Periodically assess the performance of the Committee.

RESOURCES AND AUTHORITY

1. The Committee will be provided with resources commensurate with the duties and responsibilities assigned to it by the Board including administrative support. If deemed necessary by the Committee, it will have the discretion to institute investigations of improprieties or suspected improprieties, including the standing authority to retain independent counsel or advisors and to set their compensation.

2. The Committee shall have the authority to:

    (a) Inspect any and all of the books and records of the Corporation, its subsidiaries and affiliates.

    (b) Discuss with any officer of the Corporation, its subsidiaries and affiliates, the Chief Financial Officer and senior staff of the Corporation, any affected party and the external auditors, such accounts, records and other matters as any member of the Committee considers necessary and appropriate.

    (c) Communicate directly with the internal and external auditors.

    (d) Retain independent external advisors.

APPENDIX B
REPORT ON RESERVES DATA BY INDEPENDENT QUALIFIED RESERVES EVALUATORS FORM 51-101F2

To the board of directors of Lucero Energy Corp. (the "**Corporation**"):

1. We have evaluated the Corporation's reserves data as at December 31, 2022. The reserves data are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2022, estimated using forecast prices and costs.

2. The reserves data are the responsibility of the Corporation's management. Our responsibility is to express an opinion on the reserves data based on our evaluation.

3. We carried out our evaluation in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook as amended from time to time (the "**COGE Handbook**") maintained by the Society of Petroleum Evaluation Engineers (Calgary Chapter).

4. Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the reserves data are free of material misstatement. An evaluation also includes assessing whether the reserves data are in accordance with principles and definitions presented in the COGE Handbook.

5. The following table sets forth the net present value of future net revenue (before deduction of income taxes) attributed to proved plus probable reserves, estimated using forecast prices and costs and calculated using a discount rate of 10 percent, included in the reserves data of the Corporation evaluated by us for the year ended December 31, 2022, and identifies the respective portions thereof that we have evaluated and reported on to the Corporation's board of directors:

Independent Qualified Reserves Evaluator	Effective Date of Evaluation Report	Location of Reserves (County or Foreign Geographic Area)	Net Present Value of Future Net Revenue (before income taxes, 10% discount rate – US$ millions)			
			Audited	**Evaluated**	**Reviewed**	**Total**
Netherland, Sewell & Associates, Inc.	December 31, 2022	United States	-	1,123,248	-	1,123,248

6. In our opinion, the reserves data respectively evaluated by us have, in all material respects, been determined and are in accordance with the COGE Handbook, consistently applied. We express no opinion on the reserve data that we reviewed but did not audit or evaluate.

7. We have no responsibility to update our reports referenced in Paragraph 5 for events and circumstances occurring after the effective date of our reports.

8. Because the reserves data are based on judgements regarding future events, actual results will vary and the variations may be material.

Executed as of March 2, 2023

(signed) *"C.H. (Scott) Rees III"*
Executive Chairman
NETHERLAND, SEWELL, & ASSOCIATES, INC.

APPENDIX C
REPORT OF MANAGEMENT AND DIRECTORS ON OIL AND GAS DISCLOSURE FORM 51-101F3

Management of Lucero Energy Corp. ("**Lucero**") is responsible for the preparation and disclosure of information with respect to Lucero's oil and natural gas activities in accordance with securities regulatory requirements. This information includes reserves data.

An independent qualified reserves evaluator has evaluated Lucero's reserves data. The report of the independent qualified reserves evaluator is presented below.

The Reserves Committee of the Board of Directors of Lucero has:

(a) reviewed Lucero's procedures for providing information to the independent qualified reserves evaluator;

(b) met with the independent qualified reserves evaluator to determine whether any restrictions affected the ability of the independent qualified reserves evaluator to report without reservation; and

(c) reviewed the reserves data with management and the independent qualified reserves evaluator.

The Reserves Committee of the Board of Directors has reviewed Lucero's procedures for assembling and reporting other information associated with oil and natural gas activities and has reviewed that information with management. The Board of Directors has, on the recommendation of the Reserves Committee, approved

(a) the content and filing with securities regulatory authorities of Form 51-101F1 containing reserves data and other oil and natural gas information;

(d) the filing of Form 51-101F2 which is the report of the independent qualified reserves evaluator on the reserves data; and

(e) the content and filing of this report.

Because the reserves data are based on judgments regarding future events, actual results will vary and the variations may be material.

(signed) "*Brett Herman* "
Brett Herman
President & Chief Executive Officer

(signed) "*Jason Skehar*"
Jason Skehar
Chief Operating Officer

(signed) "*Dale Shwed* "
Dale Shwed
Director, Chair of the Reserves Committee

(signed) "*Jacob Roorda*"
Jacob Roorda
Director, Member of the Reserves Committee

March 31, 2023