

PetroShale Inc. Announces Appointment of New Management Team, Board Appointment, Oversubscribed \$54.5 Million Equity Financing

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2022 Capital Budget and Production Guidance and Proposed Name Change to Lucero Energy Corp.

CALGARY, Jan. 13, 2022 - [PetroShale Inc.](#) ("PetroShale" or the "Company") (TSXV: PSH) (OTCQB: PSHIF) is pleased to announce the appointment of a new management team (the "New Management Team") led by Brett Herman as President & Chief Executive Officer, Jason Skehar as Chief Operating Officer, Marvin Tang as Vice President, Finance & Chief Financial Officer, Sandy Brown as Vice President, Geosciences, Kristine Lavergne as Vice President, Engineering, and Shane Manchester as Vice President, Operations.

The New Management Team has a successful track record of creating shareholder value through a disciplined and long term integrated strategy of acquiring and developing assets, most recently at [TORC Oil & Gas Ltd.](#) ("TORC"). TORC grew from nil production to more than 28,000 Boepd through the successful execution of several strategic acquisitions, combined with a low risk development drilling and exploitation program that advanced the prolific Bakken resource play in the southeast Saskatchewan region of the Williston Basin.

In addition to the New Management Team, one new independent director, Dale O. Shwed has been appointed to the board of directors of PetroShale (the "PetroShale Board"), which continues to include M. Bruce Chernoff, David Rain, Gary Reaves, Jacob Roorda and Brett Herman. The expanded PetroShale Board has a solid track record of building, financing and directing oil and gas companies and brings a wide range of experience, knowledge and innovation to the recapitalized entity. It is anticipated that additional directors will be appointed at the next shareholder meeting of the Company. Syd Abougoush, a partner with Burnet, Duckworth and Palmer LLP, will continue to act as Corporate Secretary.

In connection with the appointment of the New Management Team, PetroShale intends to complete (i) a non-brokered private placement of units of PetroShale (the "Units") with the New Management Team for gross proceeds of \$9.5 million (the "Non-Brokered Private Placement"), and (ii) a brokered commercially reasonable efforts private placement of common shares of PetroShale ("Common Shares") for gross proceeds of up to \$45.0 million (the "Brokered Private Placement"), and combined with the Non-Brokered Private Placement (the "Private Placements"), gross proceeds of up to \$54.5 million will be raised. Due to strong demand, PetroShale agreed to increase the size of the Brokered Private Placement from its initial target of \$30 million.

It is anticipated that the shareholders of PetroShale will be asked to approve a change of the Company's name to "Lucero Energy Corp." at the next annual general meeting of shareholders.

NEW MANAGEMENT TEAM AND BOARD MEMBER

Brett Herman President & CEO	Mr. Herman has extensive oil and gas experience in leadership roles at public oil and gas companies. Recently, Mr. Herman was the President & CEO of TORC Oil & Gas Ltd. , and previously, President of Result Energy Inc. and TriStar Oil & Gas Ltd. Prior thereto, Mr. Herman was the Vice President, Finance and CFO of StarPoint Energy Ltd. and StarPoint Energy Trust.
Jason Skehar COO	Mr. Skehar has extensive oil and gas experience in leadership and operational roles, most recently as President & CEO of Bonavista Energy Corp. ("Bonavista"). Prior thereto, Mr. Skehar was the President and Chief Operating Officer of Bonavista and its predecessor, Bonavista Energy Trust.
Marvin Tang VP Finance & CFO	Mr. Tang has over 17 years of oil and gas experience in various financial and compliance related roles, most recently as the VP & Controller of TORC Oil & Gas Ltd. Prior thereto, Mr. Tang was the Manager of Finance and Reporting of Result Energy Inc. and TriStar Oil & Gas Ltd.
Sandy Brown VP Geosciences	Mr. Brown has significant geological oil and gas experience, particularly in the Williston Basin, and most recently was the VP Geosciences at TORC Oil & Gas Ltd. Previously, Mr. Brown was the New Ventures Manager/Senior Geological Advisor of Apache Canada, and prior thereto, the Vice President, Exploration at Rock Energy.
Kristine Lavergne VP Engineering	Ms. Lavergne has over 18 years of oil and gas engineering experience, particularly in the Williston Basin, and most recently was the Engineering Manager of TORC Oil & Gas Ltd. Prior thereto, Ms. Lavergne specialized in various engineering roles at Legacy Oil + Gas Inc. , TriStar Oil & Gas Ltd., and Harver Energy Trust.
Shane Manchester VP Operations	Mr. Manchester has significant oil and gas engineering and operations experience, particularly in the Williston Basin, and most recently was the VP Operations of TORC Oil & Gas Ltd. Previously, Mr. Manchester was the Vice President, Operations of Vero Energy Inc., and prior thereto, the Production Engineering Manager of True Energy Inc.
Dale O. Shwed CORPORATE STRATEGY	Mr. Shwed is currently the President and Chief Executive Officer of Crew Energy Inc. Mr. Shwed graduated from the University of Alberta with a Bachelor of Science degree in Geology in 1980, and has held positions of increasing responsibility with various exploration and production companies before founding Baytex Energy Ltd. ("Baytex") in 1993. He was the President and Chief Executive Officer overseeing the operations of Baytex, growing production to over 40,000 boe/d. In 2003, Baytex was reorganized into Baytex Energy Corp. and Crew Energy Inc. Mr. Shwed served on the Board of Directors of TORC Oil & Gas Ltd. from 2017 to 2021, and is currently on the Board of Directors of InPlay Oil Corp.

The New Management Team has a strong track record of disciplined operating and consolidating success in the Williston Basin, where PetroShale's existing asset base is located (within the prolific North Dakota Bakken). The New Management Team believes PetroShale's assets, currently producing in excess of 10,000 boe/d (approximately 85% light oil and natural gas liquids) offer compelling economic returns. With the resulting financial returns enhanced by increasingly positive market conditions, the New Management Team is excited to implement a proven disciplined strategy of acquiring and exploiting assets. This entry point, combined with the New Management Team's experience in consolidating and integrating acquisitions, as well as exploiting and exploring for resource-in-place assets in the Williston Basin, will provide a platform for focused growth through strategic acquisitions and internally generated prospects.

PRIVATE PLACEMENTS

Pursuant to the Non-Brokered Private Placement, the New Management Team, together with additional subscribers identified by the New Management Team, will subscribe for 23,750,000 Units at a price of \$0.40 per Unit for total proceeds of \$9.5 million. Each Unit will be 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 5 years from the issuance date. The Warrants will 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 share.

Concurrent with the appointment of the New Management Team and the Non-Brokered Private Placement, PetroShale has entered into an agreement, on a commercially reasonable efforts private placement basis, with a syndicate of agents led by Peters & Co. Limited for 112,500,000 Common Shares at a price of \$0.40 per Common Share for gross proceeds of up to \$45 million. Closing of the Brokered Private Placement is expected to occur on or about February 2, 2022. Proceeds from the Private Placements will be used to reduce debt and for general corporate purposes, positioning the Company to execute on a disciplined corporate strategy.

All securities issued in connection with the Private Placements will be subject to a Canadian statutory hold period of four months plus one day from the respective date of closing.

The Company's two largest shareholders, FR XIII PetroShale Holdings L.P. and M Bruce Chernoff, have waived their respective rights to participate in each of the Non-Brokered Private Placement and the Brokered Private Placement in order to maintain their current pro-rata ownership positions and are not expected to acquire any Common Shares as part of the Company's Private Placements.

2022 CAPITAL BUDGET AND PRODUCTION GUIDANCE

PetroShale is pleased to announce the Company's Board of Directors has approved a 2022 capital budget of US\$45 million (CDN\$57 million), subject to completing the Private Placements. PetroShale's strategic objectives associated with the 2022 capital budget are consistent with the New Management Team's long term objectives of delivering disciplined per share growth in combination with maintaining financial flexibility.

PetroShale's 2022 capital budget is specifically focused on:

- Investing in higher rate of return, lower risk light oil opportunities across the Company's high quality, low risk development drilling inventory;
- Maximizing free cash flow through an efficient capital program focused on high graded development drilling opportunities;
- Moderating the Company's production decline profile;
- Directing the pace of the capital program to maintain spending flexibility throughout the year; and
- Maintaining PetroShale's strong financial position and flexibility to take advantage of additional growth opportunities as they arise.

PetroShale's capital program in 2022 is focused on light oil development projects, with the majority of the capital directed to drilling, completions and tie-ins (greater than 85%) with the remainder allocated to operational and facility optimization to maximize production efficiency.

With the strong performance of the Company's underlying production base, PetroShale anticipates that the US\$45 million (CDN\$57 million) 2022 capital budget will result in 2022 average production between 10,500-11,000 boepd (85% light oil & natural gas liquids) and exit guidance of 11,000 boepd (85% light oil and natural gas liquids) while improving the production decline profile below 25% by year end.

At current commodity prices, the recapitalized entity is expected to generate greater than \$130 million of cash flow in 2022, and combined with the Private Placement proceeds, net debt is expected to be less than \$82 million (or 0.6 times net debt/cash flow) at the end of 2022.

STOCK EXCHANGE APPROVALS

Completion of the Private Placements, is subject to certain conditions, including the approval of the TSXV, and is expected to occur on or about February 2, 2022 assuming all conditions have been met by such day. The Private Placements are not expected to materially affect control of PetroShale nor create a new control person of the Company.

ADVISORS

Peters & Co. Limited is acting as exclusive financial advisor to the New Management Team. Burnet, Duckworth and Palmer LLP is acting as counsel to PetroShale, and McCarthy Tétrault LLP is acting as counsel to the syndicate of agents led by Peters & Co. Limited in respect of the Brokered Private Placement.

OUTLOOK

PetroShale has built a sustainable growth platform of light oil focused assets. The stability of the high quality, lower decline, light oil assets in the Bakken resource play in North Dakota positions PetroShale to provide value creation through a disciplined long term focused growth strategy.

PetroShale has the following key operational and financial attributes:

Production Guidance	2022E Average: 10,500 - 11,000 boepd (85% light oil and liquids) 2022E Exit: 11,000 boepd (85% light oil and liquids)
Total Proved plus Probable Reserves ⁽¹⁾	Approximately 72 MMboe (87% light oil and liquids)
Sustainability Assumptions	Corporate production decline: 30% (2022E) Capital Efficiency ^{(2),(3)} : \$17,000/boepd (IP 365)
2022 Capital Program ⁽³⁾	US\$45 million (CDN\$57 million)
Year-end net debt (2022E) ⁽⁴⁾	\$134 million (\$82 million pro forma the Private Placements)
Common Shares Outstanding (basic)	521 million (657 million pro forma the Private Placements)

Notes:

(1) All reserves information in this press release are gross reserves. The reserve information for PetroShale in the foregoing table is derived from the independent engineering report effective December 31, 2020 prepared by Netherland Sewell & Associates evaluating the oil, NGL and natural gas reserves attributable to all of the Company's properties.

(2) Capital efficiency is a measure of forecast capital expenditures divided by forecast production additions.

(3) Assumes a foreign exchange rate of US\$1.00 = CDN\$1.2529.

(4) Year-end net debt (2022E) does not include proceeds from the exercise of any Warrants. This press release is not an offer of the securities for sale in the United States. The securities have not been registered under the U.S. Securities Act of 1933, as amended, and may not be offered or sold in the United States absent registration or an exemption from registration. This press release shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the securities in any state in which such offer, solicitation or sale would be unlawful.

FORWARD-LOOKING STATEMENTS

This press release contains forward-looking statements and forward-looking information (collectively,

"forward-looking statements"). More particularly, this press release contains forward-looking statements concerning: the number, the price and the type of securities to be issued by PetroShale pursuant to the Private Placements; the aggregate proceeds from the proposed Private Placements and the anticipated use of proceeds therefrom; PetroShale's estimates of year end net debt, including following the Private Placements; estimated cash flow from PetroShale's assets; the new and existing directors of the PetroShale Board and members of the New Management Team following completion of the Private Placements; PetroShale's future production estimates; the manner in which the 2022 capital budget will be spent, including the types of capital expenditures; the ability of incoming New Management Team to repeat its financial and operational success through on completion of the Private Placements; the business plan of PetroShale following the completion of the Private Placements; the expectations relating to business advantages and opportunities in the oil and gas industry given current market conditions; expectations as to the corporate decline rate and capital efficiency; the expectation that the name of the Company will be changed following completion of the Private Placements. In addition, the use of any of the words "guidance", "initial", "scheduled", "can", "will", "prior to", "estimate", "anticipate", "believe", "should", "forecast", "future", "continue", "may", "expect", and similar expressions are intended to identify forward-looking statements.

The forward-looking statements contained in this press release are based on certain key expectations and assumptions made by PetroShale including but not limited to expectations and assumptions concerning the availability of capital, current legislation, egress constraints, receipt of required regulatory approvals, the success of future drilling, development and acquisition activities, the performance of existing wells, the growth and acquisition strategy of the New Management Team, general economic conditions, availability of required equipment and services, assumptions of future commodity prices, Canada-U.S. exchange rate, and other assumptions identified herein, including certain expectations and assumptions made by PetroShale in respect thereof. Although PetroShale believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because there is no assurance that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, risks associated with the oil and gas industry in general (including but not limited to operational risks in development, exploration and production); delays or changes in plans with respect to exploration or development projects; receiving all necessary approvals for the Private Placements (including that of the TSXV) and the name change and any conditions to such approvals; capital expenditures, acquisitions or other corporate transactions; the uncertainty of reserve estimates; the uncertainty of estimates and projections relating to production, costs and expenses, and health, safety and environmental risks, commodity price and exchange rate fluctuations, changes in legislation affecting the oil and gas industry and uncertainties resulting from potential delays or changes in plans with respect to exploration or development projects or capital expenditures.

To the extent any guidance or forward looking statements herein constitute a financial outlook or future oriented financial information ("FOFI"), including PetroShale's potential cash flow in 2022 and net debt at the end of 2022, they are made as of the date hereof and included herein to provide prospective investors with an understanding the plans and assumptions for budgeting purposes and prospective investors are cautioned that the information may not be appropriate for other purposes. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on any financial outlook or FOFI. PetroShale's actual results, performance or achievement following the completion of the Private Placements could differ materially from those expressed in, or implied by, these FOFI, or if any of them do so, what benefits PetroShale will derive therefrom. PetroShale disclaims any intention or obligation to update or revise any FOFI statements, whether as a result of new information, future events or otherwise, except as required by law.

Additional information on these and other factors that could affect PetroShale's operations and financial results following the completion of the Private Placements are included in its Annual Information Form for the year ended December 31, 2020 and other reports on file with Canadian securities regulatory authorities, which may be accessed through the SEDAR website (www.sedar.com).

The forward-looking statements contained in this press release are made as of the date hereof and neither PetroShale nor the New Management Team undertake any obligation to update or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

The information contained in this press release does not purport to be all inclusive or to contain all

information that prospective investors may require. Prospective investors are encouraged to conduct their own analysis and reviews of PetroShale and the New Management Team and the other information contained in this press release. Information in relation to the previous experience of New Management Team is not indicative of the future performance of PetroShale following the Private Placements. Without limitation, prospective investors should consider the advice of their financial, legal, accounting, tax and other advisors and such other factors they consider in investigating and analyzing PetroShale and the New Management Team.

NON-IFRS MEASURES

This press release contains the terms "net debt", "cash flow" and "net debt/cash flow" which do not have standardized meanings prescribed by International Financial Reporting Standards and therefore may not be comparable with the calculation of similar measures by other companies.

PetroShale believes that "net debt" is a useful measure to assist investors in understanding liquidity at a specific point in time and is calculated as an estimate by PetroShale of PetroShale's total current assets less total current liabilities (excluding financial derivative liability), less senior credit facility. PetroShale and the New Management Team believe that "cash flow" is a useful measure for demonstrating the potential cash flow generation of PetroShale's assets and is calculated as an estimate by PetroShale of PetroShale's cash provided by operating activities prior to finance expense and change in non-cash working capital. "Net debt/cash flow" is calculated based on estimates by PetroShale of PetroShale's ratio of net debt to cash flow.

BARRELS OF OIL EQUIVALENT

The term "boe" or barrels of oil equivalent may be misleading, particularly if used in isolation. A boe conversion ratio of six thousand cubic feet of natural gas to one barrel of oil equivalent (6 Mcf: 1 bbl) is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Additionally, given that the value ratio based on the current price of crude oil, as compared to natural gas, is significantly different from the energy equivalency of 6:1; utilizing a conversion ratio of 6:1 may be misleading as an indication of value.

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