

PRESS RELEASE

March 14, 2022

PETROSHALE INC. ANNOUNCES 2021 FOURTH QUARTER AND YEAR-END FINANCIAL & OPERATING RESULTS; AND 2021 YEAR-END RESERVES

CALGARY, ALBERTA – PetroShale Inc. ("PetroShale" or the "Company") (TSXV: PSH, OTCQB: PSHIF) is pleased to announce financial and operating results for the three months and year ended December 31, 2021 and to provide 2021 year-end reserves information as evaluated by Netherland, Sewell & Associates, Inc. ("NSAI").

The associated Management's Discussion and Analysis ("MD&A") dated March 14, 2022 and audited financial statements as at and for the year ended December 31, 2021 can be found at www.sedar.com or www.petroshaleinc.com.

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

HIGHLIGHTS

FINANCIAL	Three months ended		Year ended	
	Dec 31, 2021	Dec 31, 2020	Dec 31, 2021	Dec 31, 2020
(in thousands, except share and per share data)				
Petroleum and natural gas revenue	\$72,883	\$37,268	\$229,340	\$143,506
Adjusted EBITDA ⁽¹⁾	\$22,409	\$15,204	\$75,580	\$58,726
Per share – basic	\$0.04	\$0.08	\$0.17	\$0.31
Per share –diluted	\$0.04	\$0.08	\$0.17	\$0.30
Cash provided by operating activities	\$17,449	\$13,326	\$72,230	\$69,991
Net income (loss)	\$25,065	(\$12,417)	(\$828)	(\$61,985)
Per share – basic and diluted	\$0.05	(\$0.07)	-	(\$0.33)
Capital expenditures, net ⁽¹⁾	\$29,929	\$2,743	\$63,028	\$35,174
Net debt ⁽¹⁾	\$196,067	\$326,906	\$196,067	\$326,906
Common shares outstanding	523,387,831	188,528,453	523,387,831	188,528,453
Weighted average – basic	521,800,232	188,459,513	431,950,365	188,240,502
Weighted average – diluted	532,490,737	196,003,279	442,640,870	195,784,268

OPERATIONS	Three months ended		Year ended	
	Dec 31, 2021	Dec 31, 2020	Dec 31, 2021	Dec 31, 2020
Daily production volumes ⁽²⁾				
Tight oil (Bbl/d)	7,342	7,814	6,930	8,836
Shale gas (Mcf/d)	11,615	12,772	11,226	11,870
NGLs (Bbl/d)	1,628	2,262	1,747	2,113
Barrels of oil equivalent (Boe/d)	10,906	12,205	10,548	12,928
Average realized prices ⁽²⁾				
Tight oil (\$/Bbl)	\$94.72	\$52.25	\$83.16	\$45.69
Shale gas (\$/Mcf)	\$4.71	(\$0.10)	\$2.15	(\$0.71)
NGLs (\$/Bbl)	\$25.81	(\$0.85)	\$16.00	(\$1.55)

	Three months ended		Year ended	
	Dec 31, 2021	Dec 31, 2020	Dec 31, 2021	Dec 31, 2020
Operating netback (\$/Boe)⁽¹⁾				
Petroleum and natural gas revenue	\$72.64	\$33.19	\$59.57	\$30.33
Royalties	(\$13.74)	(\$5.97)	(\$11.09)	(\$5.55)
Realized loss on financial derivatives	(\$19.97)	(\$2.73)	(\$13.69)	(\$1.00)
Lease operating costs	(\$7.65)	(\$3.78)	(\$6.44)	(\$4.59)
Workover expense	(\$0.32)	(\$0.78)	(\$0.98)	(\$0.75)
Production taxes	(\$5.37)	(\$2.53)	(\$4.41)	(\$2.46)
Transportation expense	(\$1.82)	(\$2.44)	(\$1.91)	(\$2.42)
Operating netback ⁽¹⁾	\$23.77	\$14.96	\$21.05	\$13.56
Operating netback prior to hedging ⁽¹⁾	\$43.74	\$17.69	\$34.74	\$14.56

⁽¹⁾ See “Non-IFRS Measures” within this press release.

⁽²⁾ See “Oil and Gas Advisories” within this press release

MESSAGE TO SHAREHOLDERS

On January 13, 2022, PetroShale announced the appointment of a new management team (the “New Management Team”), led by Brett Herman as President & Chief Executive Officer, comprised of a group of skilled and experienced operations and finance professionals, as outlined more fully below. As this occurred after year-end 2021, the New Management Team has set PetroShale’s go forward strategy, operational approach, financial management and capital allocation priorities.

During 2021, PetroShale maintained a disciplined approach amid a strengthening commodity price environment. The Company focused on prudent capital allocation to achieve a balance of managing the pace of development and generating EBITDA while prioritizing debt reduction to provide financial flexibility.

PetroShale achieved several strategic operational objectives through the execution of the Company’s \$63 million capital expenditure¹ program in 2021, including efficiently executing on 6 (4.95 net) operated wells and maximizing free cash flow¹ from the Company’s high quality assets focused in the North Dakota Bakken and Three Forks play.

The Company continued to operate in accordance with the highest standards of environmental, social and governance (“ESG”) principles. PetroShale’s long-standing culture of governance, oversight and accountability is responsible for a strong track record and commitment to meet or exceed ESG regulations and principles across all aspects of the Company’s business.

HIGHLIGHTS

PetroShale's achievements in the fourth quarter and year ended 2021 include the following:

Fourth quarter of 2021

- Production averaged 10,906 boepd, compared to 12,205 boepd in the same period of 2020;
- Invested \$29.9 million in capital expenditures¹; drilled 4 (3.95 net) operated wells and completed 5 (4.45 net) operated wells;
- Increased operating netback prior to hedging¹ by 147% to \$43.74 per Boe, compared to \$17.69 per Boe in the same period in 2020;
- Increased Adjusted EBITDA¹ by 47% to \$22.4 million, as compared to \$15.2 million during the same period in 2020; and
- Generated net income of \$25.1 million, compared to a net loss of \$12.4 million during the same period in 2020.

Full Year 2021

- Production averaged 10,548 boepd, compared to 12,928 boepd in 2020;
- Successfully drilled 6 (4.95 net) operated wells, of which 5 (4.45 net) wells were completed, and completed 5.75 net previously drilled but uncompleted wells (“DUCs”), for a total capital program of \$63.0 million;
- Operating netback prior to hedging¹ increased 139% to \$34.74 per Boe, compared to \$14.56 per Boe in 2020;
- Adjusted EBITDA¹ totaled \$75.6 million in 2021, up 29% from \$58.7 million in 2020;
- Realized a net loss of \$0.8 million in 2021 compared to a net loss of \$62.0 million in 2020;

¹ See “Non-IFRS Measures” within this press release.

- Exited 2021 with net debt¹ of \$196.1 million, a 40% reduction from year-end 2020; and
- Subsequent to 2021, successfully raised total gross proceeds of \$54.5 million from an equity offering concurrent with the appointment of the New Management Team.

Year End 2021 Reserves

- Proved developed producing (“PDP”) reserves increased to 31.0 mmboe, from 25.5 mmboe at year-end 2020;
- Proved reserves (“TP”) decreased to 55.6mmboe, from 56.9 mmboe at year-end 2020;
- Proved plus probable (“P+P”) reserves were 72.0 mmboe compared to 72.3 mmboe at year-end 2020;
- P+P reserve life index was 13.1 years;
- PDP finding & development costs (“F&D”) of \$8.25 per Boe resulted in a recycle ratio of 4.2x (2021 operating netback prior to hedging); and
- P+P F&D (including future development costs) of \$(0.55) per Boe.

OPERATIONAL UPDATE

With the initial economic volatility and uncertainty in 2021, PetroShale moderated the Company’s capital expenditure¹ program investing \$63 million, drilling 6 (4.95 net) wells and completing 5.75 net wells that were drilled in prior years. The wells were brought on production with encouraging initial results. The Company has 1 (0.5 net) DUC well that will be completed in 2022.

Average production profile of 10,548 boepd in 2021 was lower than the previous year as a result of prudent capital expenditure¹ reductions as the Company sought to preserve long term value by deferring capital spending during the initial lower commodity price environment.

PetroShale exited 2021 with net debt¹ of \$196.1 million, a 40% reduction from year-end 2020 due to the closing of a transformative recapitalization transaction in the second quarter of 2021 along with the strengthening of commodity prices which reduced net debt and enhanced financial flexibility.

PetroShale’s North Dakota assets are characterized by their low risk nature and high rates of return driven by high operating netbacks, high initial production rates and high estimated recoveries. With an estimated corporate production decline profile of 30% in 2022, and high operating netbacks, the assets yield significant free cash flow¹ in the current commodity price environment.

RESERVES

In this press release, all references to reserves are to gross Company reserves, meaning PetroShale's working interest reserves before deductions of royalties and before consideration of PetroShale’s royalty interests. The reserves were evaluated by Netherland, Sewell & Associates, Inc. (“NSAI”) in accordance with National Instrument 51-101 - *Standards of Disclosure for Oil and Gas Activities* (“NI 51-101”) effective December 31, 2021. PetroShale's annual information form for the year ended December 31, 2021 (the "AIF") will contain PetroShale's reserves data and other oil and natural gas information as mandated by NI 51-101. PetroShale expects to file the AIF on SEDAR by March 31, 2022.

The following tables are a summary of PetroShale's petroleum and natural gas reserves, as evaluated by NSAI, effective December 31, 2021. As a reporting issuer in Canada, PetroShale is required to report its reserves and net present value estimates using forecast pricing and costs, as stipulated under NI 51-101. The forecast prices reflected in the net present values are based on an average of the price decks of three independent engineering firms (GLJ Ltd., Sproule Associates Limited and McDaniel & Associates Consultants Ltd.). It should not be assumed that the estimates of future net revenues presented in the tables below represent the fair market value of the reserves. There is no assurance that the forecast prices and cost assumptions will be attained and variances could be material. The recovery and reserve estimates of our crude oil, natural gas liquids and natural gas reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. It is important to note that the recovery and reserves estimates provided herein are estimates only. Actual reserves may be greater or less than the estimates provided herein. Reserves information may not add due to rounding.

¹ See “Non-IFRS Measures” within this press release.

Reserves Summary

	Tight Oil (mdbl)	Shale Gas (mmcf)	NGLs (mdbl)	Total Oil Equivalent (mboe)
Proved				
Developed Producing	20,243	31,437	5,481	30,964
Developed Non-Producing	1,015	1,294	285	1,516
Undeveloped	17,518	15,736	2,935	23,076
Total Proved	38,776	48,468	8,701	55,556
Probable	11,175	15,437	2,671	16,419
Total Proved plus Probable	49,951	63,905	11,372	71,974

Net Present Value of Future Net Revenue (in Canadian dollars)

	Before Future Income Tax Expenses and Discounted at				
	0% (C\$mm)	5% (C\$mm)	10% (C\$mm)	15% (C\$mm)	20% (C\$mm)
Proved					
Developed Producing	1,151	800	623	518	450
Developed Non-Producing	53	35	26	21	17
Undeveloped	808	498	342	251	192
Total Proved	2,013	1,334	991	790	659
Probable	697	402	272	203	161
Total Proved plus Probable	2,710	1,736	1,263	993	820

Values have been converted to Canadian dollars using the year-end 2021 exchange rate of US\$1.00 = Cdn\$1.2637

Net Present Value of Future Net Revenue (in US dollars)

	Before Future Income Tax Expenses and Discounted at				
	0% (US\$mm)	5% (US\$mm)	10% (US\$mm)	15% (US\$mm)	20% (US\$mm)
Proved					
Developed Producing	911	633	493	410	356
Developed Non-Producing	42	28	21	16	13
Undeveloped	640	394	271	199	152
Total Proved	1,593	1,056	784	625	521
Probable	552	318	215	161	127
Total Proved plus Probable	2,145	1,374	999	786	649

Capital Expenditures and Finding, Development, and Acquisition Costs

	Finding, Development & Acquisition ("FD&A") ⁽¹⁾			Finding & Development ("F&D") ⁽¹⁾		
	PDP	Total Proved	Total Proved plus Probable	PDP	Total Proved	Total Proved plus Probable
Capital Costs (\$000s)						
Capital expenditures	63,028	63,028	63,028	63,028	63,028	63,028
Acquisitions	-	-	-	-	-	-
Change in future development capital ("FDC")	13,746	(63,687)	(64,973)	13,746	(63,687)	(64,973)
Total FD&A / F&D costs	76,774	(659)	(1,945)	76,774	(659)	(1,945)
Reserves Additions (MBoe)						
Net change in reserve volumes	5,458	(1,305)	(337)	5,458	(1,305)	(337)
Add back production	3,850	3,850	3,850	3,850	3,850	3,850
Reserves associated with acquisitions	-	-	-	-	-	-
Total additions	9,308	2,545	3,513	9,308	2,545	3,513
F&D (\$/Boe)	8.25	(0.26)	(0.55)	8.25	(0.26)	(0.55)
Three year F&D (\$/Boe)⁽²⁾	10.21	8.79	6.58	10.82	10.06	7.01
Recycle ratio⁽³⁾	4.2	(134.2)	(62.7)	4.2	(134.2)	(62.7)

⁽¹⁾ The calculation of F&D and FD&A costs incorporates the change in FDC required to bring proved undeveloped and probable reserves into production. The FDC was converted to Canadian dollars using the average 2021 exchange rate of US\$1.00 = Cdn\$1.2537.

⁽²⁾ Calculation of the three year FD&A and F&D costs per Boe reflect the sum of capital costs and net reserve additions for the years 2019 through 2021.

⁽³⁾ Recycle ratio is defined as 2021's operating netback prior to hedging, divided by F&D or FD&A costs, as applicable, on a per Boe basis. Operating netback prior to hedging is calculated as revenue (excluding realized gain or loss on financial derivatives) minus royalties, lease operating costs, workover expense, production taxes and transportation expense. PetroShale's operating netback prior to hedging in 2021 averaged \$34.74 per Boe.

Net Asset Value per Share as at December 31, 2021

(\$ millions except share and per share amounts)	
Proved Plus Probable Reserve Value NPV10 (before tax)	1,263
Net Debt	(196)
Total Net Assets (basic)	1,067
Basic Common Shares Outstanding (mm)	523
Estimated NAV per Basic Common Share	\$2.04

CAPITAL PROGRAM AND PRODUCTION GUIDANCE

PetroShale's 2022 capital program of US\$45 million (CDN\$58 million), 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.

PetroShale continues to diligently focus on capital efficiency enhancements through operational improvements. The Company's US\$45 million (CDN\$58 million) 2022 capital budget is based on current capital cost realizations and known cost increases due to inflation.

With the continued strong performance of the Company's underlying production base, PetroShale anticipates that the 2022 capital budget will result in average 2022 production between 10,500-11,000 boepd (85% light oil & natural gas liquids) with exit guidance forecast at 11,000 boepd (85% light oil and natural gas liquids), all of which is expected to be realized while improving the production decline profile to less than 25% by year-end.

PetroShale has identified more than 45 net undrilled locations, providing several years of high quality drilling inventory. In 2022, the Company plans to drill 11 (6.8 net) wells, of which 5 (4.9 net) will be completed in 2023. PetroShale intends to reduce the corporate production decline profile below 25% by year-end 2022 for a more resilient and sustainable business, focusing on long term objectives of delivering disciplined per share growth in combination with maintaining financial flexibility.

At current commodity prices, net debt is expected to be less than CDN\$50 million at the end of 2022.

EVENTS SUBSEQUENT TO YEAR-END 2021

On January 13, 2022 PetroShale announced the appointment of 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. On February 22, 2022 the Company announced the appointment of Anthony Baldwin as Vice President, Business Development.

Concurrent with the appointment of the New Management Team, PetroShale successfully raised total gross proceeds of \$54.5 million from an equity offering. Proceeds were used to reduce debt levels positioning the Company to execute on a disciplined corporate strategy of acquiring and exploiting assets.

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.

OUTLOOK AND SUSTAINABILITY

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.

Building on the momentum generated in 2021, PetroShale's plans for 2022 include investing in higher rate-of-return, low-risk light oil opportunities across the Company's high quality, low-risk development inventory. PetroShale will direct the pace of the capital program to moderate the Company's production decline profile while maintaining a strong financial position to take advantage of additional growth opportunities as they arise. PetroShale has also prepared an updated corporate presentation, available at www.petroshaleinc.com.

Following are key operational and financial attributes of PetroShale:

Production Guidance	2022E Average: 10,500 – 11,000 boepd (85% light oil and liquids) 2022E Exit: 11,000 boepd (85% light oil and liquids)
Total Proved plus Probable Reserves ⁽¹⁾	Approximately 72 MMboe (85% light oil and liquids)
Sustainability Assumptions	Corporate Production Decline: 30% (2022E) Capital Efficiency ^{(2),(3)} : C\$17,000/boepd (IP 365)
2022 Capital Program ⁽³⁾	US\$45 million (C\$58 million)
Net Debt as at Dec 31, 2021 ⁽⁴⁾	C\$144 million
Common Shares Outstanding (basic)	660 million

⁽¹⁾ All reserves information in this press release are gross Company reserves, meaning PetroShale's working interest reserves before deductions of royalties and before consideration of PetroShale's royalty interests. The reserve information for PetroShale in the foregoing table is derived from the independent engineering report effective December 31, 2021 prepared by NSAI evaluating the oil, NGL and natural gas reserves attributable to all of the Company's properties.

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

⁽³⁾ Assumes a foreign exchange rate of US\$1.00 = CDN\$1.28.

⁽⁴⁾ Pro forma the net proceeds of \$52.25 million in connection with the private placement equity financings announced on January 13, 2022.

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READER ADVISORIES

Forward Looking Statements

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

Forward-looking information typically uses words such as "anticipate", "believe", "project", "target", "guidance", "expect", "goal", "plan", "intend" or similar words suggesting future outcomes, statements that actions, events or conditions "may", "would", "could" or "will" be taken or occur in the future. The forward-looking information is based on certain key expectations and assumptions made by PetroShale's management, including expectations concerning prevailing commodity prices, exchange rates, interest rates, applicable royalty rates and tax laws; capital efficiencies; decline rates; future production rates and estimates of operating costs; performance of existing and future wells; reserve and resource volumes; anticipated timing and results of capital expenditures; the success obtained in drilling new wells; the sufficiency of budgeted capital expenditures in carrying out planned activities; the timing, location and extent of future drilling operations; the state of the economy and the exploration and production business; results of operations; performance; business prospects and opportunities; the availability and cost of financing, labor and services; the impact of increasing competition; ability to market oil and natural gas successfully and PetroShale's ability to access capital.

Statements relating to "reserves" are also deemed to be forward looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described exist in the quantities predicted or estimated and that the reserves can be profitably produced in the future.

Although the Company believes that the expectations and assumptions on which such forward-looking information is based are reasonable, undue reliance should not be placed on the forward-looking information because PetroShale can give no assurance that they will prove to be correct. Since forward-looking information addresses future events and conditions, by its very nature they involve inherent risks and uncertainties. The Company's actual results, performance or achievement could differ materially from those expressed in, or implied by, the forward-looking information and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking information will transpire or occur, or if any of them do so, what benefits that the Company will derive there from. Management has included the above summary of assumptions and risks related to forward-looking information provided in this press release in order to provide security holders with a more complete perspective on PetroShale's future operations and such information may not be appropriate for other purposes.

Readers are cautioned that the foregoing lists of factors are not exhaustive. Additional information on these and other factors that could affect PetroShale's operations or financial results are included in reports on file with applicable securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com).

These forward-looking statements are made as of the date of this press release and PetroShale disclaims any intent or obligation to update publicly any forward-looking information, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.

Non-GAAP Measures

This document includes non-GAAP measures commonly used in the oil and natural gas industry. These non-GAAP measures do not have a standardized meaning prescribed by International Financial Reporting Standards ("IFRS", or alternatively, "GAAP") and therefore may not be comparable with the calculation of similar measures by other companies. For details, descriptions and reconciliations of these non-GAAP measures, see the Company's Management's Discussion and Analysis ("MD&A") for the three months and year ended December 31, 2021.

"Adjusted EBITDA" represents cash flow provided by operating activities prior to changes in non-cash working capital, and is a measure of the Company's ability to generate funds to service its debt and other obligations and to fund its operations, without the impact of changes in non-cash working capital which can vary based solely on timing of settlement of accounts receivable and accounts payable.

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

"Operating netback" represents petroleum and natural gas revenue, plus or minus any realized gain or loss on financial derivatives, less royalties, lease operating costs, workover expense, production taxes, and transportation expense. "Operating netback prior to hedging" represents operating netback prior to any realized gain or loss on financial derivatives. PetroShale believes that in addition to net income (loss) and cash flow provided by operating activities, operating netback, operating netback prior to hedging, and Adjusted EBITDA are useful supplemental measures as they assist in the determination of the Company's operating performance, leverage, and liquidity. Operating netback is commonly used by investors to assess performance of oil and gas properties and the possible impact of future commodity price changes on energy producers.

"Capital Expenditures, net" is a measure of the Company's investments in property, plant and equipment. The most directly comparable GAAP measure to capital expenditures, net is additions to property, plant and equipment in the cash flow used in investing activities.

"Free cash flow" represents Adjusted EBITDA, less finance expense, less Capital Expenditures, net. Management considers this measure to be useful in determining its available discretionary cash to fund capital expenditures, acquisitions or returns of capital to shareholders.

Oil and Gas Disclosures

Our oil and gas reserves statement for the year ended December 31, 2021, which will include complete disclosure of our oil and gas reserves and other oil and gas information in accordance with NI 51-101, will be contained within our AIF which will be available on our SEDAR profile at www.sedar.com. All future net revenues are estimated using forecast prices, arising from the anticipated development and production of our reserves, net of the associated royalties, operating costs, development costs, and abandonment and reclamation costs and are stated prior to provision for interest and general and administrative expenses.

This press release contains metrics commonly used in the oil and natural gas industry, such as "recycle ratio", "finding and development costs" or "F&D", "finding, development and acquisition costs" or "FD&A", "reserve replacement ratio", "reserve life index", "operating netbacks", "reserves replacement", "net asset value", "corporate decline" and "capital efficiency". These terms do not have standardized meanings or standardized methods of calculation and therefore may not be comparable to similar measures presented by other companies, and therefore should not be used to make such comparisons. Such metrics have been calculated by management and are included herein to provide readers with additional information to evaluate the Company's performance, however such metrics should not be unduly relied upon.

Reserve life index is calculated based on the amount for the relevant reserve category divided by the production forecast as prepared by NSAI. Reserve replacement is calculated by dividing the annual reserve additions in the applicable category by our annual production. Recycle ratio is calculated by dividing the operating netback by the F&D costs or FD&A costs for the year. Finding and development costs are calculated by dividing the sum of the total capital expenditures for the year (in dollars) by the change in reserves within the applicable reserves category (in boe).

F&D costs are calculated on a per boe basis by dividing the aggregate of the change in future development costs from the prior year for the particular reserve category and the costs incurred on exploration and development activities in the year by the change in reserves from the prior year for the reserve category. FD&A costs are calculated on a per boe basis by dividing the aggregate of the change in future development costs from the prior year for the particular reserve category and the costs incurred on exploration and development activities and property acquisitions (net of dispositions) in the year by the change in reserves from the year for the reserve category. Both finding and development costs and finding, development and acquisition costs take into account reserve revisions during the year on a per boe basis. Both F&D costs and FD&A costs take into account reserves revisions during the year on a per boe basis. The aggregate of the costs incurred in the financial year and changes during that year in estimated F&D may not reflect total F&D related to reserves additions for that year. Finding and development costs both including and excluding acquisitions and dispositions have been presented in this press release because acquisitions and dispositions can have a significant impact on our ongoing reserves replacement costs and excluding these amounts could result in an inaccurate portrayal of our cost structure.

Net asset value is value is based on the estimated net present value of all future net revenue from our proved plus probable reserves, discounted at 10%, before tax, as estimated by NSAI at year-end, minus net debt. Capital efficiency refers to full cycle capital efficiency which is the all-in corporate capital budget divided by the IP365 of the associated wells. Corporate decline refers to our estimated oil and gas production decline rate in the normal life cycle of a well.

Management uses oil and gas metrics for its own performance measurements and to provide shareholders with measures to compare PetroShale's operations over time. Readers are cautioned that the information provided by these metrics, or that can be derived from the metrics presented in this press release, should not be relied upon for investment or other purposes.

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

This press release discloses drilling locations in three categories: (i) proved locations; (ii) probable locations; and (iii) unbooked locations. Proved locations and probable locations are derived from the reserves evaluation prepared by NSAI as of December 31, 2021 and account for drilling locations that have associated proved and/or probable reserves, as applicable. Unbooked locations are internal estimates prepared by a qualified reserves evaluator based on PetroShale's prospective acreage and an assumption as to the number of wells that can be drilled per section based on industry practice and internal review. Unbooked locations do not have attributed reserves. Of the 45 net drilling locations identified herein, 27 are proved locations, 6 are probable locations and 12 are unbooked locations. Unbooked locations have been identified by management as an estimation of our multi-year drilling activities based on evaluation of applicable geologic, seismic, engineering, production and reserves information. There is no certainty that PetroShale will drill all unbooked drilling locations and, if drilled, there is no certainty that such locations will result in additional oil and gas reserves or production. The drilling locations on which we actually drill wells will ultimately depend upon the availability of capital, regulatory approvals, seasonal restrictions, oil and natural gas prices, costs, actual drilling results, additional reservoir information that is obtained and other factors. While certain of the unbooked drilling locations have been derisked by drilling existing wells in relative close proximity to such unbooked drilling locations, some of other unbooked drilling locations are farther away from existing wells where management has less information about the characteristics of the reservoir and therefore there is more uncertainty whether wells will be drilled in such locations and, if drilled, there is more uncertainty that such wells will result in additional oil and gas reserves or production.