

PETROSHALE INC.

NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

to be held at
The Chambers Conference Room
350 – 7th Avenue S.W., Calgary, Alberta

Friday, May 22, 2015

10:00 a.m. (Calgary time)

MANAGEMENT INFORMATION CIRCULAR AND PROXY STATEMENT

April 20, 2015

PETROSHALE INC.
NOTICE OF AN ANNUAL & SPECIAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN THAT an annual & special meeting of holders of common shares of PetroShale Inc. will be held at the Chambers Conference Room, 350 – 7th Avenue S.W., Calgary, Alberta at 10:00 a.m. (Calgary time), on Friday, May 22, 2015, to:

1. consider and receive our audited financial statements for the year ended December 31, 2014, together with the report of the auditors thereon;
2. fix the number of directors to be elected at the meeting at five members;
3. elect five directors;
4. appoint the auditors and authorize our directors to fix their remuneration as such;
5. consider and, if deemed advisable, to pass with or without variation, an ordinary resolution (excluding the votes attached to certain common shares as more particularly described in the accompanying information circular) approving the participation of one of our insiders in any future equity financing we may conduct, all as more particularly described in the attached management information circular;
6. to transact such other business as may be properly brought before the Meeting or any adjournment thereof.

Information relating to matters to be acted upon by the shareholders at the Meeting is set forth in the information circular – proxy statement accompanying this notice.

Only shareholders whose names have been entered in the register of common shareholders at the close of business on April 20, 2015 will be entitled to receive notice of and to vote at the meeting. Each common share entitled to be voted at the meeting will entitle the holder to one vote at the meeting.

A shareholder may attend the May 22, 2015 meeting in person or may be represented by proxy. Shareholders who are unable to attend the meeting or any adjournment thereof in person are requested to date, sign and return the accompanying form of proxy for use at the Meeting or any adjournment thereof. To be effective, the proxy must be received by TMX Equity Transfer Services, 200 University Avenue, Suite 300, Toronto, Ontario M5H 4H1, Attention: Proxy Department not later than forty-eight (48) hours (excluding Saturday, Sundays and statutory holidays) prior to the commencement of the Meeting or any adjournment thereof. You may also fax your completed proxy to 416-595-9593. Notwithstanding the foregoing, the Chairman of the meeting has the discretion to accept proxies received after such deadline.

DATED at Calgary, Alberta, this 20th day of April, 2015.

BY ORDER OF THE BOARD OF DIRECTORS

(signed) "Nicole E. Bacsalmasi"

Nicole Bacsalmasi
Corporate Secretary

PETROSHALE INC.

MANAGEMENT PROXY CIRCULAR

For the Annual & Special Meeting of Shareholders
to be held on May 22, 2015

PROXIES

Solicitation of Proxies

This information circular - proxy statement is furnished in connection with the solicitation of proxies for use at the annual and special meeting of our common shareholders to be held at 10:00 a.m. (Calgary time) on Friday, May 22, 2015, at the Chambers Conference Room, 350 – 7th Avenue S.W., Calgary, Alberta and at any adjournment thereof. Forms of proxy must be mailed so as to reach or be deposited at the offices of TMX Equity Transfer Services, 200 University Avenue, Suite 300, Toronto, Ontario, M5H 4H1, not later than 48 hours (excluding Saturdays, Sundays and statutory holidays) prior to the time set for the meeting or any adjournment thereof.

Only common shareholders of record at the close of business on April 20, 2015, will be entitled to vote at the meeting, unless that shareholder has transferred any shares subsequent to that date and the transferee shareholder, not later than 10 days before the meeting, establishes ownership of the shares and demands that the transferee's name be included on the list of shareholders entitled to vote at the meeting.

The instrument appointing a proxy must be in writing and must be executed by you or your attorney authorized in writing or, if you are a corporation, under your corporate seal or by a duly authorized officer or attorney of the corporation.

The persons named in the enclosed instrument of proxy are our officers. **As a shareholder you have the right to appoint a person or company, who need not be a shareholder, to represent you at the meeting. To exercise this right you should insert the name of the desired representative in the blank space provided in the instrument of proxy and strike out the other name.**

Advice to Beneficial Holders of Common Shares

The information set forth in this section is of significant importance to you if you do not hold your common shares in your own name. Only proxies deposited by shareholders whose names appear on our records as the registered holders of common shares can be recognized and acted upon at the meeting. If your common shares are listed in your account statement provided by your broker, then, in almost all cases, those common shares will not be registered in your name on our records. Such common shares will likely be registered under the name of your broker or an agent of that broker. In Canada, the vast majority of such shares are registered under the name of CDS & Co., the registration name for The CDS Clearing and Depository Services Inc., which acts as nominee for many Canadian brokerage firms. Common shares held by your broker or their nominee can only be voted upon your instructions. Without specific instructions, your broker or their nominee is prohibited from voting your shares.

Applicable regulatory policy requires your broker to seek voting instructions from you in advance of the meeting. Every broker has its own mailing procedures and provides its own return instructions which you should carefully follow in order to ensure that your shares are voted at the meeting.

Often, the form of proxy supplied by your broker is identical to the form of proxy provided to registered shareholders. However, its purpose is limited to instructing the registered shareholder how to vote on your behalf. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. ("Broadridge"). Broadridge mails a scannable voting instruction form in lieu of the form of proxy. You are asked to complete and return the voting instruction form to them by mail or facsimile. Alternately, you can call their toll-free telephone number or go to the voting website provided to vote your shares. They then tabulate the results of all instructions received and provide appropriate instructions respecting the voting of shares to be represented at the meeting. If you receive a

voting instruction form from Broadridge it cannot be used as a proxy to vote shares directly at the meeting as the proxy must be returned (or otherwise reported as provided in the voting instruction form) to Broadridge well in advance of the meeting in order to have the shares voted.

These securityholder materials are being sent to both registered and non-registered owners of the securities. If you are a non-registered owner, and the issuer or its agent has sent these materials directly to you, your name and address and information about your holdings of securities, have been obtained in accordance with applicable securities regulatory requirements from the intermediary holding on your behalf.

By choosing to send these materials to you directly, the issuer (and not the intermediary holding on your behalf) has assumed responsibility for: (i) delivering these materials to you; and (ii) executing your proper voting instructions. Please return your voting instructions as specified in the request for voting instructions.

Revocability of Proxy

You may revoke your proxy at any time prior to a vote. If you, or the person you give your proxy, attend personally at the meeting, you or such person may revoke the proxy and vote in person. In addition to revocation in any other manner permitted by law, a proxy may be revoked by an instrument in writing executed by you or your attorney authorized in writing or, if you are a corporation, under your corporate seal or by a duly authorized officer or attorney of the corporation. To be effective, the instrument in writing must be deposited either at our head office, at any time up to and including the last business day preceding the day of the meeting, or any adjournment thereof, at which the proxy is to be used, or with the chairman of the meeting on the day of the meeting, or any adjournment thereof.

Persons Making the Solicitation

This solicitation is made on behalf of our management. We will bear the costs incurred in the preparation and distribution of the form of proxy, notice of annual and special meeting and this information circular – proxy statement. In addition to mailing forms of proxy, proxies may be solicited by personal interviews, or by other means of communication, by our directors, officers and employees who will not be remunerated therefor.

Exercise of Discretion by Proxy

The common shares represented by proxy in favour of management nominees will be voted or withheld from voting on any poll at the meeting. Where you specify a choice with respect to any matter to be acted upon, the common shares will be voted on any poll in accordance with the specification so made. **If you do not provide instructions, your common shares will be voted in favour of the matters to be acted upon as set out herein.** The persons appointed under the form of proxy, which we have furnished, are conferred with discretionary authority with respect to amendments or variations of those matters specified in the form of proxy and notice of annual meeting and with respect to any other matters which may properly be brought before the meeting or any adjournment thereof. At the time of printing this information circular – proxy statement, we know of no such amendment, variation or other matter.

NOTE REGARDING FORWARD LOOKING STATEMENTS

Certain statements contained in this information circular may contain forward-looking statements and information (collectively, "**forward-looking statements**"). These forward-looking statements relate to our future events or our future performance. All information and statements other than statements of historical fact contained in this circular 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 circular as to the size and timing of the Insider Involvement (as defined herein), expectations that an equity financing will be conducted by us within the 2015 calendar year, expectations regarding our ability to service our debt obligations and comply with

covenants of our debt facilities and our plans to fund our business objectives and future development costs through a combination of internally generated cash flow, debt and equity issuances.

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

Other than as discussed herein, no Person has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in matters to be acted upon at the meeting. For the purposes of this paragraph "Person" includes each person who: (i) has been one of our directors or executive officers at any time since the start of our last financial year; (ii) is a proposed nominee for election as one of our directors; or (iii) is an associate or affiliate of a person included in subparagraphs (i) or (ii).

Mr. M. Bruce Chernoff and his affiliates have an interest in the Insider Involvement, defined below.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

We are authorized to issue an unlimited number of common shares, an unlimited number of common non-voting shares and an unlimited number of class "A" preferred shares, without nominal or par value. As at April 20, 2015 there were 27,507,552 common shares, 6,700,000 non-voting common shares and no class "A" preferred shares issued and outstanding. Our common shares are listed on the TSX Venture Exchange under the symbol "PSH" and on the OTCQX under the symbol "PSHIF". As a holder of common shares you are entitled to one vote for each common share you own.

Based on information supplied to them, to the knowledge of our directors and officers, as the date hereof, no person or company beneficially owns, or controls or directs, directly or indirectly, more than 10% of our common shares other than: (i) Mr. M. Bruce Chernoff who owns, controls or directs, directly or indirectly 12,183,583 common shares being approximately 44% of the common shares currently issued and outstanding; and (ii) Mr. Todd Slawson who owns, controls or directs, directly or indirectly 2,797,500 common shares being approximately 10% of the common shares currently issued and outstanding.

MATTERS TO BE ACTED UPON AT THE MEETING

Election of Directors

As of the date hereof, our board of directors consists of five members. Management is soliciting proxies, in the accompanying applicable form of proxy, for an ordinary resolution in favour of fixing our board at five members, and in favour of the election as directors of the following: M. Bruce Chernoff, James Fair, Brett Herman, Ken McCagherty and Jacob Roorda.

Each director elected will hold office until the next annual meeting of our shareholders or until his successor is duly elected or appointed, unless his office is earlier vacated.

It is the intention of our management designees, if named as proxy, to vote **FOR** the election of the proposed nominees to our board of directors unless otherwise directed. Management does not contemplate that any of the nominees will be unable to serve as a director. In the event that a vacancy among such nominees occurs because of death or for any reason prior to the meeting, the form of proxy will not be voted with respect to such vacancy.

The following is a brief description of the proposed nominees, including their principal occupation for the past five years, all positions and offices with us (or a subsidiary of ours) held by them and the number of common shares that they have advised are beneficially owned or controlled or directed, by them directly or indirectly as at April 20, 2015.

Name, Residence and Office(s) held	Principal Occupation or Employment for the Last Five Years	Became a Director/ Officer	Common Shares
M. Bruce Chernoff (2)(3)(4) Alberta, Canada <i>Director and Chief Executive Officer</i>	Our Executive Chairman and Chief Executive Officer; President of Caribou Capital Corp., a private investment company.	August 31, 2012	12,183,583
James D. Fair Michigan, USA <i>Director</i>	Independent businessman. During the period of October 31, 2013 to November 25, 2013, Mr. Fair was our Interim Chief Executive Officer and Interim President. Prior thereto Mr. Fair was our President and Chief Executive Officer.	March 8, 2012	430,370
Brett Herman (1)(3) Alberta, Canada <i>Director</i>	President and Chief Executive Officer of TORC Oil & Gas Ltd., a public oil and gas company.	March 8, 2012	276,924
Ken McCagherty (1)(2) Alberta, Canada <i>Director</i>	President and Chief Executive Officer of Westbrick Energy Ltd., a private oil and gas company since October 2010. Prior thereto, President and Chief Executive Officer of West Energy Ltd., a public oil and gas company.	November 25, 2013	230,000
Jacob Roorda (1)(2)(3) Alberta, Canada <i>Director</i>	Managing director of Windward Capital Limited, a private investment company. Chief Executive Officer of Todd Corporation, a private oil and gas company since January 2015. Vice Chairman of Canoe Financial Corp., a private investment management company, from May 2010 to October 2011.	March 8, 2012	491,670

Notes:

- (1) Member of our Audit Committee.
- (2) Member of our Reserves Committee.
- (3) Member of our Corporate Governance and Compensation Committee.
- (4) 10,000,000 Common Shares are held by Kai Commercial Trust, a company which in which Mr. Chernoff is a majority shareholder and 2,183,583 are held by Alpine Capital Corp., a company controlled and/or directed by Mr. Chernoff.

Additional Disclosure Relating to Proposed Directors

Except as otherwise disclosed herein, none of our directors (nor any personal holding company of any of such persons) is, as of the date hereof, or was within ten years before the date hereof, 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 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 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.

Except as otherwise disclosed herein, none of our directors (nor any personal holding company of any of such persons) is, as of the date hereof, or has been within the ten years before the date hereof, 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. In addition, none of our directors (nor any personal holding company) or any such person has, within the ten years before the date hereof, 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. Mr. Roorda who was formerly a director of TXCO Resources Ltd. which filed

voluntary petitions for relief under Chapter 11 of the U.S. Bankruptcy Code in the United States Bankruptcy Court for the Western District of Texas on April 18, 2009 and formerly director of Argosy Energy Inc. when it entered receivership pursuant to an order of the Court of Queen's Bench of Alberta on May 30, 2013 at the request of its lenders. Mr. Chernoff was formerly a director of Calmena Energy Services Inc. (a public oilfield service company) which was placed in receivership on January 20, 2015. Mr. Chernoff resigned as a director of Calmena effective January 15, 2015.

None of our directors (nor any personal holding company of any of such persons) 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.

As of the date hereof, our directors and officers beneficially own or control or direct, directly or indirectly, approximately 14,713,417 common shares representing approximately 53.5% of our outstanding common shares. These directors and officers also hold an aggregate of 1,715,205 options to acquire common shares at a weighted average exercise price of approximately \$1.11 per common share.

Appointment of Auditors

Management is soliciting proxies, in the accompanying form of proxy, in favour of the appointment of the firm of KPMG LLP as our auditors, to hold office until the next annual meeting of our shareholders and to authorize the directors to fix their remuneration as such. KPMG LLP has been our auditors since August 2012.

Common Share Issuance to Insiders

Stated Business Objectives and Strategy

We are a growing oil company engaged in the acquisition, development and consolidation of interests in the North Dakota Bakken. Our strategy focuses on acquiring leases in the most prolific areas of the Williston Basin where the resources and stacked pay zones are the most intense and which are operated by large, experienced and capable operators. We strive to acquire leases with pad drilling underway or imminent so that our capital is efficiently deployed into near-term results. By acquiring non-operated working interests in fields being developed by efficient operators, we manage risk and capital exposure while maximizing production, optimizing ultimate recoveries and enhancing rates of return.

To finance our stated business objectives for 2015, we anticipate that we will require between approximately \$10.0 million and \$50.0 million. We have previously stated that we intend to finance our business objectives, including future development costs of our properties through a combination of internally generated cash flow, debt and equity issuances. Since 2013, we completed a private placement raising gross proceeds of \$6.5 million and otherwise have relied substantially on debt capital to fund our activities, as described below. We have been evaluating the various debt and equity capital-raising options available to us. As of the date of this circular, we have two primary debt facilities: (i) the US\$15.5 million senior facility with a Canadian Chartered Bank (the "**Senior Facility**"); and (ii) the US\$50 million subordinated loan facility with our two largest shareholders (the "**Subordinated Facility**"). As of the date hereof we are currently drawn US\$10.0 million on our Senior Facility and US\$50.0 million on our Subordinated Facility. We are anticipating an increase in production in the second quarter of 2015, but with current low oil prices, we believe that our internally generated cash flow will be insufficient to fund our business plans and therefore it is prudent to access equity capital during 2015. Thus, we are focused on raising capital through issuance of our common shares through a private placement or public offering. See "*Potential Equity Raise*" below.

Summary of our Current Capitalization and Liquidity

As of the date of this circular, the principal components of our capitalization and liquidity are as follows:

Senior Facility

In September of 2014 we secured the Senior Facility with a major Canadian chartered bank. On March 25, 2015, the borrowing base of the Senior Facility was increased to US\$15.5 million from the initial US\$10 million. The Senior Facility bears interest at an agreed interest rate calculated on an agreed base rate plus application margins. The maturity date of the Senior Facility is March 24, 2016. The Senior Facility is secured by a US\$50 million demand debenture and a first floating charge against all of our property and assets. All of our other debt is subordinate to the Senior Facility. Pursuant to the Senior Facility we are subject to various covenants, including the requirement to maintain a consolidated cash flow to interest expense ratio of not less than 2.50:1, calculated on a rolling four quarter basis. Although we are currently in compliance with this covenant, we anticipate that absent a significant equity raise, sustained low oil prices may result in a breach of this covenant during the third quarter of 2015. The bank has agreed to waive compliance with this covenant until April 1, 2016 on the condition that interest payments under the Subordinated Facility are deferred until such time as the covenant is in compliance.

Subordinated Facility

We entered into the Subordinated Facility in January of 2014. The Subordinated Facility has a capacity of US\$50 million and is funded 75% by Alpine Capital Corp. and 25% by Todd Slawson Trust. Alpine Capital Corp. is an Alberta based corporation owned, controlled and directed by Mr. M. Bruce Chernoff, our Chairman and Chief Executive Officer. Todd Slawson Trust is a Kansas based family trust controlled and directed by Mr. Todd Slawson, who, as of the date hereof, holds approximately 10% of our common shares and 100% of our non-voting common shares. The Subordinated Facility bears interest at 12% per annum, has a commitment fee of 2.5%, and is secured by all of our property and assets, subject to subordination to our Senior Facility discussed above. The Subordinated Facility has a maturity date of December 31, 2016. The lenders under the Subordinated Facility have agreed to waive an increase in the interest rate which would have otherwise resulted from the deferral of interest noted above. As of the date hereof there is currently US\$50 million drawn on the Subordinated Facility.

Share Capital

As at the date hereof there are 27,507,552 common shares, 6,700,000 non-voting common shares and no class "A" preferred shares issued and outstanding with a share capital value of \$35.7 million. As of the date hereof, Mr. M. Bruce Chernoff owns, controls or directs, directly or indirectly 12,183,583 common shares being approximately 44% of the common shares currently issued and outstanding.

Potential Equity Raise

We anticipate that we may conduct an equity raise by way of private placement or public offering before the end of 2015. Mr. Chernoff has advised us that he is in full support of Petroshale and its business objectives and has indicated his willingness to participate (directly or indirectly) in any equity raise transaction we conduct between the date hereof and our next annual general meeting. Specifically, Mr. Chernoff has indicated that he would participate up to \$30 million and, in any case, not less than \$5 million (the "**Insider Involvement**"). Our board has determined that a significant equity financing which includes the proposed Insider Involvement would be in our best interests and the best interests of our stakeholders. Accordingly, our board of directors has asked management to consider an equity raise prior to our next annual general meeting, depending on market conditions, and have approved the Insider Involvement as part of any such financing. Prior to the date of this circular, our board of directors met to discuss the Insider Involvement and resolved to seek shareholder approval of the Insider Involvement for any financing which may occur prior to our next annual general meeting. Mr. M. Bruce Chernoff abstained from this discussion and resolution. Additionally, Mr. M. Bruce Chernoff shall abstain from any resolution of our board to approve a financing which includes the Insider Involvement, should any such resolution occur. Our board, with Mr. Chernoff abstaining, unanimously recommends that shareholders vote **IN FAVOUR** of the resolution to approve the Insider Involvement. Without the Insider Involvement, and with continued low oil prices, it is less likely

that, if we proceed with a financing, we will be able to raise sufficient funds required to alleviate our current debt burden, comply with our Senior Facility covenants and continue to execute our stated business objectives. See "*Risks Associated With the Insider Involvement.*"

Although it is our plan to conduct an equity financing in the near future, as of the date hereof, no terms of any financing have been negotiated or agreed to by our board and no financing arrangement has been negotiated or announced. It is possible that we may not conduct an equity raise before our next annual general meeting.

At the meeting, shareholders will be asked to consider and, if thought advisable, to pass, an ordinary resolution in the form set out below, approving the Insider Involvement for a future equity financing to be conducted by us prior to our next annual general meeting of our shareholders.

Risks Associated with the Insider Involvement

Shareholders should carefully consider the following risk factors related to the Insider Involvement. The successful completion of an equity raise which includes the Insider Involvement is subject to certain risks, including the following:

The Insider Involvement will result in the issuance of a significant number of common shares

In connection with an equity offering where the full Insider Involvement is completed, we will issue a significant number of Common Shares to Mr. M. Bruce Chernoff or his respective affiliates. The Insider Involvement accordingly will result in significant dilution to our then existing shareholders. Additionally, if Mr. M. Bruce Chernoff's shareholdings increase over 50% of our issued and outstanding common shares, he will be in a position to unilaterally elect a majority of our directors should he so choose. The substantial increase in the number of common shares may create a market overhang over the common shares and may adversely affect the market for, and the market price of, our common shares.

The Insider Involvement may not be completed

Completion of the proposed Insider Involvement will require the prior approval of shareholders and the TSX Venture Exchange. Regardless of whether or not shareholders approve the resolution approving the Insider Involvement at the meeting, one or more of the conditions precedent may not be satisfied, or the TSX Venture Exchange may not approve the level of insider participation proposed by the Insider Involvement. As a result, there can be no assurances that the Insider Involvement or any equity financing will be completed. Additionally without the Insider Involvement funds raised by us pursuant to any equity financing may be limited and our board may choose not to conduct a equity financing without the Insider Involvement.

Regulatory Requirements

As a company listed on the TSX Venture Exchange and as a reporting issuer in Ontario, we are subject to the provisions of Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* ("**MI 61-101**"). MI 61-101 regulates insider bids, issuer bids, business combinations and related party transactions to ensure equality of treatment among securityholders, generally by requiring enhanced disclosure, minority securityholder approval and, in certain circumstances, independent valuations and approval and oversight of certain transactions by a special committee of independent directors. MI 61-101 requires that, in addition to any other security holder approval, unless exempted, a related party transaction must be approved by a least a simple majority of the votes cast by "minority" shareholders of each class of affected securities, voting separately as a class.

Any distribution of our common shares to any related party for cash is considered to be a "related party transaction" pursuant to the provisions of MI 61-101. Put simply, our related parties include, but are not limited to, each of our directors and senior officers, any person that has beneficial ownership of, or control or direction over, directly or indirectly our common shares representing 10% or more of our total issued and outstanding shares, or any control person. As such, the proposed Insider Involvement constitutes a "related party transaction" pursuant to MI 61-101

and is, subject to the availability of an exemption under MI 61-101, subject to the requirements to obtain a formal valuation and obtain minority shareholder approval for the transaction.

Minority Shareholder Approval

The Insider Involvement is subject to receipt of minority shareholder approval. In relation to the Insider Involvement, the "minority shareholders" are all shareholders other than M. Bruce Chernoff and any affiliates of M. Bruce Chernoff. As such, any common shares beneficially owned, or over which control or direction is exercised by M. Bruce Chernoff and his affiliates must be excluded for purposes of whether minority approval has been obtained. In aggregate 12,183,583 common shares, representing approximately 44% of our issued and outstanding common shares will be excluded for the purposes of determining approval of the Insider Involvement.

Formal Valuation

MI 61-101 also provides that, in certain circumstances, unless exempted, an issuer proposing to carry out a related party transaction is required to obtain a formal valuation of a related party transaction from a qualified and independent valuator and provide security holders with a summary of such valuation. We are relying on one of the exemptions contained in MI 61-101 from the formal valuation requirement.

Section 5.5(b) of MI 61-101 provides an exemption from the formal valuation requirement if no security of the issuer is listed or quoted on the Toronto Stock Exchange, the New York Stock Exchange, the American Stock Exchange, the NASDAQ Stock Market, or a stock exchange outside of Canada and the United States other than the Alternative Investment Market of the London Stock Exchange or the PLUS market operated by PLUS Markets Group plc. As our common shares are listed on the TSX Venture Exchange and the OTCQX, we are able to rely upon this exemption.

As of the date of this circular, we and our board have no knowledge of a "prior valuation" of us, as such term is defined in 61-101.

Minority Shareholder Approval

To become effective, the resolution to approve the Insider Involvement must be approved, with or without variation, by an affirmative vote of at least a simple majority of the votes cast by the shareholders other than M. Bruce Chernoff and any affiliates of M. Bruce Chernoff (the "**Minority Shareholders**") voting in person or by proxy at the Meeting.

Unless the shareholder has specifically instructed the enclosed Proxy that the common shares represented by such Proxy are to be voted against the resolution to approve the Insider Involvement, the persons named in the accompanying Proxy will vote IN FAVOUR of the resolution to approve the Insider Involvement.

The following is the text of the resolution to approve the Insider Involvement that will be put forward for approval by the Minority Shareholders at the Meeting:

"BE IT RESOLVED as an ordinary resolution of the disinterested shareholders of PetroShale Inc. (the "**Corporation**") that:

1. the Insider Involvement in any future equity financing of the Corporation, all as more particularly described in the management information circular dated April 20, 2015, is hereby authorized and approved;
2. notwithstanding that this resolution has been passed (and the Insider Involvement approved), the directors of the Corporation are hereby authorized and empowered, if it decides not to proceed with this resolution, to revoke this resolution in whole or in part at any time prior to it being given effect without further notice to, or approval of, the shareholders; and

3. notwithstanding that this resolution has been passed (and the Insider Involvement approved), the directors of the Corporation are hereby directed to revoke this resolution on the date of the next annual and general meeting of the Corporation."

OTHER MATTERS COMING BEFORE THE MEETING

Management knows of no other matters to come before the meeting other than those referred to in the accompanying notice of annual meeting. Should any other matters properly come before the meeting, the common shares represented by proxy solicited by this information circular – proxy statement will be voted on such matters in accordance with the best judgment of the person voting such proxy.

STATEMENT OF EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Our named executive officers or NEOs for the year ended December 31, 2014 were John Fair, President of PetroShale (US), Inc., our wholly owned subsidiary, M. Bruce Chernoff, our Executive Chairman and Chief Executive Officer, and David Rain our Chief Financial Officer. No other executive officer received compensation equal to or greater than \$150,000 during the year ended December 31, 2014.

Compensation of our named executive officers is reviewed annually by our Corporate Governance and Compensation Committee and is subsequently approved by the board of directors of the Corporation based on the recommendation of the Corporate Governance and Compensation Committee in accordance with the Corporation's Corporate Governance and Compensation Committee Charter. The members of the Corporate Governance and Compensation Committee are each experienced in compensation issues based on their present or prior involvement at the executive or board level with a variety of organizations. Following our annual general and special meeting of Shareholders held on May 1, 2014, an organizational meeting took place to determine the composition of the Corporate Governance and Compensation Committee. Following such meeting, the members of the Corporate Governance and Compensation Committee are Jacob Roorda (as Chairman), Brett Herman and M. Bruce Chernoff. Messrs. Roorda and Herman are considered to be independent directors.

Our compensation program for our NEOs consists principally of a base salary and variable compensation, if any. Named executive officers also participate in our stock option plan as described herein.

Our board's and the Corporate Governance and Compensation Committee's objective in setting compensation levels is that the aggregate compensation received by named executive officers be generally competitive with the compensation received by persons with similar qualifications and responsibilities who are engaged by other companies of corresponding size and stage of development. The Corporate Governance and Compensation Committee's primary duties are to review and make recommendations to the board of directors regarding: (i) human resource policies, practices and structures; (ii) compensation policy and guidelines; (iii) management incentive and perquisite plans and any non-standard remuneration plans; (iv) senior management appointments and their compensation; and (v) any other initiatives as the board of directors may request. In setting such levels, the board and the Compensation Committee rely primarily on their own experience and knowledge. The Compensation Committee has not retained the assistance of a compensation consultant.

Our executive compensation program consists of two principal components: (i) base salaries and variable compensation; and (ii) stock options granted pursuant to the stock option plan.

Base Salaries and Variable Compensation – Our view of base salaries is that they should be competitive with industry peers, to the extent that can be determined, and with other public companies at similar stages of development and having similar assets, number of employees, market capitalization and profit margin.

Options – Pursuant to the stock option plan, our board of directors, at its discretion, determines all grants of stock options to NEOs. Such grants are considered incentives intended to align the NEOs and shareholders' interests in the long term. We emphasize stock options in executive compensation as they allow the Named

Executive Officers to share in corporate results in a manner that is relatively cost-effective despite the effects of treating stock options as a compensation expense. The Compensation Committee provides recommendations to the board of directors with respect to stock option grants to named executive officers.

Performance Based Compensation – Additional performance bonuses and targets are established on an annual basis by our board of directors.

All compensation paid to named executive officers was negotiated with such named executive officers prior to their appointment as such and while such named executive officers were arm's length parties of us. For the year ended December 31, 2014 we did not pay any salary or bonus to our executive officers located in our Calgary office.

Summary Compensation Table

The following table sets forth information concerning the total compensation paid during the year ended December 31, 2014, the six month period ended December 31, 2013 and the year ended June 30, 2013 to the named executive officers.

Name and principal position	Year ⁽¹⁾	Salary (\$)	Non-equity incentive plan compensation (\$)		Option-based awards ⁽³⁾ (\$)	Share-based awards (\$)	All other compensation	Total compensation (\$)
			Annual incentive plans	Long-term incentive plans				
M. Bruce Chernoff ⁽⁴⁾ Executive Chairman and Chief Executive Officer	2014	-	-	N/A	-	N/A	-	-
	2013	-	-	N/A	-	N/A	-	-
John Fair ⁽²⁾ President of PetroShale (US) Inc.	2014	208,800	139,200	N/A	-	N/A	-	348,000
	2013	99,242	66,162	N/A	-	N/A	-	165,404
	2013	188,316	125,544	N/A	-	N/A	-	313,860
David Rain ⁽⁵⁾ Chief Financial Officer	2014	-	-	N/A	-	N/A	-	-
	2013	-	-	N/A	149,805	N/A	-	149,805

Notes:

- (1) Our financial year end was changed from June 30 to December 31 on February 11, 2014. The top line amounts disclosed are for the fiscal year ended December 31, 2014. The center line amounts disclosed are for the six month period from July 1, 2013 to December 31, 2013. The bottom line amounts are for the fiscal year ended June 30, 2013.
- (2) Pursuant to Mr. John Fair's consulting agreement dated August 31, 2012, he is entitled to consulting fees of US\$180,000 per year and an annual bonus of US\$120,000.
- (3) Based on the grant date fair value of the options on the grant date. These amounts are not necessarily reflective of actual amounts that may be realized on exercise. These options have been valued using the Black-Scholes option-pricing model. The fair value of these options was determined using a weighted average risk free interest rate of 1.73% per annum, a weighted average expected life of 5 years, expected weighted average volatility of 114%, an expected weighted average dividend yield of nil and a weighted average forfeiture rate of nil.
- (4) Mr. Chernoff was appointed our Executive Chairman and Chief Executive Officer on November 25, 2013.
- (5) Mr. Rain was appointed as our Chief Financial Officer on November 25, 2013.
- (6) All amounts in the above table are in \$CDN, any amounts paid in \$US were converted to \$CDN using the Bank of Canada exchange rate in effect as at the last day of the particular period, which for December 31, 2014 was \$1.00USD = \$1.16 CAD.

Incentive Plan Awards

Outstanding Share-Based and Option-Based Awards

Our existing stock option plan was approved by the shareholders on May 1, 2014. Our option plan is a fixed plan that provides that our board may from time to time, in its discretion, grant to our directors, officers, employees, management company employees and consultants, and those of our subsidiaries, partnerships, trusts and other

controlled entities, an option to purchase common shares. As a "fixed" plan, the aggregate number of common shares that may be reserved for issuance under option grants under our stock option plan may not exceed 4,400,000.

Pursuant to the stock option plan, our board determines the exercise price per common share and the number of common shares that may be allotted to each director, officer, employee, management company employee and consultant and all other terms and conditions of the options, subject to the rules of the TSX Venture Exchange. The exercise price per common share is subject to minimum pricing restrictions set by the TSX Venture Exchange. Prior to granting options to an employee, management company employee or consultant, our board is required to make a good faith determination that the proposed recipient of the options is, at the date of the grant, a bona fide employee, management company employee or consultant, as the case may be, of us or one of our subsidiaries.

The option plan provides that options may be exercisable for up to a maximum of ten (10) years from the date of grant, but our board has the discretion to grant options that are exercisable for a shorter period. Other than options granted to certain persons, options granted under the stock option plan do not require vesting provisions, although our board may attach a vesting period or periods to individual grants as it deems appropriate. Options under the stock option plan are non-assignable. If prior to the exercise of an option, the holder ceases to be a director, officer, employee, management company employee or consultant, the option will expire within a reasonable period following the date of such cessation, as set forth in the applicable option agreement.

Subject to the policies of the TSX Venture Exchange, the stock option plan prescribes various limits to the number of common shares that can be reserved for issuance for specific grants made under the stock option plan. These limits include: (a) the aggregate number of common shares reserved for issuance under options granted to any one eligible person shall not exceed 5% of our issued and outstanding common shares in any twelve month period; (b) the aggregate number of common shares reserved for issuance under options granted to any one consultant or an individual engaged in Investor Relations Activities (as such term is defined by the policies of the TSX Venture Exchange) shall not exceed 2% of our issued and outstanding common shares in any twelve month period with no more than one quarter of such options vesting in any three month period; and (C) subject to receipt of disinterested shareholder approval, the number of common shares reserved for issuance under options granted to our executive officers and directors shall not exceed 10% of our issued and outstanding common shares.

In the event of any change of control (as defined in the amended option plan), all unexercised and unvested outstanding options granted under the stock option plan vest and become immediately exercisable. Our board may in its sole discretion, deliver prior notice to an option holder of a change of control, with a minimum seven (7) day period to purchase all or a portion of the number of common shares to which the option holder is entitled. Any options that are not exercised at the expiry of such period terminate and expire, unless such change of control is not completed.

Our stock option plan is designed to motivate all employees to focus on our long-term growth and success. All of our directors, officers, consultants, employees and other service providers and those of our subsidiaries, partnerships, trusts and other controlled entities are eligible to receive options under our stock option plan.

No share-based awards have been granted to our named executive officers during the period ended December 31, 2014 or at any time prior thereto. Our board of directors have adopted a restricted share award plan to come into effect at such time as our common shares commence trading on the TSX and as such it is not currently in effect. In addition, no options were awarded to our named executive officers during the period ended December 31, 2014.

The following table sets forth information concerning option and share based awards held by our named executive officers as at December 31, 2014.

Name and Principal Position	Option-Based Awards				Share-Based Awards		
	Number of securities underlying unexercised options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of unexercised in-the-money options (\$) ⁽¹⁾	Number of Shares or Units of Shares that have not Vested (#)	Market of Payout Value of Share-Based Awards that have not Vested (#)	Market or Payout Value of Vested Share-Based Awards Not Paid Out or Distributed (\$)
John Fair	443,469	1.50	September 1, 2017	-	N/A	N/A	N/A
M. Bruce Chernoff	-	-	-	-	N/A	N/A	N/A
David Rain	265,000	0.70	November 25, 2018	148,400	N/A	N/A	N/A

Notes:

- (1) Value is calculated upon difference between the exercise price of the options and the closing price of the common shares on the TSX Venture Exchange on December 31, 2014 of \$1.26.

Incentive Plan Awards – Value Vested or Earned During the Year

The following table summarizes the value of options held by named executive officers that vested during the period ended December 31, 2014.

Name	Option-Based Awards – Value Vested During the Period (\$) ⁽¹⁾	Share-Based Awards – Value Vested During the Period (\$)	Non-equity Incentive Plan Compensation – Value Vested During the Period (\$)
John Fair	-	N/A	N/A
M. Bruce Chernoff	-	N/A	N/A
David Rain	96,283	N/A	N/A

Notes:

- (1) Value is calculated upon difference between the exercise price of the options and the closing price of the Common Shares on the TSX Venture Exchange on the vesting date of the option.

Pension Plan Benefits

We do not have any defined benefit or defined contribution pension plans in place which provide for payments or benefits at, following, or in connection with retirement.

Termination and Change of Control Benefits

There are no compensatory plans, contracts or arrangements with any named executive officer (including payments to be received from us or any subsidiary), which result or will result from the resignation, retirement or any other termination of employment of such named executive officer or from a change of control of us or any subsidiary thereof or any change in such named executive officer's responsibilities following a change in control, where the named executive officer is entitled to payment or other benefits.

Compensation Risk Assessment and Mitigation

The Compensation Committee considers the implications of the risks associated with our compensation policies and practices when determining rewards for its executives and ensures that those policies do not encourage management to take inappropriate or excessive risks. The Compensation Committee does not believe that there are any risks arising from the compensation programs that would be reasonably likely to have a material adverse effect on us.

Our compensation program includes several mechanisms to ensure risk-taking behavior falls within reasonable risk tolerance levels, including:

- a balanced compensation mix between fixed and variable and between short and long-term incentives that defer award value;
- having a cap on short-term incentive awards;
- establishment of performance criteria and corresponding objectives which represent a balance of performance and quality and sustainability of such performance;
- establishment of a compensation package within range of competitive practices (peer group);
- explicit restrictions on hedging of equity awards, if any, by executives; and
- utilizing longer-term incentive plans for diversification and alignment with risk realization periods (option based awards).

Our officers and directors are not permitted to take any derivative or speculative positions in our securities. This is to prevent the purchase of financial instruments that are designed to hedge or offset any decrease in the market value of our securities.

DIRECTOR COMPENSATION

We do not have a standard arrangement pursuant to which our directors are compensated for their services in their capacity as directors except for the granting from time to time of incentive stock options in accordance with the policies of the TSX Venture Exchange. No cash compensation or any other form of compensation was paid to any of our current directors for their services as a director during the year ended December 31, 2014.

We have purchased, at our expense, a directors' and officers' liability insurance policy. This covers our directors and officers against liability incurred by them in their capacities as our directors and officers.

Directors' Summary Compensation Table

The following table summarizes all compensation provided to our directors, other than directors who were also named executive officers, during the period ended December 31, 2014.

Name	Fees Earned (\$)	Share- Based Awards (\$)	Option- Based Awards (\$)	Non-equity Incentive Plan Compensation (\$)	Pension Value (\$)	All Other Compensation (\$)	Total (\$)
James Fair	-	N/A	-	N/A	-	-	-
Brett Herman	-	N/A	-	N/A	-	-	-
Jacob Roorda	-	N/A	-	N/A	-	-	-
Ken McCagherty	-	N/A	-	N/A	-	-	-

The following table sets forth for each of our directors, other than directors who are also named executive officers, all option-based awards outstanding for the period ended December 31, 2014. There are no share based awards outstanding.

Name	Option-Based Awards				Share-Based Awards		
	Number of securities underlying unexercised options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of unexercised in-the-money options ⁽¹⁾ (\$)	Number of Shares or Units of Shares that have not Vested (#)	Market of Payout Value of Share-Based Awards that have not Vested (#)	Market or Payout Value of Vested Share-Based Awards Not Paid Out or Distributed (\$)
Brett Herman	110,868	1.50	September 1, 2017	-	N/A	N/A	N/A
Jacob Roorda	49,132	0.70	November 22, 2018	27,514	N/A	N/A	N/A
	110,868	1.50	September 1, 2017	-			
James D. Fair	49,132	0.70	November 22, 2018	27,514	N/A	N/A	N/A
	221,736	1.50	September 1, 2017	-	N/A	N/A	N/A
Ken McCagherty	160,000	0.70	November 22, 2018	89,600	N/A	N/A	N/A

Notes:

- (1) Value is calculated upon difference between the exercise price of the options and the closing price of the Common Shares on the TSX Venture Exchange on December 31, 2014 of \$1.26.

Incentive Plan Awards – Value Vested or Earned During the Year

The following table summarizes the value of options held by directors, other than directors who are also named executive officers, which vested during the period ended December 31, 2014.

Name	Option-Based Awards – Value Vested During the Period ⁽¹⁾ (\$)	Share-Based Awards – Value Vested During the Period (\$)	Non-equity Incentive Plan Compensation – Value Vested During the Period (\$)
Brett Herman	28,568	N/A	N/A
Jacob Roorda	28,568	N/A	N/A
James D. Fair	-	N/A	N/A
Ken McCagherty	58,133	N/A	N/A

Notes:

- (1) Value is calculated upon difference between the exercise price of the options and the closing price of the common shares on the TSX Venture Exchange on the vesting date of the option of \$1.79.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table sets out information for the period ended December 31, 2014 with respect to compensation plans under which our common shares are authorized for issuance.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by securityholders	2,275,205	1.16	2,124,795
Equity compensation plans not approved by securityholders	-	-	-
Total	2,275,205	1.16	2,124,795

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

None of our executive officers, directors, employees and former executive officers, directors and employees or any proposed nominee for election as a director or any associate of any director, officer or proposed nominee is or has been indebted to us at any time during the last completed financial year.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Except as disclosed elsewhere herein and set forth below, none of our directors, officers, principal shareholders, or informed persons (as defined in National Instrument 51-102), and no associate or affiliate of any of them, has or has had any material interest in any transaction since the commencement of our most recently completed financial year or in any proposed transactions which has materially affected or would materially affect us.

On January 17, 2014, we secured the Subordinated Facility provided by entities beneficially owned or controlled by M. Bruce Chernoff and Todd Slawson, who, as of the date hereof, own collectively approximately 54% of our outstanding common shares, and 100% of our outstanding non-voting common shares.

MANAGEMENT CONTRACTS

Other than the consulting agreement with Mr. Fair as discussed herein, none of our management functions are, to any substantial degree, performed by a person or company other than our directors or executive officers (or private companies controlled by them, either directly or indirectly).

CORPORATE GOVERNANCE DISCLOSURE

Effective June 30, 2005, as amended effective December 31, 2007 and March 17, 2008, National Instrument 58-101 – *Disclosure of Corporate Governance Practices* ("NI 58-101") and National Policy 58-201 – *Corporate Governance Guidelines* ("NP 58-201") were adopted in each of the provinces and territories of Canada. NI 58-101 requires issuers to disclose the corporate governance practices that they have adopted. NP 58-201 provides guidance on corporate governance practices.

Our board of directors believes that good corporate governance improves corporate performance and benefits all shareholders. The following sets out our approach to corporate governance and addresses our compliance with NI 58-101.

Board of Directors

Directors are considered to be independent if they have no direct or indirect material relationship with us. A "material relationship" is a relationship which could, in the view of our board, be reasonably expected to interfere with the exercise of a director's independent judgment.

Our management has been delegated the responsibility for meeting defined corporate objectives, implementing approved strategic and operating plans, carrying on our business in the ordinary course, managing cash flow, evaluating new business opportunities, recruiting staff and complying with applicable regulatory requirements. Our board facilitates its independent supervision over management by reviewing and approving long-term strategic, business and capital plans, material contracts and business transactions, and all debt and equity financing transactions. Through the audit committee, our board examines the effectiveness of our internal control processes and information systems.

The independent members of our board are Brett Herman, Ken McCagherty and Jacob Roorda. M. Bruce Chernoff is a non-independent director since he is also our President and Chief Executive Officer and a significant shareholder. James Fair is a non-independent director since he has previously held executive positions with us during the last three years. A majority of our board is independent.

Although our independent directors do not hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance, in accordance with the mandate of the board as well, at the end of or during each meeting of our board, the members of our management who are present at such meeting leave the meeting in order that the independent directors can discuss any necessary matters without management being present.

Board Mandate

The mandate of our board is attached as Appendix A.

Position Descriptions

Our board has approved written position descriptions or terms of reference for our chairman and the chairman of each of our audit committee, our corporate governance and compensation committee and our reserves committee.

The following directors are presently directors of other reporting issuers (or the equivalent):

<u>Director</u>	<u>Names of Other Issuers</u>
M. Bruce Chernoff	Maxim Power Corp., TORC Oil & Gas Ltd., Artek Exploration Ltd.
James Fair	None
Brett Herman	TORC Oil & Gas Ltd.
Ken McCagherty	None
Jacob Roorda	Northcliff Resources Ltd.

Orientation and Continuing Education

While we do not currently have a formal orientation and educational program for new recruits to our board, we provide such orientation and education on an informal basis. We provide new board members with our corporate policies, historical information about us, as well as information on our performance and our strategic plan with an outline of the general duties and responsibilities entailed in carrying out their duties. Our board believes that these procedures are a practical and effective approach in light of our particular circumstances, including our size and limited turnover of the directors and the experience and expertise of the members of our board.

No formal continuing education program currently exists for our directors; however, we encourage directors to attend, enrol in or participate in courses and/or seminars dealing with financial literacy, corporate governance and related matters. Each director has the responsibility for ensuring that he maintains the skill and knowledge necessary to meet his obligations as a director.

Ethical Business Conduct

Our board has adopted a Code of Business Conduct and Ethics (the "**Code**"), a copy of which is available to review at www.sedar.com. It is expected that each of our officer's and director's will confirm his or her understanding, acceptance and compliance of the Code on an annual basis. Any reports of variance from the Code will be reported to our board.

Our board has also adopted a procedures for reporting a reportable activity as part of our Code, which provides employees with the ability to have procedures in place to address the confidential, anonymous submission by employees of concerns regarding accounting, internal accounting controls or auditing matters, or to address the receipt, retention and treatment of concerns regarding accounting, internal accounting controls or auditing matters. Our board believes that providing a forum for employees to raise concerns about ethical conduct and treating all complaints with the appropriate level of seriousness fosters a culture of ethical conduct.

In accordance with the *Business Corporations Act* (Alberta), directors who are party to, or are a director or officer of a person which is a party to, a material contract or material transaction or a proposed material contract or a proposed material transaction with us are required to disclose the nature and extent of their interest and not to vote on any resolution to approve the contract or transaction. In addition, in certain cases, an independent committee of our board may be formed to deliberate on such matters in the absence of the interested party.

Nomination of Directors

Our board considers its size each year when it considers the number of directors to recommend to the shareholders for election at the annual meeting of shareholders, taking into account the number required to carry out our board's duties effectively and to maintain a diversity of views and experience.

Our corporate governance and compensation committee acts as the nominating committee of our board and reviews the size and composition of our board and nominating functions are then performed by the board as a whole. However, this policy is reviewed annually. Our corporate governance and compensation committee, which is responsible for nominating directors, is comprised of a majority of independent directors.

Board Committees

Our board has three committees: an Audit Committee, a Corporate Governance and Compensation Committee and a Reserves Committee.

Audit Committee

Our audit committee is currently comprised of Brett Herman (Chairman), Ken McCagherty and Jacob Roorda. All of the members of our audit committee are independent (as such term is defined in National Instrument 51-110 – *Audit Committees*) and financially literate.

Compensation Committee

Our corporate governance and compensation committee is currently comprised of Jacob Roorda (Chairman), Brett Herman and M. Bruce Chernoff. A majority of our compensation committee is "independent" (as such term is defined in NI 58-101). The primary responsibility of this committee is to assist our board in fulfilling its responsibility by reviewing matters relating to our human resource policies and compensation of our directors, officers and employees.

Subject to the powers and duties of the board, the committee is required under its charter to perform the following duties:

Compensation Matters

- reviewing the compensation philosophy and remuneration policy for our employees and to recommend to the board changes to improve our ability to recruit, retain and motivate employees;
- reviewing and recommending to the board compensation to be paid to members of the board;
- reviewing and recommending to the board performance objectives and the compensation package for the Chief Executive Officer;
- reviewing and recommending to the board, on the recommendation of the Chief Executive Officer, the compensation and benefits package for our senior management positions;
- reviewing management's recommendations for proposed stock option or share purchase plans and make recommendations in respect thereof to the board;
- determining and recommending for approval of the board in conjunction with the Chief Executive Officer bonuses to be paid to our officers and employees and to establish targets or criteria for the payment of such bonuses, if appropriate; and
- preparing and submitting a report of the committee for inclusion of annual disclosure required by applicable securities laws to be made by us including the report required to be included in our information circular – proxy statement.

Reserves Committee

The members of our reserves committee are Ken McCagherty (Chairman), Jacob Roorda and M. Bruce Chernoff. A majority of the members of our reserves committee are "independent" (as such term is defined in NI 58-101).

Our board has delegated to the reserves committee responsibility for matters set forth in respect of the responsibilities of the board in relation to National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities* ("**NI 51-101**"). These responsibilities include, but are not limited to:

- reviewing our procedures relating to the disclosure of information with respect to oil and gas activities including reviewing its procedures for complying with its disclosure requirements and restrictions set forth under NI 51-101 and applicable securities requirements;
- reviewing our procedures for providing information to an independent evaluator of our reserves;
- meeting, as considered necessary, with management and any independent evaluator to determine whether any restrictions placed by management affect the ability of the evaluator to report without reservation on the Reserves Data (as defined in NI 51-101) (the "**Reserves Data**") and to review the Reserves Data and the report of the independent evaluator thereon (if such report is provided);
- reviewing the appointment of any independent evaluator and, in the case of any proposed change to such independent evaluator, determining the reason therefor and whether there have been any disputes with management;
- providing a recommendation to the board as to whether to approve the content or filing of the statement of the Reserves Data and other information that may be prescribed by applicable securities requirements including any reports of the independent engineer and of management in connection therewith;

- reviewing our procedures for reporting other information associated with oil and gas producing activities; and
- generally reviewing all matters relating to the preparation and public disclosure of estimates of our reserves.

Assessments

Our corporate governance and compensation committee is responsible for assessing the effectiveness of our board as a whole, the committees of our board, the appointments to those committees and the mandates thereof. While no formal evaluation has been conducted to date, the committee has relied on informal evaluation of the effectiveness through both formal and informal communications with board members and through participation with other board members on committees and matters relating to the board. This methodology has been both responsive and practical given the size of our board.

ADDITIONAL INFORMATION

Additional information relating to the Corporation is available through the internet on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) which can be accessed at www.sedar.com. Financial information on the Corporation is provided in the comparative financial statements and management discussion and analysis of the Corporation which can also be accessed at www.sedar.com.

The delivery of this Management Proxy Circular has been approved by the directors of the Corporation.

Appendix A to the Management Proxy Circular of PetroShale Inc.

MANDATE OF THE BOARD OF DIRECTORS

The Board of Directors (the "**Board**") of PetroShale Inc. (the "**Corporation**") is responsible for the stewardship of the Corporation, and any subsidiaries and partnerships of PetroShale Inc. (collectively, "**PetroShale**"). In discharging its responsibility, the Board will exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances and will act honestly and in good faith with a view to the best interests of PetroShale. In general terms, the Board will:

- in consultation with the chief executive officer of the Corporation (the "**CEO**"), define the principal objectives of PetroShale;
- supervise management's conduct of the business and affairs of PetroShale with the goal of achieving PetroShale's principal objectives as defined by the Board;
- discharge the duties imposed on the Board by applicable laws; and
- for the purpose of carrying out the foregoing responsibilities, take all such actions as the Board deems necessary or appropriate.

Without limiting the generality of the foregoing, the Board will perform the following duties:

Strategic Direction and Capital and Financial Plans

- require the CEO to present annually to the Board a strategic business plan for PetroShale's business, which plan must:
 - be designed to achieve PetroShale's principal objectives;
 - identify the principal strategic and operational opportunities and risks of PetroShale's business; and
 - be approved by the Board as a pre-condition to the implementation of such plan;
- review progress towards the achievement of the goals established in the strategic business plans and review and approve any material changes to such plan;
- keep itself informed of the principal risks of PetroShale's business and take such reasonable steps to oversee management's implementation of the appropriate systems to manage these risks;
- approve acquisitions and dispositions which require Board approval;
- approve the establishment of credit facilities; and
- approve issuances of additional common shares, other securities and other instruments to the public.

Monitoring and Acting

- monitor PetroShale's progress towards achieving its goals, and to revise and alter its direction through management in light of changing circumstances;
- monitor overall human resources policies and procedures, including compensation and succession planning as applicable;

- appoint the CEO and determine the terms of the CEO's employment with PetroShale;
- evaluate the performance of the CEO on an ongoing basis through periodic in camera sessions;
- in consultation with the CEO, establish management's authority and responsibility in conducting PetroShale's business;
- in consultation with the CEO, appoint all officers of PetroShale and approve the terms of each officer's employment with PetroShale;
- develop a system under which succession to senior management positions will occur in a timely manner;
- approve any proposed significant change in the management organization structure of PetroShale;
- in consultation with the CEO, establish a disclosure policy for PetroShale;
- generally provide advice and guidance to management; and
- approve all matters relating to a takeover bid for the securities of PetroShale.

Finances and Controls

- ensure that management has implemented appropriate systems to manage the risks of PetroShale's business and, with the assistance of management, PetroShale's auditors and others (as required), evaluate the appropriateness of such systems;
- monitor PetroShale's capital structure;
- review and approve the Corporation's financial statements, MD&A, reserve evaluations, and any prospectus or other security issuing document prepared by management;
- in consultation with the CEO, establish the ethical standards to be observed by all officers and employees of PetroShale and use reasonable efforts to ensure that a process is in place to monitor compliance with those standards;
- require that the CEO institute and monitor processes and systems designed to ensure compliance with applicable laws by PetroShale and its officers and employees;
- require that the CEO institute, and maintain the integrity of, internal control and information systems, including maintenance of all required records and documentation;
- recommend to shareholders of PetroShale a firm of chartered accountants to be appointed as PetroShale's auditors;
- ensure PetroShale's oil and gas reserve reports fairly represent the quantity and value of corporate reserves in accordance with generally accepted engineering principles and applicable securities laws; and
- take reasonable actions to gain reasonable assurance that all financial information made public by PetroShale (including PetroShale's annual and quarterly financial statements) is accurate and complete and represents fairly the Corporation's financial position and performance.

Governance

- select nominees for election to the Board;
- facilitate the continuity, effectiveness and independence of the Board by, amongst other things:

- appointing a Chairman of the Board;
 - appointing from amongst the directors an audit committee and such other committees of the Board as the Board deems appropriate;
 - defining the mandate of each committee of the Board;
 - require each committee to report to the Board on a timely basis on the results of its meetings;
 - ensuring that processes are in place and are utilized to assess the effectiveness of the Chairman of the Board, the Board as a whole, each committee of the Board and each director; and
 - establishing a system to enable any director to engage an outside advisor at the expense of PetroShale, with the authorization of the Chairman;
- review annually the composition of the Board and its committees and assess Directors' performance on an ongoing basis, and propose new members to the Board; and
 - review annually the adequacy and form of the compensation of directors.

Delegation

- the Board may delegate its duties to, and receive reports and recommendations from, any committee of the Board to the extent permitted by the *Business Corporations Act* (Alberta).

Composition

- the Board should be composed of at least 4 individuals elected by the shareholders at the annual meeting;
- a majority of Board members should be "independent" directors (within the meaning of National Instrument 58-101) and free from any business or other relationship that could impair the exercise of independent judgment;
- members should have or obtain sufficient knowledge of PetroShale and the oil and gas business to assist in providing advice and counsel on relevant issues; and
- board members should offer their resignation from the Board to the Chairman of the Board following:
 - change in personal circumstances which would reasonably interfere with the ability to serve as a director; and
 - change in personal circumstances which would reasonably reflect poorly on PetroShale (for example, finding by a Court of fraud, or conviction under Criminal Code or securities legislation).

Meetings

- the Board shall meet at least four times per year and/or as deemed appropriate by the Board Chair;
- the Board shall have the opportunity to meet at the end of each of its meetings without members of management being present;
- minutes of each meeting shall be prepared;
- in normal circumstances, management will distribute an agenda and related materials to directors at least two days in advance of each meeting. Directors will be afforded the opportunity to make suggested additions to the agenda.

- the CEO and Chief Financial Officer shall be available to attend all meetings of the Board upon invitation by the Board; and
- Vice-Presidents and such other staff as appropriate to provide information to the Board shall attend meetings at the invitation of the Board.

Conflict of Interest

- directors have a duty to act honestly and in good faith with a view to the best interests of the Corporation and to exercise the care, diligence and skill a reasonably prudent person would exercise in comparable circumstances.
- directors shall not allow personal interests to conflict with their duties to the Corporation and shall avoid and refrain from involvement in situations of conflict of interest.
- a director shall disclose promptly any circumstances such as an office, property, a duty or an interest, which might create a conflict or perceived conflict with that director's duty to the Corporation.
- a director shall disclose promptly any interest that director may have in an existing or proposed contract or transaction of or with the Corporation.
- the disclosures contemplated shall be immediate if the perception of a possible conflict of interest arises during a meeting of the Board or any committee of the Board, or if the perception of a possible conflict arises at another time then the disclosure shall occur at the first Board meeting after the director becomes aware of the potential conflict of interest.
- a director's disclosure to the Board shall disclose the full nature and extent of that director's interest either in writing or by having the interest entered in the minutes of the meeting of the Board.
- a director with a conflict of interest or who is capable of being perceived as being in conflict of interest vis a vis the Corporation shall abstain from discussion and voting by the Board or committee of the Board on any motion to recommend or approve the relevant contract of or transaction unless the contract or transaction is an arrangement by way of security for obligations undertaken by the director for the benefit of the Corporation or one relating primarily to the director's remuneration or benefits. If the conflict of interest is obvious and direct, the director shall withdraw while the item is being considered.
- directors shall not use information obtained as a result of acting as a director for personal benefit or for the benefit of others.
- directors shall maintain the confidentiality of all information and records obtained as a result of acting as a director.

Authority

- the Board shall have the authority to review any corporate report or material and to investigate activity of PetroShale and to request any employees to cooperate as requested by the Board; and
- the Board may retain persons having special expertise and/or obtain independent professional advice to assist in fulfilling its responsibilities at the expense of PetroShale.