

INFORMATION CIRCULAR - PROXY STATEMENT

DATED MAY 10, 2016

PetroShale
C a l g a r y • D e n v e r

www.petroshaleinc.com

WHO WE ARE

PetroShale is 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 when such leases reflect non-operated interests, they are operated by large, experienced and capable operators.

We are publically traded on the TSX Venture Exchange (TSXV: PSH) and the OTCQX (OTCQX:PSHIF). To find out more, please visit our website www.petroshaleinc.com or contact us at info@5qir.com.

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PROXY SUMMARY

The following summary highlights some of the important information you will find in this information circular-proxy statement. We recommend you read the entire information circular before voting

Voting Matters	Board Vote Recommendation	For More Information See Page
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LETTER TO SHAREHOLDERS

May 10, 2016

Dear Fellow Shareholder,

On behalf of the Board of Directors and management of PetroShale Inc., we hope you will join us at the Vault Conference Room, 350 – 7th Avenue S.W., Calgary, Alberta on Thursday, June 16, 2016 at 10:00 a.m. (Calgary time) for our annual and special meeting of our common voting shareholders.

This meeting provides an opportunity for you to vote on the items of business, hear about our performance over the past year and learn about our plans for the future. This meeting also provides you with the opportunity to meet our board and staff.

The accompanying information circular – proxy statement describes the business that will be conducted at the meeting and provides information regarding our executive compensation and governance practices.

Your vote is important to us. If you are unable to attend the meeting, we encourage you to ensure your vote is recorded by returning the signed form of proxy or via our internet option. If your shares are not registered in your name and are held in the name of your broker or other nominee, you may wish to consult the information beginning on page 5 of the accompanying information circular – proxy statement for information on how to vote your shares.

We hope that you will join us at this year's meeting.

Sincerely,

(signed) "*M. Bruce Chernoff*"

M. Bruce Chernoff
Chairman of the Board and Chief Executive Officer

NOTICE OF ANNUAL AND SPECIAL MEETING

NOTICE is hereby given that an annual & special meeting of holders of common voting shares of PetroShale Inc. will be held at the Vault Conference Room, 350 – 7th Avenue S.W., Calgary, Alberta at 10:00 a.m. (Calgary time), on Thursday, June 16, 2016, to:

1. consider and receive our audited financial statements for the year ended December 31, 2015, 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 (5) 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 voting shares as more particularly described in the accompanying information circular – proxy statement) approving the participation of one of our insiders in any future equity financing we may conduct, all as more particularly described in the attached information circular – proxy statement;
6. consider and, if deemed advisable, to pass with or without variation, an ordinary resolution approving the share award plan as more particularly described in the attached information circular – proxy statement;
7. consider and, if deemed advisable, to pass with or without variation, an ordinary resolution approving certain amendments to the stock option plan as more particularly described in the attached information circular-proxy statement; and
8. to transact such other business as may be properly brought before the Meeting or any adjournment thereof.

Only shareholders whose names have been entered in the register of common voting shareholders at the close of business on May 10, 2016 will be entitled to receive notice of and 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. Each common voting share will entitle the holder to one vote at the meeting.

A shareholder may attend the June 16, 2016 meeting in person or may be represented by proxy. Registered 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 or deliver it by fax to 1-416-595-9593 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 vote via the internet at www.voteproxyonline.com. Votes by internet must be received not later than forty-eight (48) hours (excluding Saturday, Sundays and statutory holidays) prior to the commencement of the Meeting or any adjournment thereof. Notwithstanding the foregoing, the Chairman of the meeting has the discretion to accept proxies received after such deadline.

DATED at Calgary, Alberta, this 10th day of May, 2016.

BY ORDER OF THE BOARD OF DIRECTORS

(signed) "Nicole E. Bacsalmasi"

Nicole Bacsalmasi
Corporate Secretary

**INFORMATION CIRCULAR – PROXY STATEMENT
For the Annual & Special Meeting of Shareholders
to be held on Thursday, June 16, 2016**

VOTING MATTERS

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 voting shareholders to be held at 10:00 a.m. (Calgary time) on Thursday, June 16, 2016, at the Vault 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, or by fax to 1-416-959-9593 not later than 48 hours (excluding Saturdays, Sundays and statutory holidays) prior to the time set for the meeting or any adjournment thereof. Registered shareholders may also use the internet at www.voteproxyonline.com to vote their common voting shares. Shareholders will be prompted to enter the control number which is located on the form of proxy. Votes by internet must be received not later than 48 hours (excluding Saturdays, Sundays and statutory holidays) prior to the time set for the meeting or any adjournment thereof.

Only shareholders of record at the close of business on May 10, 2016 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 Voting Shares

The information set forth in this section is of significant importance to you if you do not hold your common voting shares in your own name. Only proxies deposited by shareholders whose names appear on our records as the registered holders of common voting shares can be recognized and acted upon at the meeting. If your common voting shares are listed in your account statement provided by your broker, then, in almost all cases, those common voting shares will not be registered in your name on our records. Such common voting 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. The majority of shares held in the United States are registered in the name of Cede & Co., the nominee for the Depository Trust Company, which is the United States equivalent of CDS Clearing and Depository Services Inc.

If you do not hold your shares in your own name, you may give permission to your broker or other intermediary to release your name and address to us so that we can send proxy related materials to you directly. Without this permission, we cannot send you materials directly and your broker or other intermediary shall be required to send such materials to you. We do not provide proxy related materials directly to beneficial shareholders and we assume the costs associated with the delivery of materials to beneficial shareholders by intermediaries.

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.

Brokers often delegate the responsibility for obtaining voting instructions to Broadridge Investor Communications which mails a scannable voting instruction form in lieu of a form of proxy. If you received one of these, you are asked to complete and return it to Broadridge by mail or facsimile. Alternatively, you can call their toll-free number or access the internet to vote your shares. Broadridge tabulates the results of all instructions received and provides appropriate instructions respecting the voting of shares at the meeting. If you receive a voting instruction form from Broadridge, it cannot be used as a proxy to vote your shares directly at the meeting as the form must be returned to Broadridge well in advance of the meeting in order to have your shares voted. If you wish to attend the meeting and vote your own shares, you must do so as a proxyholder for the registered holder. To do this, you should enter your own name in the blank space on the applicable form provided to you and return the document to your broker or agent of such broker in accordance with the instructions provided by such broker well in advance of the meeting.

The Canadian Securities Administrators have adopted a "notice-and-access" regime for shareholder meetings which permits issuers to send a reduced package of meeting materials to shareholders, together with the document required to cast their vote. We have elected not to use the "notice-and-access" regime for the meeting and paper copies of such materials will be sent to all of our shareholders.

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 voting 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 voting shares will be voted on any poll in accordance with the specification so made. **If you do not provide instructions, your common voting 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.

Voting Shares and Principal Holders

We are authorized to issue an unlimited number of common voting 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 May 10, 2016 there were 27,507,574 common voting shares, 6,700,000 common non-voting shares and no class "A" preferred shares issued and outstanding. Our common voting 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 voting 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 voting shares other than: (i) Mr. M. Bruce Chernoff who owns, controls or directs, directly or indirectly 12,183,583 common voting shares, being approximately 44% of the common voting shares currently issued and outstanding; and (ii) Mr. Todd Slawson who owns, controls or directs, directly or indirectly 2,797,500 common voting shares, being approximately 10% of the common voting 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.

Biographies of our Directors

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 voting shares that they have advised are beneficially owned or controlled or directed, by them directly or indirectly as at May 10, 2016.

Name, Residence and Office(s) held	Principal Occupation or Employment for the Last Five Years	Became a Director/ Officer	Common voting shares
M. Bruce Chernoff ⁽²⁾⁽³⁾⁽⁴⁾ Alberta, Canada	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	Independent businessman. During the period of October 31, 2013 to November 25, 2013, Mr. Fair was our Interim Chief Executive Officer and Interim President.	March 8, 2012	430,370
Brett Herman ⁽¹⁾⁽³⁾ Alberta, Canada	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	President and Chief Executive Officer of Westbrick Energy Ltd., a private oil and gas company.	November 25, 2013	230,000

Name, Residence and Office(s) held	Principal Occupation or Employment for the Last Five Years	Became a Director/ Officer	Common voting shares
Jacob Roorda ⁽¹⁾⁽²⁾⁽³⁾ Alberta, Canada	Managing director of Windward Capital Limited, a private investment company. Chief Executive Officer of Todd Energy Canada Limited, a private oil and gas company.	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 voting shares are held by Kai Commercial Trust, a trust of which Mr. Chernoff is a majority unitholder and 2,183,583 common voting shares are held by Alpine Capital Corp., a company directed by Mr. Chernoff. Alpine Capital Corp. also holds 1.625 million common share purchase warrants.

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. Chernoff and Mr. Rain were each formerly directors of Calmena Energy Services Inc. (a public oilfield service company) which was placed in receivership on January 20, 2015. Mr. Chernoff and Mr. Rain resigned as directors of Calmena effective January 15, 2015. Mr. Jacob Roorda was a director of TXCO Resources Ltd. ("TXCO"), a NASDAQ listed public company until February 11, 2010. On April 18, 2009, TXCO filed for creditor relief under the U.S. Bankruptcy Code. The board of directors of TXCO obtained approval of a plan of reorganization which paid all creditors in full and which projected a recovery for common shareholders. Mr. Roorda was also a director of Argosy Energy Inc. ("Argosy"), a TSX listed company which entered receivership pursuant to a Court order resulting from a creditor petition as disclosed at www.sedar.com. Concurrently with the receivership, Mr. Roorda resigned as a director of Argosy.

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 14,528,547 common voting shares representing approximately 53% of our outstanding common voting shares. These directors and officers also hold an aggregate of 1,715,205 options to acquire common voting 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

To finance our business objectives for 2016, we anticipate that we will require between approximately \$10.0 million and \$50.0 million of additional capital. 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\$22.5 million senior facility with a Canadian Chartered Bank (the "**Senior Facility**"); and (ii) the US\$80 million subordinated loan facility with our two largest shareholders (the "**Subordinated Facility**"). As of the date hereof we are currently fully drawn on our Senior Facility and US\$65.5 million is drawn on our Subordinated Facility. We are anticipating an increase in production following the completion of our first operated well later in 2016, but with the continued slump in oil prices, we believe that our internally generated cash flow may be insufficient to fund our business plans and therefore it is prudent to access equity capital during 2016. Thus, we are focused on raising capital through issuance of our common voting 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

The Senior Facility bears interest at an agreed interest rate calculated on an agreed base rate plus applicable margins. The maturity date of the Senior Facility is July 16, 2016. The Senior Facility is secured by a 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, the bank has agreed to waive compliance with this covenant on the condition that interest payments under the Subordinated Facility are deferred until further notice.

Subordinated Facility

The Subordinated Facility has a capacity of US\$80 million and is funded by Alpine Capital Corp. and Todd Slawson Trust. Alpine Capital Corp. is an Alberta based corporation 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 (directly or indirectly) approximately 10% of our common voting shares and 100% of our common non-voting 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, 2017. As noted above, interest payments under this facility have been deferred since April 1, 2015 as a condition of the Senior Facility.

Share Capital

As at the date hereof there are 27,507,574 common voting shares, 6,700,000 common non-voting shares and no class "A" preferred shares issued and outstanding. As of the date hereof, Mr. M. Bruce Chernoff owns, controls or directs, directly or indirectly 12,183,583 common voting shares being approximately 44% of the common voting shares currently issued and outstanding. In addition, in connection with the most recent increase and extension of the Subordinated Facility, Mr. Chernoff was issued 1.625 million common share purchase warrants, with each warrant entitling him to acquire one common share at a price of \$0.75.

Potential Equity Raise

We anticipate that we may conduct an equity raise by way of private placement or public offering before the end of 2016. Mr. Chernoff has confirmed 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, in addition to any participation of any of our other officers and directors (collectively, 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.

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 voting shares

In connection with an equity offering where the full Insider Involvement is completed, a significant number of common voting shares would be issued to Mr. M. Bruce Chernoff or his respective affiliates and 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 voting 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 voting shares may create a market overhang over the common voting shares and may adversely affect the market for, and the market price of, our common voting 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 an 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 voting 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 voting 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.

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 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 voting 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 MI 61-101.

Minority Shareholder Approval

The Insider Involvement is subject to receipt of minority shareholder approval absent any exemption available pursuant to MI 61-101. 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 voting shares beneficially owned, or over which control or direction is exercised by M. Bruce Chernoff and his affiliates being an aggregate 12,183,583 common voting shares, representing approximately 44% of our issued and outstanding common voting shares will be excluded for the purposes of determining approval of the Insider Involvement.

At our last annual and special shareholders meeting which was held on May 20, 2015, we sought and received the requisite minority shareholder approval to conduct a financing which included the Insider Involvement. No such equity financing was conducted since the date of the last meeting and we are seeking to renew this approval at this year's meeting. 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. 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 execute our 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.

Text of Resolution

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 May 10, 2016, 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."

To become effective, the above 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 voting in person or by proxy at the meeting.

Unless the shareholder has specifically instructed the enclosed proxy that the common voting 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.

Approval of Share Award Plan

At the meeting, shareholders will be asked to consider and approve a restricted bonus award incentive plan (the "**Award Plan**"). The Award Plan was adopted by our Board on May 10, 2016. A summary of the Award Plan is set forth below and a full copy of the Award Plan will be filed on our SEDAR profile at www.sedar.com on or before May 16, 2016. The summary provided below is qualified in its entirety to the full text of the Award Plan.

The purpose of the Award Plan is to issue bonus awards in order to: (i) retain and attract qualified directors, officers, consultants, employees and other services providers, as applicable, for us or our subsidiaries, partnerships, trusts and other controlled entities; and (ii) promote alignment by such persons with our business objectives and to encourage such persons to remain in our employ or service and put forth maximum efforts for the success of our affairs or the affairs of our subsidiaries, partnerships, trusts and other controlled entities.

The Award Plan 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, a bonus award in an amount equal to a notional number of common voting shares on the TSX Venture Exchange multiplied by the last closing price of our common voting shares prior to the date of grant.

The number of common voting shares reserved that are available to be issued from time to time pursuant to bonus awards granted under the Award Plan is limited to 3,420,000 common voting shares, less the aggregate number of common voting shares reserved for issuance from time to time under our stock option plan. The number of common voting shares issuable pursuant to the Award Plan to any one person in any 12 month period will not exceed 1% of our outstanding shares (which includes: (i) the aggregate number of our issued and outstanding common voting shares; (ii) common voting shares issuable upon the exchange of our outstanding common non-voting shares; and (iii) other fully paid securities of us and any of our subsidiaries, partnerships and trusts which are exchangeable into common voting shares, collectively referred to as the "**Total Common Shares**"). In addition, the number of common voting shares reserved for issuance within a twelve month period, pursuant to the Award Plan to our insiders as a group will not exceed 2% of our outstanding Total Common Shares.

The board, in its discretion, shall determine the timing of the payment date(s) and expiry date(s) for each bonus award granted pursuant to the Award Plan. The plan provides that if a service provider is on a leave of absence during a payment date, such payment date will be extended by the portion of the leave of absence that is in excess of three months. Notwithstanding any leave of absence or expiry date set by the board, all bonus awards issued pursuant to the Award Plan will expire on the 15th of December of the third year following the year of the grant. All bonus awards granted pursuant to the Award Plan are not transferrable outside of estate settlement purposes.

On the payment date of the bonus award to a service provider, we, in our sole and absolute discretion, shall have the option of settling the bonus award payable to the service provider by any of the following methods: (i) payment in cash; (ii) payment in common voting shares acquired by us on the TSX Venture Exchange; or payment in common voting shares issued from our treasury. A recipient of a bonus award does not have any right to demand to be paid in or receive common voting shares in respect of the bonus award, at any time.

If a service provider ceases to be a director, officer, consultant, employee or other service provider, as applicable of us or our subsidiaries, or ceases to be providing active services to us on an ongoing basis for any reason whatsoever, including without limitation resignation, dismissal or otherwise, but excluding the service provider's death or disability, all outstanding bonus award agreements and bonus awards issued to the service provider will be terminated and all rights to receive payment of the bonus award shall be forfeited and such service provider may only receive payment of bonus awards where the payment date of the bonus award occurs within thirty days from the date of ceasing to be a director, officer or an employee or ceasing to provide services to us on an ongoing basis. If a service provider dies or becomes disabled prior to the payment date of an award, the service provider's legal representative may receive payment for any bonus awards where the payment date occurs within six months from the service provider's death and prior to the expiry date.

Our board can amend or discontinue the Award Plan or bonus awards granted thereunder at any time without shareholder approval, provided any amendment to the Award Plan that requires approval of the TSX Venture Exchange may not be made without approval of the TSX Venture Exchange. However, without the prior approval of the shareholders, as may be required by such exchange, we may not make any amendment to the Awards Plan or bonus awards granted thereunder to: (a) increase the number of common voting shares issuable on exercise of outstanding bonus awards at any time; (b) extend the term of any outstanding bonus awards beyond the original expiry date of such bonus awards; (c) permit a service provider to transfer or assign bonus awards to a new beneficial holder, other than for estate settlement purposes; (d) increase the maximum limit on the number of securities that may be issued to insiders or individual service providers; or (e) amend the amendment clause. In addition, no amendment to the Award Plan or bonus awards granted pursuant to the Award Plan may be made without the consent of the service provider if it adversely alters or impairs any bonus award previously granted to such service provider under the Award Plan.

At the meeting, shareholders will be asked to consider the following ordinary resolution approving the Award Plan:

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

1. the restricted bonus award incentive plan (the "**Award Plan**") of the Corporation as more particularly described in the information circular – proxy statement of the Corporation dated May 10, 2016 is hereby authorized and approved;
2. the form of the Award Plan may be amended in order to satisfy the requirements or requests of any regulatory authorities without requiring further approval of the shareholders of the Corporation; and
3. any director or officer of the Corporation be and is hereby authorized and directed to do such things and to execute and deliver all such instruments, deeds and documents, and any amendments thereto, as may be necessary or advisable in order to

give effect to the foregoing resolutions, and to complete all transactions in connection therewith."

In order to be passed, the foregoing ordinary resolution must be approved by a simple majority of the votes cast by shareholders who vote in person or by proxy at the meeting. The persons named in the accompanying proxy will vote **IN FAVOUR** of the resolution to approve the Award Plan unless a shareholder specifies otherwise in the proxy.

Approval of Amendments to Stock Option Plan

At the meeting, shareholders will be asked to vote on an ordinary resolution to approve certain amendments to our stock option plan to base the various limits under the plan on our Total Common Shares as opposed to only our issued and outstanding common voting shares and to revise such limits to be congruent with our proposed Award Plan.

The following is a summary of these limits:

<u>Existing Limit</u>	<u>Amendment</u>
The number of common voting shares reserved for issuance to any one service provider, whether under the stock option plan or any other share option agreement, option for services or share purchase plan shall not exceed 5% of the issued and outstanding common voting shares in any twelve month period.	The number of common voting shares reserved for issuance to any one service provider, whether under the stock option plan or the Award Plan shall not exceed 5% of the Total Common Shares in any twelve month period.
The number of common voting shares reserved for issuance to any one service provider who is granted options as a consultant, or employee engaged in investor relations activities shall not exceed 2% of the issued and outstanding common voting shares in any twelve month period.	The number of common voting shares reserved for issuance to any one service provider who is granted options as a consultant, or employee engaged in investor relations activities shall not exceed 2% of the Total Common Shares in any twelve month period.

In addition, generally throughout the stock option plan, each reference to "issued and outstanding common voting shares" or similar statement will be replaced with "Total Common Shares". As discussed above, Total Common Shares includes: (i) the aggregate number of our issued and outstanding common voting shares; (ii) common voting shares issuable upon the exchange of our outstanding common non-voting shares; and (iii) other fully paid securities of us and any of our subsidiaries, partnerships and trusts which are exchangeable into common voting shares.

In addition to amendments discussed above, our board has approved various administrative amendments to create consistency in the language of the plan and the Award Plan and to incorporate references to the Award Plan. All amendments to the stock option plan are subject to the approval of the TSX Venture Exchange.

The policies of the TSX Venture Exchange require us to obtain shareholder approval of the amendments to our stock option plan. Accordingly, at the meeting, shareholders will be asked to vote on an ordinary resolution to approve the amendments to our stock option plan. For further information on the stock option plan and grants made thereunder see "Incentive Awards" below. A copy of the stock option plan, as amended, will be filed on our SEDAR profile at www.sedar.com on May 16, 2016.

If the resolution to approve the amendments to the stock option plan is not passed by shareholders, the amendments to the various limits outlined in the stock option plan as discussed above will not be made, however we will still make the various administrative amendments which do not require shareholder approval and the options granted under our stock option plan will continue unaffected.

Pursuant to the policies of the TSX Venture Exchange, the plan amendments relating to the limits discussed above require us to obtain shareholder approval. At the meeting, shareholders will be asked to consider, and if thought appropriate, pass the following resolution:

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

1. the amendments to the various limits outlined the stock option plan as further described in the information circular – proxy statement of the Corporation dated May 10, 2016 be and is hereby approved, ratified and confirmed;
2. any director or officer of the Corporation be authorized on behalf of the Corporation to make any amendments to the stock option plan as may be required by regulatory authorities, without further approval of the shareholders of the Corporation, in order to ensure regulatory approval of the stock option plan, as amended; and
3. any director or officer of the Corporation be and is hereby authorized and directed to do such things and to execute and deliver all such instruments, deeds and documents, and any amendments thereto, as may be necessary or advisable in order to give effect to the foregoing resolutions, and to complete all transactions in connection therewith."

In accordance with the policies of the TSX Venture Exchange, approval of the amendments to the stock option plan requires approval of the majority of the votes cast at the meeting, in person or by proxy, excluding shares held by insiders that hold outstanding options under the stock option plan. Such insiders currently hold 2,344,964 common voting shares, and, accordingly at the meeting those 2,344,964 common voting shares shall be excluded from voting on the foregoing resolution. Our board unanimously recommends that shareholders vote in favour of this resolution. The persons designated in the enclosed form of proxy, unless instructed otherwise, intend to vote **IN FAVOUR** of the resolution.

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 voting 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.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Our named executive officers or NEOs for the year ended December 31, 2015 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, 2015.

Compensation of our NEOs 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.

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. Following the meeting, provided the Award Plan is approved by our shareholders, our NEOs will also be eligible to participate in the Award Plan.

Our board's and the Corporate Governance and Compensation Committee's objective in setting compensation levels is that the aggregate compensation received by NEOs 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 Corporate Governance and Compensation Committee rely primarily on their own experience and knowledge. The Corporate Governance and 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 and awards granted pursuant to our compensation plans.

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 NEOs to share in corporate results in a manner that is relatively cost-effective despite the effects of treating stock options as a compensation expense for accounting purposes. The Corporate Governance and Compensation Committee provides recommendations to the board of directors with respect to stock option grants to NEOs.

Share Awards – Provided the shareholders approve the Award Plan at the meeting, our board of directors shall determine all grants of awards to NEOs. The Corporate Governance and Compensation Committee shall be tasked with providing recommendations to our board of directors with respect to specific award grants to our NEOs.

Performance Based Compensation – Additional performance bonuses and targets are established on an annual basis by our board of directors and this may include vesting triggers of option and share based awards based on various performance targets.

All compensation paid to NEOs was negotiated with such NEOs prior to their appointment as such and while such NEOs were arm's length parties of us. To date, we have not paid any salary or bonus to our executive officers located in our Calgary office, but may in the future depending on our ability to generate increased cash flows and the views of our Corporate Governance and Compensation Committee.

Summary Compensation Table

The following table sets forth information concerning the total compensation paid during the years ended December 31, 2014 and 2015 as well as the six month period ended December 31, 2013 to the NEOs.

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	2015	-	-	-	-	-	-	-
	2014	-	-	-	-	-	-	-
	2013	-	-	-	-	-	-	-
John Fair ⁽²⁾ President of PetroShale (US) Inc.	2015	250,200	166,800	-	-	-	3,500	420,500
	2014	208,800	139,200	-	-	-	2,645	350,645
	2013	99,242	66,162	-	-	-	1,150	166,554
David Rain ⁽⁵⁾ Chief Financial Officer	2015	-	-	-	-	-	-	-
	2014	-	-	-	-	-	-	-
	2013	-	-	-	149,805	-	-	149,805

Notes:

- (1) The 2013 amounts disclosed are for the six month fiscal period from July 1, 2013 to December 31, 2013. The Company changed its year end from June 30 to December 31 in 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 as 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, 2013 was \$US 1.00 = \$CDN 1.10, December 31, 2014 was \$US 1.00 = \$CDN 1.16 and for December 31, 2015 was \$US 1.00 = \$CDN 1.39.

Incentive Plan Awards

Outstanding Share-Based and Option-Based Awards

Stock Option Plan

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 voting shares. As a "fixed" plan, the aggregate number of common voting shares that may be reserved for issuance under option grants under our stock option plan may not exceed 4,400,000 less the number of common voting shares reserved under our proposed Award Plan. No options were awarded to our NEOs during the year ended December 31, 2015.

Pursuant to the stock option plan, our board determines the exercise price per common share and the number of common voting 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 or other vesting terms 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 voting 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 voting shares reserved for issuance under options granted to any one eligible person shall not exceed 5% of our issued and outstanding common voting shares in any twelve month period; (b) the aggregate number of common voting 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 voting 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 voting shares reserved for issuance under options granted to our executive officers and directors shall not exceed 10% of our issued and outstanding common voting shares. At the meeting, the shareholders will be asked to consider and to approve certain amendments to our stock option plan to base these limits on our Total Common Shares as opposed to only our issued and outstanding common voting shares and to revise such limits to be congruent with our proposed Award Plan. See "*Matters to be Acted upon at the Meeting – Approval of Amendments to Stock Option Plan*" above for a discussion on the proposed amendments.

In the event of any change of control (as defined in the stock option plan), all unexercised and unvested outstanding options granted under the stock option plan vest and become immediately exercisable, subject to the provisions of any stock option agreement. 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 voting 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 align 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.

Share Award Plan

At the meeting, our shareholders will be asked to consider and to approve our Award Plan. See "*Matters to be Acted upon at the Meeting – Approval of Share Award Plan*" for a discussion of the relevant terms of the Award Plan. No share-based awards have been granted to our NEOs during the year ended December 31, 2015 or at any time prior thereto. If the proposed Award Plan is approved at the meeting, our board may issue share-based awards to our NEOs and directors during the 2016 fiscal year.

The following table sets forth information concerning option-based awards held by our NEOs as at December 31, 2015.

Name and Principal Position	Option-Based Awards			Value of unexercised in-the-money options (\$) ⁽¹⁾
	Number of securities underlying unexercised options (#)	Option Exercise Price (\$)	Option Expiration Date	
M. Bruce Chernoff, Executive Chairman and CEO	-	-	-	-
David Rain, Chief Financial Officer	265,000	0.70	November 25, 2018	-
John Fair, President of PetroShale (US), Inc.	443,469	1.50	September 1, 2017	-

Note:

- (1) Value is calculated upon difference between the exercise price of the options and the closing price of the common voting shares on the TSX Venture Exchange on December 31, 2015 of \$0.70.

Incentive Plan Awards – Value Vested or Earned During the Year

The following table summarizes the value of options held by NEOs that vested during the year ended December 31, 2015.

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 (\$)
M. Bruce Chernoff	-	N/A	N/A
David Rain	26,500	N/A	N/A
John Fair	-	N/A	N/A

Note:

- (1) Value is calculated upon difference between the exercise price of the options and the closing price of the common voting 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 NEO (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 NEO or from a change of control of us or any subsidiary thereof or any change in such NEO's responsibilities following a change in control, where the NEO 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: (i) a balanced compensation mix between fixed and variable and between short and long-term incentives that defer award value; (ii) having a cap on short-term incentive awards; (iii) establishment of a compensation package within the range of competitive practices (peer group); and (iv) 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.

Management Contracts

Other than the 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).

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 and share-based awards 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, 2015. 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 NEOs, during the year ended December 31, 2015.

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

The following table sets forth for each of our directors, other than directors who are also NEOs, all option-based awards outstanding for the year ended December 31, 2015.

Name	Option-Based Awards			
	Number of securities underlying unexercised options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of unexercised in- the-money options ⁽¹⁾ (\$)
Brett Herman	110,868	1.50	September 1, 2017	-
	49,132	0.70	November 25, 2018	-
Jacob Roorda	110,868	1.50	September 1, 2017	-
	49,132	0.70	November 25, 2018	-
James D. Fair	221,736	1.50	September 1, 2017	-
Ken McCagherty	160,000	0.70	November 25, 2018	-

Note:

(1) Value is calculated upon difference between the exercise price of the options and the closing price of the common voting shares on the TSX Venture Exchange on December 31, 2015 of \$0.70.

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 NEOs, which vested during the year ended December 31, 2015.

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	4,913	N/A	N/A
Jacob Roorda	4,913	N/A	N/A
James D. Fair	-	N/A	N/A
Ken McCagherty	16,000	N/A	N/A

Note:

- (1) Value is calculated upon difference between the exercise price of the options and the closing price of the common voting shares on the TSX Venture Exchange on the vesting date of the option of \$1.00.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table sets out information with respect to compensation plans under which our common voting shares are authorized for issuance.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by securityholders ⁽¹⁾	2,295,205	1.16	2,104,795
Equity compensation plans not approved by securityholders ⁽²⁾	-	-	1,124,795
Total	2,295,205		

Notes:

- (1) Our stock option plan was approved by our shareholders in 2014 and is a fixed number plan. At all times we are authorized to reserve for issuance under options up to 4,400,000 common voting shares less the number of common voting shares reserved for issuance under our proposed Award Plan.
- (2) No grants have been made under the proposed Award Plan which is a fixed number plan. At all times we are authorized to reserve for issuance in settlement of awards up to 3,420,000 common voting shares less the number of common voting shares reserved for issuance under our stock option plan. The Award Plan will be put forward for approval by our shareholders at the meeting.

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.

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):

Director	Names of Other Issuers
M. Bruce Chernoff	Canoe Financial Corp. (General Partner of Canoe Financial LP, the Manager of Canoe EIT Income Fund) Maxim Power Corp., and TORC Oil & Gas Ltd.
James Fair	None
Brett Herman	TORC Oil & Gas Ltd.
Ken McCagherty	None
Jacob Roorda	Northcliff Resources Ltd. and Epsilon Energy Ltd.

Orientation and Continuing Education

While we do not currently have a formal orientation and education 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 on our SEDAR profile at www.sedar.com. It is expected that each of our officers and directors 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 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. For more information concerning our Audit Committee please see our Annual Information Form dated April 15, 2016 which is available on our website and our SEDAR profile at www.sedar.com.

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 Corporate Governance and 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.

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.

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.

The Subordinated Facility is 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 voting shares, and 100% of our outstanding common non-voting shares. Mr. Chernoff and Mr. Slawson also indirectly control an aggregate of 2 million common share purchase warrants.

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

Other than Mr. M. Bruce Chernoff and his affiliates who have an interest in the Insider Involvement 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).

ADDITIONAL INFORMATION

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

The delivery of this information circular – proxy statement has been approved by our directors.