INFORMATION CIRCULAR - PROXY STATEMENT

DATED MAY 31, 2017

www.petroshaleinc.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 31, 2017

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, July 6, 2017 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 6 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, July 6, 2017, to:

1. consider and receive our audited financial statements for the year ended December 31, 2016, together with the report of the auditors thereon;
2. fix the number of directors to be elected at the meeting at four (4) members;
3. elect four (4) 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) 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 an amendment to our restricted bonus award incentive 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 a new stock option plan, as more particularly described in the attached information circular – proxy statement;
8. consider and, if deemed advisable, to pass with or without variation, an ordinary resolution approving an advance notice by-law as more particularly described in the attached information circular – proxy statement; and
9. 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 30, 2017 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 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 TSX Trust Company, 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 31st day of May, 2017.

BY ORDER OF THE BOARD OF DIRECTORS

(signed) "*M. Bruce Chernoff*"
M. Bruce Chernoff
Executive Chairman and Chief Executive Officer

INFORMATION CIRCULAR – PROXY STATEMENT
For the Annual & Special Meeting of Shareholders
to be held on Thursday, July 6, 2017

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, July 6, 2017, 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 TSX Trust Company, 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 30, 2017 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 Depositary Trust Company, which is the United States equivalent of The CDS Clearing and Depositary 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 to whom 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 and special 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 30, 2017 there were 149,772,574 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 and based on public filings, 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 Mr. M. Bruce Chernoff who owns, controls or directs, directly or indirectly 56,628,083 common voting shares, being approximately 37.8% of the common voting shares currently issued and outstanding and Vertex One Asset Management Inc. ("**Vertex**") who owns on behalf of one or more mutual funds that it manages or other managed client accounts, 24,444,500 common voting shares, being approximately 16.3% 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 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 four members, and in favour of the election as directors of the following: M. Bruce Chernoff, 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. Mr. James Fair will be retiring from the Board and will not stand for re-election at the meeting.

It is the intention of our management designees, if named as proxy, to vote **FOR** the election of the proposed nominees to our Board 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 30, 2017.

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	56,628,083
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. Executive Vice President of Todd Energy International, 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) 44,444,500 common voting shares are held by Hawthorne Energy Ltd., a company of which Mr. Chernoff is a majority shareholder, 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

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 other than Mr. Roorda who was formerly a director of Argosy Energy Inc. ("**Argosy**") when it was cease traded for failure to file financials in April 2012.

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. 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, 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.

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

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 a short form prospectus offering of $110 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 information circular – proxy statement, we have two primary debt facilities: (i) the US$30.9 million senior facility with a Canadian Chartered Bank (the "**Senior Facility**"); and (ii) the US$80 million subordinated loan facility with two of our largest shareholders (the "**Subordinated Facility**"). As of the date hereof approximately US$1.6 million is drawn on our Senior Facility and approximately US$30.9 million is drawn on our Subordinated Facility. We completed a successful equity offering in April 2017, but we may choose to accelerate our drilling program and/or acquire additional undeveloped or producing properties. As such, dependent on market conditions and other matters, we may raise 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 information circular – proxy statement, the principal components of our capitalization and liquidity are as follows:

Senior Facility

The Senior Facility currently has a capacity of US$30.9 million and bears interest at an agreed interest rate calculated on an agreed base rate plus applicable margins. The maturity date of the Senior Facility is currently February 28, 2018. 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. The consolidated cash flow to interest expense ratio is calculated on the basis that interest expense reflects cash interest paid and excludes deferred and unpaid interest on the subordinated credit facility and other non-cash amortization expense included in the finance expense on our statements of operations.

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 3.8% of our common voting shares and 100% of our common non-voting shares. Mr. Slawson also holds 375,000 common share purchase warrants, with each warrant entitling him to acquire one common voting share at a price of $0.75 until May 10, 2018. 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.

Share Capital

As at the date hereof there are 149,772,574 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 56,628,083 common voting shares being approximately 37.8% of the common voting shares currently issued and outstanding. In addition, Mr. Chernoff holds 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

As noted above, we may conduct an equity raise by way of private placement or public offering, in each case before our next annual meeting of shareholders. 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 may participate in any equity financing we may conduct (the "**Insider Involvement**") for up to an amount necessary to maintain his then non-diluted percentage ownership of common voting shares (currently approximately 37.8%).

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 may 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 may be issued to Mr. M. Bruce Chernoff, or his respective affiliates, and accordingly may result in significant dilution to our then existing shareholders (other than Mr. M. Bruce Chernoff and his affiliates), while Mr. M. Bruce Chernoff may maintain his respective percentage ownership position in our common voting shares and may not suffer the same level of dilution as other shareholders (or at all). 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 at 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. In the event such a transaction was proposed, we would anticipate we would rely on Section 5.5(b) of MI 61-101, which 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 anticipate, in the event of proceeding with an equity financing involving Insider Involvement, we would be able to rely upon this exemption.

As of the date of this information circular – proxy statement, 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 56,628,083 common voting shares, representing approximately 37.8% of our issued and outstanding common voting shares will be excluded for the purposes of determining approval of the Insider Involvement.

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. **Although we may conduct an equity financing in the near future, as of the date hereof, no terms of any financing are being contemplated, no financing transaction is being negotiated or agreed to by our Board and no financing arrangement has been 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 information circular – proxy statement dated May 31, 2017, 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 Amendments to Restricted Bonus Award Incentive Plan

At the meeting, shareholders will be asked to vote on an ordinary resolution to approve an amendment to our restricted bonus award incentive plan (the "**Share Award Plan**") to increase the number of common voting shares reserved that are available to be issued from time to time pursuant to outstanding bonus awards from 3,420,000 common voting shares to 15,600,000 common voting shares. A copy of the Share Award Plan is attached to this information circular – proxy statement as Schedule A.

The following is a summary of the amendment:

Existing Limit	Amendment
The number of common voting shares reserved that are available to be issued from time to time pursuant to outstanding bonus awards granted and outstanding under the Share Award Plan shall not exceed 3,420,000 common voting shares less the aggregate number of common voting shares reserved for issuance from time to time under the stock option plan.	The number of common voting shares reserved that are available to be issued from time to time pursuant to outstanding bonus awards granted and outstanding under the Share Award Plan shall not exceed 15,600,000 common voting shares less the aggregate number of common voting shares reserved for issuance from time to time under the stock option plan.

As a result of our recent financing initiatives that were completed in April 2017, the aggregate number of issued and outstanding common voting shares and common non-voting shares increased from approximately 34.2 million shares to approximately 156.4 million shares. Upon implementation in 2016, the number of common voting shares that were reserved for issuance under our Share Award Plan (being 3,420,000 common voting shares) was made with reference to the then number of issued and outstanding common voting shares and common non-voting shares. As such, based on the increase in the number of shares that are currently issued and outstanding, we are

seeking shareholder approval to increase the number of common voting shares that are available to be issued from time to time pursuant to bonus awards granted under the Share Award Plan.

In addition to the amendment discussed above, our Board has approved various administrative amendments to the Share Award Plan as a result of the above noted amendments. All amendments to the Share Award 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 amendment to our Share Award Plan. Accordingly, at the meeting, shareholders will be asked to vote on an ordinary resolution to approve the amendment to our Share Award Plan.

If the resolution to approve the amendment to the Share Award Plan is not passed by shareholders, the amendments to the limit outlined in the Share Award Plan as discussed above will not be made.

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 amendment to the limit outlined in the restricted bonus award incentive plan, in the form attached as Schedule A and as further described in the information circular – proxy statement of the Corporation dated May 31, 2017 be and is hereby approved, ratified and confirmed;
>
> 3. any director or officer of the Corporation be authorized on behalf of the Corporation to make any amendments to the restricted bonus award incentive 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 restricted bonus award incentive plan, as amended; and
>
> 4. 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 Share Award Plan requires approval of the majority of the votes cast at the meeting, in person or by proxy. The persons designated in the enclosed form of proxy, unless instructed otherwise, intend to vote **IN FAVOUR** of the above noted resolution.

Approval of New Stock Option Plan

At the meeting, shareholders will be asked to consider and approve a new stock option plan (the "**New Option Plan**"). The New Option Plan was approved by our Board on May 24, 2017 and provides for, among other things, a rolling option plan whereby the number of common voting shares that may be reserved for issuance under the New Option Plan cannot exceed 10% of the aggregate number of outstanding shares (from time to time). A copy of the New Option Plan is attached to this information circular – proxy statement as Schedule B. The summary provided below is qualified in its entirety to the full text of the New Option Plan. Capitalized terms used in this section of the information circular – proxy statement and not otherwise defined herein are defined in the New Option Plan.

The purpose of the New Option Plan is to promote a proprietary interest in the corporation and greater alignment of interest between our directors, officers, employees, consultants and Service Providers and our shareholders. The New Option Plan is administered by our Board, which may delegate its authority to a committee of our Board.

The New Option Plan provides that our Board may from time to time, in its discretion, grant to our directors, officers, employees, consultants, Service Providers and those of our subsidiaries, options to purchase our common voting shares. Options are not transferable or assignable except in accordance with the New Option Plan and the holding of Options does not entitle the holder thereof to any rights as a shareholder.

Our Board will set the terms of the Options granted under the New Option Plan provided that such term does not exceed a maximum term of ten (10) years. Our Board will set the time during which Options shall vest and the method of vesting, provided that Options issued to persons retained to provide Investor Relations Activities must vest in stages over a period of not less than 12 months with no more than a quarter of the Options vesting in any three month period. The exercise price of the Options shall not be less than the closing price of our common voting shares on the TSX Venture Exchange on the trading day immediately preceding the date of grant of Options.

In addition to the typical exercise method of issuing our common voting shares to the Option holder in exchange for the payment of the exercise price of the Option, the New Option Plan allows (provided our common voting shares are not then listed on the TSX Venture Exchange) for a cashless exercise whereby Options may be exchanged for the issuance of common voting shares equal to the number determined by dividing the Market Price on the date of exercise into the difference between the Market Price and the exercise price of such Options. Additionally, provided our common voting shares are not then listed on the TSX Venture Exchange, any Option holder may make an offer to us, at any time, for the disposition and surrender by the same to us (and the termination thereof) of any of the Options granted under the New Option Plan for an amount not to exceed Market Price (as of the date of the exercise) less the exercise price of the Options and we have the sole discretion as to whether to accept such offer.

Under the New Option Plan, Options may be granted in respect of common voting shares provided that the aggregate number of common voting shares reserved for issuance at any time under the New Option Plan does not exceed 10% of the aggregate number of Outstanding Securities (being the aggregate number of common voting shares and common non-voting shares outstanding). Additionally, the New Option Plan limits Insider participation such that in aggregate, no more than 10% of the Outstanding Securities may be reserved at any time for Insiders under the New Option Plan, together with all of our other Security Based Compensation Arrangements (which includes the New Option Plan and the Share Award Plan as described elsewhere in this information circular – proxy statement). Further, the number of securities we issue to Insiders within any twelve month period under all of our Security Based Compensation Arrangements (including the New Option Plan) cannot exceed 10% of the Outstanding Securities.

Subject to the policies of the TSX Venture Exchange (or such other stock exchange on which our common voting shares may then be listed), the New Option Plan prescribes various limits to the number of common voting shares that can be reserved for issuance for specific grants made under the New 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; and (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.

Our Board has discretion to make amendments to the New Option Plan which it may deem necessary, without having to obtain shareholder approval provided that in all cases it does not make any of the following amendments without first obtaining approval of the shareholders: (i) increase the percentage of the issued and outstanding common voting shares that are available to be issued pursuant to granted and outstanding Options at any time pursuant to the limit described above; (ii) reduce the exercise price of any outstanding Options granted to Insiders; (iii) extend the expiry date of any outstanding option granted to an Insider; (iv) increase the number of common voting shares that may be issued to any one person or to an Insider above the restrictions contained in the New Option Plan; (v) permit the transfer or assignment of Options except in the case of death of an Option holder; or (vi) amend the amendment provisions of the New Option Plan.

Under the New Option Plan, in case of an Optionee's death, the Optionee's personal or legal representative may within twelve months from the date of death and prior to the expiry time of the Options, exercise Options which were vested prior to death after which time any remaining Options shall terminate. In addition, if an Optionee ceases to be a director, officer, employee or be providing ongoing management or consulting services (other than as a result of death), and the date on which the Optionee ceases to be a director, officer, employee or be providing ongoing management or consulting services is prior to the expiry date of the Option, all Options held by the Optionee which have vested as of the Termination Date shall be forfeited by the Optionee effective on the earlier of: (a) the expiry date; and (b) the date that is 90 days from the Termination Date, and all Options which have not vested as of the Termination Date shall be terminated.

Our current option plan (the "**Old Option Plan**") was established at a time when we were a smaller company and provided for a fixed number of common voting shares issuable upon exercise of Options rather than the proposed New Option Plan which provides for a rolling number of common voting shares issuable upon exercise of Options. All Options currently outstanding under the Old Option Plan will remain outstanding and, subject to the approval of the New Option Plan, will be governed by the New Option Plan.

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

> "**BE IT RESOLVED**, as an ordinary resolution of the shareholders of PetroShale Inc. (the "**Corporation**") that:
>
> 1. the new stock option plan, in the form attached as Schedule B and as described under the heading "*Matters to be Acted Upon at the Meeting – Approval of New Stock Option Plan*" in the information circular – proxy statement of the Corporation dated May 31, 2017, is hereby approved and confirmed;
>
> 2. 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; and
>
> 3. notwithstanding that this resolution has been passed by the shareholders of the Corporation, the directors of the Corporation are hereby authorized and empowered to revoke this resolution, without any further approval of the shareholders of the Corporation, at any time if such revocation is considered necessary or desirable by the directors."

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 New Option Plan unless a shareholder specifies otherwise in the proxy.

Approval of Advance Notice By-Law

Background

On May 24, 2017, our Board approved the adoption of a By-law regarding advance notice of nominations of directors of the Corporation (the "**Advance Notice By-Law**"). A copy of the Advance Notice By-Law is attached to this information circular – proxy statement as Schedule C and is available for review on our SEDAR profile at www.sedar.com.

Purpose of the Advance Notice By-Law

The purpose of the Advance Notice By-Law is to provide our shareholders, the Board and management with a clear framework for nominating directors to help ensure orderly business at shareholder meetings. Among other things, the Advance Notice By-Law fixes a deadline by which shareholders must submit director nominations to the corporation prior to any annual or special meeting of shareholders. It also specifies the information that a nominating shareholder must include in the notice to the corporation for the notice to be in proper written form in order for any director nominee to be eligible for election at any annual or special meeting of shareholders of the corporation.

Summary of Terms of the Advance Notice By-Law

The Advance Notice By-Law provides that advance notice to the corporation must be made in circumstances where nominations of persons for election to the Board are made by shareholders pursuant to: (a) a "proposal" made in accordance with the *Business Corporations Act* (Alberta) (the "**ABCA**"); or (b) a requisition of a meeting made pursuant to the ABCA; and (c) by any person (a "**Nominating Shareholder**") who: (i) at the close of business on the date of the giving by the Nominating Shareholder of the notice provided for in the Advance Notice By-Law and at the close of business on the record date for notice of such meeting, is entered in our securities register as a holder of one or more common voting shares carrying the right to vote at such meeting or who beneficially owns common voting shares that are entitled to be voted at such meeting and provides us with evidence of such beneficial ownership; and (ii) complies with the notice procedures set forth in the Advance Notice By-Law.

The Advance Notice By-Law fixes a deadline by which holders of common voting shares must submit director nominations to our Corporate Secretary prior to any annual or special meeting of shareholders of the corporation and outlines the specific information that a Nominating Shareholder must include in the written notice to our Corporate Secretary for an effective nomination to occur. No person nominated by a shareholder will be eligible for election as a director unless nominated in accordance with the provisions of the Advance Notice By-Law.

In the case of an annual meeting of shareholders, notice to our Corporate Secretary must be made not less than 30 days and not more than 65 days prior to the date of the annual meeting; provided, however, that in the event that the annual meeting is to be held on a date that is less than 50 days after the date on which the first public announcement of the date of the annual meeting was made, notice may be made not later than the close of business on the 10th day following such public announcement. In the case of a special meeting of shareholders (which is not also an annual meeting) called for the purpose of electing directors (whether or not called for other purposes), notice to the corporation must be made not later than the close of business on the 15th day following the day on which the first public announcement of the date of the special meeting was made.

Our Board may, in its sole discretion, waive any requirement of the Advance Notice By-Law.

Confirmation and Approval of Advance Notice By-Law by Shareholders

In accordance with the ABCA, the Advance Notice By-Law is in effect until it is confirmed, confirmed as amended or rejected by shareholders at the meeting, and if confirmed or confirmed as amended, the Advance Notice By-Law will continue in effect in the form in which it is so confirmed. If shareholders reject the confirmation of the Advance Notice By-Law at the meeting, it will thereafter cease to have effect. For greater certainty, our existing by-laws are not impacted by the Advance Notice By-Law and will continue in effect, unamended.

At the meeting, shareholders will be asked to consider and, if thought advisable, approve the following ordinary resolution in respect of the adoption of the Advance Notice By-Law (the "**Advance Notice By-Law Resolution**"):

> "**BE IT RESOLVED**, as an ordinary resolution of the shareholders of PetroShale Inc. (the "**Corporation**") that:
>
> 1. the Advance Notice By-Law regarding advance notice of nominations of directors of the Corporation, in the form attached as Schedule C and as described under the heading "*Matters to be Acted Upon at the Meeting – Approval of Advance Notice By-Law*" in the information circular – proxy statement of the Corporation dated May 31, 2017, is hereby ratified, adopted and confirmed as a by-law of the Corporation;
>
> 2. notwithstanding that this resolution has been passed by the holders of common voting shares, the Board is hereby authorized and empowered, to revoke these resolutions, without any further approval of the shareholders, at any time if such revocation is considered necessary or desirable by the Directors; and
>
> 3. any director or senior officer of the Corporation is hereby authorized and directed, for and on behalf of the Corporation, to execute (whether under the corporate seal of the Corporation or otherwise) and deliver, or cause to be executed and delivered, and to sign and/or file, or cause to be signed and/or filed, as the case may be, all applications, declarations, instruments and other documents, and to do or cause to be done all such other acts and things, as such director or officer may determine necessary or advisable to give effect to the foregoing resolutions including, without limitation, the execution, signing or filing of any such document or the doing of any such act or thing being conclusive evidence of such determination."

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 Advance Notice By-Law Resolution unless a shareholder specifies otherwise in the proxy.

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 and special 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, 2016 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, 2016.

Compensation of our named executive officers is reviewed annually by our Corporate Governance and Compensation Committee and is subsequently approved by our Board based on the recommendation of the Corporate Governance and Compensation Committee in accordance with our Corporate Governance and Compensation Committee Charter. 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 National Instrument 58-

101 – *Disclosure of Corporate Governance Practices* ("**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. 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 may also participate in our stock option plan and our Share 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 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 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 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 and market capitalization.
>
> ***Options*** – Pursuant to the stock option plan, our Board, 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 for accounting purposes. The Corporate Governance and Compensation Committee provides recommendations to our Board with respect to stock option grants to NEOs.
>
> ***Share Awards*** – Pursuant to the Share Award Plan, our Board, at its discretion, determines all grants of awards to NEOs. The Corporate Governance and Compensation Committee provides recommendations to our Board 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 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 named executive officers prior to their appointment as such and while such named executive officers 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, 2015 and 2016 to the named executive officers.

Name and principal position	Year	Salary ($)	Non-equity incentive plan compensation ($)		Option-based awards [2] ($)	Share-based awards ($)	All other compensation ($)	Total compensation ($)
			Annual incentive plans	Long-term incentive plans				
M. Bruce Chernoff	2016	-	-	-	-	-	-	-
Executive Chairman	2015	-	-	-	-	-	-	-
and Chief Executive	2014	-	-	-	-	-	-	-
Officer								
John Fair[1]	2016	241,200	160,800	-	274,550	-	3,500	680,050
President of	2015	250,200	166,800	-	-	-	3,500	420,500
PetroShale (US) Inc.	2014	208,800	139,200	-	-	-	2,645	350,645
David Rain	2016	-	-	-	27,455	-	-	27,455
Chief Financial	2015	-	-	-	-	-	-	-
Officer	2014	-	-	-	-	-	-	-

Notes:

(1) 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.

(2) 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 0.64% per annum, a weighted average expected life of 5 years, expected weighted average volatility of 110%, an expected weighted average dividend yield of nil and a weighted average forfeiture rate of 10%.

(3) 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 $US 1.00 = $CDN 1.16, December 31, 2015 was $US 1.00 = $CDN 1.39 and December 31, 2016 was $US 1.00 = $CDN 1.34.

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 stock 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 existing stock option plan may not exceed 4,400,000 less the number of common voting shares reserved under our Share Award Plan. During the year ended December 31, 2016, 500,000 and 50,000 options were awarded to Mr. Fair and Mr. Rain, respectively.

Pursuant to the stock option plan, our Board determines the exercise price per common voting 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 voting 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 stock 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.

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.

At the meeting, shareholders will be asked to consider, and if deemed advisable approve, the New Option Plan as described under "*Matters to be Acted Upon at the Meeting – Approval of New Stock Option Plan*".

Restricted Bonus Award Incentive Plan

Our Share Award Plan was approved by the shareholders on June 16, 2016. No share-based awards have been granted to our named executive officers during the year ended December 31, 2016.

The purpose of the Share 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 Share 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 of a notional number of common voting shares.

The number of common voting shares reserved that are available to be issued from time to time pursuant to bonus awards granted under the Share 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. At the meeting, the shareholders will be asked to consider and to approve certain amendments to our Share Award Plan to increase the number of common voting shares reserved from 3,420,000 common voting shares to 15,600,000 common voting shares. See "*Matters to be Acted upon at the Meeting – Approval of Amendments to Restricted Bonus Award Incentive Plan*" above for a discussion on the amendments.

The number of common voting shares issuable pursuant to the Share 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 Share 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 Share 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 Share 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 Share 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 Share Award Plan or bonus awards granted thereunder at any time without shareholder approval, provided any amendment to the Share 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 Share Award Plan or bonus awards granted pursuant to the Share 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 Share Award Plan.

The following table sets forth information concerning option-based awards held by our named executive officers as at December 31, 2016.

	Option-Based Awards			
Name and Principal Position	Number of securities underlying unexercised options (#)	Option Exercise Price ($)	Option Expiration Date	Value of unexercised in-the-money options ($) [1]
M. Bruce Chernoff, Executive Chairman and CEO	Nil	-	-	-
David Rain, Chief Financial Officer	265,000	0.70	November 22, 2018	-
	50,000	0.70	July 20, 2021	
John Fair, President of PetroShale (US), Inc.	500,000	0.70	July 20, 2021	-

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 30, 2016 of $0.56.

No share-based awards have been granted to our named executive officers as at December 31, 2016.

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 year ended December 31, 2016.

Name	Option-Based Awards – Value Vested During the Period ($)	Share-Based Awards – Value Vested During the Period ($) [2]	Non-equity Incentive Plan Compensation – Value Vested During the Period ($)
M. Bruce Chernoff	-	-	-
David Rain	-	-	-
John Fair	-	-	-

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 Corporate Governance and 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 Corporate Governance and 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 consulting agreement with Mr. Fair as described in footnote (1) to the summary compensation table above, 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 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, 2016. 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 year ended December 31, 2016.

Name	Fees Earned ($)	Option-Based Awards ($)[1]	Non-equity Incentive Plan Compensation ($)	Pension Value ($)	All Other Compensation ($)	Total ($)
Brett Herman	-	27,455	-	-	-	27,455
Jacob Roorda	-	27,455	-	-	-	27,455
James D. Fair	-	-	-	-	-	-
Ken McCagherty	-	10,982	-	-	-	10,982

Note:

(1) 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 0.64% per annum, a weighted average expected life of 5 years, expected weighted average volatility of 110%, an expected weighted average dividend yield of nil and a weighted average forfeiture rate of 10%.

(2) 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 $US 1.00 = $CDN 1.16, December 31, 2015 was $US 1.00 = $CDN 1.39 and December 31, 2016 was $US 1.00 = $CDN 1.34.

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 year ended December 31, 2016.

	Option-Based Awards			
Name	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 22, 2018	-
	50,000	0.70	July 20, 2021	
Jacob Roorda	110,868	1.50	September 1, 2017	-
	49,132	0.70	November 22, 2018	-
	50,000	0.70	July 20, 2021	
James D. Fair	221,736	1.50	September 1, 2017	-
Ken McCagherty	160,000	0.70	November 22, 2018	-
	20,000	0.70	July 20, 2021	

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 30, 2016 of $0.56.

No share-based awards have been granted to our directors.

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 year ended December 31, 2016.

Name	Option-Based Awards – Value Vested During the Period ($)	Share-Based Awards – Value Vested During the Period ($)	Non-equity Incentive Plan Compensation – Value Vested During the Period ($)
Brett Herman	-	-	-
Jacob Roorda	-	-	-
James D. Fair	-	-	-
Ken McCagherty	-	-	-

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[3] (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			
Old Option Plan[1][2]	2,736,736	0.83	1,663,264
Share Award Plan[3][4]	-	N/A	3,420,000
Equity compensation plans not approved by securityholders	-	-	-
Total	2,736,736	-	5,083,264

Notes:

(1) Our Old 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 Share Award Plan.

(2) Our New Option Plan (if approved) will allow for Options to be granted, provided that the aggregate number of common voting shares reserved for issuance under the New Option Plan does not exceed 10% of the aggregate number issued and outstanding common voting shares and common non-voting shares. The New Option Plan will be put forward for approval by our shareholders at the meeting.

(3) 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.

(4) If amendments to the Share Award Plan are approved, we will be authorized to reserve for issuance in settlement of awards up to 15,600,000 common voting shares less the number of common voting shares reserved for issuance under our stock option plan.

CORPORATE GOVERNANCE DISCLOSURE

Effective June 30, 2005, as amended effective December 31, 2007 and March 17, 2008, 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 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 fiscal 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 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 on our SEDAR profile 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 ABCA, 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 28, 2017 which is available on our website and our SEDAR profile at www.sedar.com.

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.

Currently, we have a $US80 million revolving subordinated credit facility provided by entities beneficially owned or controlled by Mr. M. Bruce Chernoff and Mr. Todd Slawson. As of the date hereof, Mr. Chernoff holds directly or indirectly 56.6 million common voting shares, representing approximately 37.8% of our common voting shares and Mr. Slawson owns directly or indirectly approximately 3.8% of our common voting shares and directly or indirectly owns, controls or directs 100% of our common non-voting shares. Mr. Slawson also owns an aggregate of 375,000 warrants and Mr. Chernoff (indirectly through an entity beneficially owned or controlled by Mr. Chernoff) owns an aggregate of 1,625,000 warrants, each warrant entitling the holder to purchase an equivalent number of common voting shares at a price of $0.75 per share for a period of 2 years from May 10, 2016.

In connection with our equity offering completed on April 11, 2017, Mr. Chernoff acquired, indirectly through an entity directed by him, an aggregate of 44,444,500 common voting shares. The participation by Mr. Chernoff in the offering was considered to be a "related party transaction" (as defined under MI 61-101), however was exempt from the formal valuation and minority shareholder approval requirements under MI 61-101 as a result of

available exemptions thereunder. Certain of the net proceeds of the offering were used to partially repay outstanding amounts owing under our subordinated revolving credit facility.

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 and the approvals and amendments to our equity-based compensation plans as described 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.

Schedule A

2016 Restricted Bonus Award Incentive Plan

The Board of Directors of PetroShale Inc. ("**PetroShale**") has adopted this restricted bonus award incentive plan (the "**Plan**") governing the issuance of Bonus Awards (as defined herein) of PetroShale to Service Providers (as defined herein).

1. Purposes

The principal purposes of the Plan are as follows:

(a) to retain and attract qualified Service Providers that PetroShale and the PetroShale Entities require; and

(b) to promote a proprietary interest in PetroShale by such Service Providers and to encourage such persons to remain in the employ or service of PetroShale and the PetroShale Entities and put forth maximum efforts for the success of the affairs of PetroShale and the business of the PetroShale Entities.

2. Definitions

As used in this Plan, the following words and phrases shall have the meanings indicated:

(a) "**Award Value**" means, with respect to any Bonus Award, an amount equal to the value of a notional number of Common Shares granted pursuant to such Bonus Award multiplied by the Fair Market Value of a Common Share;

(b) "**Board**" has the meaning set forth in **Section 3** hereof;

(c) "**Bonus Award**" means an award whose Award Value is computed by reference to equal a notional number of Common Shares made pursuant to the Plan, for which payment shall be made on the Payment Date(s) in accordance with the terms of **Section 6** hereof;

(d) "**Bonus Award Agreement**" has the meaning set forth in **Section 6** hereof;

(e) "**Business Day**" means a day other than a Saturday, Sunday or a day when banks in the City of Calgary, Alberta are not generally open for business;

(f) "**Cessation Date**" means the date that is the earlier of:

(i) the date the Grantee ceases to be a Service Provider actively engaged in carrying out regular and normal duties for PetroShale or a PetroShale Entity; or

(ii) the date of termination of any contractual agreement between PetroShale or a PetroShale Entity and a Service Provider; or

(iii) the date the Grantee has been provided with written notice of termination referred to in (ii) above; or

(iv) in the case of a director, the date of resignation of that director; or

(v) the date of the of the Service Provider's death or disability, as the case may be.

For greater certainty, a transfer of employment or services between PetroShale and a PetroShale Entity or between PetroShale Entities shall not be considered an interruption or termination of the active employment of an employee or the active provision of regular and normal duties of a Service Provider for

any purpose of the Plan;

(g) "**Change of Control**" means:

(i) a successful "take-over bid" as defined in Multilateral Instrument 62-104 or any replacement or successor provisions ("**MI 62-104**"), which is not exempt from the take-over bid requirements of MI 62-104, pursuant to which the "offeror" as a result of such take-over bid, beneficially owns, directly or indirectly, in excess of 50% of the outstanding Total Common Shares;

(ii) the issuance to or acquisition by any person, or group of persons acting in concert, directly, or indirectly, including through an arrangement, merger or other form of reorganization of PetroShale, of Common Shares of PetroShale which in the aggregate total 50% or more of the then issued and outstanding Total Common Shares;

(iii) the winding up or termination of PetroShale or the sale, lease or transfer of all or substantially all of the directly or indirectly held assets of PetroShale to any other person or persons (other than pursuant to an internal reorganization or in circumstances where the business of PetroShale is continued,

provided that notwithstanding the application of any of the foregoing, a "**Change of Control**" shall be deemed to not have occurred:

(iv) pursuant to an arrangement, merger or other form of reorganization of PetroShale where the holders of the outstanding voting securities or interests of PetroShale immediately prior to the completion of the reorganization will hold more than 50% of the outstanding voting securities or interests of the continuing entity upon completion of the reorganization;

(v) if pursuant to the issuance to or acquisition by any person, or group of persons acting in concert, directly or indirectly of Common Shares of PetroShale which in the aggregate total 50% or more of the then issued and outstanding Total Common Shares but which issuance does not result in a change to the majority composition of the Board; or

(vi) if a majority of the Board determines that in substance an arrangement, merger or reorganization has not occurred or the circumstances are such that a Change of Control should be deemed to not have occurred and any such determination shall be binding and conclusive for all purposes of the Plan;

(h) "**Common Shares**" means common voting shares of PetroShale;

(i) "**disability**" means:

(i) a Service Provider who has been placed on long term disability under PetroShale's long term disability plan or, if such Service Provider is not covered by PetroShale's long term disability plan, would meet the requirements to be placed on long term disability under PetroShale's long term disability plan if covered; and

(ii) PetroShale has not made a determination to designate the Service Provider's status as being on a Leave of Absence;

(j) "**Exchange**" means the TSX Venture Exchange or, if the Common Shares are not then listed and posted for trading on the TSX Venture Exchange, on such stock exchange in Canada on which such shares are listed and posted for trading as may be selected for such purpose by the Board;

(k) "**Expiry Date**" means, in connection with each Bonus Award made pursuant to the Plan, December 15th of the third year following the year in which the Bonus Award was granted;

(l) "**Fair Market Value**" with respect to a Common Share, as at any date means the last closing price of the Common Shares on the Exchange. In the event that the Common Shares are not listed and posted for trading on any stock exchange, the Fair Market Value shall be the fair market value of the Common Shares as determined by the Board in its sole discretion, acting reasonably and in good faith. If initially determined in Canadian dollars, the Fair Market Value may be converted into United States dollars at an exchange rate selected and calculated in the manner determined by the Board from time to time acting reasonably and in good faith;

(m) "**Grant Date**" means the grant date for a Bonus Award;

(n) "**Grantee**" has the meaning set forth in **Section 4** hereof;

(o) "**Insider**" has the meaning set forth in the applicable rules of the Exchange for this purpose;

(p) "**Leave of Absence**" means a period of time designated as a "leave of absence" by the Board which is in excess of three (3) months;

(q) "**Leave Expiration Term**" means ten (10) Business Days from the date that any Leave of Absence ends;

(r) "**Other Incentive Plan**" means PetroShale's stock option plan in effect from time to time;

(s) "**Payment Date**" means, with respect to any Bonus Award, the date upon which PetroShale shall pay to the Grantee the Award Value to which the Grantee is entitled pursuant to such Bonus Award in accordance with the terms hereof;

(t) "**PetroShale Entities**" means, collectively, any of PetroShale's subsidiaries, partnerships or other controlled entities, from time to time;

(u) "**Service Provider**" means certain directors, officers, consultants, employees and other service providers, as applicable of PetroShale and any PetroShale Entities but does not include any persons retained by PetroShale to provide investor relations activities (as such term is defined by the Exchange);

(v) "**Shareholder**" means a holder of Common Shares; and

(w) "**Total Common Shares**" means the aggregate number of issued and outstanding Common Shares (including Common Shares issuable upon exchange of non-voting common shares of PetroShale and other fully paid securities of PetroShale or the PetroShale Entities exchangeable into Common Shares).

3. Administration

(a) The Plan shall be administered by the Board of Directors of PetroShale (the "**Board**") or such committee of the Board as the Board considers appropriate, provided that the Board shall have the authority in its sole discretion to administer the Plan and to exercise all the powers and authorities either specifically granted to it under the Plan or necessary or advisable in the administration of the Plan subject to and not inconsistent with the express provisions of this Plan and of **Section 9** hereof.

(b) For greater certainty and without limiting the discretion conferred on the Board pursuant to this **Section 3**, the Board's decision to approve the grant of a Bonus Award to any Service Provider in any period shall not require the Board to approve the grant of a Bonus Award to any Service Provider in any other period; nor shall the Board's decision with respect to the size or terms and conditions of a Bonus Award in any period require it to approve the grant of a Bonus Award of the same or similar size or with the same or similar terms and conditions to any Service Provider in any other period, nor shall the Board's decision with respect to the form of payment of a Bonus Award require it to pay any other Bonus Awards in the same manner or entitle a Service Provider to be paid in a particular form. The Board shall not be precluded from approving the grant of a Bonus Award to any Service Provider solely because such Service

Provider may previously have been granted a Bonus Award under this Plan or any other similar compensation arrangement of PetroShale or a PetroShale Entity. No Service Provider has any claim or right to be granted a Bonus Award.

(c) The Board may delegate to one or more of its members or to one or more agents such administrative duties as it may deem advisable, and the Board or any person to whom it has delegated duties as aforesaid may employ one or more persons to render advice with respect to any responsibility the Board or such person may have under the Plan.

4. Eligibility and Award Determination

(a) In the event that the Common Shares of the Corporation are listed on the Exchange, any grant of Bonus Awards under the Plan after such date shall be subject to the following restrictions:

(i) the aggregate number of Common Shares that could be issued pursuant to Bonus Awards that have been granted to any single holder in any 12 month period shall not exceed 1% of the Total Common Shares.

(ii) the aggregate number of Common Shares that could be issued pursuant to Bonus Awards that have been granted to Insiders in the aggregate in any 12 month period shall not exceed 2% of the Total Common Shares.

(iii) Bonus Awards may be granted in excess of the limits set forth in this **Section 4** provided that prior to the receipt of the approval required in **Section 9** such Bonus Awards may not be paid until such approval has been received.

(b) In determining the Service Providers to whom Bonus Awards may be granted ("**Grantees**") and the number of Common Shares to be referred to in respect of each Bonus Award, the Board may take into account such factors as it shall determine in its sole discretion. No Service Provider shall have any rights to be granted Bonus Awards hereunder, except as may be specifically granted by the Board

(c) For purposes of the calculations in this section, it shall be assumed that all issued and outstanding Bonus Awards are to be paid by the issuance of Common Shares from treasury, notwithstanding PetroShale's right pursuant to **Section 6** hereof to settle the Award Value underlying Bonus Awards in cash or by purchasing Common Shares on the open market.

5. Reservation of Common Shares

(a) The number of Common Shares reserved that are available to be issued from time to time pursuant to outstanding Bonus Awards granted and outstanding under the Plan shall not exceed 15,600,000 Common Shares less the aggregate number of Common Shares reserved for issuance from time to time under the Other Incentive Plan.

(b) If any Bonus Award granted under this Plan shall expire, terminate or be cancelled for any reason without payment, any Common Shares that were reserved hereunder shall be available for the purposes of the granting of further Bonus Awards under this Plan.

(c) Once the Award Value of a Bonus Award is settled by PetroShale in accordance with this Plan, the Common Shares reserved for issuance under such settled Bonus Award (whether the Bonus Award is settled in cash, Common Shares purchased on the market or Common Shares from treasury) shall not be available for the purposes of further Bonus Awards under the Plan.

(d) Bonus Awards may be granted in excess of the limits set forth in this **Section 5** provided that prior to the receipt of shareholder approval as set out in **Section 9** such Bonus Awards may not be paid until such approval has been received.

(e) For purposes of the calculations in this section, it shall be assumed that all issued and outstanding Bonus Awards are to be paid by the issuance of Common Shares from treasury, notwithstanding PetroShale's right pursuant to **Section 6** hereof to settle the Award Value underlying Bonus Awards in cash or by purchasing Common Shares on the open market.

6. Terms and Conditions of Bonus Awards

Each Bonus Award granted under the Plan shall be subject to the terms and conditions of the Plan and evidenced by a written agreement between PetroShale and the Grantee (a "**Bonus Award Agreement**") which agreement shall comply with, and in the event that the Common Shares of the Corporation are listed on the Exchange, shall comply with, and be subject to, the requirements of the Exchange and the following terms and conditions (and with such other terms and conditions as the Board, in its sole discretion, shall establish):

(a) ***Payment Dates of Bonus Awards –*** The Payment Dates in respect of Bonus Awards issued pursuant to the Plan shall be as determined by the Board in its sole discretion and, for greater certainty, the Board may in its sole discretion impose such conditions to the determination of the Payment Date(s) in respect of payment pursuant to any Bonus Award as it sees prudent, provided however, that:

(A) if a Grantee is on a Leave of Absence before any of the Payment Dates referred to in paragraphs (i), (ii) and (iii) above, such Payment Date or Payment Dates shall be extended by that portion of the duration of the period of the Leave of Absence that is in excess of three (3) months;

(B) the Board may, in its sole discretion, determine that conditions to the Payment of any Award Value have not been met and can accelerate the expiry date of any Bonus Award; and

(C) notwithstanding any other provision of this Plan, the Board may, in its sole discretion, determine that a Bonus Award is payable in relation to all or a percentage of the Award Value covered thereby for all or any Bonus Awards at any time and from time to time.

(b) ***Expiry Dates of Bonus Awards –*** Notwithstanding any other provision hereof, no Payment Date in respect of a Bonus Award may occur after the Expiry Date of such Bonus Award, and in the event that a Payment Date would occur after the Expiry Date, the Payment Date in respect of such Bonus Award shall be on the Expiry Date of such Bonus Award;

(c) ***Payment in Respect of Bonus Awards*** - On the Payment Date, PetroShale, at its sole and absolute discretion, shall have the option of settling the Award Value payable in respect of a Bonus Award by any of the following methods or by a combination of such methods:

(i) payment in cash;

(ii) in the event that the Common Shares of the Corporation are listed on the Exchange, payment in Common Shares acquired by PetroShale on the Exchange; or

(iii) payment in Common Shares issued from the treasury of PetroShale.

(d) PetroShale shall not determine whether the payment method shall take the form of cash or Common Shares until the Payment Date, or some reasonable time prior thereto. A holder of a Bonus Award shall not have any right to demand, be paid in, or receive Common Shares in respect of the Award Value underlying a Bonus Award, at any time. Notwithstanding any election by PetroShale to settle any Award Value, or portion thereof, in Common Shares, PetroShale reserves the right to change its election in respect thereof at any time up until payment is actually made, and the holder of such Bonus Award shall not have the right, at any time to enforce settlement in the form of Common Shares of PetroShale.

(e) Where PetroShale elects to pay any amounts pursuant to a Bonus Award by issuing Common Shares, and the determination of the number of Common Shares to be delivered to a Grantee in respect of a particular Payment Date would result in the issuance of a fractional Common Share, the number of Common Shares deliverable on the Payment Date shall be rounded down to the next whole number of Common Shares. No certificates representing fractional Common Shares shall be delivered pursuant to this Plan nor shall any cash amount be paid at any time in lieu of any such fractional interest.

(f) ***Delivery of Payment*** – Any amount payable to a Grantee in respect of a Bonus Award shall be paid to the Grantee as soon as practicable following the Payment Date provided that the payment must occur not later than the Expiry Date.

(g) ***Termination of Relationship as Service Provider*** – Unless otherwise determined by the Board or unless otherwise provided in a Bonus Award Agreement pertaining to a particular Bonus Award or any written employment or consulting agreement governing a Grantee's role as a Service Provider, the following provisions shall apply in the event that a Grantee ceases to be a Service Provider:

(i) *Termination upon Ceasing to be a Service Provider* – If a Grantee ceases to be a Service Provider for any reason whatsoever, including termination without cause, other than the death or disability of such Grantee (as contemplated under paragraph (ii) below), all outstanding Bonus Award Agreements and Bonus Awards issued to such Grantee shall be terminated and all rights to receive payment of the Award Value thereunder shall be forfeited by the Grantee effective as of the date that is 30 days from the Cessation Date, provided that; upon the termination of any employee for cause, the Board may, in its sole discretion, determine that all outstanding Bonus Awards shall immediately terminate and become null and void on the Cessation Date.

(ii) *Termination Upon Death or Disability* – Upon the death or disability of a Grantee prior to the Expiry Date, all outstanding Bonus Award Agreements and Bonus Awards issued to such Grantee shall be terminated and all rights to receive payment of the Award Value thereunder shall be forfeited by the Grantee effective on earlier of: (i) the Expiry Date; and (ii) date that is six months from the Cessation Date.

(h) ***Rights as a Shareholder*** – Until Common Shares have actually been issued in accordance with the terms of the Plan, the Grantee to whom a Bonus Award has been made shall not possess any incidents of ownership of such Common Shares including, for greater certainty and without limitation, the right to receive Dividends on such Common Shares and the right to exercise voting rights in respect of such Common Shares. Such Grantee shall only be considered a Shareholder in respect of such Common Shares when such issuance has been entered upon the records of the duly authorized transfer agent of PetroShale.

(i) ***Effect of Certain Changes*** – In the event:

(i) of any change in the Common Shares through subdivision, consolidation, reclassification, amalgamation, merger or otherwise;

(ii) that any rights are granted to all Shareholders to purchase Common Shares at prices substantially below the Fair Market Value; or

(iii) that, as a result of any recapitalization, merger, consolidation or other transaction, the Common Shares are converted into or exchangeable for any other securities,

then, in any such case, the Board may, in the event that the Common Shares of PetroShale are listed on the Exchange, subject to any required approval of the Exchange, make such adjustments to the Plan, to any Bonus Awards and to any Bonus Award Agreements outstanding under the Plan as may be appropriate in the circumstances (including changing the Common Shares covered by each Bonus Award into other securities on the same basis as Common Shares are converted into or exchangeable for such

securities in any such transaction) to prevent dilution or enlargement of the rights granted to Grantees hereunder

7. Withholding Taxes

When a Grantee or other person becomes entitled to receive a payment in respect of a Bonus Award, PetroShale or a PetroShale Entity shall have the right to require the Grantee or person to remit to PetroShale an amount sufficient to satisfy any withholding tax requirements relating thereto. Unless otherwise prohibited by the Board or by applicable law, satisfaction of the withholding tax obligation may be accomplished by any of the following methods or by a combination of such methods:

(a) the tendering by the Grantee of a cash payment to PetroShale in an amount less than or equal to the total withholding tax obligation; or

(b) where PetroShale has elected to issue Common Shares to the Grantee, the withholding by PetroShale or a PetroShale Entity, as the case may be, from the Common Shares otherwise due to the Grantee such number of Common Shares as it determines are required to be sold by PetroShale, as trustee, to satisfy the total withholding tax obligation (net of selling costs). The Grantee consents to such sale and grants to PetroShale an irrevocable power of attorney to effect the sale of such Common Shares and acknowledges and agrees that PetroShale does not accept responsibility for the price obtained on the sale of such Common Shares; or

(c) the withholding by PetroShale or a PetroShale Entity, as the case may be, from any cash payment otherwise due to the Grantee, including the Settlement Amount, such amount of cash as is required for the amount of the total withholding tax obligation;

provided, however, that the sum of any cash so paid or withheld and the Fair Market Value of any Common Shares so withheld is sufficient to satisfy the total withholding tax obligation.

Grantees (or their beneficiaries) shall be responsible for all taxes with respect to any Bonus Awards granted under the Plan. The Board and PetroShale make no guarantees to any person regarding the tax treatment of Bonus Awards or payments made under the Plan and none of PetroShale, nor any of its employees or representatives shall have any liability to a Grantee (or its beneficiaries) with respect thereto.

8. Non-Transferability

The right to receive payment pursuant to a Bonus Award granted to a Service Provider is held only by such Service Provider personally. Except as otherwise provided in this Plan, no assignment, sale, transfer, pledge or charge of a Bonus Award, whether voluntary, involuntary, by operation of law or otherwise, vests any interest or right in such Bonus Award whatsoever in any assignee or transferee and, immediately upon any assignment, sale, transfer, pledge or charge or attempt to assign, sell, transfer, pledge or charge, such Bonus Award shall terminate and be of no further force or effect.

9. Amendment and Termination of Plan

This Plan and any Bonus Awards granted pursuant to the Plan may be amended, modified or terminated by the Board without approval of Shareholders, subject to any required approval of the Exchange in the event that the Common Shares of the Corporation are listed on the Exchange.

If the Common Shares of the Corporation are listed on the Exchange, then notwithstanding the foregoing, the Plan may not be amended without Shareholder approval to:

(a) make any amendment to the Plan to increase the number of Common Shares that are available to be issued under outstanding Bonus Awards at any time pursuant to **Section 5(a)** hereof;

(b) extend the Expiry Date of any outstanding Bonus Awards;

(c) make any amendment to the Plan that would permit a holder to transfer or assign Bonus Awards to a new beneficial holder other than for estate settlement purposes;

(d) any amendment to increase the number of Common Shares that may be issued above the restrictions contained in **Section 4**; or

(e) an amendment to amend this **Section 9.**

In addition, no amendment to the Plan or Bonus Awards granted pursuant to the Plan may be made without the consent of the Grantee, if it adversely alters or impairs the rights of any Grantee in respect of any Bonus Award previously granted to such Grantee under the Plan.

10. Merger and Sale

In the event that PetroShale enters into any transaction or series of transactions whereby PetroShale or all or substantially all of PetroShale's undertaking, property or assets would become the property of any other trust, body corporate, partnership or other person (a "**Successor**") whether by way of takeover bid, acquisition, reorganization, consolidation, amalgamation, arrangement, merger, transfer, sale or otherwise, unless prior to or contemporaneously with the consummation of such transaction, PetroShale and the Successor shall execute such instruments and do such things as are necessary, if any, to establish that upon the consummation of such transaction the Successor will have assumed all the covenants and obligations of PetroShale under this Plan and the Bonus Award Agreements outstanding on consummation of such transaction in a manner that substantially preserves and does not impair the rights of the Grantees thereunder in any material respect (including the right to receive shares, securities, cash or other property of the Successor in lieu of Common Shares upon the subsequent payment of Bonus Awards). Subject to compliance with this **Section 10**, any such Successor shall succeed to, and be substituted for, and may exercise every right and power of PetroShale under this Plan and such Bonus Award Agreements with the same effect as though the Successor had been named as PetroShale herein and therein and thereafter, PetroShale shall be relieved of all obligations and covenants under this Plan and such Bonus Award Agreements and the obligation of PetroShale to the Grantees in respect of the Bonus Awards shall terminate and be at an end and the Grantees shall cease to have any further rights in respect thereof including, without limitation, any right to acquire Common Shares upon payment of the Bonus Awards.

11. Miscellaneous

(a) ***Effect of Headings*** – The section and subsection headings contained herein are for convenience only and shall not affect the construction hereof.

(b) ***Compliance with Legal Requirements*** – PetroShale may, in its sole discretion, postpone the issuance or delivery of any Common Shares that it elects to issue as payment for any Bonus Award as the Board may consider appropriate, and may require any Grantee to make such representations and furnish such information as it may consider appropriate in connection with the issuance or delivery of Common Shares in compliance with applicable laws, rules and regulations. PetroShale shall not be required to qualify for resale pursuant to a prospectus or similar document any Common Shares awarded under the Plan, provided that, if required, PetroShale shall notify the Exchange and any other appropriate regulatory bodies in Canada of the existence of the Plan and the granting of Bonus Awards hereunder in accordance with any such requirements.

(c) ***No Right to Continued Employment*** – Nothing in the Plan or in any Bonus Award Agreement entered into pursuant hereto shall confer upon any Grantee the right to continue in the employ or service of PetroShale or any PetroShale Entities, to be entitled to any remuneration or benefits not set forth in the Plan or a Bonus Award Agreement or to interfere with or limit in any way the right of PetroShale or any PetroShale Entity to terminate a Grantee's employment or service arrangement with PetroShale or any PetroShale Entity.

(d) ***Ceasing to be a PetroShale Entity*** – Except as otherwise provided in this Plan, Bonus Awards granted under this Plan shall not be affected by any change in the relationship between or ownership of PetroShale and a PetroShale Entity. For greater certainty, all Bonus Awards remain valid and exercisable in accordance with the terms and conditions of this Plan and are not affected by reason only that, at any time, any corporation, partnership or trust ceases to be a PetroShale Entity.

(e) ***Grantee Information*** – Each Grantee shall provide PetroShale with all information (including personal information) required by PetroShale in order to administer the Plan. Each Grantee acknowledges that information required by PetroShale in order to administer the Plan may be disclosed to the Board or its appointed administrator and other third parties in connection with the administration of the Plan. Each Grantee consents to such disclosure and authorizes PetroShale to make such disclosure on the Grantee's behalf.

(f) ***Expenses*** – Other than as contemplated pursuant to **Section 7**, all expenses in connection with the Plan shall be borne by PetroShale.

12. Governing Law

The Plan shall be governed by and construed in accordance with the laws in force in the Province of Alberta.

13. Effective Date

This Plan was effective on June 16, 2016, as amended effective [•], 2017, upon receipt of all necessary shareholder and regulatory approvals.

Schedule B

Stock Option Plan

1. Purpose of Plan

The purpose of this plan (the "**Plan**") is to develop the interest of officers, directors and employees of, and consultants and Service Providers to, PetroShale Inc. and its subsidiaries (collectively, the "**Corporation**") in the growth and development of the Corporation by providing them with the opportunity through share options to acquire an increased proprietary interest in the Corporation.

2. Administration

The Plan shall be administered by the Board of Directors of the Corporation, or if appointed, by a committee of Directors appointed from time to time by the Board of Directors of the Corporation (such committee, or if no such committee is appointed, the Board of Directors of the Corporation, is hereinafter referred to as the "**Committee**") pursuant to rules of procedure fixed by the Board of Directors.

3. Granting of Options

Subject to this Section 3, the Committee may from time to time designate directors, officers, employees, consultants and Service Providers of the Corporation (collectively, the "**Optionees**"), to whom options ("**Options**") to purchase common shares ("**Common Shares**") of the Corporation may be granted, and the number of Common Shares to be optioned to each, provided that:

(a) the total number of Common Shares issuable pursuant to Options outstanding at any time under the Plan shall not exceed 10% of the aggregate number of Outstanding Securities, subject to adjustment as set forth herein, and further subject to the applicable rules and regulations of all regulatory authorities to which the Corporation may be subject, including the TSX Venture Exchange (the "**TSX Venture**") or the Toronto Stock Exchange (the "**TSX**") or such other stock exchange as the common shares may be listed for trading;

(b) the number of Common Shares issuable pursuant to the Plan to any one person in a 12 month period shall not exceed 5% of the aggregate number of Outstanding Securities;

(c) the number of Common Shares issuable to Insiders, at any time, under all Security Based Compensation Arrangements, including this Plan, shall not exceed 10% of the aggregate number of Outstanding Securities;

(d) the number of Common Shares issued to Insiders, within any one year period, under all Security Based Compensation Arrangements, including this Plan, shall not exceed 10% of the aggregate number of Outstanding Securities;

(e) if the Common Shares are listed on the TSX Venture, the aggregate number of Common Shares reserved for issuance to any one Consultant (as such term is defined in the policies of the TSX Venture) in a 12 month period shall not exceed 2% of the aggregate number of Outstanding Securities;

(f) if the Common Shares are listed on the TSX Venture, the aggregate number of Common Shares reserved for issuance to any one Optionee employed to provide Investor Relations Activities (as such term is defined in the policies of the TSX Venture) in a 12 month period shall not exceed 2% of the aggregate number of Outstanding Securities; and

(g) if the Common Shares are listed on the TSX Venture, a grant of Options pursuant to this Plan shall constitute a representation by the Corporation that the Optionee is a bona fide Director Employee,

Consultant or Management Company Employee (as such terms are defined in the policies of the TSX Venture).

The Common Shares that are reserved for issuance on exercise of Options granted pursuant to this Plan that are cancelled, terminated or expired in accordance with terms of the Plan prior to the exercise of all or a portion thereof shall be available for a subsequent grant of Options pursuant to this Plan to the extent of any Common Shares issuable thereunder that are not issued under such cancelled, terminated or expired Options.

4. Vesting

The Committee may, in its sole discretion, determine the time during which Options shall vest and the method of vesting, provided that, if the Common Shares are listed on the TSX Venture, Options issued to persons retained to provide Investor Relations Activities must vest in stages over a period of not less than 12 months with no more than 1/4 of the Options vesting in any three month period. For greater certainty and notwithstanding the foregoing, the Committee may, in its sole discretion, accelerate the vesting of Options following their initial grant.

5. Exercise Price

The exercise price (the "**Exercise Price**") of any Option shall be fixed by the Committee when such Option is granted, provided that such price shall not be less than the Market Price of the Common Shares, or such other price as may be determined under the applicable rules and regulations of all regulatory authorities to which the Corporation may be subject, including the TSX Venture or the TSX or such other stock exchange as the Common Shares may be listed for trading.

For greater certainty, if an Optionee is an Insider, the Exercise Price may only be reduced if disinterested shareholder approval is obtained, provided that such disinterested shareholder approval is then a requirement of the TSX Venture or other regulatory body having jurisdiction.

6. Option Terms

The period during which an Option is exercisable shall, subject to the provisions of the Plan requiring acceleration of rights of exercise, not be in excess of ten years. Each Option shall, among other things, contain provisions to the effect that the Option shall be personal to the Optionee and shall not be assignable or transferable other than in the case of death of the Optionee. In addition, each Option shall provide that:

(a) upon the death of the Optionee, any vested Options shall terminate on the date that is not longer than 12 months following the date of death of the Optionee (the "**Termination Date**"); and

(b) if the Optionee shall no longer be a director or officer of, be in the employ of, or be providing ongoing management or consulting services to, the Corporation, the Option shall terminate on the earlier of the expiry date of the Option and the expiry of the period (the "**Termination Date**") not in excess of 90 days prescribed by the Committee at the time of grant, following the date that the Optionee ceases to be a director, officer or employee of the Corporation, or ceases to provide ongoing management or consulting services to, the Corporation, as the case may be;

provided that the number of Common Shares that the Optionee (or his heirs or successors) shall be entitled to purchase until the Termination Date shall be the number of Common Shares which the Optionee was entitled to purchase on the date of death or the date the Optionee ceased to be an officer, director or employee of, or ceased providing ongoing management or consulting services to, the Corporation, as the case may be, in each case as determined in accordance with paragraph 10.

If the normal expiry date of any Option falls within any Blackout Period or within 10 business days (being a day other than a Saturday, Sunday or other than a day when banks in Calgary, Alberta are not generally open for business) following the end of any Blackout Period (the "**Restricted Options**"), then the Expiry Date of such

Restricted Options shall, without any further action, be extended to the date that is 10 business days following the end of such Blackout Period. The foregoing extension applies to all Options whatever the date of grant and shall not be considered an extension of the term of the Options as referred to in Section 17 hereof.

7. Exercise of Option

Subject to the provisions of the Plan, an Option may be exercised from time to time by delivery to the Corporation at its head office, or such other place as may be specified by the Corporation, of a written notice of exercise specifying the number of Common Shares with respect to which the Option is being exercised and accompanied by payment in full, in the form of a bank draft, certified cheque or wire transfer, of the purchase price of the Common Shares then being purchased.

8. Mergers, Amalgamation and Sale

If the Corporation shall become merged (whether by plan of arrangement or otherwise) or amalgamated within or with another corporation or shall sell the whole or substantially the whole of its assets and undertakings for shares or securities of another corporation, the Corporation shall, subject to this Section 8, make provision that, upon exercise of an Option during its unexpired period after the effective date of such merger, amalgamation or sale, the Optionee shall receive such number of shares of the continuing successor corporation in such merger or amalgamation or the securities or shares of the purchasing corporation as the Optionee would have received as a result of such merger, amalgamation or sale if the Optionee had purchased the shares of the Corporation immediately prior thereto for the same consideration paid on the exercise of the Option and had held such shares on the effective date of such merger, amalgamation or sale and, upon such provision being made, the obligation of the Corporation to the Optionee in respect of the Common Shares subject to the Option shall terminate and be at an end and the Optionee shall cease to have any further rights in respect thereof.

9. No Rights as a Shareholder

An Optionee shall not have any of the rights or privileges of a shareholder of the Corporation in respect of any Common Shares issuable upon exercise of an Option until certificates representing such Common Shares have been issued and delivered.

10. Cessation of Employment

For the purposes of this Plan and all option agreements, unless otherwise provided in the applicable option agreement, an Optionee shall be deemed to have ceased to be a Service Provider and an Optionee shall be deemed to have terminated or resigned from employment or consulting arrangement with the Corporation or any of its subsidiaries, as applicable, for the purposes hereof on the first to occur of such termination or resignation or the date (as determined by the Board of Directors) that the Optionee ceases in the active performance of all of the regular duties of the Optionee's job, which includes the carrying on of all of the usual and customary day-to-day duties of the job for the normal and scheduled number of hours in each working day, unless the foregoing is a result in a leave of absence ("**Leave**") approved for this purpose by the Committee or senior officer to whom such Service Provider reports; the foregoing to apply whether or not adequate or proper notice of termination shall have been provided by and to the Corporation or its subsidiaries, as applicable, in respect of such termination of employment or consulting arrangement. If the Optionee shall take a Leave, the Committee may, in its sole discretion, also modify or change the vesting of any Options granted to such Optionee to take into account the period of the Leave.

11. Termination of Option in the Event of Take-Over Bid

In the event a take-over bid (as defined in the Securities Act (Alberta)), which is not exempt from the take-over bid requirements of Part 14 of the Securities Act (Alberta) (or its replacement or successor provisions) shall be made for the Common Shares of the Corporation, the Corporation may in the agreement providing for the grant of Options herein provide that the Corporation may require the disposition of the Options and the termination of any obligations of the Corporation to the Optionee in respect of any Options granted by paying to the Optionee in cash

the difference between the exercise price of unexercised Options and the fair market value of the securities to which the Optionee would have been entitled upon exercise of the unexercised Options on such date, which determination of fair market value shall be conclusively made by the Committee, subject to approval by the stock exchanges upon which the Common Shares are then listed, if required by such exchanges. Upon payment as aforesaid, the Options shall terminate and be at an end and the Optionee shall cease to have any further rights in respect thereof.

12. Alterations in Shares

In the event, at any time or from time to time, that the share capital of the Corporation shall be consolidated or subdivided prior to the exercise by the Optionee, in full, of any Option in respect of all of the shares granted or the Corporation shall pay a dividend (other than in ordinary course) upon the Common Shares by way of issuance to the holders thereof of additional Common Shares, Options with respect to any shares which have not been purchased at the time of any such consolidation, subdivision or stock dividend shall be proportionately adjusted so that the Optionee shall from time to time, upon the exercise of an Option, be entitled to receive the number of shares of the Corporation the Optionee would have held following such consolidation, subdivision or stock dividend if the Optionee had purchased the shares and had held such shares immediately prior to such consolidation, subdivision or stock dividend. Upon any such adjustments being made, the Optionee shall be bound by such adjustments and shall accept the terms of such Options in lieu of the Options previously outstanding.

13. Option Agreements

A written agreement will be entered into between the Corporation and each Optionee to whom an Option is granted hereunder, which agreement will set out the number of Common Shares subject to Option, the Exercise Price, provisions as to vesting (if applicable) and expiry, and any other terms approved by the Committee, all in accordance with the provisions of this Plan. The agreement will be in such form as the Committee may from time to time approve, or authorize the officers of the Corporation to enter into, and may contain such terms as may be considered necessary in order that the Option will comply with this Plan, any provisions respecting Options in the income tax or other laws in force in any country or jurisdiction of which the person to whom the Option is granted may from time to time be a resident or citizen, and the rules of any regulatory body having jurisdiction over the Corporation.

14. Cashless Exercise

Subject to the provisions of the Plan, if permitted by the Committee, an Optionee may elect to exercise an Option by surrendering such Option in exchange for the issuance of Common Shares equal to the number determined by dividing the Market Price (calculated as at the date of exercise) into the difference between the Market Price (calculated as at the date of exercise) and the exercise price of such Option. An Option may be exercised pursuant to this Section 14 from time to time by delivery to the Corporation at its head office in Calgary, Alberta or such other place as may be specified by the Corporation, of a written notice of exercise specifying that the Optionee has elected to a cashless exercise of such Option and the number of Options to be exercised. The Corporation will not be required, upon the exercise of any Options pursuant to this Section 14, to issue fractions of Common Shares or to distribute certificates which evidence fractional Common Shares. Upon exercise of the foregoing, the number of Common Shares actually issued shall be deducted from the number of Common Shares reserved with the TSX, if the Common Shares are then listed, for future issuance under the Plan and the balance of the Common Shares that were issuable pursuant to the Options so surrendered shall be considered to have been cancelled and available for further issuance. Notwithstanding the foregoing, this Section 14 shall not apply if the Common Shares are listed on the TSX Venture.

15. Surrender Offer

An Optionee may make an offer (the "**Surrender Offer**") to the Corporation, at any time, for the disposition and surrender by the Optionee to the Corporation (and the termination thereof) of any of the Options

granted hereunder for an amount (not to exceed fair market value) specified therein by the Optionee and the Corporation may, but is not obligated to, accept the Surrender Offer, subject to any regulatory approval required. If the Surrender Offer, either as made or as renegotiated, is accepted, the Options in respect of which the Surrender Offer relates shall be surrendered and deemed to be terminated and cancelled and shall cease to grant the Optionee any further rights thereunder upon payment of the amount of the agreed Surrender Offer by the Corporation to the Optionee. Notwithstanding the foregoing, this Section 15 shall not apply if the Common Shares are listed on the TSX Venture.

16. Regulatory Authorities Approvals

The Plan shall be subject to the approval, if required, of any stock exchange on which the Common Shares are listed for trading. Any Options granted prior to such approval shall be conditional upon such approval being given, and no such Options may be exercised unless such approval, if required, is given.

17. Amendment or Discontinuance of the Plan

Subject to the restrictions set out in this Section 17, the Committee may amend or discontinue the Plan and Options granted thereunder at any time without shareholder approval; provided any amendment to the Plan that requires approval of any stock exchange on which the Common Shares are listed for trading may not be made without approval of such stock exchange. Without the prior approval of the shareholders, or such approval as may be required by the Exchange, the Committee may not:

(a) make any amendment to the Plan to increase the percentage of Common Shares reserved for issuance on exercise of outstanding Options at any time pursuant to Subsection 3(a) hereof;

(b) reduce the exercise price of any outstanding Options granted to Insiders;

(c) extend the term of any outstanding Option granted to an Insider beyond the original expiry date of such Option;

(d) make an amendment to increase the maximum limit on the number of securities that may be issued pursuant to Subsections 3(b), (c) or (d);

(e) make any amendment to the Plan that would permit an Optionee to transfer or assign Options to a new beneficial Optionee other than in the case of death of the Optionee; or

(f) make an amendment to amend this Section 17.

The Committee may amend or terminate the Plan or any outstanding Option granted hereunder at any time without the approval of the Corporation, the shareholders of the Corporation or any Optionee whose Option is amended or terminated, in order to conform the Plan or such Option, as the case may be, to applicable law or regulation or the requirements of any relevant stock exchange or regulatory authority, whether or not that amendment or termination would affect any accrued rights, subject to the approval of that stock exchange or regulatory authority.

In addition, no amendment to the Plan or Options granted pursuant to the Plan may be made without the consent of the Optionee, if it adversely alters or impairs any Option previously granted to such Optionee under the Plan.

18. Hold Period

In addition to any resale restrictions imposed under applicable securities laws, if required by the TSX Venture or the TSX or any other regulatory authority, Options granted under the Plan and Common Shares issued on exercise of such Options may be required to be legended evidencing that the Options and the Common Shares issued upon exercise of the Options are subject to a hold period or restricted period as required by the TSX

Venture or the TSX or other applicable regulatory authority and the Optionee by accepting the Option agrees to comply therewith.

19. Common Shares Duly Issued

Common Shares issued upon the exercise of an Option granted hereunder will be validly issued and allotted as fully paid and non-assessable upon receipt by the Corporation of the Exercise Price therefore in accordance with the terms of the Option, and the issuance of Common Shares thereunder will not require a resolution or approval of the Board of Directors of the Corporation.

20. Tax Withholding

The Corporation shall have the power and the right to deduct or withhold, or require (as a condition of exercise) an Optionee to remit to the Corporation, the required amount to satisfy, in whole or in part, federal, provincial, and local taxes, domestic or foreign, required by law or regulation to be withheld with respect to any taxable event arising as a result of the Plan, including the grant or exercise of Options granted under the Plan. With respect to required withholding, the Corporation shall have the irrevocable right to (and the Optionee consents to) the Corporation setting off any amounts required to be withheld, in whole or in part, against amounts otherwise owing by the Corporation to such Optionee (whether arising pursuant to the Optionee's relationship as a director, officer or employee of the Corporation or as a result of the Optionee providing services on an ongoing basis to the Corporation or otherwise), or may make such other arrangements satisfactory to the Optionee and the Corporation. In addition, the Corporation may elect, in its sole discretion, to satisfy the withholding requirement, in whole or in part, by withholding such number of Common Shares as it determines are required to be sold by the Corporation, as trustee, to satisfy the withholding obligation net of selling costs (which costs shall be the responsibility of the Optionee and which shall be and are authorized to be deducted from the proceeds of sale). The Optionee consents to such sale and grants to the Corporation an irrevocable power of attorney to effect the sale of such Common Shares and acknowledges and agrees that the Corporation does not accept responsibility for the price obtained on the sale of such Common Shares. Any reference in this Plan to the issuance of Common Shares or a payment of cash is expressly subject to this Section.

21. No Guarantees Regarding Tax Treatment

Optionees (or their beneficiaries) shall be responsible for all taxes with respect to any Option under the Plan, whether arising as a result of the grant or exercise of Options or otherwise. The Corporation and the Committee make no guarantees to any person regarding the tax treatment of a Option or payments made under the Plan and none of the Corporation or any of its employees or representatives shall have any liability to an Optionee with respect thereto.

22. Prior Plans

Upon receipt of all approvals that may be required pursuant to paragraph 16 hereof, this Plan will supersede and replace the prior option plan of the Corporation dated effective May 1, 2014, and all Options to acquire Common Shares of the Corporation granted under such plan shall henceforth be Options governed by and subject to the provisions of this Plan.

23. Definitions

(a) "**associate**", "**affiliate**" have the meanings ascribed thereto in the Securities Act (Alberta).

(b) "**Blackout Period**" means the period of time when, pursuant to any policies of the Corporation, any securities of the Corporation may not be traded by certain persons as designated by the Corporation, including any holder of an Option.

(c) "**Insider**" means an insider as defined in subsection 1(aa) of the Securities Act (Alberta) and includes an associate of any Insider.

(d) "**Market Price**" means: (i) if the Common Shares are listed on the TSX Venture, "Market Price" as such term is defined in the policies of the TSX Venture; or (ii) if the Common Shares are listed on the TSX or other principal stock exchange, the volume weighted average trading price of the Common Shares on the TSX (or such other principal stock exchange on which the Common Shares may then trade) for the five consecutive trading days immediately prior to the date of grant; or (iii) if the Common Shares are not then listed and posted for trading on the TSX Venture or TSX, or any other principal stock exchange, the market price as determined by the Committee in its sole discretion based upon such factors as it deems appropriate acting reasonably and in good faith.

(e) "**Non-Voting Common Shares**" means the non-voting common shares in the capital of the Corporation.

(f) "**Outstanding Securities**" at the time of any share issuance or grant of Options means the aggregate number of Common Shares and Non-Voting Common Shares that are outstanding immediately prior to the share issuance or grant of Options in question on a non-diluted basis, or such other number as may be determined under the applicable rules and regulations of all regulatory authorities to which the Corporation may be subject, including the TSX Venture, the TSX or such other stock exchange as the Common Shares may be listed for trading.

(g) "**Security Based Compensation Arrangements**" means: (i) stock option plans for the benefit of employees, insiders, Service Providers or any one of such groups; (ii) individual stock options granted to employees, Service Providers or Insiders if not granted pursuant to a plan previously approved by the Corporation's shareholders; (iii) stock purchase plans where the Corporation provides financial assistance or where the Corporation matches the whole or a portion of the securities being purchased; (iv) stock appreciation rights involving issuances by the Corporation of securities from treasury; (v) any other compensation or incentive mechanism involving the issuance or potential issuances of securities of the Corporation, including the Corporation's 2016 restricted bonus award incentive plan; and (vi) security purchases from treasury by an employee, Insider or Service Provider which is financially assisted by the Corporation by any means whatsoever;

(h) "**Service Provider**" means a person or company engaged by the Corporation to provide services for an initial, renewable or extended period of twelve months or more.

24. Effective Date

This Plan is effective on •, 2017.

Schedule C

Advance Notice By-Law

A by-law relating to the advance notice of nominations of directors of

PETROSHALE INC.
(hereinafter referred to as the "**Corporation**")

INTRODUCTION

The Corporation is committed to: (i) facilitating an orderly and efficient annual general or, where the need arises, special meeting, process; (ii) ensuring that all shareholders receive adequate notice of the director nominations and sufficient information with respect to all nominees; and (iii) allowing shareholders to register an informed vote having been afforded reasonable time for appropriate deliberation.

The purpose of this Advance Notice By-Law (the "**By-Law**") is to provide shareholders, directors and management of the Corporation with a clear framework for nominating directors. This By-Law fixes a deadline by which holders of record of common shares of the Corporation must submit director nominations to the Corporation prior to any annual or special meeting of shareholders and sets forth the information that a shareholder must include in the notice to the Corporation for the notice to be in proper written form in order for any director nominee to be eligible for election at any annual or special meeting of shareholders.

It is the position of the Corporation that this By-Law is in the best interests of the Corporation, its shareholders and other stakeholders. This By-Law will be subject to an annual review, and will reflect changes as required by securities regulatory agencies or stock exchanges, or so as to meet industry standards.

IT IS HEREBY ENACTED as a by-law of the Corporation as follows:

1. Subject only to the provisions of the *Business Corporations Act* (Alberta) (the "**Act**") and the articles of the Corporation, only persons who are nominated in accordance with the following procedures shall be eligible for election as directors of the Corporation. Nominations of persons for election to the board of directors of the Corporation (the "**Board**") may be made at any annual meeting of shareholders, or at any special meeting of shareholders if one of the purposes for which the special meeting was called is the election of directors. Such nominations may be made in the following manner:

(a) by or at the direction of the Board, including pursuant to a notice of meeting;

(b) by or at the direction or request of one or more shareholders of the Corporation pursuant to a proposal made in accordance with the provisions of the Act, or a requisition of a meeting of the shareholders of the Corporation made in accordance with the provisions of the Act; or

(c) by any person (a "**Nominating Shareholder**") who: (i) at the close of business on the date of the giving by the Nominating Shareholder of the notice provided for below in this By-Law and at the close of business on the record date for notice of such meeting, is entered in the securities register of the Corporation as a holder of one or more shares carrying the right to vote at such meeting or who beneficially owns shares that are entitled to be voted at such meeting and provides evidence of such beneficial ownership to the Corporation; and (ii) complies with the notice procedures set forth below in this By-Law.

2. In addition to any other requirements under applicable laws, for a nomination to be made by a Nominating Shareholder, the Nominating Shareholder must have given notice thereof that is both timely

(in accordance with paragraph 3 below) and in proper written form (in accordance with paragraph 4 below) to the Corporate Secretary of the Corporation at the principal executive offices of the Corporation.

3. To be timely, a Nominating Shareholder's notice to the Corporate Secretary of the Corporation must be made:

(a) in the case of an annual meeting of shareholders, not less than 30 nor more than 65 days prior to the date of the annual meeting of shareholders; provided, however, that in the event that the annual meeting of shareholders is to be held on a date that is less than 50 days after the date (the "**Notice Date**") on which the first public announcement of the date of the annual meeting was made, notice by the Nominating Shareholder may be made not later than the close of business on the tenth (10th) day following the Notice Date; and

(b) in the case of a special meeting (which is not also an annual meeting) of shareholders called for the purpose of electing directors (whether or not called for other purposes), not later than the close of business on the fifteenth (15th) day following the day on which the first public announcement of the date of the special meeting of shareholders was made.

The time periods for the giving of a Nominating Shareholder's notice set forth above shall in all cases be determined based on the original date of the applicable annual meeting or special meeting of shareholders. However, in the event of any adjournment or postponement of a meeting of shareholders or the announcement thereof (other than any adjournment or postponement for the lack of quorum at such meeting), a new time period shall commence for the giving of such notice.

4. To be in proper written form, a Nominating Shareholder's notice to the Corporate Secretary of the Corporation must set forth:

(a) as to each person whom the Nominating Shareholder proposes to nominate for election as a director: (i) the name, age, business address and residential address of the person; (ii) the principal occupation, business or employment of the person for the most recent five years, and the name and principal business of any company in which any such employment is carried on; (iii) the citizenship of such person; (iv) the number of securities of each class or series of securities in the capital of the Corporation which are owned beneficially or of record by the person or under the control or direction, directly or indirectly, of the person as of the record date for the meeting of shareholders (if such date shall then have been made publicly available and shall have occurred) and as of the date of such notice; (v) full particulars regarding any agreement, arrangement or understanding (including any derivative or short positions, profit interests, options, warrants, convertible securities, stock appreciation or similar rights, hedging transactions, and borrowed or loaned shares) that has been entered into as of the date of the notice by, or on behalf of, such person, whether or not such instrument or right shall be subject to settlement in underlying securities of the Corporation, the effect or intent of which is to mitigate loss to, manage risk or benefit of share price changes for, or increase or decrease the voting power of, such person with respect to securities of the Corporation; (vi) such person's written consent to being named in the notice as a nominee and to serving as a director of the Corporation if elected; and (vii) any other information relating to the person that would be required to be disclosed in a dissident's proxy circular in connection with solicitations of proxies for election of directors pursuant to the Act and Applicable Securities Laws (as defined below); and

(b) as to the Nominating Shareholder giving the notice: (i) the name and address of such Nominating Shareholder, as they appear on the securities register of the Corporation; (ii) the number of securities of each class or series of securities of the Corporation owned of record and beneficially by, or under the control or direction of, directly or indirectly, such Nominating Shareholder; (iii) full particulars regarding any agreement, arrangement or understanding with respect to the

nomination between or among such Nominating Shareholder, any of their respective affiliates or associates, and any others acting jointly or in concert with any of the foregoing, including the nominee; (iv) full particulars regarding any agreement, arrangement or understanding (including any derivative or short positions, profit interests, options, warrants, convertible securities, stock appreciation or similar rights, hedging transactions, and borrowed or loaned shares) that has been entered into as of the date of the notice by, or on behalf of, such Nominating Shareholder, whether or not such instrument or right shall be subject to settlement in underlying securities of the Corporation, the effect or intent of which is to mitigate loss to, manage risk or benefit of share price changes for, or increase or decrease the voting power of, such Nominating Shareholder with respect to securities of the Corporation; (v) full particulars regarding any proxy, contract, agreement, arrangement or understanding pursuant to which such Nominating Shareholder has a right to vote or direct or control the voting of any securities of the Corporation; and (vi) any other information relating to such Nominating Shareholder that would be required to be made in a dissident's proxy circular in connection with solicitations of proxies for election of directors pursuant to the Act and Applicable Securities Laws (as defined below).

The Corporation may require any proposed nominee to furnish such other information and documents as may reasonably be required by the Corporation to (i) determine the eligibility of such proposed nominee to serve as an independent director of the Corporation or that could be material to a reasonable shareholder's understanding of the independence and/or qualifications, or lack thereof, of such proposed nominee, or (ii) satisfy the requirements of applicable stock exchange rules.

In addition, a Nominating Shareholder's notice shall be promptly updated and supplemented, if necessary, so that the information provided or required to be provided in such notice shall be true and correct as of the record date for the meeting.

5. No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the provisions of this By-Law; provided, however, that nothing in this By-Law shall be deemed to preclude discussion by a shareholder (as distinct from the nomination of directors) at a meeting of shareholders of any matter that is properly before such meeting pursuant to the provisions of the Act or the discretion of the Chairperson of the meeting. The Chairperson of the meeting shall have the power and duty to determine whether a nomination was made in accordance with the procedures set forth in the foregoing provisions and, if any proposed nomination is not in compliance with such foregoing provisions, to declare that such defective nomination shall be disregarded.

6. For purposes of this By-Law:

(a) "**public announcement**" shall mean disclosure in a press release reported by a national news service in Canada, or in a document publicly filed by the Corporation under its profile on the System of Electronic Document Analysis and Retrieval at www.sedar.com; and

(b) "**Applicable Securities Laws**" means the applicable securities legislation of each relevant province and territory of Canada, as amended from time to time, the rules, regulations and forms made or promulgated under any such statute and the published national instruments, multilateral instruments, policies, bulletins and notices of the securities commission and similar regulatory authority of each province and territory of Canada.

7. Notwithstanding any other provision of this By-Law, notice given to the Corporate Secretary of the Corporation pursuant to this By-Law may only be given by personal delivery, facsimile transmission or by email (at such email address as may be stipulated from time to time by the Corporate Secretary of the Corporation for purposes of this notice), and shall be deemed to have been given and made only at the time it is served by personal delivery to the Corporate Secretary at the address of the principal executive offices of the Corporation, email (at the address as aforesaid) or sent by facsimile transmission (provided that receipt of confirmation of such transmission has been received); provided that if such delivery or

electronic communication is made on a day which is a not a business day or later than 5:00 p.m. (Calgary time) on a day which is a business day, then such delivery or electronic communication shall be deemed to have been made on the next following day that is a business day.

8. Notwithstanding the foregoing, the Board may, in its sole discretion, waive any requirement in this By-Law.

9. This By-Law was approved and adopted by the Board effective May 24, 2017 (the "**Effective Date**") and is and shall be effective and in full force and effect in accordance with its terms and conditions from and after such date. Notwithstanding the foregoing, if this By-Law is not approved by ordinary resolution of shareholders of the Corporation present in person or voting by proxy at the next meeting of those shareholders validly held following the Effective Date, then this By-Law shall terminate and be void and of no further force and effect following the termination of such meeting of shareholders.

10. This By-Law shall be interpreted and enforced in accordance with the laws of the Province of Alberta and the federal laws of Canada applicable in that province.