

**INFORMATION CIRCULAR - PROXY STATEMENT**

**DATED MAY 19, 2021**

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

**[www.petroshaleinc.com](http://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
Fixing the number of Directors at five (5)	FOR	8
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## LETTER TO SHAREHOLDERS

May 19, 2021

Dear Fellow Shareholder,

On behalf of the Board of Directors and management of PetroShale Inc. (the "**Corporation**"), we are holding our annual and special meeting (the "**Meeting**") of the holders of common voting shares at Burnet, Duckworth & Palmer LLP, 2400, 525 – 8th Avenue SW, Calgary, Alberta on June 25, 2021 at 10:00 a.m. (Calgary time).

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.

**The Corporation is very much aware of the public health concerns and requirements respecting the rapidly evolving COVID-19 pandemic. The Corporation asks that, in considering whether to attend the Meeting in person, shareholders follow the instructions of the Public Health Agency of Canada ([www.canada.ca/en/public-health.html](http://www.canada.ca/en/public-health.html)), the Alberta Health Services ([www.albertahealthservices.ca](http://www.albertahealthservices.ca)) guidelines, and the Alberta Government restrictions on public gatherings (<https://www.alberta.ca/restrictions-on-gatherings.aspx>). Given these public health guidelines in particular the crucial importance of “social distancing” – the Corporation encourages shareholders NOT to attend the Meeting in person, particularly if they are experiencing any of the described COVID-19 symptoms of fever, cough or difficulty breathing. Subject to the Corporation's by-laws, attendance in person at the Meeting will be restricted to essential personnel and registered shareholders and proxyholders entitled to attend and vote at the Meeting; no external guests will be allowed to attend. As such, the Corporation has organized a conference call (details below) whereby shareholders can listen to the Meeting. This is not a virtual meeting and as such shareholders cannot vote over the conference call. As shareholder participation at the Meeting is important, the Corporation encourages shareholders to exercise their right to vote prior to the Meeting by following the instructions set out in the form of proxy or voting instruction form received by shareholders. If your common voting 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 may take additional precautionary measures in relation to the Meeting in response to further developments with the COVID-19 pandemic. We will announce alternative arrangements for the Meeting as promptly as practicable, which may include delaying the Meeting or holding the Meeting entirely by electronic means, telephone or other communication facilities. Please monitor our website at <http://www.petroshaleinc.com/> for updated information. If you are a registered shareholder or proxyholder and are planning to attend the Meeting, please check our website one week prior to the date of the Meeting.

**Shareholders may use the following information to listen to the Meeting via conference call or webcast. All participants will be muted by the moderator of the call as it is a listen-in only conference call and webcast.**

**Telephone number: 1-888-390-0605 (North America Toll Free) or 416-764-8609 (Local and International)**

**Audience Webcast URL: [https://produceredition.webcasts.com/starthere.jsp?ei=1464286&tp\\_key=1cb5322b53](https://produceredition.webcasts.com/starthere.jsp?ei=1464286&tp_key=1cb5322b53)**

**Confirmation #: 27239082**

Sincerely,

(signed) "*M. Bruce Chernoff*"

**M. Bruce Chernoff**  
**Executive Chairman**

## NOTICE OF ANNUAL AND SPECIAL MEETING

NOTICE is hereby given that an annual and special meeting (the "**Meeting**") of holders of common voting shares ("**Common Share**") of PetroShale Inc. (the "**Corporation**") will be held at Burnet, Duckworth & Palmer LLP, 2400, 525 – 8th Avenue SW, Calgary, Alberta at 10:00 a.m. (Calgary time), on June 25, 2021, to:

1. consider and receive our audited financial statements for the year ended December 31, 2020, together with the report of the auditors thereon;
2. fix the number of directors to be elected at the Meeting at five (5) members;
3. elect five (5) directors;
4. appoint the auditors and authorize our directors to fix their remuneration as such;
5. consider and, if deemed advisable, to pass with or without variation, an ordinary resolution re-approving our stock option plan, as more particularly described in the attached information circular – proxy statement;
6. consider and, if deemed advisable, to pass with or without variation, a special resolution approving a consolidation to the outstanding Common Shares on the basis of a consolidation ratio to be selected by the board of directors of the Corporation (not to exceed fifteen (15) currently outstanding shares for one (1) new post-consolidation share), as more particularly described in the attached information circular – proxy statement;
7. consider and, if deemed advisable, to pass with or without variation, an ordinary resolution approving certain amendments to our bonus award incentive plan, as more particularly described in the attached information circular – proxy statement; and
8. to transact such other business as may be properly brought before the Meeting or any adjournment thereof.

Only shareholders whose names have been entered in the register of Common Shares at the close of business on May 7, 2021 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 Share will entitle the holder to one vote at the Meeting.

**Shareholders of the Corporation are encouraged NOT to attend the Meeting in person in light of the COVID-19 pandemic (see the Letter to Shareholders accompanying this Notice).** We encourage all holders of Common Shares 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, 301 - 100 Adelaide Street West, 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 Saturdays, 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](http://www.voteproxyonline.com). Votes by internet must be received not later than forty-eight (48) hours (excluding Saturdays, 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 19<sup>th</sup> day of May, 2021.

### BY ORDER OF THE BOARD OF DIRECTORS

(signed) "*M. Bruce Chernoff*" \_\_\_\_\_

M. Bruce Chernoff  
Executive Chairman

**INFORMATION CIRCULAR – PROXY STATEMENT  
For the Annual & Special Meeting of Shareholders  
to be held on Friday, June 25, 2021**

**VOTING MATTERS**

**Attendance at the Meeting is Discouraged in light of COVID-19 Pandemic**

In view of the current and rapidly evolving COVID-19 pandemic, we ask that, in considering whether to attend the Meeting in person, shareholders follow the instructions of the Public Health Agency of Canada ([www.canada.ca/en/public-health.html](http://www.canada.ca/en/public-health.html)), the Alberta Health Services ([www.albertahealthservices.ca](http://www.albertahealthservices.ca)) guidelines, and the Alberta Government restrictions on public gatherings (<https://www.alberta.ca/restrictions-on-gatherings.aspx>). Given these public health guidelines in particular the crucial importance of “social distancing” – the Corporation encourages shareholders NOT to attend the Meeting in person, particularly if they are experiencing any of the described COVID-19 symptoms of fever, cough or difficulty breathing. Subject to the Corporation's by-laws, attendance in person at the Meeting will be restricted to essential personnel and registered shareholders and proxyholders entitled to attend and vote at the Meeting; no external guests will be allowed to attend. As such, the Corporation has organized a conference call (see the Letter to Shareholders accompanying this Information Circular) whereby shareholders can listen to the Meeting. This is not a virtual meeting and as such shareholders cannot vote over the conference call. As shareholder participation at the Meeting is important, the Corporation encourages shareholders to vote their Common Shares (as defined below) prior to the Meeting (as defined below) by following the instructions under the heading "Voting Matters" in this Information Circular.

We may take additional precautionary measures in relation to the Meeting in response to further developments with the COVID-19 pandemic. We will announce alternative arrangements for the Meeting as promptly as practicable, which may include delaying the Meeting or holding the Meeting entirely by electronic means, telephone or other communication facilities. Please monitor our website at <http://www.petroshaleinc.com/> for updated information. If you are a registered shareholder or proxyholder and are planning to attend the Meeting, please check our website one week prior to the date of the Meeting.

**Solicitation of Proxies**

This information circular – proxy statement (the "**Information Circular**") is furnished in connection with the solicitation of proxies for use at the annual and special meeting (the "**Meeting**") of the holders of common voting shares ("**Common Shares**") of PetroShale Inc. (the "**Corporation**" or "**we**" or "**our**") to be held at 10:00 a.m. (Calgary time) on Friday, June 25, 2021, at Burnet, Duckworth & Palmer LLP, 2400, 525 – 8th Avenue SW, 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, 301 - 100 Adelaide Street West, 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](http://www.voteproxyonline.com) to vote their Common 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 7, 2021 will be entitled to vote at the Meeting, unless that shareholder has transferred any shares subsequent to that date and the transferee shareholder, not later than 10 days before the Meeting, establishes ownership of the shares and demands that the transferee's name be included on the list of shareholders entitled to vote at the Meeting. The instrument appointing a proxy must be in writing and must be executed by you or your attorney authorized in writing or, if you are a corporation, under your corporate seal or by a duly authorized officer or attorney of the corporation.

The persons named in the enclosed instrument of proxy are our officers. **As a shareholder you have the right to appoint a person or company, who need not be a shareholder, to represent you at the Meeting. To exercise this**

**right you should insert the name of the desired representative in the blank space provided in the instrument of proxy and strike out the other name.**

#### **Advice to Beneficial Holders of Common Shares**

The information set forth in this section is of significant importance to you if you do not hold your Common Shares in your own name. Only proxies deposited by shareholders whose names appear on our records as the registered holders of Common Shares can be recognized and acted upon at the Meeting. If your Common Shares are listed in your account statement provided by your broker, then, in almost all cases, those Common Shares will not be registered in your name on our records. Such Common Shares will likely be registered under the name of your broker or an agent of that broker. In Canada, the vast majority of such shares are registered under the name of CDS & Co., the registration name for The CDS Clearing and Depository Services Inc., which acts as nominee for many Canadian brokerage firms. The majority of shares held in the United States are registered in the name of Cede & Co., the nominee for the Depository Trust Company, which is the United States equivalent of The CDS Clearing and Depository Services Inc.

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

Applicable regulatory policy requires your broker to seek voting instructions from you in advance of the Meeting. Every broker has its own mailing procedures and provides its own return instructions, which you should carefully follow in order to ensure that your shares are voted at the Meeting. Often, the form of proxy supplied by your broker is identical to the form of proxy provided to registered shareholders. However, its purpose is limited to instructing the registered shareholder how to vote on your behalf.

Brokers often delegate the responsibility for obtaining voting instructions to Broadridge Investor Communications ("**Broadridge**") 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. In addition to mailing forms of proxy, proxies may be solicited by personal interviews, or by other means of communication, by our directors, officers and employees who will not be remunerated therefor.

### Exercise of Discretion by Proxy

The Common Shares represented by proxy in favour of management nominees will be voted or withheld from voting on any poll at the Meeting. Where you specify a choice with respect to any matter to be acted upon, the Common Shares will be voted on any poll in accordance with the specification so made. **If you do not provide instructions, your Common Shares will be voted in favour of the matters to be acted upon as set out herein.** The persons appointed under the form of proxy, which we have furnished, are conferred with discretionary authority with respect to amendments or variations of those matters specified in the form of proxy and notice of annual 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, 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 Shares, an unlimited number of common non-voting shares and an unlimited number of class "A" preferred shares, issuable in series, of which one series, being the series 1 class A preferred shares (the "**Special Voting Shares**") have been authorized for issuance in an unlimited number. As at May 7, 2021 there were 520,804,251 Common Shares, no common non-voting shares and no Special Voting Shares issued and outstanding. The Common Shares are listed on the TSX Venture Exchange ("**TSXV**") under the symbol "PSH" and on the OTCQX under the symbol "PSHIF". The Common Shares and Special Voting Shares are our only authorized classes of voting shares. Each Common Share and Special Voting Share are entitled to one vote and shall, except as required by applicable law, vote together as a single class.

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 voting shares (being the Common Shares) other than as set forth below:

<u>Name</u>	<u>Class of Share</u>	<u>Number of Shares</u>	<u>Percentage of Shares</u>
M. Bruce Chernoff <sup>(1)</sup>	Common Shares	135,202,821	26.0%
FR XIII PetroShale Holdings L.P. (" <b>First Reserve</b> ")	Common Shares	234,978,500	45.1%

#### Notes:

- (1) 121,394,238 Common Shares are held by Hawthorne Energy Ltd., a company of which Mr. Chernoff is a significant shareholder, 10,000,000 Common Shares are held by Kai Commercial Trust, a trust of which Mr. Chernoff is a majority unitholder and 3,808,583 Common Shares are held by Alpine Capital Corp., a company directed by Mr. Chernoff.

## MATTERS TO BE ACTED UPON AT THE MEETING

### Election of Directors

As of the date hereof, the board of directors of the Corporation (the "**Board**") consists of five (5) members. Management is soliciting proxies, in the accompanying applicable form of proxy, for an ordinary resolution in favour of fixing our Board at five (5) members, and in favour of the election as directors of the following: M. Bruce Chernoff, Brett Herman, David Rain, Gary Reaves 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. Ken McCagherty, a current director of the Corporation is not standing for re-election at the Meeting and, as such, his term as a director will expire 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 (5) years, all positions and offices of the Corporation held by them and the number of shares that they have advised are beneficially owned or controlled or directed by them, directly or indirectly, as at May 7, 2021.

Name, Residence and Office(s) held	Principal Occupation or Employment for the Last Five Years	Became a Director	Number of Common Shares
M. Bruce Chernoff <sup>(2)(3)(4)</sup> Alberta, Canada	Our Executive Chairman and President of Caribou Capital Corp., a private investment company.	August 31, 2012	135,202,821
Brett Herman <sup>(1)(2)(3)</sup> Alberta, Canada	Independent Businessman and former President and Chief Executive Officer of TORC Oil & Gas Ltd., a public oil and gas company.	March 8, 2012	790,447
David Rain Alberta, Canada	Our Interim Chief Executive Officer from October 15, 2019 to August 24, 2020 and our Chief Financial Officer from November 1, 2013 to November 30, 2018 and Chief Financial Officer and Vice President of Caribou Capital Corp., a private investment company.	December 3, 2018	1,265,840
Gary Reaves <sup>(1)(3)</sup> Texas, USA	Managing Director of First Reserve since January 2014 and prior thereto was a Director of First Reserve since January 2012. Mr. Reaves has been with First Reserve since 2006.	May 20, 2020	Nil <sup>(5)</sup>



Name, Residence and Office(s) held	Principal Occupation or Employment for the Last Five Years	Became a Director	Number of Common Shares
Jacob Roorda Alberta, Canada	Our President and Chief Executive Officer since August 24, 2020 and prior thereto Managing Director of Windward Capital Limited, a private advisory company. From November 2016 through June 2017, Executive Vice President of Todd Energy International, a private US-based methanol producing company. Prior thereto, the Chief Executive Officer of Todd Energy Canada Limited, a private oil and gas company.	March 8, 2012	1,142,274 <sup>(6)</sup>

Notes:

- (1) Member of our Audit Committee.
- (2) Member of our Reserves Committee.
- (3) Member of our Corporate Governance and Compensation Committee.
- (4) 121,394,238 Common Shares are held by Hawthorne Energy Ltd. ("**Hawthorne**"), a company of which Mr. Chernoff is a significant shareholder, 10,000,000 Common Shares are held by Kai Commercial Trust, a trust of which Mr. Chernoff is a majority unitholder and 3,808,583 Common Shares are held by Alpine Capital Corp., a company directed by Mr. Chernoff.
- (5) Mr. Reaves is a Managing Director of First Reserve GP XIII Limited, the ultimate general partner of First Reserve. First Reserve owns 234,978,500 Common Shares.
- (6) 51,070 Common Shares are held by Mr. Roorda's spouse and 10,000 Common Shares are held by Mr. Roorda's son.

On April 8, 2021, we completed a recapitalization transaction with First Reserve, Mr. Chernoff and the shareholders of the Corporation and in connection with the same, we entered into a new investor rights agreement dated April 8, 2021 (the "**Investor Rights Agreement**") with First Reserve and Hawthorne which has replaced and superseded the securities subscription and investor rights agreement dated December 30, 2017 between the Corporation, PetroShale (US), Inc. and First Reserve (the "**Investment Agreement**"). The Investor Rights Agreement provides First Reserve with rights substantially similar to those provided in the Investment Agreement. In particular, pursuant to the Investor Rights Agreement, First Reserve was provided, among other things certain governance rights, including the right that so long as First Reserve owns not less than 10% of the issued and outstanding Common Shares it shall be entitled to designate one nominee for election to our Board. A copy of the Investor Rights Agreement is available for review under our SEDAR profile at [www.sedar.com](http://www.sedar.com). Gary Reaves, a Managing Director of First Reserve has been appointed to our Board, and is standing for election to the Board at the Meeting, pursuant to the Board nomination rights provided to First Reserve pursuant to the Investor Rights Agreement. See also "*Interest of Informed Persons in Material Transactions*".

**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 (10) 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 (10) 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 (10) 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. ("**Calmena**") (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 also a director of Argosy, a TSX listed company which entered receivership pursuant to a Court order resulting from a creditor petition. Concurrently with the receivership, Mr. Roorda resigned as a director of Argosy. Mr. Roorda was formerly an alternate director of Wolf Mineral Limited ("**Wolf**"), a specialty mining company based in Australia and the U.K., which was listed on the AIM market of the London Stock Exchange ("**AIM**") and the Australian Stock Exchange ("**ASX**"). Mr. Roorda served at the request of his employer at the time, a shareholder of Wolf. Wolf was placed into voluntary administration on October 10, 2018. Mr. Roorda served as an alternate director to a non-executive director of Wolf until his resignation as an alternate director effective October 10, 2018. On September 27, 2018, prior to its appointment into administration, Wolf announced that it had been voluntarily suspended from the ASX as a result of a failure to file its annual report when due. On October 10, 2018, Wolf announced that in connection with the appointment of an administrator, it had been suspended from trading on the AIM. Mr. Pittman was the former chief financial officer of Chaparral Energy, LLC from February 28, 2019 to April 17, 2020. Chaparral Energy, LLC filed a petition for relief under Chapter 11 of the US Bankruptcy Court on August 11, 2020. Mr. Reaves served on the board of directors of Tri-Point Oil & Gas Systems ("**Tri-Point**"), a Houston-based oil and gas production and process equipment services company from October 12, 2016 until December 31, 2020. On March 16, 2020, Tri-Point and certain affiliates filed for Chapter 11 bankruptcy and subsequently liquidated the company. Mr. Reaves served on the board of directors of TNT Crane & Rigging ("**TNT**"), a Houston-based operated and maintained crane services provider from November 27, 2013 until October 15, 2020. TNT filed for Chapter 11 bankruptcy protection on August 23, 2020 and completed a restructuring on September 30, 2020.

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.

#### ***Advance Notice By-law***

We have adopted By-Law No. 2 regarding advance notice of nominations of directors of the Corporation, which was ratified by the shareholders of the Corporation at the 2017 annual meeting (the "**Advance Notice By-law**"). A copy of the Advance Notice By-law can be found under our SEDAR profile at [www.sedar.com](http://www.sedar.com).

The purpose of the Advance Notice By-law is to provide shareholders, the Board and our management with a clear framework for director nominations to help ensure orderly business at meetings of shareholders. Among other things, the Advance Notice By-law fixes a deadline by which shareholders must submit director nominations to the Corporate Secretary of 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 in order for any director nominee to be eligible for election at any annual or special meeting of shareholders. No person nominated by a shareholder will be eligible for election as a director of the Corporation unless nominated in accordance with the provisions of the Advance Notice By-law.

In the case of an annual meeting of shareholders, notice to the Corporate Secretary of the Corporation must be made not less than thirty (30) days and not more than sixty-five (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 fifty (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 tenth (10th) day following such public announcement. In the case of a special meeting of shareholders (which is not also an annual meeting), notice to the Corporation must be made

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 was made. The Board may, in its sole discretion, waive any requirement of the Advance Notice By-law.

As of the date of this Information Circular, we have not received any nominations by way of the advance notice mechanism.

### **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.

### **Re-Approval of Stock Option Plan**

At the Meeting, shareholders will be asked to consider and re-approve the Corporation's stock option plan (the "**Option Plan**"). The Option Plan was approved by our Board on May 24, 2017 and last approved by shareholders on June 25, 2020 and provides for, among other things, a rolling option plan whereby the number of Common Shares that may be reserved for issuance under the Option Plan cannot exceed 10% of the aggregate number of outstanding Common Shares, and, if applicable, non-voting common shares (from time to time). In accordance with the rules of the TSXV, rolling option plans must receive shareholder approval yearly at our annual shareholder meeting. The summary provided below is qualified in its entirety to the full text of the Option Plan. Capitalized terms used in this section of the Information Circular and not otherwise defined herein are defined in the Option Plan.

The purpose of the 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 Option Plan is administered by our Board, which may delegate its authority to a committee of our Board.

The 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 ("**Options**") to purchase our Common Shares. Options are not transferable or assignable except in accordance with the 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 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 (as such term is defined by the policies of the TSXV) must vest in stages over a period of not less than twelve (12) months with no more than a quarter of the Options vesting in any three (3) month period. The exercise price of the Options shall not be less than the closing price of our Common Shares on the TSXV on the trading day immediately preceding the date of grant of Options.

In addition to the typical exercise method of issuing our Common Shares to the Option holder in exchange for the payment of the exercise price of the Option, the Option Plan allows (provided our Common Shares are not then listed on the TSXV), for a cashless exercise whereby Options may be exchanged for the issuance of Common Shares equal to the number determined by dividing the Market Price (as defined in the Option Plan) on the date of exercise into the difference between the Market Price and the exercise price of such Options. Additionally, provided our Common Shares are not then listed on the TSXV, 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 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 Option Plan, Options may be granted in respect of Common Shares provided that the aggregate number of Common Shares reserved for issuance at any time under the Option Plan does not exceed 10% of the aggregate number of Outstanding Securities (being the aggregate number of Common Shares and common non-voting shares outstanding). Additionally, the 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 Option Plan, together with all of our other Security Based Compensation Arrangements (which includes the Option Plan and the bonus award incentive plan (the "**Award Plan**") as described elsewhere in this Information Circular). Further, the number of securities we issue to Insiders within any twelve (12) month period under all of our Security Based Compensation Arrangements (including the Option Plan) cannot exceed 10% of the Outstanding Securities.

Subject to the policies of the TSXV (or such other stock exchange on which our Common Shares may then be listed), the Option Plan prescribes various limits to the number of Common Shares that can be reserved for issuance for specific grants made under the Option Plan. These limits include: (a) the aggregate number of Common Shares reserved for issuance under Options granted to any one eligible person shall not exceed 5% of our issued and outstanding Common Shares in any twelve (12) month period; and (b) the aggregate number of Common Shares reserved for issuance under Options granted to any one consultant or an individual engaged in Investor Relations Activities (as such term is defined by the policies of the TSXV) shall not exceed 2% of our issued and outstanding Common Shares in any twelve (12) month period with no more than one quarter of such Options vesting in any three (3) month period.

Our Board has discretion to make amendments to the 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 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 Shares that may be issued to any one person or to an Insider above the restrictions contained in the 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 Option Plan.

Under the Option Plan, in case of an Option holder's death, the Option holder's personal or legal representative may within twelve (12) 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 Option holder 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 Option holder 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 Option holder which have vested as of the termination date shall be forfeited by the Option holder effective on the earlier of: (a) the expiry date; and (b) the date that is ninety (90) days from the termination date, and all Options which have not vested as of the termination date shall be terminated.

### ***Text of Resolution***

At the Meeting, shareholders will be asked to consider the following ordinary resolution re-approving the Option Plan:

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

1. the stock option plan, as described under the heading "*Matters to be Acted Upon at the Meeting – Re-Approval of Stock Option Plan*" in the information circular – proxy statement of the Corporation dated May 19, 2021, is hereby re-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 re-approve the Option Plan unless a shareholder specifies otherwise in the proxy.

### **Approval of the Consolidation**

Recently, we have considered the merits and potential benefits of proceeding with a consolidation of our outstanding shares in order to, among other things, increase the trading price of such shares. As such, we are seeking shareholder approval at the meeting to consolidate the currently issued and outstanding Common Shares on the basis of one (1) new post-consolidation Common Share for up to a maximum of fifteen (15) currently outstanding Common Shares, or such lesser number of pre-consolidation Common Shares as determined by the Board in its sole discretion (the "**Consolidation**"). We believe that achieving a higher market price for the Common Shares through the Consolidation may increase investment interest for the Common Shares in international equity capital markets by potentially broadening the pool of investors that may consider investing in us and may also attract investors whose internal investment policies prohibit or discourage them from purchasing stocks trading below a certain minimum price.

The Corporation believes that providing the Board with the authority to select within a range of Consolidation ratios provides the Board the flexibility to implement the Consolidation in a manner intended to maximize the anticipated benefits for the Corporation and its shareholders. In determining which Consolidation ratio to select within the range to be authorized by the shareholders, the Board may consider various factors, including the following: (i) the historical trading prices and trading volumes of the Common Shares; (ii) the requirements of the TSXV, including in relation to the adequacy of public distribution of the Common Shares following the implementation of the Consolidation; (iii) the anticipated impact of the Consolidation on future trading prices and trading volumes of the Common Shares; (iv) trading price thresholds that affect the ability of certain equity market participants to invest or recommend investments in the Common Shares; and (v) prevailing general market and economic conditions.

### ***Risks Associated with the Consolidation***

Reducing the number of issued and outstanding Common Shares through the Consolidation is intended, absent other factors, to increase the per share market price of the Common Shares. However, the market price of the Common Shares will also be affected by our financial and operational results, our financial position, including our liquidity and capital resources, the development of our reserves and resources, industry conditions, the market's perception of our business and other factors, which are unrelated to the number of Common Shares outstanding.

Having regard to these other factors, there can be no assurance that the market price of the Common Shares will increase following the implementation of the Consolidation or that the market price of the Common Shares will not decrease in the future.

The market price of the Common Shares immediately following the implementation of the Consolidation is expected to be approximately equal to the market price of the Common Shares prior to the implementation of the Consolidation, multiplied by up to fifteen (15), but there is no assurance that the anticipated market price immediately following the implementation of the Consolidation will be realized or, if realized, will be sustained or will increase. There is a risk that the total market capitalization of the Common Shares (the market price of the Common Shares multiplied by the number of Common Shares outstanding) after the implementation of the Consolidation may be lower than the total market capitalization of the Common Shares prior to the implementation of the Consolidation.

Although we believe that establishing a higher market price for the Common Shares could increase investment interest for the Common Shares in international equity capital markets by potentially broadening the pool of investors that may consider investing in us, including investors whose internal investment policies prohibit or discourage them from purchasing stocks trading below a certain minimum price, there is no assurance that implementing the Consolidation will achieve this result.

If the Consolidation is implemented and the market price of the Common Shares (adjusted to reflect the consolidation ratio) declines, the percentage decline as an absolute number and as a percentage of our overall market capitalization may be greater than would have occurred if the Consolidation had not been implemented. Both the total market capitalization of a company and the adjusted market price of such company's shares following a consolidation or reverse split may be lower than they were before the consolidation or reverse split took effect. The reduced number of Common Shares that would be outstanding after the Consolidation is implemented could adversely affect the liquidity of the Common Shares.

The Consolidation may also result in some shareholders owning "odd lots" of fewer than 100 Common Shares on a post-consolidation basis. Odd lots may be more difficult to sell, or attract greater transaction costs per share to sell, and brokerage commissions and other costs of transactions in odd lots are generally somewhat higher than the costs of transactions in "round lots" of even multiples of 100 shares.

### ***Effects of the Share Consolidation***

#### ***General***

If the Consolidation is implemented, its principal effect will be to proportionately decrease the number of issued and outstanding Common Shares by a factor of up to fifteen (15). At the close of business on May 19, 2021, the closing price of the Common Shares on the TSXV was \$0.21 and there were 520,804,251 Common Shares issued and outstanding. Based on the number of Common Shares currently issued and outstanding, immediately following the completion of the Consolidation, on the basis of one (1) new post-consolidation Common Share for every fifteen (15) currently outstanding Common Shares, there would be approximately 34,720,283 Common Shares issued and outstanding (disregarding any resulting fractional Common Shares).

We do not expect the Consolidation itself to have any economic effect on holders of Common Shares or securities convertible into or exercisable to acquire or exchangeable into Common Shares, except to the extent the Consolidation will result in fractional shares. See "*No Fractional Shares*" below.

Following the Consolidation, the Common Shares will continue to be listed on the TSXV under the symbol "PSH", however the post-consolidation Common Shares will be assigned new CUSIP and ISIN numbers.

#### ***Effect on Non-registered Shareholders***

Non-registered shareholders holding Common Shares through an intermediary (a securities broker, dealer, bank or financial institution) should be aware that the intermediary may have different procedures for processing the Consolidation than those that will be put in place by us for registered Shareholders. If Shareholders hold their Common Shares through an intermediary and they have questions in this regard, they are encouraged to contact their intermediaries.

#### ***Effect on Stock Options***

As of the date of this Information Circular, there were Options held by officers, employees, consultants and other service providers exercisable under the Option Plan to acquire, in the aggregate, 550,000 Common Shares. The Option Plan provides for appropriate adjustments to both the number of Common Shares underlying all outstanding Options and the applicable exercise price(s) in the event of any change in the Common Shares through consolidations or subdivisions of the Common Shares.

Upon the implementation of the Consolidation, on the basis of one (1) new post-consolidation Common Share for every fifteen (15) currently outstanding Common Shares, each then outstanding Option will be adjusted as follows:

- the number of unissued Common Shares that may be purchased through the exercise of an Option will be reduced on the same proportionate basis as the reduction in the issued and outstanding Common Shares based on the consolidation ratio of fifteen (15) currently outstanding Common Shares for one (1) new post-consolidation Common Share; and
- the price for which one (1) Common Share may be purchased pursuant to the exercise of an Option will be increased in inverse proportion to the reduction in the number of Common Shares based on the consolidation ratio of fifteen (15) currently outstanding Common Shares for one (1) new post-consolidation Common Share.

#### ***Effect on Bonus Awards***

As of the date of this Information Circular, there were 14,631,836 awards held by officers, employees, consultants and other service providers issued under the Award Plan. The Award Plan authorizes the Board to make appropriate adjustments to any outstanding awards in the event of any change in the Common Shares through subdivision, consolidation, reclassification, amalgamation, merger or otherwise to prevent dilution or enlargement of the rights granted to the holders of awards.

Upon the implementation of the Consolidation, each then outstanding award will be adjusted such that, if applicable, the number of Common Shares that a holder of an award may receive upon settlement of such award will be reduced on the same proportionate basis as the reduction in the issued and outstanding Common Shares based on the consolidation ratio.

#### ***Effect on Non-Voting Shares***

As of the date of this Information Circular, there were no non-voting common shares issued and outstanding. The non-voting common shares are convertible, at the election of the holders thereof, into Common Shares on a one to one basis.

#### ***Effect on Special Voting Shares***

As of the date of this Information Circular, there were no Special Voting Shares issued and outstanding. The terms of the Special Voting Shares provides for appropriate adjustments to the number of Special Voting Shares outstanding in the event of any change in the Common Shares through consolidations, subdivisions or reclassification of the Common Shares or otherwise.

#### ***Effect on Share Certificates***

If the Consolidation is approved by Shareholders and subsequently implemented, those registered Shareholders who will hold at least one new post-consolidation Common Share will be required to exchange their share certificates representing old pre-consolidation Common Shares for new share certificates representing new post-consolidation Common Shares or, alternatively, a Direct Registration System ("DRS") Advice/Statement representing the number of new post-consolidation Common Shares they hold following the Consolidation. The DRS is an electronic registration system which allows Shareholders to hold Common Shares in their name in bookbased form, as evidenced by a DRS Advice/Statement rather than a physical share certificate.

If the Consolidation is implemented, we (or our transfer agent) will mail to each registered Shareholder a letter of transmittal. Each registered Shareholder must complete and sign a letter of transmittal after the Consolidation takes effect. The letter of transmittal will contain instructions on how to surrender to the transfer agent the certificate(s) representing the registered Shareholder's old pre-consolidation Common Shares. The transfer agent will send to each registered Shareholder who follows the instructions provided in the letter of transmittal a new share certificate

representing the number of new post-consolidation Common Shares to which the registered Shareholder is entitled rounded up or down to the nearest whole number or, alternatively, a DRS Advice/Statement representing the number of new post-consolidation Common Shares the registered Shareholder holds following the Consolidation. Non-registered Shareholders who hold their Common Shares through intermediaries (securities brokers, dealers, banks, financial institutions, etc.) should contact their intermediaries with respect to the Consolidation.

Until surrendered to the transfer agent, each share certificate representing old pre-consolidation Common Shares will be deemed for all purposes to represent the number of new post-consolidation Common Shares to which the registered shareholder is entitled as a result of the Consolidation. Until registered Shareholders have returned their properly completed and duly executed letter of transmittal and surrendered their old share certificate(s) for exchange, registered Shareholders will not be entitled to receive any other distributions, if any, that may be declared and payable to holders of record following the Consolidation.

Any registered Shareholder whose old certificate(s) have been lost, destroyed or stolen will be entitled to a replacement share certificate only after complying with the requirements that we and our transfer agent customarily apply in connection with lost, stolen or destroyed certificates.

The method chosen for delivery of share certificates and letters of transmittal to the Corporation's transfer agent is the responsibility of the registered Shareholder and neither the transfer agent nor the Corporation will have any liability in respect of share certificates and/or letters of transmittal which are not actually received by the transfer agent.

**REGISTERED SHAREHOLDERS SHOULD NEITHER DESTROY NOR SUBMIT ANY SHARE CERTIFICATE UNTIL HAVING RECEIVED A LETTER OF TRANSMITTAL.**

***No Fractional Shares***

No fractional Common Shares will be issued pursuant to the Consolidation. In lieu of any such fractional Common Shares, each registered Shareholder otherwise entitled to a fractional Common Share following the implementation of the Consolidation will receive the nearest whole number of post-consolidation Common Shares. For example, any fractional interest representing less than 0.5 of a post-consolidation Common Share will not entitle the holder thereof to receive a post-Consolidation Common Share and any fractional interest representing 0.5 or more of a post-consolidation Common Share will entitle the holder thereof to receive one whole post-consolidation Common Share. In calculating such fractional interests, all Common Shares registered in the name of each registered Shareholder will be aggregated.

***No Dissent Rights***

Shareholders are not entitled to exercise any statutory dissent rights with respect to the proposed Consolidation.

***Accounting Consequences***

If the Consolidation is implemented, net income or loss per share, and other per share amounts, will be increased because there will be fewer shares issued and outstanding. In future financial statements, net income or loss per Common Share and other per share amounts for periods ending before the Consolidation took effect would be recast to give retroactive effect to the Consolidation.

**Consolidation Resolution**

The Consolidation is subject to: (a) receipt of all required regulatory approvals, including approval of the TSXV; and (b) the approval of the shareholders at the Meeting. If these approvals are received, the Consolidation will occur at a time determined by the Board and the Corporation will issue a press release to confirm the details of the Consolidation, including the Consolidation ratio. The Consolidation will become effective on the date shown on the Certificate of Amendment issued by the Registrar or such other date indicated in the articles of amendment.



Notwithstanding approvals being received, the Board may determine not to proceed with the Consolidation at its discretion. It is currently anticipated that the Consolidation will occur shortly after the Meeting.

At the Meeting, shareholders will be asked to consider, and if deemed advisable, approve the resolution set forth below (the "**Consolidation Resolution**") authorizing the Board to file Articles of Amendment giving effect to the Consolidation on the basis of one (1) new post-consolidation Common Share for up to a maximum of fifteen (15) currently outstanding Common Shares, or such lesser number of pre-consolidation Common Shares as determined by the Board in its sole discretion. The Consolidation Resolution is a special resolution and, as such, requires approval by not less than two-thirds (66 2/3%) of the votes cast by the voting shareholders present in person, or represented by proxy, at the meeting. Notwithstanding shareholder approval of the Consolidation Resolution at the meeting, the Board may, in its sole discretion, determine not to proceed with the Consolidation or may choose when to effect the Consolidation. The full text of the Consolidation Resolution is set out below:

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

1. the Articles of the Corporation be amended to change the number of issued and outstanding voting common shares ("**Common Shares**") of the Corporation by consolidating the issued and outstanding Common Shares on the basis of one (1) new Common Share, as applicable, for up to a maximum of fifteen (15) existing Common Shares (the "**Consolidation**"), the final consolidation ratio (up to such maximum) to be determined by the board of directors (the "**Board**") of the Corporation, such amendment to become effective at a date in the future to be determined by the Board when the Board considers it to be in the best interests of the Corporation to implement such Consolidation, subject to all necessary stock exchange approvals;
2. the amendment to the Articles of the Corporation giving effect to the Consolidation will provide that no fractional Common Shares will be issued in connection with the Consolidation and the number of post-consolidation Common Shares to be received by a holder will be rounded up, in the case of a fractional interest that is 0.5 or greater, or rounded down, in the case of a fractional interest that is less than 0.5, to the nearest whole number of shares that such holder would otherwise be entitled to receive upon the implementation of the Consolidation;
3. notwithstanding that this special 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; and
4. any one director or officer of the Corporation be, and each of them is hereby, authorized and directed for and in the name of and on behalf of the Corporation, to execute or cause to be executed, whether under corporate seal of the Corporation or otherwise, and to deliver or cause to be delivered all such documents, and to do or cause to be done all such acts and things, as in the opinion of such director or officer may be necessary or desirable in order to carry out the terms of this resolution, such determination to be conclusively evidenced by the execution and delivery of such documents or the doing of any such act or thing."

In order to be passed, the foregoing special resolution must be approved by not less than two-third (66 2/3%) 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 re-approve the Consolidation unless a shareholder specifies otherwise in the proxy.

### **Approval of Certain Amendments to the Bonus Award Incentive Plan**

Commencing in 2021, the Board commenced a review of the Corporation's Award Plan and as part of the review process, and with reference to the number of Common Shares currently issued and outstanding, the Corporation (subject to the receipt of shareholder approval as contemplated below) considered an increase to the aggregate number of Common Shares that are available to be issued from time to time pursuant to outstanding awards under the Award Plan from 19,100,000 Common Shares to 25,000,000 Common Shares and should the Consolidation occur, then such number of Common Shares equal to the product of: (i) 25,000,000 Common Shares, multiplied by (ii) the consolidation ratio (expressed as a fraction and representing the actual number of new post-consolidation Common Shares for each issued and outstanding Common Share immediately prior to the Consolidation) approved by the Board.

The proposed increase to the aggregate number of Common Shares that are available to be issued from time to time pursuant to outstanding awards under the Award Plan is subject to shareholder approval at the Meeting. In evaluating the increase to the number of Common Shares reserved for issuance under the Award Plan, the Board considered the purpose of the Award Plan and the fact that such plan has, in recent years, been the primary means to provide long-term equity based compensation to the Corporation's employees (including executive officers) and the Corporation's current intention to continue to use such plan for such purpose. In addition to the foregoing, as a result of the recapitalization transaction that closed on April 8, 2021, the aggregate number of issued and outstanding Common Shares has substantially increased since the last time the number of Common Shares reserved under the Award Plan was considered in 2019. Upon amending the Award Plan in 2019, the number of Common Shares that were reserved for issuance under our Award Plan (being 19,100,000 Common Shares) was made with reference to 10% of the then number of issued and outstanding Common Shares. As such, based on the increase in the number of Common Shares since 2019, we are seeking shareholder approval to increase the number of Common Shares that are available to be issued from time to time pursuant to awards granted under the Award Plan to 25,000,000 (subject to change should the Consolidation occur), which is equal to approximately 4.8% of the Corporation's current issued and outstanding Common Shares. Pursuant to the terms of the Award Plan such fixed number of Common Shares reserved for issuance under the Award Plan will be reduced by the aggregate number of Common Shares reserved for issuance from time to time under our Option Plan.

In accordance with the terms of the Award Plan, shareholder approval is required to increase the number of Common Shares reserved for issuance thereunder. In addition to the foregoing, such amendment to the Award Plan is also subject to the approval of the TSXV. The policies of the TSXV also require us to obtain shareholder approval of the amendment to our Award Plan to increase the number of Common Shares reserved for issuance thereunder. Accordingly, at the Meeting, shareholders will be asked to vote on an ordinary resolution to increase the number of Common Shares reserved for issuance under our Award Plan. If the resolution to approve the number of Common Shares reserved for issuance under our Award Plan is not passed by shareholders, such amendment will not be made.

A copy of the Award Plan, as amended (and, subject to shareholder approval in the case of the proposed increase to the maximum number of Common Shares reserves for issuance thereunder) is attached hereto as Schedule "A".

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 Corporation's bonus award incentive plan (the "**Award Plan**") to increase the aggregate number of Common Shares that are available to be issued from time to time pursuant to outstanding awards under the Award Plan from 19,100,000 Common Shares to 25,000,000 Common Shares (should the consolidation occur, then such number of Common Shares equal to the

product of: (i) 25,000,000 Common Shares, multiplied by (ii) the consolidation ratio (expressed as a fraction and representing the actual number of new post-consolidation Common Shares for each issued and outstanding Common Share immediately prior to the Consolidation) approved by the board of directors of the Corporation);

2. any director or officer of the Corporation be authorized on behalf of the Corporation to make any amendments to the Award 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 bonus award incentive plan, as amended; and
3. any one director or officer of the Corporation be, and each of them is hereby, authorized and directed for and in the name of and on behalf of the Corporation, to execute or cause to be executed, whether under corporate seal of the Corporation or otherwise, and to deliver or cause to be delivered all such documents, and to do or cause to be done all such acts and things, as in the opinion of such director or officer may be necessary or desirable in order to carry out the terms of this resolution, such determination to be conclusively evidenced by the execution and delivery of such documents or the doing of any such act or thing."

In accordance with the policies of the TSXV, approval of the amendments to the 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.

#### **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 Shares represented by proxy solicited by this Information Circular 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 ("**Named Executive Officers**" or "**NEOs**") for the year ended December 31, 2020 were Jacob Roorda our President and Chief Executive Officer, David Rain, former Interim Chief Executive Officer, Scott Pittman, our Chief Financial Officer, Caleb Morgret, our former Chief Financial Officer, M. Bruce Chernoff, our Executive Chairman, and Antonio Izzo, our Vice President of Engineering and Business Development.

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 M. Bruce Chernoff (Chair), Brett Herman and Gary Reaves. 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. See "*Matters to be Acted Upon at the Meeting – Election of Directors*".

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 Option Plan and our 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 determining such items, the Board and the Corporate Governance and Compensation Committee rely primarily on their own experience and knowledge.

#### *Elements of Our Executive Compensation Program*

Our compensation program for our executive officers is comprised of three (3) principal components: (i) base salary, and perquisites, (ii) short-term incentive compensation comprised of annual discretionary cash bonuses, and (iii) long-term incentive compensation comprised of share options and share awards. Together, these components are designed to achieve the following key objectives:

- to align the compensation framework so as to promote and support the Corporation's overall business strategy and long term strategic plans and objectives;
- to provide market competitive compensation that is significantly performance based by ensuring that a significant portion of annual (cash bonuses) and long-term (share options and share awards) incentive compensation is tied to share performance and corporate performance and, therefore, is at risk (not guaranteed) and variable year over year;
- to provide incentives which encourage and align employee objectives and performance with both superior corporate performance and retention of highly skilled and talented employees; and
- to align long-term executive compensation with shareholder interests by awarding a significant portion of long-term incentive compensation in the form of performance awards under the Award Plan.

The aggregate value of these principal components and related benefits is used as a basis for assessing the overall competitiveness of the Corporation's compensation package. The fixed element of compensation provides a competitive base of secure compensation required to attract and retain executive talent. The variable performance based, or "at risk" compensation, is designed to encourage management behaviours which contribute to both short-term and long-term performance of the Corporation. At more senior levels of the organization, a significant portion of compensation eligible to be paid is variable performance based compensation which places a greater emphasis on rewarding executives for their individual contributions, business results of the Corporation and long-term value creation for shareholders. Where applicable, awarding a significant portion of long-term incentive compensation in the form of awards under our Award Plan provides, through the value of the Common Shares, a direct link with shareholder return.

When determining executive compensation, including the assessment of the competitiveness of the Corporation's compensation program, as well as benchmarking the Corporation's performance to its peers, the Corporate Governance and Compensation Committee reviews the compensation practices of companies in its selected peer group. The peer comparison group we are benchmarked against operate in similar business environments to us, are publicly traded and are, in certain instances, entities of similar size, scope and complexity to us. They also have executive officer positions similar to those within our organization that reflect the scope of responsibilities required at the executive level. This peer comparison group also reflects, in certain instances, the market in which we compete for executive talent. In the most recently completed financial year, peer group for these purposes included Abraxas Petroleum, Silverbow Resources, Laredo Petroleum, Enerplus Resources and Whitecap Resources.

Each element of our executive compensation program is described below.

### ***Base Salaries***

The base salary component is intended to provide a fixed level of competitive pay that reflects each executive officer's primary duties and responsibilities and the level of skills and experience required to successfully perform his or her role. The payment of base salaries is a fundamental component of the Corporation's compensation program. The Corporation intends to pay base salaries to our executive officers, including our President and Chief Executive Officer that are competitive with those for similar positions within our selected peer group. Salaries of our executive officers, including that of our President and Chief Executive Officer, are reviewed annually by the Corporate Governance and Compensation Committee based upon a review of corporate and personal performance and individual levels of responsibility. Salaries for executive officers are not determined based on specific benchmarks, performance goals or a specific formula.

### ***Short-Term Incentive Compensation – Annual Cash Bonuses***

In addition to base salaries, the Corporation has a discretionary bonus plan pursuant to which our Board, upon recommendation of the Corporate Governance and Compensation Committee, may award annual cash bonuses to all employees, including executive officers. The bonus element of the Corporation's executive compensation program is designed to retain top quality talent and reward both corporate and individual performance during the Corporation's most recently completed financial year. To determine bonus awards for senior personnel, including the Named Executive Officers, the Corporate Governance and Compensation Committee considers both the executive's personal performance and the performance of the Corporation, including where applicable relative to our peers. The amount of the bonus paid is not set in relation to any formula but is the result of a subjective determination of the Corporation's and the individual's performance during the last fiscal year, including the consideration of such matters and criteria as determined by the Corporate Governance and Compensation Committee. In considering bonus payments for the year ended December 31, 2020, the Corporate Governance and Compensation Committee considered the following matters:

- liquidity management;
- general and administrative costs per barrel of oil equivalent, relative to both peers and budget;
- Strategic initiatives;
- FD&A costs relative to peers on a PDP and P+P basis
- production volumes relative to budget (year average);
- production volumes relative to budget (exit);
- operating costs per barrel of oil equivalent relative to budget;
- capital expenditures per barrel of oil equivalent relative to budget (accounting for activity changes); and
- our environmental health and safety record.

While the Corporate Governance and Compensation Committee evaluated the above criteria, they did not assess a specific weighting or priority over one item and, instead, evaluated such criteria as a whole in setting both an aggregate bonus pool and determining individual bonus amounts, and also considered other subjective factors they considered relevant. The payment of bonuses is ultimately subject to the final approval of our Board and our Board has the discretion to amend or suspend the bonus plan at any time in its sole discretion.

Personal performance of employees is evaluated by our President and Chief Executive Officer and is based on certain factors such as demonstrated leadership and individual contributions to the success of the Corporation. Personal performance for each executive officer is evaluated by the Corporate Governance and Compensation Committee in consultation with our President and Chief Executive Officer and is based on an analysis of the individual's contribution to the corporate performance of the Corporation. After assessing corporate and personal performance, the Corporate Governance and Compensation Committee reviews, at its discretion, such other factors it considers relevant to its decision as to whether bonuses will be payable and, if so, the amounts of such bonuses. The proposed bonus amounts for executive officers are then recommended by the Corporate Governance and Compensation Committee for review, discussion and approval by our Board.

### ***Long-Term Incentive Compensation***

Since November 2017, grants of share-based awards under our Award Plan have formed the primary component of our long-term incentive compensation program. This plan is a full-value award plan pursuant to which restricted awards and, commencing in 2019, performance awards may be granted to our directors, officers, employees and consultants. For further information, see "*Executive Compensation – Incentive Plans – Outstanding Share-Based and Option-Based Awards – Bonus Award Incentive Plan*".

Each restricted award entitles the holder to an amount computed by the value of a notional number of Common Shares designated in the award on dates determined by the Board.

Each performance award, when granted, will entitle the holder to an amount computed by the value of a notional number of Common Shares designated in the award multiplied by a payout multiplier. The payout multiplier is dependent on our performance relative to pre-defined corporate performance measures for a particular period and, for a particular period, can be a range of 0x to 2x.

Our Corporate Governance and Compensation Committee will be responsible for recommending to the Board the allocation of share awards between restricted and performance awards. The performance awards, through the payout multiplier, are intended to provide a direct link between corporate performance and the level of payout received. The Corporate Governance and Compensation Committee believes that the pay for performance orientation of the performance awards is aligned with shareholder interests. The portion of performance awards received relative to restricted awards is expected to increase with greater levels of responsibility, with more performance awards expected to be granted to senior employees (including Named Executive Officers) as compared to restricted awards.

The Corporate Governance and Compensation Committee has established the corporate performance measures listed in the table below for purposes of calculating the payout multiplier in respect of the Performance Awards that vest during 2021 based upon financial, operating and other results for the year ended December 31, 2020. The Compensation Committee met in April 2021 to assess the Corporation's annual performance relative to such pre-established corporate performance measures and to calculate the resulting annual payout multiplier for Performance Awards that vest during 2021.

- total shareholder returns;
- production volumes relative to budget (year average);
- production volumes relative to budget (exit);
- FD&A costs relative to peers on a PDP and P+P basis
- overall execution of the Corporation's business plan;
- our environmental health and safety record; and
- other strategic initiatives.

While the Corporate Governance and Compensation Committee evaluated the above criteria, they did not assess a specific weighting or priority over one item and, instead, evaluated such criteria as a whole in setting the payout multiplier, and also considered other subjective factors they considered relevant. After consideration, the payout multiplier in respect of the Performance Awards that vest during 2021 was set at 1.14X.

We also have established an Option Plan, pursuant to which our Board, at its discretion, may grant Options to eligible participants, including NEOs. Such grants are considered incentives intended to align the NEOs' and shareholders' interests in the long term. Options may be used as a component of executive compensation that allows the Named Executive Officers to share in corporate results in a manner that is relatively cost-effective despite the effects of treating Options as a compensation expense for accounting purposes. The Corporate Governance and Compensation Committee provides recommendations to our Board with respect to Option grants to NEOs. No Options have been granted to NEOs or directors since July 2016.

In order to assist the Corporate Governance and Compensation Committee in determining the appropriate level of executive compensation and to assess the competitiveness of its executive compensation programs, the Corporate Governance and Compensation Committee may consider compensation of other organizations within the oil and gas industry and competitive market data as contained in an analysis compiled by our management, including the peer group noted above.

When establishing compensation levels for executive officers, we may participate in annual industry surveys. These industry surveys include executive compensation information for select executive officers' positions. The surveys are conducted by independent consultants and they provide information on salaries and other incentive programs in effect at comparative oil and gas companies.

## Summary Compensation Table

The following table sets forth information concerning the total compensation earned during the years ended December 31, 2018, 2019 and 2020 to our Named Executive Officers.

Name and principal position	Year	Salary (\$)	Non-equity incentive plan compensation (\$)		Option-based awards <sup>(2)</sup> (\$)	Share-based awards <sup>(3)</sup> (\$)	All other compensation <sup>(4)</sup> (\$)	Total compensation (\$)
			Annual incentive plans <sup>(1)</sup>	Long-term incentive plans				
M. Bruce Chernoff Executive Chairman	2020 2019 2018	- - -	- - -	- - -	- - -	- - -	- - -	- - -
Jacob Roorda <sup>(5)</sup> President and Chief Executive Officer	2020 2019 2018	132,454 - -	- - -	- - -	- - -	280,000 - -	- - -	412,454 - -
David Rain <sup>(6)</sup> Former Interim Chief Executive Officer and Former Chief Financial Officer	2020 2019 2018	181,768 65,000 183,333	244,755 227,500 -	- - -	- - -	110,000 - -	- - -	536,523 292,500 183,333
Scott Pittman <sup>(7)</sup> Chief Financial Officer	2020 2019 2018	31,830 - -	- - -	- - -	- - -	144,000 - -	- - -	175,830 - -
Caleb Morgret <sup>(8)</sup> Former Chief Financial Officer	2020 2019 2018	366,672 390,000 34,000	190,980 292,500 <sup>(9)</sup> -	- - -	- - -	191,840 21,000 483,000	24,723 29,707 2,244	774,215 733,207 519,244
Antonio Izzo Vice President, Engineering and Business Development	2020 2019 2018	261,592 253,500 200,000	156,625 149,500 142,800	- - -	- - -	124,640 175,500 -	17,242 7,694 7,196	560,099 586,194 349,996

### Notes:

- (1) Represents discretionary cash bonuses.
- (2) No option-based awards were granted to the Named Executive Officers for the 2018, 2019 and 2020 fiscal years.
- (3) Represents restricted awards and performance rewards. The fair value of the restricted awards and performance awards has been calculated based on the market price of our Common Shares at the grant date for purposes of consistency with our financial statements. The calculation assumes a payout multiplier of 1 for the performance awards. These amounts are not necessarily reflective of actual amounts that may be realized. In respect of the amounts issued to Mr. Roorda in 2020, all of these awards were restricted awards. In respect of the amounts issued to Mr. Rain in 2020, 67% of these awards were performance awards and 33% were restricted awards. In respect of the amounts issued to each of Mr. Pittman, Mr. Morgret and Mr. Izzo, 80% of these awards were performance awards and 20% were restricted awards.
- (4) These amounts reflect the value of medical, dental and vision benefits provided to Mr. Morgret and Mr. Izzo.
- (5) Mr. Roorda was appointed our President and Chief Executive Officer effective August 24, 2020. The compensation of Mr. Roorda for the year ended December 31, 2020, as set forth above, reflects the actual amounts earned by Mr. Roorda during such year. For the years ended December 31, 2020, December 31, 2019 and December 31, 2018, Mr. Roorda did not earn any compensation in his capacity as a director of the Corporation.
- (6) Mr. Rain retired as Chief Financial Officer of the Corporation effective November 30, 2018 and was thereafter appointed to the Board. The compensation for Mr. Rain for the year ended December 31, 2018, as set forth above, reflects the actual amounts earned by Mr. Rain during such year. Mr. Rain was our Interim Chief Executive Officer from October 15, 2019 to August 23, 2020. The compensation for Mr. Rain for the years ended December 31, 2019 and December 31, 2020, as set forth above, reflects the actual amounts earned by Mr. Rain during such year. Mr. Rain did not receive any compensation, in his capacity as a director of the Corporation, in 2019 or 2020. Mr. Rain's salary was reduced by 20% effective March 16, 2020.
- (7) Mr. Pittman was appointed our Chief Financial Officer on November 30, 2020. The compensation of Mr. Pittman for the year ended December 31, 2020, as set forth above reflects the actual amounts earned by Mr. Pittman during such year.
- (8) Mr. Morgret was appointed our Chief Financial Officer effective December 3, 2018. The compensation of Mr. Morgret for the year ended December 31, 2018, as set forth above, reflects the actual amounts earned by Mr. Morgret during such year. Mr. Morgret



retired as our Chief Financial Officer effective November 30, 2020. The compensation of Mr. Morgret for the year ended December 31, 2020, as set forth above, reflects the actual amounts earned by Mr. Morgret during such year.

(9) This amount includes a \$97,500 signing bonus paid to Mr. Morgret in 2019 per the terms of his engagement with the Corporation.

(10) 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, 2018 was \$US 1.00 = \$CDN 1.36, December 31, 2019 was \$US 1.00 = \$CDN 1.30 and December 31, 2020 was \$US 1.00 = \$CDN 1.27.

## **Incentive Plans**

### ***Outstanding Share-Based and Option-Based Awards***

#### *Stock Option Plan*

Our Option Plan was last approved by the shareholders on June 25, 2020. Our Option Plan is a "rolling" plan that provides that our Board may from time to time, in its discretion, grant to our directors, officers, employees and consultants, and those of our subsidiaries, partnerships, trusts and other controlled entities, an option to purchase Common Shares. As a "rolling" plan, the aggregate number of Common Shares that may be reserved for issuance under Option grants under our existing Option Plan may not exceed 10% of our issued and outstanding Common Shares and non-voting common shares, less the number of Common Shares reserved under our Award Plan. During the year ended December 31, 2020, nil Options were awarded under the Option Plan.

Pursuant to the Option Plan, our Board determines the exercise price per Common Share and the number of Common Shares that may be allotted to each director, officer, employee and consultant and all other terms and conditions of the Options, subject to the rules of the TSXV. The exercise price per Common Share is subject to minimum pricing restrictions set by the TSXV. Prior to granting Options to an 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 or consultant, as the case may be, of us or one of our subsidiaries.

The Option Plan provides that Options may be exercisable for up to a maximum of ten (10) years from the date of grant, but our Board has the discretion to grant Options that are exercisable for a shorter period. All Options granted to date have a five (5) year term. Other than Options granted to certain persons, Options granted under the 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 and has attached vesting terms to all Options granted to date. Options under the 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 ninety (90) days following the date of such cessation, as set forth in the applicable Option agreement.

Subject to the policies of the TSXV, the Option Plan prescribes various limits to the number of Common Shares that can be reserved for issuance for specific grants made under the Option Plan. These limits include: (a) the aggregate number of Common Shares reserved for issuance under Options granted to any one eligible person shall not exceed 5% of our issued and outstanding Common Shares in any twelve (12) month period; (b) the aggregate number of Common Shares reserved for issuance under Options granted to any one consultant or an individual engaged in Investor Relations Activities (as such term is defined by the policies of the TSXV) shall not exceed 2% of our issued and outstanding Common Shares in any twelve (12) month period with no more than one quarter of such Options vesting in any three (3) month period; and (c) subject to receipt of disinterested shareholder approval, the number of Common Shares reserved for issuance under Options granted to our executive officers and directors shall not exceed 10% of our issued and outstanding Common Shares.

Our 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 Option Plan.

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

### *Bonus Award Incentive Plan*

Our Award Plan was approved by the shareholders on June 16, 2016, with certain amendments thereto approved on July 6, 2017, was further amended on November 27, 2017 and certain amendments thereto approved on July 3, 2019. There were 5,928,000 share-based awards granted to our Named Executive Officers during the year ended December 31, 2020. The following is a summary of the Award Plan prior to the amendment as described above under "*Matters to be Acted Upon at the Meeting – Approval of Certain Amendments to the Bonus Award Incentive Plan*".

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

The Award Plan provides that our Board may from time to time, in its discretion, grant to our directors, officers, employees and consultants, and those of our subsidiaries, partnerships, trusts and other controlled entities, an award of a notional number of Common Shares.

The number of Common Shares reserved that are available to be issued from time to time pursuant to awards granted under the Award Plan is currently limited to 19,100,000 Common Shares, less the aggregate number of Common Shares reserved for issuance from time to time under our Option Plan, however subject to shareholder approval at the Meeting, such amount may be increased to up to 25,000,000 Common Shares (or 2,500,000 Common Shares on a post-Consolidation basis). The Award Plan also provides that once an award is settled, the Common Shares reserved for issuance under such settled award shall not be available for the purposes of further awards under the Award Plan.

The number of Common Shares issuable pursuant to the Award Plan to any one person in any twelve (12) month period will not exceed 1% of our outstanding shares (which includes: (i) the aggregate number of our issued and outstanding Common Shares; (ii) Common 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 Shares, collectively referred to as the "**Total Common Shares**"). In addition, the number of Common Shares reserved for issuance within a twelve (12) month period, pursuant to the Award Plan to our insiders as a group will not exceed 2% of our outstanding Total Common Shares.

The Board, in its discretion, shall determine the timing of the payment date(s) and expiry date(s) for each award granted pursuant to the Award Plan. The Award Plan provides that for awards granted prior to a certain date, 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 (3) months and for awards granted after a certain date, where a holder is on a leave of absence, the payment date for such holder shall be suspended until such time as such holder returns to active employment or active service, provided that the payment date that occurs during or subsequent to the period of the leave of absence shall be extended by the length of the leave of absence, and further provided that if any such extension would cause the payment date to extend beyond the expiry date, unless the Board determines otherwise, the rights to receive any entitlements on such payment date shall be forfeited. Notwithstanding any leave of absence or expiry date set by the Board, all awards issued pursuant to the Award Plan will expire on the 15<sup>th</sup> of December of the third year following the year of the grant. All awards granted pursuant to the Award Plan are not transferrable outside of estate settlement purposes.

Grants under the Award Plan may be designated as either restricted awards or performance awards.

### *Restricted Awards*

Each restricted award entitles the holder to an amount computed by the value of a notional number of Common Shares designated in the award to be paid as to an agreed upon portion on each of the first, second and third anniversary dates of the date of grant (or such earlier or later dates as may be determined by the Board).

### *Performance Awards*

Each performance award will entitle the holder to an amount computed by the value of a notional number of Common Shares designated in the award multiplied by a payout multiplier to be paid on the date(s) as may be determined by the Board. The payout multiplier is determined by the Board based on an assessment of the achievement of certain pre-defined corporate performance measures in respect of the applicable period. Corporate performance measures will be performance criteria established by the Board in its sole discretion in respect of each period, which criteria may include, but need not be limited to, the total shareholder return of the Common Shares compared to an index, sub-index or identified group of peers and our performance with respect to operational and financial benchmarks compared to an identified group of peers, market guidance or financial plan. The payout multiplier for a particular period can be a range of 0x to 2x, depending on the satisfaction of the performance criteria as determined by the Board from time to time. For those performance awards where the issue date is the second or third anniversary of the grant date, the payout multiplier will be the arithmetic average of the applicable payout multiplier for each of the two (2) or three (3) preceding years, respectively.

On the payment date of the award to a service provider, the Board, in its sole and absolute discretion, shall have the option of settling the award payable to the service provider by any of the following methods: (i) payment in cash; (ii) payment in Common Shares acquired by us on the TSXV; or payment in Common Shares issued from our treasury. A recipient of an award does not have any right to demand to be paid in or receive Common Shares in respect of the 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 award agreements and awards issued to the service provider will be terminated and all rights to receive payment of the award shall be forfeited and such service provider may only receive payment of awards where the payment date of the award occurs within thirty (30) 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 awards where the payment date occurs within six (6) months from the service provider's death and prior to the expiry date.

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

The following table sets forth information concerning option-based and share-based awards held by our Named Executive Officers as at December 31, 2020.

Name and Principal Position	Option-Based Awards				Share-Based Awards <sup>(2)</sup>		
	Number of securities underlying unexercised options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of unexercised in-the-money options (\$) <sup>(1)</sup>	Number of shares or units of shares that have not vested (#)	Market or payout value of Share-based awards that have not vested (\$) <sup>(3)</sup>	Market or payout value of vested Share-based awards not paid out or distributed (\$) <sup>(3)</sup>
M. Bruce Chernoff Executive Chairman	-	-	-	-	-	-	-
Jacob Roorda, President and Chief Executive Officer	50,000	0.70	July 20, 2021	Nil	2,000,000	260,000	-
David Rain, Former Interim Chief Executive Officer	50,000	0.70	July 20, 2021	Nil	500,000	65,000	-
Scott Pittman, Chief Financial Officer	-	-	-	-	1,200,000	156,000	-
Caleb Morgret Former Chief Financial Officer <sup>(4)</sup>	-	-	-	-	-	-	-
Antonio Izzo Vice President, Engineering and Business Development	50,000	0.70	July 20, 2021	Nil	966,200	125,606	-

Notes:

- (1) Value is calculated upon the difference between the exercise price of the Options and the closing price of the Common Shares on the TSXV on December 31, 2020 of \$0.13.
- (2) Represents restricted awards and performance awards which are settled over three (3) years and expire on December 15th on the third year following the year of grant. The value of the restricted award and performance award may be settled in cash, Common Shares or a combination thereof at our discretion.
- (3) Calculated by multiplying the number of restricted awards and performance awards that had not been settled by December 31, 2020 by the market price of our Common Shares on the TSXV on December 31, 2020 of \$0.13.
- (4) All awards held by Mr. Morgret expired, in accordance with their terms, 30 days after Mr. Morgret's retirement from the Corporation.

**Incentive Plan Awards – Value Vested or Earned During the Year**

The following table summarizes the value of option-based and share-based awards held by Named Executive Officers that vested during the year ended December 31, 2020.

Name	Option-Based Awards – Value Vested During the Period (\$) <sup>(1)</sup>	Share-Based Awards – Value Vested During the Period (\$) <sup>(2)</sup>	Non-equity Incentive Plan Compensation – Value Earned During the Period (\$) <sup>(3)</sup>
M. Bruce Chernoff	-	-	-
Jacob Roorda	-	5,400	-
David Rain	-	48,000	-
Scott Pittman	-	-	-
Caleb Morgret	-	13,785	-
Antonio Izzo	-	25,956	-

Notes:

- (1) Calculated based on the difference between the market price of the Common Shares on the vesting date and the exercise price of the options.

- (2) The value of the restricted awards has been calculated based on the market price of our Common Shares at close on the vesting date.
- (3) Reflects the bonus earned by the NEO in respect of the last completed financial year and paid in 2021. See "*Summary Compensation Table*".

### **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 and share 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**

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 option-based and share-based awards in accordance with the terms of the plans governing such grants and the policies of the TSXV. 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, 2020. 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. The tables below do not include any disclosures in respect of Mr. David Rain, Mr. Jacob Roorda or Mr. M. Bruce Chernoff, each of whom served as an officer of the Corporation in 2020. Neither Mr. Rain, Mr. Roorda, nor Mr. Chernoff received any additional compensation, in their capacity as directors of the Corporation, in 2020. For disclosures with respect to Mr. Rain, Mr. Roorda and Mr. Chernoff for the year ended December 31, 2020, please see "*Executive Compensation*" above.

### 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, 2020. Our directors, other than directors who were also Named Executive Officers, did not receive any additional compensation during the year ended December 31, 2020.

Name	Fees Earned (\$)	Option-Based Awards (\$)	Share-Based Awards (\$)	Non-equity Incentive Plan Compensation (\$)	Pension Value (\$)	All Other Compensation (\$)	Total (\$)
Brett Herman	-	-	-	-	-	-	-
Ken McCagherty	-	-	-	-	-	-	-
Gary Reaves <sup>(1)</sup>	-	-	-	-	-	-	-
Brooks Shughart <sup>(2)</sup>	-	-	-	-	-	-	-

Note:

- (1) Mr. Reaves was appointed to the Board on May 20, 2020  
(2) Mr. Shughart resigned from the Board on May 15, 2020.

The following table sets forth for each of our directors, other than directors who are also Named Executive Officers, all option-based and share-based awards outstanding for the year ended December 31, 2020.

Name	Option-Based Awards			Share-Based Awards <sup>(2)</sup>			
	Number of securities underlying unexercised options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of unexercised in-the-money options (\$) <sup>(1)</sup>	Number of shares or units of shares that have not vested (#)	Market or payout value of Share-based awards that have not vested (\$) <sup>(3)</sup>	Market or payout value of vested Share-based awards not paid out or distributed (\$)
Brett Herman	50,000	0.70	July 20, 2021	nil	-	-	-
Ken McCagherty	20,000	0.70	July 20, 2021	nil	-	-	-
Gary Reaves <sup>(4)</sup>	-	-	-	-	-	-	-
Brooks Shughart <sup>(5)</sup>	-	-	-	-	-	-	-

Notes:

- (1) Value is calculated upon the difference between the exercise price of the Options and the closing price of the Common Shares on the TSXV on December 31, 2020 of \$0.13.  
(2) Represents restricted awards which are settled equally over three (3) years and expire on December 15th on the third year following the year of grant. The value of the restricted award may be settled in cash, Common Shares or a combination thereof at the Board's discretion.  
(3) Calculated by multiplying the number of restricted awards that had not been settled by December 31, 2020 by the market price of our Common Shares on the TSXV on December 31, 2020 of \$0.13. Restricted awards are settled on the vesting date.  
(4) Mr. Reaves was appointed to the Board on May 20, 2020.  
(5) Mr. Shughart resigned from the Board on May 15, 2020.

### Incentive Plan Awards – Value Vested or Earned During the Year

The following table summarizes the value of option-based and share-based awards held by directors, other than directors who are also Named Executive Officers, which vested during the year ended December 31, 2020.

Name	Option-Based Awards – Value Vested During the Period (\$) <sup>(1)</sup>	Share-Based Awards – Value Vested During the Period (\$) <sup>(2)</sup>	Non-equity Incentive Plan Compensation – Value Vested During the Period (\$)
Brett Herman	-	5,400	-
Ken McCagherty	-	3,600	-
Gary Reaves <sup>(3)</sup>	-	-	-
Brooks Shughart <sup>(4)</sup>	-	-	-

Notes:

- (1) Calculated based on the difference between the market price of the Common Shares on the vesting date and the exercise price of the Options.
- (2) The value of the restricted awards has been calculated based on the market price of our Common Shares at close on the vesting date.
- (3) Mr. Reaves was appointed to the Board on May 20, 2020.
- (4) Mr. Shughart resigned from the Board on May 15, 2020.

## SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table sets out information with respect to compensation plans under which our Common Shares are authorized for issuance.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights <sup>(3) (4)</sup>	Weighted-average exercise price of outstanding options, warrants and rights <sup>(4)</sup>	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) <sup>(3) (4)</sup>
(a)	(b)	(c)	
Equity compensation plans approved by securityholders:			
Option Plan <sup>(1)</sup>	550,000	\$0.70	18,274,050
Award Plan <sup>(2)</sup>	10,629,417	N/A	8,470,583
Equity compensation plans not approved by securityholders	-	-	-
<b>Total</b>	<b>11,179,417</b>	<b>-</b>	<b>26,744,633</b>

Notes:

- (1) Our Option Plan allows for Options to be granted, provided that the aggregate number of Common Shares reserved for issuance under the Option Plan does not exceed 10% of the aggregate number of issued and outstanding Common Shares and common non-voting shares, less the number of Common Shares reserved under our Award Plan
- (2) The Award Plan provides that we are authorized to reserve for issuance in settlement of awards up to 19,100,000 Common Shares less the number of Common Shares reserved for issuance under our Option Plan. The Award Plan further provides that once an award is settled, the Common Shares reserved for issuance under such settled award shall not be available for the purposes of further awards under the Award Plan.
- (3) Each of these amounts reflects the maximum amount issuable under each plan, before reduction by the amount of Common Shares reserved under the other plan. See "Executive Compensation – Incentive Plans – Outstanding Share-Based and Option-Based Awards – Stock Option Plan and Restricted Awards". As at December 31, 2020, the maximum number of additional securities remaining available under the Option Plan is 18,274,050 less 10,629,417 Common Shares reserved under the Award Plan. Similarly, the maximum number of additional securities remaining available under the Award Plan is 8,470,583 less 550,000 Common Shares reserved under the Option Plan.
- (4) Does not give effect to the proposed increase to the number of Common Shares issuable under the Awards Plan or the anticipated effects of the proposed Consolidation.

## CORPORATE GOVERNANCE DISCLOSURE

National Policy 58-201 – *Corporate Governance Guidelines* ("**NP 58-201**") has been 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 Gary Reaves. M. Bruce Chernoff is a non-independent director since he is also our Executive Chairman and a significant shareholder and Mr. Jacob Roorda is not an independent director since he is our President and Chief Executive Officer of the Corporation. Mr. David Rain has served, in the last three years, as our Chief Financial Officer and Interim Chief Executive Officer. Half of our Board is independent. Mr. McCagherty, an independent director, is not standing for re-election at the Meeting.

Although our independent directors do not hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance, at the end of or during each meeting of our Board or any committee of the Board, the members of our management who are present at such meeting leave the Meeting in order that the non-management 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):



<u>Director</u>	<u>Names of Other Issuers</u>
M. Bruce Chernoff	Canoe Financial Corp. (General Partner of Canoe Financial LP, the Manager of Canoe EIT Income Fund) and Maxim Power Corp.
Brett Herman	None
Ken McCagherty	None
David Rain	Canoe Financial Corp. (General Partner of Canoe Financial LP, the Manager of Canoe EIT Income Fund)
Gary Reaves	None
Jacob Roorda	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](http://www.sedar.com). It is expected that each of our employees, officers and directors will confirm his or her understanding, acceptance and compliance of the Code on an annual basis. Any reports of variance from the Code will be reported to our Board.

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

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

### **Nomination of Directors**

Our Board considers its size each year when it considers the number of directors to recommend to the shareholders for election at the annual meeting of shareholders, taking into account the number required to carry out our Board's duties effectively and to maintain a diversity of views and experience while also taking into account the requirements and rights provided to First Reserve in respect of board representation as set forth in the Investor Rights Agreement. See "*Voting Matters – Voting Shares and Principal Holders*" and "*Matters to be Acted Upon at Meeting – Election of Directors – Biographies of Directors*".

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 (3) 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 Gary Reaves. All members of our audit committee are independent (as such term is defined in National Instrument 51 - 110 – *Audit Committees*) and all members of the audit committee are financially literate. Mr. Herman is a Chartered Professional Accountant and has extensive experience as a chief executive officer of public companies. Mr. McCagherty has significant experience as chief executive officer's of public and private companies. Mr. Reaves is an experienced corporate finance professional and holds a B.B.A. from the University of Texas. For more information concerning our Audit Committee please see our Annual Information Form dated March 24, 2021 which is available on our website and our SEDAR profile at [www.sedar.com](http://www.sedar.com).

#### *Reserves Committee*

Our Reserves Committee is currently comprised of Ken McCagherty (Chairman), Brett Herman and M. Bruce Chernoff. A majority of the members of our Reserves Committee are "independent" (as such term is defined in NI 58-101) and satisfying the requirements of Section 3.5(1) of National Instrument 51 101 – *Standards of Disclosure for Oil and Gas Activities* ("**NI 51-101**").

Our Board has delegated to the Reserves Committee responsibility for matters set forth in respect of the responsibilities of the Board in relation to 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 evaluator 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 as set forth below, none of our directors, officers, principal shareholders, or informed persons (as defined in National Instrument 51-102 – *Continuous Disclosure Obligations*), and no associate or affiliate of any of them, has or has had any material interest in any transaction since the commencement of our most recently completed financial year or in any proposed transactions which has materially affected or would materially affect us.

On April 8, 2021, the Corporation closed its recapitalization transaction (the "**Transaction**"), which included a private placement of additional equity (the "**Private Placement**"), a rights offering and an amendment to the terms of the outstanding preferred shares (which had been issued by the Corporation's wholly-owned subsidiary) and subsequent exchange of such preferred shares for Common Shares (the "**Preferred Share Exchange**"). Pursuant to the Private Placement, Mr. Chernoff acquired, indirectly through an entity to which he is a significant shareholder, an aggregate of 70,747,035 Common Shares. First Reserve acquired 50,000,000 Common Shares pursuant to the Private Placement and acquired 182,275,798 Common Shares pursuant to the Preferred Share Exchange. The amendments to the terms of the preferred shares and the participation by Mr. Chernoff and First Reserve in the Private Placement were considered to be "related party transactions" (as defined under Multilateral Instrument 61-101 - *Protection of Minority Security Holders in Special Transactions* ("**MI 61-101**")), however such related party transactions were exempt from the formal valuation and minority shareholder approval requirements under MI 61-101 as a result of available exemptions thereunder. The proceeds of the offering were used to partially repay outstanding amounts owing under our senior secured credit facility.

On April 8, 2021, we entered into the Investor Rights Agreement with First Reserve and Hawthorne (an entity to which Mr. Chernoff is a substantial shareholder) whereby First Reserve was provided, among other things: (i) certain consent and governance rights, including the right that so long as First Reserve owns not less than 10% of the issued and outstanding Common Shares it shall be entitled to designate one nominee for election to our board; and (ii) registration rights in respect of public offering of shares owned by First Reserve. Further, pursuant to the Investor Rights Agreement, First Reserve and Hawthorne were provided with a participation right to maintain their respective pro-rata ownership of the Corporation's Common Shares in connection with future financing transactions, subject to certain customary exclusions. A copy of the Investor Rights Agreement is available for review under our SEDAR profile at [www.sedar.com](http://www.sedar.com). Gary Reaves, is standing for re-election to the Board at the Meeting, pursuant to the board nomination rights provided to First Reserve pursuant to the Investor Rights Agreement.

## INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

Other than 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](http://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](http://www.sedar.com).

The delivery of this Information Circular has been approved by the Board.

**Schedule "A"**

**Award Plan**

## BONUS AWARD INCENTIVE PLAN

The Board of Directors of PetroShale Inc. ("**PetroShale**") has adopted this 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, as such number may be adjusted in accordance with the terms of the Plan, multiplied by the Fair Market Value of a Common Share;
- (b) "**Black-Out Period**" means a period of time imposed by the Board, the CEO or the CFO, pursuant to the policies of PetroShale upon certain Service Providers during which those persons may not trade in any securities of PetroShale;
- (c) "**Board**" has the meaning set forth in **Section 3** hereof;
- (d) "**Bonus Award**" means a Restricted Award or a Performance Award, as applicable, whose Award Value is computed by reference to a notional number of Common Shares made pursuant to the Plan, as such number may be adjusted in accordance with the terms of the Plan, for which payment shall be made on the Payment Date(s) in accordance with the terms of **Section 6** hereof;
- (e) "**Bonus Award Agreement**" has the meaning set forth in **Section 6** hereof;
- (f) "**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;
- (g) "**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 their 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;

(h) "**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;
- (i) "**Common Shares**" means common voting shares of PetroShale;
- (j) "**Consolidation**" the consolidation of the currently issued and outstanding Common Shares on the basis of one (1) new post-consolidation Common Share for up to a maximum of fifteen (15) currently outstanding Common Shares, or such lesser number of pre-consolidation Common Shares as determined by the Board in its sole discretion to be considered by the Shareholders at the June 16, 2021 annual and special meeting of the Shareholders, and subject to such Shareholder approval, to be effected by PetroShale;
- (k) "**Consolidation Ratio**" means the ratio (expressed as a fraction) representing the actual number of new post-consolidation Common Shares for each issued and outstanding Common Share immediately prior to the Consolidation, and as a result of the Consolidation;

- (l) "**Corporate Performance Measures**" for any period, means the performance measures to be taken into consideration in determining the Performance Award Payout Multiplier in respect of any Performance Award, the weighting and criteria of such Corporate Performance Measures as determined by the Board in accordance with Section 6(c);
- (m) "**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;
- (n) "**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;
- (o) "**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;
- (p) "**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;
- (q) "**Grant Date**" means the grant date for a Bonus Award;
- (r) "**Grantee**" has the meaning set forth in **Section 4** hereof;
- (s) "**Insider**" has the meaning set forth in the applicable rules of the Exchange for this purpose;
- (t) "**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;
- (u) "**Leave Expiration Term**" means ten (10) Business Days from the date that any Leave of Absence ends;
- (v) "**Other Incentive Plan**" means PetroShale's stock option plan in effect from time to time;
- (w) "**Payment Date**" means, with respect to any Bonus Award, the date upon which such Bonus Award vests and 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;
- (x) "**Performance Award**" means a Bonus Award under the Plan designated as a "Performance Award" in the Bonus Award Agreement pertaining thereto and subject to the Performance Award Payout Multiplier;
- (y) "**Performance Award Payout Multiplier**" means the payout multiplier determined by the Board in accordance with **Section 6(c)** hereof;



- (z) "**PetroShale Entities**" means, collectively, any of PetroShale's subsidiaries, partnerships or other controlled entities, from time to time;
- (aa) "**Restricted Award**" means a Bonus Award under the Plan designated as a "Restricted Award" in the Bonus Award Agreement pertaining thereto;
- (bb) "**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);
- (cc) "**Shareholder**" means a holder of Common Shares; and
- (dd) "**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. In the event that the Board appoints a committee or agent of the Board to administer the Plan, all references in the Plan to the Board will be deemed to be references to such committee or agent of the Board.

### **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. In addition, for purposes of monitoring compliance with the limitations set out in this **Section 4** a Performance Award Payout Multiplier of 1.0 will be assumed for any Performance Awards.

#### **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 the product of: (i) 25,000,000 Common Shares, multiplied by (ii) the Consolidation Ratio, less the aggregate number of Common Shares reserved for issuance from time to time under the Other Incentive Plan. For greater certainty, if the Consolidation does not occur or at any time prior to the Consolidation becoming effective, the number of Common Shares reserved hereunder shall be fixed at 25,000,000 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. In addition, for purposes of monitoring compliance with the limitations set out in this **Section 5**, a Performance Award Payout Multiplier of 1.0 will be assumed for any Performance Awards.

## 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) **Type of Award** – The Board shall designate the number of Common Shares to be referred to in respect of each Bonus Award to be awarded to a Grantee pursuant to the Bonus Award and shall designate such award as either a "Restricted Award" or a "Performance Award", as applicable, in the Bonus Award Agreement relating thereto.
- (b) **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 vesting and the determination of the Payment Date(s) in respect of payment pursuant to any Bonus Award as it sees prudent, provided however, that:
  - (A) with respect to any Bonus Awards: (y) that have a Grant Date after May 23, 2019, where a Grantee is on a Leave of Absence, the Payment Date or Payment Dates for any Bonus Awards held by such Grantee shall be suspended until such time as such Grantee returns to active employment or active service, provided that the Payment Date for any Bonus Award that occurs during or subsequent to the period of the Leave of Absence shall be extended by the length of the Leave of Absence, and further provided that if any such extension would cause the Payment Date or Payment Dates to extend beyond the Expiry Date, unless the Board otherwise determines that the Payment Date in respect thereof shall be the Expiry Date, the rights to receive any entitlements on such Payment Date or Payment Dates shall be forfeited by the Grantee; and (z) that have a Grant Date on or before May 23, 2019, if a Grantee is on a Leave of Absence commencing before any of the Payment Date(s), such Payment Date or Payment Dates shall be extended by a period of time equal to that portion of the duration of the period of the Leave of Absence that is in excess of three (3) months and further provided that if any such extension would cause the Payment Date or Payment Dates to extend beyond the Expiry Date, subject to the approval of the Board, the amounts to be paid on such Payment Date or Payment Dates may be paid on the Expiry Date;
  - (B) where a Payment Date occurs on a date when a Grantee is subject to a Black-Out Period, such Payment Date shall be extended to a date which is within three business days following the end of such Black-Out Period, and further provided that if any such extension would cause the Payment Date or Payment Dates to extend beyond the Expiry Date, the amounts to be paid on such Payment Date or Payment Dates shall be paid on the Expiry Date notwithstanding the Black-out Period; 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.
- (c) **Determination of the Performance Award Payout Multiplier** – At an appropriate time relative and prior to the Payment Date in respect of any Performance Award, the Board will assess PetroShale's performance with respect to the applicable Corporate Performance Measures selected by the Board over the applicable performance period(s). Upon the assessment of each of the Corporate Performance Measures, the Board will apply a ranking and weighting to each Corporate Performance Measure to determine an overall Performance Award Payout Multiplier for the applicable performance period(s). The Performance Award

Payout Multiplier will be from 0 – 200% of the Award Value, as determined by the Board. For greater certainty, where the Payment Date is not the first anniversary of the grant date, the Payout Multiplier for those Performance Awards will be the arithmetic average of the Payout Multiplier for each of the preceding annual performance assessment periods.

- (d) **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.
- (e) **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.
- (f) 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.
- (g) 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.
- (h) **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 earlier of: (i) March 15 of the calendar year following the calendar year in which such Payment Date occurs; or (ii) the Expiry Date.
- (i) **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.
- (j) ***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.
- (k) ***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 any amount paid to settle the Award Value, 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 vesting and 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 vesting and 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 July 6, 2017, November 27, 2017, May 23, 2019 and May 19, 2021 upon receipt of all necessary shareholder and regulatory approvals.