

**MANDATE
OF THE
BOARD OF DIRECTORS**

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

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

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

Strategic Direction and Capital and Financial Plans

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

Monitoring and Acting

- monitor PetroShale's progress towards achieving its goals, and to revise and alter its direction through management in light of changing circumstances;
- monitor overall human resources policies and procedures, including compensation and succession planning for senior management;
- appoint the CEO and determine the terms of the CEO's employment with PetroShale;
- evaluate the performance of the CEO on an ongoing basis through periodic in camera sessions;
- in consultation with the CEO, establish the limits of management's authority and responsibility in conducting PetroShale's business;
- in consultation with the CEO, appoint all officers of PetroShale and approve the terms of each officer's employment with PetroShale;
- develop a system under which succession to senior management positions will occur in a timely manner;
- approve any proposed significant change in the management organization structure of PetroShale;
- in consultation with the CEO, establish a disclosure policy for PetroShale;
- generally provide advice and guidance to management; and
- approve all matters relating to a takeover bid for the securities of PetroShale.

Finances and Controls

- ensure that management has implemented appropriate systems to manage the risks of PetroShale's business and, with the assistance of management, PetroShale's auditors and others (as required), evaluate the appropriateness of such systems;
- monitor the appropriateness of PetroShale's capital structure;
- review and approve the Corporation's financial statements, MD&A, reserve evaluations, and any prospectus or other security issuing document prepared by management whereby securities are issued to the public;
- in consultation with the CEO, establish the ethical standards to be observed by all officers and employees of PetroShale and use reasonable efforts to ensure that a process is in place to monitor compliance with those standards;
- require that the CEO institute and monitor processes and systems designed to ensure compliance with applicable laws by PetroShale and its officers and employees;
- require that the CEO institute, and maintain the integrity of, internal control and information systems, including maintenance of all required records and documentation;

- recommend to shareholders of PetroShale a firm of chartered accountants to be appointed as PetroShale's auditors;
- ensure PetroShale's oil and gas reserve reports fairly represent the quantity and value of corporate reserves in accordance with generally accepted engineering principles and applicable securities laws; and
- take reasonable actions to gain reasonable assurance that all financial information made public by PetroShale (including PetroShale's annual and quarterly financial statements) is accurate and complete and represents fairly the Corporation's financial position and performance.

Governance

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

Delegation

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

Composition

- the Board should be composed of at least 4 individuals elected by the shareholders at the annual meeting;
- a majority of Board members should be "independent" directors (within the meaning of National Instrument 58-101) and free from any business or other relationship that could impair the exercise of independent judgment;

- members should have or obtain sufficient knowledge of PetroShale and the oil and gas business to assist in providing advice and counsel on relevant issues; and
- board members should offer their resignation from the Board to the Chairman of the Board following:
 - change in personal circumstances which would reasonably interfere with the ability to serve as a director; and
 - change in personal circumstances which would reasonably reflect poorly on PetroShale (for example, finding by a Court of fraud, or conviction under Criminal Code or securities legislation).

Meetings

- the Board shall meet at least four times per year and/or as deemed appropriate by the Board Chair.
- Notice of a meeting of the Board shall:
 - (a) Be in writing.
 - (b) State the nature of the business to be transacted at the meeting in reasonable detail.
 - (c) To the extent practicable, be accompanied by copies of documentation to be considered at the meeting.
 - (d) Be given at least forty-eight (48) hours' notice preceding the time stipulated for the meeting or such shorter period as the members of the Board may permit.
- A quorum for the transaction of business at a meeting of the Committee shall consist of a majority of the members of the Board.
- the Board shall have the opportunity to meet at the end of each of its meetings without members of management being present.
- Minutes shall be kept of all meetings of the Board and shall be signed by the Chair and the Secretary of the meeting.
- Minutes of the meetings of the Board shall be retained by the Secretary of the Corporation and shall be available, on request, to any member of the Board.
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- the CEO and Chief Financial Officer shall be available to attend all meetings of the Board upon invitation by the Board; and
- Vice-Presidents and such other staff as appropriate shall attend meetings at the invitation of the Board.

Conflict of Interest

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

Authority

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