DTCC | *Important Notice*
The Depository Trust Company

B #:	14833-21
Date:	03/17/21
To:	All Participants
Category:	Dividends
From:	Supervisor, Stock Dividend Department
Attention:	Dividend Managers, Cashiers, and Reorganization Managers
Subject:	**Rights Offering:** PetroShale, Inc. **CUSIP:** 71676H106 **Rights CUSIP:** 71676H155 **Record Date:** 03/11/2021 **Rights Expire:** 04/07/2021 at 5:00 PM (Toronto time) **Rate:** One transferable right for each common share held **DTC Instruction Cut-Off Date:** 03/29/2021 at 2:00 PM EDT

**********WARNING TIME CRITICAL**********

PetroShale, Inc.is offering transferable rights to its shareholders as of close of business March 11, 2021 (the Record Date). Each holder is entitled to one right for each share of PetroShale, Inc. held. The rights expire on 04/07/2021 at 5:00 PM (Toronto time). The rights are subject to certain restrictions for holders in non-qualifying jurisdictions.

Residents of all provinces or territories of Canada are eligible for this rights distribution. Certificates will not be mailed to ineligible shareholders. Rights in respect of shares held by ineligible holders will be issued to and held by the subscription agent as agent for the benefit of ineligible shareholders.

The subscription agent will attempt to sell rights for ineligible holders on a best effort basis held by ineligible holders. Rights not exercised by the expiration date will be void and of no value.

DTC will not be releasing rights. Participants with eligible shareholders wishing to have the rights released to them must send written instructions to the attention of Lynel Hobson, from DTC's Stock Dividend section by 2:00 PM EDT on 03/29/2021.

Any questions or requests for assistance may be directed to the Rights agent at the contact information set out below:

Email – TMXEInvestorServices@tmx.com or bolanle.oyelade@tmx.com

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B#: 14833-21

Participants may submit instructions using the following methods:

- **Email:** stockdividendprocessing@dtcc.com, lhobson@dtcc.com and hgehy@dtcc.com
- **Subject Line:** Rights Instructions for PetroShale, Inc - CUSIP 71376H106

Participants must contact Lynel Hobson at (813) 470 1572 or Hilda Gehy at (813) 470 1090 to confirm receipt of the instructions.

The following **MUST** be included in the written instructions

- Instructions must be on company letterhead
- Include company brick and mortar address
- DTC authorized indemnity clause
- Medallion stamp
- DTC participant number

The address stated in the instructions must be in an eligible jurisdiction. Instructions must include an indemnity clause and medallion stamp.

Be advised that a sample indemnification letter is accompanying this Important Notice.

The instructions will be processed only after acceptance by the subscription agent. **Participants will be responsible for receiving their rights from the subscription agent**.

RECORD DATE POSITION INFORMATION SHOULD BE CONFIRMED THROUGH THE CA WEB.

If participants have any questions regarding this Important Notice, they may contact DTC's Customer Help Center at (888) 382-2721.

Important Legal Information: *The Depository Trust Company ("DTC") does not represent or warrant the accuracy, adequacy, timeliness, completeness or fitness for any particular purpose of the information contained in this communication, which is based in part on information obtained from third parties and not independently verified by DTC and which is provided as is. The information contained in this communication is not intended to be a substitute for obtaining tax advice from an appropriate professional advisor. In providing this communication, DTC shall not be liable for (1) any loss resulting directly or indirectly from mistakes, errors, omissions, interruptions, delays or defects in such communication, unless caused directly by gross negligence or willful misconduct on the part of DTC, and (2) any special, consequential, exemplary, incidental or punitive damages. To ensure compliance with Internal Revenue Service Circular 230, you are hereby notified that: (a) any discussion of federal tax issues contained or referred to herein is not intended or written to be used, and cannot be used, for the purpose of avoiding penalties that maybe imposed under the Internal Revenue Code; and (b) as a matter of policy, DTC does not provide tax, legal or accounting advice and accordingly, you should consult your own tax, legal and accounting advisor before engaging in any transaction.*

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SAMPLE INDEMNITY LETTER

YOUR COMPANY LETTERHEAD
Brick and Mortar Address

Date: _____

Depository Trust & Clearing Corp.
55 Water Street
New York, NY 10041
Attn: _____

Re: _____ CUSIP#: _____

Sir/Madam: _____

On record date _____, we held _____ shares at DTC on behalf of beneficial owners, entitling us to receive _____ Rights.

We hereby certify that all shares are beneficially owned by shareholders residing in the qualifying jurisdictions. These holders are therefore entitled to receive the Rights, please accept this letter as authorization to have Rights released to us in the name of _____.

[INSERT INDEMNITOR'S NAME] hereby agrees to indemnify and defend DTC and Cede & Co., and each of their respective subsidiaries and affiliates, officers, directors, employees, agents and attorneys, (the "Indemnitees") against, and hold the Indemnitees harmless from, any Losses[1] and Legal Actions[2] suffered or incurred by the Indemnitees resulting from, relating to, arising out of or in connection with [INSERT THE NATURE OF THE REQUEST](the "Request"), except as a result of the Indemnitees willful misconduct or gross negligence or fraud. By way of example but not by way of limitation, this indemnity applies to Legal Actions between and/or among [INSERT INDEMNITOR'S NAME] and/or Indemnitees.

[INSERT INDEMNITOR'S NAME] represents and warrants that we are duly authorized to execute this indemnity.

Sincerely,

Name: _____
Title: _____
Company Name: _____
Participants Number: _____
Phone #: _____
E-mail: _____

Place Medallion Signature Guarantee Stamp Here

[1] "Losses" means and includes all losses, liabilities, damages, judgments, liabilities, payments, obligations, costs and expenses (including, without limitation, any costs of investigation and legal fees and expenses incurred in connection with, resulting from, relating to, arising out of or in connection with the Request), regardless of whether or not any liability, payment, obligation or judgment is ultimately imposed against the Indemnitees.

[2] "Legal Action" means and includes any claim, counterclaim, demand, action, suit, countersuit, arbitration, inquiry, proceeding or investigation before any federal, state or foreign court or other tribunal, or any investigative or regulatory agency or self regulatory organization.

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PetroShale
Calgary • Denver

March 4, 2021

Dear Sir or Madam:

Re: Notice to Shareholders of PetroShale Inc. (the "Corporation") in Ineligible Jurisdictions pursuant to the Corporation's Rights Offering

Kindly be advised that the Corporation is undertaking a rights offering (the "**Offering**") to all shareholders resident in each of the provinces and territories of Canada (the "**Eligible Jurisdictions**"). Notwithstanding that you do not reside in one of the Eligible Jurisdictions, you may also be eligible to participate in the Offering and exercise your rights ("**Rights**") of the Corporation if you furnish to TSX Trust Company (the "**Subscription Agent**") (at its office or by email at TMXEInvestorServices@tmx.com), on or before March 29, 2021, evidence in form and substance reasonably satisfactory to the Corporation, which may include an opinion of counsel of recognized standing, that the receipt by you of your Rights and the issuance to you of common shares of the Corporation upon the exercise of Rights (a) will not violate the laws of your jurisdiction of residence or other applicable jurisdiction, and (b) will not impose any requirement on the Corporation to comply with legal requirements in your jurisdiction of residence or other applicable jurisdiction other than those being complied with for the offering of Rights in the Eligible Jurisdictions. Upon receipt of this evidence, the Corporation will confirm your eligibility to participate in the Offering and instruct the Subscription Agent to forward your Rights certificate to you.

You should seek advice from an attorney or other qualified securities authority to satisfy yourself with respect to the availability and applicability of any exemption or other provision of applicable securities legislation that would make the Offering to you lawful.

We have enclosed a copy of the Corporation's notice of rights offering dated March 4, 2021 (the "**Notice of Rights Offering**") which provides certain details with respect to the Offering and we ask that you carefully review the Notice of Rights Offering and the Corporation's rights offering circular dated March 4, 2021 (the "**Rights Offering Circular**"), available for viewing under the Corporation's SEDAR profile at www.sedar.com, for further information regarding Ineligible Shareholders (as defined in the Rights Offering Circular).

Please also be advised that TSX Trust Company is holding the Rights of registered shareholders who are Ineligible Holders until 5:00 p.m. (Toronto time) on March 29, 2021. After such time, the Subscription Agent will attempt to sell, on a best-efforts basis, your Rights, for your account, on such date(s) and at such price(s) as the Subscription Agent will determine in its sole discretion. **The Subscription Agent's ability to sell your Rights, and the prices obtained for the Rights, will be dependent on market conditions.** You should be aware that the time for participation by all Holders expires at 5:00 p.m. (Toronto time) on April 7, 2021 (and after March 29, 2021, your Rights may have been sold) and we therefore request that you proceed in a timely manner. If you require any assistance, you may contact the Subscription Agent (contact details in Notice of Rights Offering).

Yours truly,

(signed) "*Jacob Roorda*"

Jacob Roorda
President and Chief Executive Officer

This rights offering circular is prepared by management. No securities regulatory authority or regulator has assessed the merits of these securities or reviewed this circular. Any representation to the contrary is an offence.

This is the circular we referred to in the March 4, 2021 rights offering notice, which you should have already received. Your rights certificate and relevant forms were enclosed with the rights offering notice. This circular should be read in conjunction with the rights offering notice and our continuous disclosure prior to making an investment decision.

*The offer of these securities is being made in all of the provinces and territories of Canada. The securities offered hereunder have not been and will not be registered under the United States Securities Act of 1933, as amended ("**U.S. Securities Act**") and they will not be offered or sold in the United States or to U.S. Persons (as defined in Regulation S under the U.S. Securities Act), except in exempt transactions under the U.S. Securities Act. See "Who is eligible to receive Rights?". This offering does not constitute an offer to sell or a solicitation of an offer to buy any of those securities in the United States. In addition, the offering is not being made in jurisdictions where PetroShale Inc. is not eligible to make such offer.*

RIGHTS OFFERING CIRCULAR **MARCH 4, 2021**

PetroShale
Calgary • Denver

PETROSHALE INC.

SUMMARY OF THE OFFERING

We currently have a working capital deficiency of approximately C$2.6 million. As further described herein, we require 0% of the Rights Offering to last 12 months. See "*Use of Available Funds - How will we use the available funds?*"

Q. Why are you reading this circular?

A. As set forth in the notice of rights offering dated March 4, 2021 (the "**Notice of Rights Offering**") of PetroShale Inc. (the "**Corporation**" or "**PetroShale**") delivered to shareholders and available for viewing on the Corporation's SEDAR profile at www.sedar.com, PetroShale is proceeding with a rights offering to provide current shareholders of the Corporation with the opportunity, as more particularly set out in this rights offering circular ("**Rights Offering Circular**"), to acquire additional common voting shares in the capital of the Corporation ("**Common Shares**") by issuing to holders of the outstanding Common Shares of record at the close of business on March 11, 2021 (the "**Record Date**") rights (each, a "**Right**") to subscribe for additional Common Shares on the terms set forth herein (the "**Rights Offering**"). Shareholders of the Corporation may subscribe for additional Common Shares under this Rights Offering pursuant to their Basic Subscription Privilege (as defined below) and Additional Subscription Privilege (as defined below) as further described under "*What does one Right entitle you to receive?*". This Rights Offering Circular provides details about the Rights Offering referred to in the Notice of Rights Offering.

On March 4, 2021, PetroShale, its subsidiary, PetroShale (US), Inc. ("**PetroShale US**"), FR XIII PetroShale Holdings L.P. ("**First Reserve**") and a company that Mr. M Bruce Chernoff (the Executive Chairman and a director of the Corporation) is a significant shareholder ("**Chernoffco**") entered into a recapitalization and investment agreement (the "**Recapitalization Agreement**") to effect a series of transactions, including: (a) amending the terms and conditions of the 75,000 Series A preferred shares in the capital of PetroShale US (the "**Subsidiary Preferred Shares**") to amend the definition of "Exchange Price" of the Subsidiary Preferred Shares from C$2.40 to C$0.60, (the "**Amended Exchange Price**") and the filing of an amended certificate of incorporation for PetroShale US with respect to the same (the "**Exchange Price Amendment**"); (b) cancelling all issued and outstanding series 1 class A preferred shares in the capital of PetroShale ("**Special Voting Shares**") and the concurrent exchange of all Subsidiary Preferred Shares for up to 182,275,798 Common Shares based on a US$86.9 million liquidation preference outstanding on the Subsidiary Preferred Shares (assuming the 2021 first quarter dividend payable on the Subsidiary Preferred Shares is settled in-kind prior to the exchange thereof) at the Amended Exchange Price (the "**Share Exchange**"); (c) completing a private placement of 50,000,000 Common Shares to First Reserve at the Subscription Price (as defined herein) for gross subscription proceeds of $10 million (the "**First Reserve Private**

Placement") and a private placement at the Subscription Price to Chernoffco for such number of Common Shares that Mr. M Bruce Chernoff (including his affiliates, being the "**Chernoff Entities**") would acquire if they exercised their Basic Subscription Privilege (as defined herein) in the Rights Offering (being 64,455,786 Common Shares based on current ownership of the Chernoff Entities of 64,455,786 Common Shares), plus (if applicable) such dollar amount of additional Common Shares at the Subscription Price that would result in gross proceeds of the Rights Offering and the Private Placement with Chernoffco equaling at least $20,000,000 (the "**Chernoff Private Placement**" and collectively with the First Reserve Private Placement, the "**Private Placements**"); and (d) completing the Rights Offering (the Exchange Price Amendment, the Share Exchange, the Private Placements and the Rights Offering being collectively referred to herein as the "**Recapitalization Transaction**"). The Amended Exchange Price of the Subsidiary Preferred Shares is a 150% premium to the Recent Average Price (as defined below) and a 200% premium to the Subscription Price (as defined below).

The Recapitalization Agreement has been entered into under the supervision and review of a special committee of independent directors of PetroShale (the "**Special Committee**") and the Recapitalization Transaction is a result of a comprehensive process undertaken by the Special Committee, which was formed to help oversee, negotiate and structure, on behalf of PetroShale, potential transactions to address PetroShale's liquidity and capital position.

In accordance with the terms of the Recapitalization Agreement, the completion of the Rights Offering is conditional upon the concurrent completion of the other portions of the Recapitalization Transaction (and vice versa) and the Recapitalization Transaction is conditional on certain other conditions, including the completion of the Credit Facility Amendment (as defined below).

Q. What is being offered?

A. Each registered holder of Common Shares (a "**Registered Shareholder**") on the Record Date will receive one Right for each Common Share held. Rights will be evidenced by transferable Rights certificates (each, a "**Rights Certificate**"). Please see "*How does a security holder that is not a registered holder participate in the Rights Offering?*" if you hold Common Shares through a securities broker, dealer, bank or trust company or other participant.

Q. What does one Right entitle you to receive?

A. One Right is required to subscribe for one Common Share (the "**Basic Subscription Privilege**") upon payment of the Subscription Price (as defined below). Rights holders who exercise their Rights in full are also entitled to exercise additional Rights (the "**Additional Rights**") on a pro rata basis, if available, pursuant to an additional subscription privilege (the "**Additional Subscription Privilege**"). The number of Additional Rights available will be the difference, if any, between the total number of Rights that were issued pursuant to the Rights Offering and the total number of Rights exercised and paid for pursuant to the Basic Subscription Privilege at the Expiry Time (as defined below) on the Expiry Date (as defined below). At a minimum, the number of Additional Rights will be 67,158,488 Rights as each of the Chernoff Entities and First Reserve have waived their respective rights to participate in the Rights Offering in respect of all Common Shares held directly or indirectly by them as at the Record Date. See "*How to Exercise Rights - What is the Additional Subscription Privilege and how can you exercise this privilege?*".

Q. What is the Subscription Price?

A. One Right plus the sum of C$0.20 (the "**Subscription Price**") is required to subscribe for one Common Share. On March 3, 2021, being the last trading day prior to the announcement of the Rights Offering, the closing price of the Common Shares on the TSX Venture Exchange (the "**Exchange**") was C$0.24. The 20-day average of the closing prices of the Common Shares on the Exchange to March 3, 2021 was C$0.24 (the "**Recent Average Price**").

Q. When does the offer expire?

A. The Rights expire at 5:00 p.m. (Toronto time) (the "**Expiry Time**") on April 7, 2021 (the "**Expiry Date**") after which time unexercised Rights will be void and of no value.

Q. What are the significant attributes of the Rights issued under the Rights Offering and the securities to be issued upon the exercise of the Rights?

A. PetroShale is issuing to holders of the outstanding Common Shares at the close of business on the Record Date Rights to subscribe for additional Common Shares. Rights will be evidenced by transferable Rights Certificates. One Right plus the Subscription Price is required to subscribe for one Common Share. See also "*Summary of the Rights Offering - What does one Right entitle you to receive?*" and "*How does a Rights holder sell or transfer Rights*?".

Each registered holder of Common Shares on the Record Date whose address of record is in a province or territory of Canada will receive a Rights Certificate. With limited exceptions, each registered holder of Common Shares on the Record Date whose address of record is not in a province or territory of Canada (the "**Ineligible Shareholders**"), will not receive a Rights Certificate. Accordingly, subject to certain exceptions, Rights will not be issued to any U.S. Person, person in the United States or person acquiring the Rights for the benefit or account of a U.S. Person or person in the United States. See "*Who is eligible to receive Rights?"* Neither the Rights nor the Common Shares issuable upon exercise of the Rights may be transferred to, or for the benefit of, any account of any U.S. Person or any person in the United States. A security holder or transferee who appears to be an Ineligible Shareholder may only be issued Rights in accordance with the procedures described under "*How to Exercise the Rights – Who is eligible to receive Rights?*".

The holders of Common Shares are entitled to: (i) one (1) vote per share held at any meeting of shareholders of the Corporation; (ii) receive any dividend declared by the Corporation on the Common Shares; and (iii) receive the remaining property of the Corporation upon dissolution. As at the date hereof, there are 188,528,453 Common Shares issued and outstanding.

Q. What are the minimum and maximum number or amount of Common Shares that may be issued under the Rights Offering?

A. The Rights Offering is not subject to any minimum subscription level. Assuming the exercise of all Rights, a maximum of 188,528,453 Common Shares will be issued in connection with the Rights Offering (subject to adjustment for rounding).

In accordance with the terms of the Recapitalization Agreement, the completion of the Rights Offering is conditional upon the concurrent completion of the other portions of the Recapitalization Transaction (and vice versa) and the Recapitalization Transaction is conditional on certain other conditions including the completion of the Credit Facility Amendment. Assuming the exercise of all Rights pursuant to the Rights Offering, and the concurrent completion of the Private Placements and the Share Exchange, an aggregate of up to 485,260,037 Common Shares will be issued pursuant to the Recapitalization Transaction (assuming the Q1 2021 dividend payable on the Subsidiary Preferred Shares is settled in-kind prior to the exchange thereof).

Q. Where will the Rights and the securities issuable upon the exercise of the Rights be listed for trading?

A. The Rights will be listed on the Exchange under the trading symbol "PSH.RT" and will be posted for trading on the Exchange until 12:00 p.m. (Toronto time) on the Expiry Date. The Common Shares are listed on the Exchange under the trading symbol "PSH".

USE OF AVAILABLE FUNDS

Q. What will our available funds be upon the closing of the Rights Offering?

A. PetroShale estimates it will have the following available funds upon closing of the Rights Offering, the First Reserve Private Placement and the Chernoff Private Placement based on the scenarios as described below:

		Assuming 15% of the Rights Offering	Assuming 50% of the Rights Offering	Assuming 75% of the Rights Offering	Assuming 100% of the Rights Offering
A.	Amount to be raised by this Rights Offering	C$5,655,854	C$18,852,845	C$28,279,268	C$37,705,691
B.	Selling commissions and fees	-	-	-	-
C.	Estimated Rights Offering costs (e.g. legal, accounting and audit)[1]	C$100,000	C$100,000	C$100,000	C$100,000
D.	Available funds: D = A – (B + C)	C$5,555,854	C$18,752,845	C$28,179,268	C$37,605,691
E.	Additional sources of funding[2]	C$24,344,146	C$22,891,157	C$22,891,157	C$22,891,157
F.	Working capital deficiency[3]	C$2,600,000	C$2,600,000	C$2,600,000	C$2,600,000
G.	Total: G = (D + E) – F	**C$27,300,000**	**C$39,044,002**	**C$48,470,425**	**C$57,896,848**

Notes:

(1) The estimated costs in this table reflect only the costs associated with the Rights Offering and not the costs associated with the other portions of the Recapitalization Transaction.

(2) The additional sources of funding represent the $10,000,000 of gross subscription proceeds to be received pursuant to the First Reserve Private Placement and the $12,891,157 to $14,344,146 of gross subscription proceeds to be received by PetroShale pursuant to the Chernoff Private Placement based on the gross proceeds of the Rights Offering pursuant to the scenarios set forth in the table above. The amount of the Chernoff Private Placement will be as follows, based on the scenarios above: 15% of the Rights Offering – $14,344,146; 50%, 75% or 100% of the Rights Offering – $12,891,157.

(3) As at December 31, 2019, the Corporation's working capital deficiency was $54.8 million. Since December 31, 2019, the working capital deficiency has significantly improved as the Corporation limited capital expenditures and generated free cash flow to reduce the working capital deficit as well as make draws on the Credit Facility (as defined below) to settle accounts payable.

The working capital deficiency as at February 28, 2021 was approximately $2.6 million. PetroShale anticipates that the net proceeds from the Rights Offering and the Private Placements will be used to reduce amounts outstanding under the Credit Facility such that the undrawn capacity of the Credit Facility will exceed such working capital deficiency and allow that working capital deficiency to be settled in the ordinary course of business. See "*How will we use the available funds?*".

In addition to the foregoing, the Share Exchange will eliminate the repayment obligation related to the Subsidiary Preferred Shares which is otherwise required in January 2023, and result in annual dividend payments savings of approximately US$7.8 million (assuming such dividends are paid in cash at a rate of 9.0% per annum on a stated value of US$86.9 million (assuming the 2021 first quarter dividend payable on the Subsidiary Preferred Shares is settled in-kind prior to the exchange thereof)) through the elimination of the Subsidiary Preferred Shares.

Q. How will we use the available funds?

A. The following table provides a detailed breakdown of how PetroShale will use the available funds, including those received pursuant to the Rights Offering:

Description of Intended Use of Available Funds Listed in Order of Priority[1]	Assuming 15% of Rights Offering	Assuming 50% of Rights Offering	Assuming 75% of Rights Offering	Assuming 100% of Rights Offering
Debt repayment[2]	C$29,900,000	C$41,644,002	C$51,070,425	C$60,496,848
Total:	**C$29,900,000**	**C$41,644,002**	**C$51,070,425**	**C$60,496,848**

Notes:

(1) PetroShale intends to use the available funds as stated. PetroShale may re-borrow under its revolving Credit Facility, to the extent of its undrawn capacity under the Credit Facility, for general business purposes including capital expenditures.

(2) PetroShale maintains a US$177.5 million senior revolving credit facility (the "**Credit Facility**"). As at March 4, 2021, outstanding borrowings under the Credit Facility were US$174.0 million. The amount of the Credit Facility is subject to a borrowing base test performed on a periodic basis and at least twice annually by the lenders, based primarily on producing oil and natural gas reserves and using commodity prices estimated by the lender as well as other factors. A decrease in the borrowing base determined by the senior lenders in the future could result in a reduction to the credit facility, which may require a repayment to the lenders. The term-out date of the Credit Facility is currently June 26, 2021, at which point, the facility can be extended at the option of the lenders, or if not extended, the facility would be converted to a non-revolving facility with a term maturing on June 25, 2022. PetroShale has incurred its current bank debt in the normal course of its operations in order to fund its asset development programs. In connection with the Recapitalization Transaction, the Corporation has also reached an agreement in principal with the lenders under the Credit Facility whereby such lenders have agreed, subject to the satisfaction of certain conditions, including the concurrent completion of the Recapitalization Transaction, to maintain the current borrowing base at US$177.5 million and extend the maturity date of the Credit Facility to June 2023 (the "**Credit Facility Amendment**").

The completion of the Recapitalization Transaction, including the Rights Offering, is a comprehensive restructuring and recapitalization of the Corporation that has been reviewed and considered by the Special Committee and that is expected to improve the Corporation's balance sheet and prospects going forward (including the Corporation's ability to meet its short-term liquidity requirements), for the benefit of all stakeholders, including that it:

- will result in annual dividend payments savings of approximately US$7.8 million (assuming such dividends are paid in cash at a rate of 9.0% per annum on a stated value of US$86.9 million (assuming the 2021 first quarter dividend payable on the Subsidiary Preferred Shares is settled in-kind prior to the exchange thereof)) through the elimination of the Subsidiary Preferred Shares (which will also eliminate the priority such Subsidiary Preferred Shares have over the Common Shares);

- will eliminate the repayment obligation related to the Subsidiary Preferred Shares, which is currently US$84.4 million (which will increase to US$86.9 million, assuming the 2021 first quarter dividend payable on the Subsidiary Preferred Shares is settled in-kind prior to the exchange thereof), due in January 2023;

- will result in continued support from the lenders to its Credit Facility; and

- is expected to initially reduce indebtedness under the Credit Facility by a minimum of approximately US$23.6 million (assuming C$1.00 = US$0.787 and the proceeds of the Private Placement and Rights Offering are allocated to the payment of indebtedness) which will allow the Corporation to initially realize significant associated interest cost savings.

PetroShale has certain short-term liquidity requirements including servicing the amount owing under the Credit Facility, including reducing amounts outstanding under the Credit Facility (which is currently drawn at approximately US$174.0 million), as well as PetroShale US' quarterly cash dividend payment obligations relating to the Subsidiary Preferred Shares of approximately US$7.8 million (assuming a stated capital of US$86.9 million) per annum (subject to the limited ability of PetroShale US to further settle such amounts in-kind). Furthermore, PetroShale has a current consolidated working capital deficiency of approximately C$2.6 million and is subject to various capital expenditure obligations relating to its asset development programs in the ordinary course. The Corporation is subject to ongoing borrowing base reviews by the lenders in respect to the Credit Facility which next review is currently scheduled for the second quarter of 2021. Given current market conditions, and preliminary indications from its lenders, the Corporation does not expect continued support from its lenders with respect to the maintenance of its borrowing base under the Credit Facility in the event of the status quo (and absent the completion of the Recapitalization Transaction and the application of the net proceeds therefrom to reduce indebtedness under the Credit Facility).

As part of the Recapitalization Transaction, and as a condition to the completion thereof, the Corporation is required to concurrently complete the Credit Facility Amendment, which requires (among other things) that the Corporation

realize gross proceeds of not less than $30 million from the Rights Offering and the Private Placements. Given the nature of the commitments provided by First Reserve and Chernoffco in the Private Placements, if the Private Placements are completed, the Corporation will realize minimum aggregate gross subscription proceeds of $30 million (assuming no proceeds realized from the Rights Offering). The Chernoff Private Placement is limited to a maximum of $20 million and will be effectively reduced from $20 million on a dollar for dollar basis for each dollar raised pursuant to the Rights Offering, subject to a minimum subscription by Chernoffco of $12.9 million, providing the Corporation an ability to realize maximum gross proceeds of $60.6 million, assuming the Rights Offering is fully subscribed. In the event the Private Placements and the Share Exchange were not part of the Recapitalization Transaction, the maximum proceeds of the Rights Offering would not be expected to be sufficient (on their own) to complete the Credit Facility Amendment and in turn, address all of the Corporation's short-term liquidity requirements.

Provided the Private Placements and Share Exchange are completed, there is no minimum amount to be raised under the Rights Offering required to meet the Corporation's short-term liquidity requirements as the completion of the Recapitalization Transaction is expected to eliminate the dividend and repayment entitlements under the Subsidiary Preferred Shares, preserve the Corporation's borrowing base under the Credit Facility and extend the maturity date to at least June 2023 pursuant to the Credit Facility Amendments, significantly reduce the amount outstanding under the Credit Facility and allow the Corporation to settle its current working capital deficiency. This is expected to result in an improvement to the Corporation's balance sheet and will provide the Corporation additional flexibility to pursue its business plans and objectives, including maintaining its current production levels and reserves, and providing the Corporation an opportunity to generate cash flow and allocate any free cash flow to further debt reductions, all with the continued support of the Corporation's lenders under the Credit Facility.

Absent completion of the Recapitalization Transaction, there are material uncertainties that cast significant doubt upon the Corporation's financial position. However, after completion of the Recapitalization Transaction, including the Credit Facility Amendment, the Corporation expects that all short term liquidity requirements (for the next 12 months) will be fully funded with or without the exercise of Rights by the holders of Common Shares. See also "*Use of Available Funds - How long will the available funds last?*".

Q. How long will the available funds last?

The Corporation expects that after completion of the Rights Offering (even with limited exercise of the Rights), the Share Exchange and the Private Placements it will have sufficient available funds to satisfy all of its anticipated expenses over at least the next 24 months.

INSIDER PARTICIPATION

Q. Will insiders be participating?

A. Other than as set forth below, the Corporation believes that certain of the directors and executive officers of the Corporation who own Common Shares intend to exercise an aggregate of 2,111,418 of their Rights to purchase Common Shares under their Basic Subscription Privilege. The foregoing disclosure reflects the intentions of PetroShale's insiders as of the date hereof to the extent such intentions are reasonably known to the Corporation, however such insiders may alter their intentions before the Expiry Time on the Expiry Date. No assurance can be given that the respective insiders will exercise their Rights to acquire Common Shares. In addition, certain of the Corporation's directors and executive officers are U.S. residents and, as a result, will not receive Rights and may not be permitted to participate in the Rights Offering and no amounts relating to such directors and executive officers is included in the above amount.

Pursuant to the terms of the Recapitalization Agreement and in order to provide PetroShale's holders of Common Shares with the maximum ability to participate in the Rights Offering, each of First Reserve and the Chernoff Entities, have waived their respective rights to participate in the Rights Offering in respect of all Common Shares held directly or indirectly by them as at the Record Date, including First Reserve's right to participate on an as-exchanged basis in respect of the Subsidiary Preferred Shares (assuming the existing exchange price of the Subsidiary Preferred Shares of C$2.40) (representing an aggregate of 112,727,437 Common Shares (48.2% on a non-diluted basis)).

Q. Who are the holders of 10% or more of our securities before and after the Rights Offering?

A. To the knowledge of the directors and executive officers of the Corporation, after reasonable inquiry, no one person or company beneficially owns or exercises direction or control over, directly or indirectly, more than 10% of the outstanding shares of the Corporation, except as set forth below:

Name of Shareholder	Holdings before the Rights Offering, Share Exchange and Private Placements	Holdings after the Rights Offering, Share Exchange and Private Placements[1]
M. Bruce Chernoff	64,455,786 Common Shares[2] (34.2% on a non-diluted basis)	164,455,786 Common Shares[3] (31.6% on a non-diluted basis)
FR XIII PetroShale Holdings L.P.	2,702,702 Common Shares (1.4% on a non-diluted basis) and 45,568,949 Special Voting Shares[4] (100% on a non-diluted basis and together with the Common Shares 20.6% on a non-diluted basis)	234,978,501 Common Shares[5] (45.1% on a non-diluted basis)

Notes:

(1) The numbers in this column assume that no Rights have been exercised pursuant to the Rights Offering.

(2) 50,647,203 Common Shares are held by Chernoffco, 10,000,000 Common Shares are held by a trust of which Mr. Chernoff is a majority unitholder and 3,808,583 Common Shares are held by a company directed by Mr. Chernoff.

(3) Pursuant to the Chernoff Private Placement, the base participation by Chernoffco in the Chernoff Private Placement is intended to represent such number of Common Shares that Mr. Chernoff (including his affiliates) would acquire if they exercised their Basic Subscription Privilege in the Rights Offering (based on current ownership of 64,455,786 Common Shares), plus (if applicable) such dollar amount of additional Common Shares (at the Subscription Price) that would result in gross proceeds from the Rights Offering and the Chernoff Private Placement equaling at least $20,000,000. The numbers in the above table assume that in the Chernoff Private Placement, Chernoffco acquires Common Shares equaling $20,000,000. Should the Rights Offering be fully subscribed for, Mr. Chernoff's holdings after the Rights Offering, Share Exchange and Private Placements would be 128,911,572 Common Shares (19.1% on a non-diluted basis).

(4) On January 25, 2018, PetroShale completed a financing transaction whereby First Reserve acquired the Subsidiary Preferred Shares of PetroShale US and 39,308,176 Special Voting Shares for US$75 million. Since the initial issuance of the Subsidiary Preferred Shares, PetroShale US has elected to exercise its right to settle "in-kind" the payment of certain quarterly dividends on the outstanding Subsidiary Preferred Shares, which in each case was settled by way of increasing the then current liquidation preference of the Subsidiary Preferred Shares, at a rate of 12% per annum, resulting an aggregate US$9,413,161 (or US$11,945,556 assuming the Q1 2021 dividend payable on the Subsidiary Preferred Shares is settled in-kind prior to the exchange thereof) total increase to the initial liquidation preference. As at the date hereof, First Reserve currently holds 44,241,698 Special Voting Shares (100% on a non-diluted basis and together with the Common Shares 20.2% on a non-diluted basis). Assuming the 2021 first quarter dividend payable on the Subsidiary Preferred Shares is settled in-kind prior to the exchange thereof, First Reserve will be issued an additional 1,327,251 Special Voting Shares and will hold an aggregate total of 45,568,949 Special Voting Shares, which is reflected in the table above.

(5) Pursuant to the Share Exchange, First Reserve will exchange, in accordance with the terms of the Subsidiary Preferred Shares (at the Amended Exchange Price of C$0.60, which is at a significant premium to the current trading price of the Common Shares and the Subscription Price), all Subsidiary Preferred Shares for Common Shares. Upon exchange of all Subsidiary Preferred Shares (assuming a stated value of US$86,945,556 which assumes the 2021 first quarter dividend payable on the Subsidiary Preferred Shares is settled in-kind prior to the exchange thereof), an aggregate of 182,275,798 Common Shares will be issued to First Reserve and all issued and outstanding Special Voting Shares will be cancelled and terminated. Pursuant to the First Reserve Private Placement, an aggregate of 50,000,000 Common Shares will be issued to First Reserve, which is less than the amount First Reserve is entitled to subscribe for in the context of the Rights Offering pursuant to the terms of its investor rights agreement with the Corporation. Should the Rights Offering be fully subscribed for, First Reserves holdings after the Rights Offering, Share Exchange and Private Placements would be 234,978,500 Common Shares (34.9% on a non-diluted basis).

DILUTION

Q. If you do not exercise your Rights, by how much will your security holdings be diluted?

A. As an illustration, if you own 100,000 Common Shares on the Record Date, fail to exercise your right to purchase 100,000 Common Shares under the Rights Offering, and all other holders of Common Shares fully exercise their Basic Subscription Privilege and Additional Subscription Privilege (i.e., the Corporation issues 485,160,037 Common Shares, including pursuant to the Share Exchange and the Private Placements), your percentage ownership of the issued and outstanding Common Shares will change from 0.0530% to 0.0148%. The dilutive effects of the Rights Offering (in respect of voting or other economic rights) are also subject to the Share Exchange and the Private Placements.

STAND-BY COMMITMENT

Q. Who is the stand-by guarantor and what are the fees?

A. There is no stand-by guarantor for the Rights Offering. Notwithstanding this, in connection with the Recapitalization Transaction, First Reserve has agreed to invest $10 million pursuant to the First Reserve Private Placement and the Chernoff Private Placement is intended to represent such number of Common Shares that the Chernoff Entities would acquire if they exercised their Basic Subscription Privilege in the Rights Offering (based on current ownership of 64,455,786 Common Shares), plus (if applicable) such dollar amount of additional Common Shares (at the Subscription Price) that would result in gross proceeds from the Rights Offering and the Chernoff Private Placement equaling at least $20,000,000. Mr. Chernoff and his affiliates will receive no consideration from the Corporation for his commitment under the Chernoff Private Placement to ensure that the proceeds from it, plus the Rights Offering, will equal at least $20,000,000.

In accordance with the terms of the Recapitalization Agreement, the completion of the Rights Offering is conditional upon the concurrent completion of the other portions of the Recapitalization Transaction (and vice versa) and the Recapitalization Transaction is subject to certain other conditions, including the completion of the Credit Facility Amendment.

MANAGING DEALER, SOLICITING DEALER AND UNDERWRITING CONFLICTS

Q. Who is the managing dealer / soliciting dealer and what are its fees?

A. The Corporation has not retained a managing dealer or soliciting dealer for the Rights Offering.

HOW TO EXERCISE THE RIGHTS

Q. How does a security holder that is a registered holder participate in the Rights Offering?

A. In the case of a Registered Holder, such holder may exercise Rights to acquire Common Shares by delivering to TSX Trust Company (the "**Subscription Agent**") at its office set forth below under "*Appointment of Depository*" its Rights Certificate, duly completed and exercised, together with the Subscription Price for each Right exercised.

To subscribe for Common Shares pursuant to the Rights Offering, a Registered Holder must complete and sign Form 1 on the Rights Certificate. The maximum number of Rights which may be exercised is shown in the box on the upper right hand corner of the face of the Rights Certificate. If Form 1 is completed so as to exercise some but not all of the Rights evidenced by the Rights Certificate, the holder of the Rights Certificate will be deemed to have surrendered the unexercised balance of such Rights, unless the Subscription Agent is otherwise specifically advised in writing by such holder at the time the Rights Certificate is surrendered to the Subscription Agent.

To exercise the Additional Subscription Privilege, a Registered Holder who exercises all of such holder's Rights by completing Form 1 on the Rights Certificate for the maximum number of Common Shares that may be subscribed for (being equal to the total number of Rights evidenced by such Rights Certificate) pursuant to the Basic

Subscription Privilege, may concurrently exercise the Additional Subscription Privilege by completing Form 2 on the Rights Certificate, specifying the number of additional Common Shares desired.

See "*How does a Rights holder sell or transfer Rights?*" if you do not wish to exercise your Rights and would like sell or transfer them.

Delivery and Payment

Registered Holders must enclose payment in Canadian funds by certified cheque, bank draft or money order payable to the order of TSX Trust Company, the Subscription Agent, for the aggregate number of Common Shares subscribed for upon the exercise of Rights, including in respect of Additional Rights pursuant to the Additional Subscription Privilege. The amount of payment will be based upon C$0.20 per Common Share.

Registered Holders must deliver or mail the completed Rights Certificate and payment in the return envelope included with the Notice of Rights Offering and Rights Certificate addressed to the Subscription Agent so that it is received by the office of the Subscription Agent listed below under "*Appointment of Depository*" before the Expiry Time. If mailing, registered mail return receipt requested is recommended. Please allow sufficient time to avoid late delivery. The signature of the Registered Holder on Form 1 and, if applicable, Form 2 of the Rights Certificate must correspond in every particular with the name that appears on the face of the Rights Certificate.

The Subscription Agent will hold all funds received in payment for Common Shares subscribed for on exercise of Rights in a segregated account pending completion of the Recapitalization Transaction, failing which such funds will be returned (without interest) to the applicable subscriber. The Subscription Agent will return to any Rights holder that exercised Additional Rights under the Additional Subscription Privilege any excess funds paid in respect of an exercise for Additional Rights where the number of Additional Rights available to that subscriber is less than the number of Additional Rights exercised. No interest will be payable by the Subscription Agent or the Corporation in respect of any excess funds returned to Registered Holders.

Signatures

Signatures by a trustee, executor, administrator, guardian, attorney, officer of a corporation or any other person acting in a fiduciary or representative capacity should be accompanied by evidence of authority satisfactory to the Subscription Agent.

Validity of Subscriptions

All questions as to the validity, form, eligibility (including time of receipt) and acceptance of any exercise will be determined by the Corporation in its sole discretion, and any determination by the Corporation will be final and binding on the Corporation and its security holders. Any subscription for Common Shares will be irrevocable once submitted and subscribers will be unable to withdraw their subscriptions for Common Shares once submitted. The Corporation reserves the right to reject any exercise of Rights if it is not in proper form or if the acceptance thereof or the issuance of Common Shares pursuant thereto could be unlawful. The Corporation also reserves the right to waive any defect in respect of any particular exercise of Rights. Neither the Corporation nor the Subscription Agent is under any duty to give any notice of any defect or irregularity in any exercise, nor will they be liable for the failure to give any such notice.

Q. How does a security holder that is not a registered holder participate in the Rights Offering?

A. In the case of a holder of Common Shares that holds Common Shares through a securities broker, dealer, bank or trust company or other participant (a "**CDS Participant**") in the book-based system administered by CDS Clearing and Depository Services Inc. ("**CDS**") (a "**Beneficial Rightsholder**"), such holder may exercise Rights by instructing the CDS Participant holding its Rights sufficiently in advance of the Expiry Date to exercise all or a specified number of such Rights and forwarding the Subscription Price for each Right exercised to such CDS Participant. Accordingly, Beneficial Rightsholders wishing to exercise Additional Rights should also contact the CDS Participant that holds such holder's Rights sufficiently in advance of the Expiry Date to arrange for such

subscription for Additional Rights. The applicable CDS Participant will return to any Rights holder that exercised Additional Rights under the Additional Subscription Privilege any excess funds paid in respect of an exercise for Additional Rights where the number of Additional Rights available to that subscriber is less than the number of Additional Rights exercised. No interest will be payable by the Subscription Agent, CDS Participant or the Corporation in respect of any excess funds returned to subscribers. **CDS Participants will have an earlier deadline for receipt of instructions and payment than the Expiry Date.** Shareholders who are not Registered Holders should contact their particular CDS Participant for complete details on how to exercise their Basic Subscription Privilege and the Additional Subscription Privilege.

CDS Participants that hold Rights for more than one Beneficial Rightsholder may, upon providing evidence satisfactory to the Corporation and the Subscription Agent, exercise Rights on behalf of its accounts on the same basis as if the Beneficial Rightsholders were holders of Common Shares.

The Corporation and the Subscription Agent shall have no liability for: (i) the records maintained by CDS or CDS Participants relating to the Rights or the book-entry accounts maintained by CDS; (ii) maintaining, supervising or reviewing any records relating to such Rights; (iii) any advice or representation made or given by CDS or CDS Participants with respect to the rules and regulations of CDS; (iv) any action to be taken by CDS or CDS Participants; or (v) any failure by CDS Participants to take any action or any matter relating to the Rights or the exercise thereof.

The ability of a person having an interest in Rights held through a CDS Participant to pledge such interest or otherwise take action with respect to such interest (other than through a CDS Participant) may be limited due to the lack of a physical Rights Certificate. Beneficial Rightsholders whose Common Shares are held through a CDS Participant must arrange purchases or transfers of Rights and the exercise of Rights to purchase Common Shares through CDS Participants. The Corporation anticipates that each such purchaser of a Right will receive a customer confirmation of purchase from the CDS Participant from whom such Right is purchased in accordance with the practices and procedures of such CDS Participant.

If mail is used for delivery of subscription funds to a CDS Participant, for the protection of the Beneficial Rightsholder, registered mail return receipt requested should be used and sufficient time should be allowed to avoid the risk of late delivery. Any subscription for Common Shares made in connection with this Rights Offering either directly or through a CDS Participant will be irrevocable once submitted and subscribers will be unable to withdraw their subscriptions for Common Shares once submitted.

The Subscription Agent will hold all funds received in payment for Common Shares subscribed for on exercise of Rights in a segregated account pending completion of the Recapitalization Transaction, failing which such funds will be returned (without interest) to the applicable CDS Participants.

Q. Who is eligible to receive Rights?

A. This Rights Offering Circular has not been filed with the securities commissions or similar regulatory authority of any jurisdiction other than the provinces and territories of Canada (collectively, the "**Eligible Jurisdictions**"). The Rights and Common Shares issuable upon exercise of the Rights are not being offered, with limited exceptions, to persons who are or appear to be, or who the Corporation or the Subscription Agent have reason to believe are, residents of jurisdictions other than the Eligible Jurisdictions, nor will the Corporation or Subscription Agent accept subscriptions from any Ineligible Shareholder or from any transferee of Rights who is or appears to be, or who the Corporation or the Subscription Agent have reason to believe is, a resident of any jurisdiction or place other than the Eligible Jurisdictions, unless such security holder or transferee satisfies the Corporation not less than 10 days before the Expiry Date (and if the 10th day prior to the Expiry Date is a Saturday, Sunday or statutory holiday in the City of Calgary, Province of Alberta, then such date shall be deemed to be the next business day following the 10th day prior to the Expiry Date) that such offering to and subscription by such security holder or transferee is lawful and in compliance with all securities and other laws applicable in the Eligible Jurisdictions and the jurisdiction where such security holder or transferee is resident and would not require the Corporation to file any documentation, make any application or make any payment of any nature whatsoever.

The United States is not an Eligible Jurisdiction. The securities of the Corporation, including the Rights and Common Shares issuable on the exercise of the Rights, are not, and will not be, registered under the U.S. Securities Act. Consequently, this Rights Offering is not being made in the United States and under no circumstances is it to be construed as an offering of any securities for sale to a U.S. Person (as defined in Regulation S of the U.S. Securities Act) or a person located in the United States (both of whom are Ineligible Shareholders as defined in this Rights Offering Circular) or a solicitation thereto or therein of an offer to buy any securities of the Corporation. Accordingly, subscriptions for Common Shares will not be accepted from or on behalf of shareholders whose addresses of record are in the United States or otherwise believed by the Corporation to be in the United States or U.S. Persons.

Notwithstanding the foregoing, Ineligible Shareholders, including those in the United States and U.S. Persons will be allowed to exercise their Rights, if they establish to the satisfaction of the Corporation that the receipt by them of the Rights and the issuance to them of the Common Shares upon the exercise of the Rights: (a) will not require registration under the U.S. Securities Act and applicable state securities laws; (b) will not be in violation of the laws of their jurisdiction of residence or other applicable jurisdiction; and (c) will not impose any requirement on the Corporation to comply with legal requirements in the applicable jurisdiction other than those being complied with for the offering of Rights in the Eligible Jurisdictions, or if management of the Corporation, in its own discretion, agrees to meet the legal requirements of the applicable jurisdiction.

Rights Certificates in respect of Rights issued to Ineligible Shareholders will not be issued and forwarded by the Corporation to Ineligible Shareholders. Ineligible Shareholders have been sent the Notice of Rights Offering for information purposes only, together with a letter advising them that their Rights Certificates will be issued to and held by the Subscription Agent, which will hold such Rights as agent for the benefit of all Ineligible Shareholders. Instructions as to the sale, transfer or exercise of the Rights represented thereby will not be accepted from such shareholders (unless such holders satisfy the Corporation that the offer of Rights to, and subscriptions by, such holders is lawful and in compliance with all securities and other laws as described in the paragraph immediately above). The Subscription Agent will hold the Rights until ten days before the Expiry Date (and if the 10th day prior to the Expiry Date is a Saturday, Sunday or statutory holiday in the City of Calgary, Province of Alberta, then such date shall be deemed to be the next business day following the 10th day prior to the Expiry Date) in order to give Ineligible Shareholders, at their expense, an opportunity to prove to the satisfaction of the Corporation that the offer of Rights to, and subscriptions by, such holders is lawful and in compliance with all securities and other laws as described in the paragraph immediately above. After the 10th day prior to the Expiry Date (and if such day is a Saturday, Sunday or statutory holiday in the City of Calgary, Province of Alberta, then such date shall be deemed to be the next business day following such date), the Subscription Agent will use its reasonable commercial efforts to sell the Rights evidenced by such Rights Certificates on behalf of all such respective Ineligible Shareholders at such prices and otherwise in such manner as the Subscription Agent may determine, in its sole discretion. No charge will be made for the sale of Rights by the Subscription Agent except for a proportionate share of any brokerage commissions incurred by the Subscription Agent and the costs of or incurred by the Subscription Agent in connection with sale of the Rights. The net proceeds (less any applicable withholding tax) of such sale will be divided amongst such Ineligible Shareholders in proportion to the number of Common Shares held by them respectively on the Record Date, provided the net proceeds attributable to such Ineligible Shareholders equals or exceeds C$10. In the event that the net proceeds attributable to any Ineligible Shareholder is less than C$10, then no monies will be paid or delivered to such Ineligible Shareholders and, in such event, the monies will be delivered to the Corporation and the Corporation and the Subscription Agent will have no further obligations to such Ineligible Shareholders whatsoever.

The Subscription Agent's ability to sell the Rights of Ineligible Shareholders, and the price obtained therefor, are dependent on market conditions. The Subscription Agent will not be subject to any liability for failure to sell any Rights of Ineligible Shareholders at a particular price, or at all. The Subscription Agent will act in its capacity as agent of the Ineligible Shareholders on a reasonable commercial efforts basis only and neither the Corporation nor the Subscription Agent will accept responsibility for the price obtained on the sale or the inability to sell the Rights on behalf of any Ineligible Shareholder.

There is a risk that the proceeds received from the sale of Rights will not exceed the costs incurred by the Subscription Agent in connection with the sale of such Rights and, if applicable, the Canadian tax required to be withheld. In such event, no proceeds will be forwarded.

Shareholders will be presumed to be resident in the place of their registered address, unless the contrary is shown to the satisfaction of the Corporation. A registered Ineligible Shareholder whose address of record is outside the Eligible Jurisdictions but who holds Common Shares on behalf of a holder who is eligible to participate in the Rights Offering must notify the Corporation and the Subscription Agent, in writing, on or before the 10th day prior to the Expiry Date if such beneficial holder wishes to participate in the Rights Offering. Otherwise, the Subscription Agent will sell the Rights of such beneficial shareholder as described above. Rights delivered to brokers, dealers or other CDS Participants may not be delivered by those intermediaries to Beneficial Rightsholders who are resident in a jurisdiction outside of an Eligible Jurisdiction. CDS Participants receiving Rights that would otherwise be deliverable to Ineligible Shareholders may attempt to sell those Rights for the accounts of such Ineligible Shareholders and should deliver the proceeds of sale to such persons. CDS Participants are responsible for any action pertaining to Rights that may have been received on behalf of Beneficial Rightsholders who are not eligible to participate in the Rights Offering.

Holders of Rights who are Ineligible Shareholders should be aware that the acquisition and disposition of the Rights and Common Shares may have tax consequences in the jurisdiction where they reside and in Canada that are not described herein. Consequently, such Ineligible Shareholders should consult their own tax advisors concerning the tax implications of acquiring or disposing of Rights or Common Shares.

Q. What is the Additional Subscription Privilege and how can you exercise this privilege?

A. Each Rights holder who has exercised in full their Basic Subscription Privilege may exercise Additional Rights at a price equal to the Subscription Price for each Additional Right. The number of Additional Rights available will be the difference, if any, between the total number of Rights that were issued pursuant to the Rights Offering and the total number of Rights validly exercised and paid for pursuant to the Basic Subscription Privilege at the Expiry Time on the Expiry Date. At a minimum, the number of Additional Rights will be 67,158,488 Rights as each of the Chernoff Entities and First Reserve have waived their respective rights to participate in the Rights Offering in respect of all Common Shares held directly or indirectly by them as at the Record Date. Subscriptions for the exercise of Additional Rights will be received subject to allotment only and the number of Additional Rights, if any, that may be allotted to each subscriber will be equal to the lesser of; (i) the number of Additional Rights that such subscriber has exercised under the Additional Subscription Privilege; and (ii) the product (disregarding fractions, if any) obtained by multiplying the number of Additional Rights available to be issued by a fraction, the numerator of which is the number of Rights previously exercised by the subscriber pursuant to the Basic Subscription Privilege and the denominator of which is the aggregate number of Rights previously exercised pursuant to the Basic Subscription Privilege by all holders of Rights who have exercised and paid for Additional Rights. If any Rights holder has exercised fewer Additional Rights than such Rights holder's pro rata allotment of Additional Rights, the excess Additional Rights will be allotted in a similar manner among the Rights holders who were allotted fewer Additional Rights than they exercised.

To exercise Additional Rights under the Additional Subscription Privilege, each Rights holder must forward their subscription to the Subscription Agent or their CDS Participant, as applicable, prior to the Expiry Time on the Expiry Date. Payment for Additional Rights, in the same manner as required upon exercise of the Basic Subscription Privilege, must accompany the subscription when it is delivered to the Subscription Agent or CDS Participant, as applicable. Payment of such Subscription Price must be received by the Subscription Agent prior to the Expiry Time on the Expiry Date, failing which the Rights holder's entitlement to such Additional Rights will terminate. Accordingly, Beneficial Rightsholders wishing to exercise Additional Rights should contact the CDS Participant that holds such holder's Rights sufficiently in advance of the Expiry Date to arrange for such exercise of Additional Rights. A Rights holder exercising Additional Rights will be notified as soon as practicable after the Expiry Date of the number of Additional Rights, if any, allotted to the Rights holder. The Subscription Agent or applicable CDS Participant will return to any Rights holder that exercised Additional Rights under the Additional Subscription Privilege any excess funds paid in respect of an exercise for Additional Rights where the number of Additional Rights available to that subscriber is less than the number of Additional Rights exercised. No interest will be payable by the Subscription Agent, CDS Participant or the Corporation in respect of any excess funds returned to subscribers.

Q. How does a Rights holder sell or transfer Rights?

A. The Rights will be listed and posted for trading on the Exchange under the trading symbol "PSH.RT" until 12:00 p.m. (Toronto time) on the Expiry Date. Beneficial Rightsholders who hold their Common Shares through a CDS Participant must arrange for purchases, sales and other transfers of Rights through their CDS Participant.

Holders of Rights Certificates not wishing to exercise their Rights may sell or transfer them directly or through their broker or investment dealer at the shareholder's expense, subject to any applicable resale restrictions.

Holders of Rights Certificates may elect to exercise only a part of their Rights and dispose of the remainder, or dispose of all of their Rights. Any commission or other fee payable in connection with the exercise or any trade of Rights (other than the fee for services to be performed by the Subscription Agent as described herein) is the responsibility of the holder of such Rights. Depending on the number of Rights a holder may wish to sell, the commission payable in connection with a sale of Rights could exceed the proceeds received from such sale.

Trading in Rights on the Exchange will terminate at 12:00 p.m. (Toronto time) on the Expiry Date.

To Sell or Transfer Rights – Form 3

To transfer the Rights, a Registered Holder must complete Form 3 (the "**Transfer Form**") on the Rights Certificate, have its signature guaranteed by an "eligible institution" to the satisfaction of the Subscription Agent, and deliver the Rights Certificate to the transferee. For this purpose, an "eligible institution" means a major Canadian Schedule 1 chartered bank, a member of the Securities Transfer Agents Medallion Program (STAMP), a member of the Stock Exchange Medallion Program (SEMP), or a member of the New York Stock Exchange Inc. Medallion Signature Program (MSP). Members of these programs are usually members of a recognized stock exchange in Canada or members of the Investment Industry Regulatory Organization of Canada.

It is not necessary for a transferee to obtain a new Rights Certificate to exercise the Rights but the signature of the transferee on Form 1 must correspond in every particular with the name of the transferee shown on the Transfer Form. If the Transfer Form is properly completed, the Corporation and the Subscription Agent will treat the transferee (or the bearer if no transferee is specified) as the absolute owner of the Rights Certificate for all purposes and will not be affected by notice to the contrary. A Rights Certificate so completed should be delivered to the appropriate person in ample time for the transferee to use it before the expiration of the Rights.

To Divide, Combine or Exchange the Rights Certificate – Form 4

Rights Certificates may be combined, divided or exchanged by a Registered Holder by delivering such Rights Certificates, accompanied by appropriate instructions or a completed Form 4 on the Rights Certificate, to the address set forth below under the heading "*Appointment of Depository*". Rights Certificates must be surrendered for division, combination or exchange by such date as will permit new Rights Certificates to be issued and used by the holder thereof prior to the Expiry Date.

Q. When can you trade Common Shares issuable upon the exercise of your Rights?

A. The Rights will generally be free-trading and listed and posted for trading on the Exchange under the trading symbol "PSH.RT" and will be posted for trading on the Exchange until 12:00 p.m. (Toronto time) on the Expiry Date. All Common Shares issuable on exercise of the Rights will be listed and posted for trading on the Exchange under the symbol "PSH" as soon as practicable after closing.

Q. Are there restrictions on the resale of securities?

A. Rights offered to holders in the Eligible Jurisdictions and the Common Shares issuable on exercise of such Rights may be resold without hold period restrictions under the applicable securities laws of the Eligible Jurisdictions, including through the facilities of the Exchange, by such holders provided that: (i) the Corporation is and has been a "reporting issuer" in a jurisdiction of Canada for four months immediately preceding the trade; (ii) the sale is not a

"control distribution", as defined in securities legislation; (iii) no unusual effort is made to prepare the market or create a demand for the security that is the subject of the trade; (iv) no extraordinary commission or consideration is paid to a person or company in respect of the trade; and (v) if the selling security holder is an insider or officer of the Corporation, the selling security holder has no reasonable grounds to believe that the Corporation is in default of securities legislation. See also "*How to Exercise the Rights - When can you trade Common Shares issuable upon the exercise of your Rights?*".

The Rights and Common Shares issuable upon exercise of such Rights may not be offered, sold, pledged or transferred, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. Person (as defined in Regulation S of the U.S. Securities Act), except in compliance with the U.S. Securities Act and any applicable state securities laws.

The foregoing is a summary only and is not intended to be exhaustive nor should the foregoing be treated as giving investment advice. Holders of Rights should consult with their advisors concerning restrictions on resale, and should not resell their securities until they have determined that any such resale is in compliance with the requirements of applicable legislation.

Also see "*Who is eligible to receive Rights?*" for a description of the effect of the Rights Offering on Ineligible Shareholders.

Q. Will we issue fractional underlying securities upon exercise of the Rights?

A. No, the Corporation will not issue fractional Common Shares upon the exercise of the Rights. Where the exercise of Rights would otherwise entitle the holder of Rights to fractional Common Shares, the holder's entitlement will be reduced to the next lowest whole number of Common Shares, and no cash or other consideration will be paid in lieu thereof.

APPOINTMENT OF DEPOSITORY

Q. Who is the depository?

A. TSX Trust Company has been appointed to act as the depository and the Subscription Agent for the Rights Offering and to: (i) receive subscriptions and payments from Rights holders for the Common Shares subscribed for under the Basic Subscription Privilege and, if applicable, the Additional Subscription Privilege; (ii) perform the services relating to the exercise and transfer of the Rights, including the issue of Common Shares; and (iii) use its commercially reasonable efforts to sell Rights issued to Ineligible Shareholders and to deliver the proceeds thereof to such Ineligible Shareholders. The Subscription Agent will hold all funds received in payment for Common Shares subscribed for on exercise of Rights in a segregated account pending completion of the Recapitalization Transaction, failing which such funds will be returned (without interest) to the applicable subscriber or CDS Participants. The Corporation will pay for all such services of the Subscription Agent. The Subscription Agent will accept subscriptions for Common Shares and payment of the Subscription Price from Rights holders by hand, courier or registered mail at the applicable office of the Subscription Agent:

By Regular Mail, Courier or Registered Mail:

TSX Trust Company
301 – 100 Adelaide St. W
Toronto, ON M5H 4H1

Attention: Corporate Actions

Enquiries relating to the Rights Offering should be addressed to the Subscription Agent by telephone at (416) 342-1091 (North American Toll Free: 1-866-600-5869) or by sending an e-mail to TMXEInvestorServices@tmx.com.

The method of delivery of Rights Certificates and funds to the Subscription Agent is at the discretion of the Rights holder. Neither the Subscription Agent nor the Corporation will be liable for the failure to deliver or the delivery of Rights Certificates or funds to an address other than the address set out above. Delivery to an address other than the address set out above may result in a subscription for Common Shares or a transfer of Rights not being accepted. If mail is used, registered mail is recommended.

ADDITIONAL INFORMATION

Q. Where can you find more information about us?

A. For additional information on the Corporation, including the Corporation's continuous disclosure record, please see the Corporation's SEDAR profile at www.sedar.com. Information with respect to the Corporation is also available at http://www.petroshaleinc.com/. No information or materials from such sites are incorporated, or deemed to be incorporated, by reference herein.

RISK FACTORS

An investment in the Rights offered hereunder or Common Shares issuable upon exercise of the Rights should be considered speculative due to various factors, including the nature of the industry in which the Corporation operates and its financial position, including but not limited to, changes in commodity prices, changes in the demand for or supply of PetroShale's products, changes in tax or environmental laws, royalty rates or other regulatory matters, investor sentiment and the impact (and the duration thereof) that the COVID-19 pandemic will have on PetroShale's business. Risk factors relating to PetroShale are discussed in certain of PetroShale's public disclosures which are available for review on the Corporation's SEDAR profile at www.sedar.com, particularly in PetroShale's most recently filed Annual Information Form. These risk factors should be carefully reviewed and considered by an investor before a decision is made to invest in the Rights offered hereunder or Common Shares issuable upon exercise of the Rights. Such risks may not be the only risks facing PetroShale. Additional risks not currently known may also negatively impact PetroShale's business operations and results of operations. In addition to such risk factors, investors should consider the following additional risks related to the Rights Offering:

Volatility of Market Price of Common Shares

There can be no assurance regarding the future trading price of the Common Shares and the market price of the Common Shares may be volatile. The volatility may affect the ability of holders to sell the Rights and/or Common Shares at an advantageous price. Market price fluctuations in the Common Shares may be due to PetroShale's operating results failing to meet the expectations of securities analysts or investors in any quarter, changes in securities analysts' recommendations or views regarding investing in the Common Shares, governmental regulatory action, adverse changes in general market conditions or economic trends in the United States of America or in the oil and gas industry as a whole, acquisitions, dispositions or other material public announcements by PetroShale or its competitors, along with a variety of additional factors, including, without limitation, those set forth under "*Forward-Looking Statements*".

Political Uncertainty

During the recent American presidential campaign, a number of election promises were made and the new American administration has begun taking steps to implement certain of these promises. Included in the actions that the administration has discussed are the U.S. rejoining the Paris Climate Accord, large investment by the U.S. federal government in green technologies research, enhanced regulation on greenhouse gas emitting industries and changes to regulation and taxation in the United States reversing some of the changes made by the prior administration. Further, since January 2021, the current American administration has revoked the presidential permit for the Keystone XL pipeline. It is unclear exactly what other actions the US administration will implement, and if implemented, how these actions may impact North America and in particular the oil and natural gas industry. Any actions taken by the current US administration may have a negative impact on the American economy and on the businesses, financial conditions, results of operations and the valuation of oil and natural gas companies operating in the United States, including the Corporation.

Use of Proceeds

Management of PetroShale will, in accordance with the Credit Facility Amendment, be required to use the net proceeds received from the Rights Offering and the other portions of the Recapitalization Transaction to repay a portion of the amounts outstanding under the Credit Facility. However, PetroShale, through the creation of additional available undrawn borrowing capacity under the Credit Facility, may re-borrow and effectively use the net proceeds from the Rights Offering and the other portions of the Recapitalization Transaction as described under "*Use of Available Funds*".

The undrawn capacity of the Credit Facility will be used to settle the Corporation's working capital deficiency in the ordinary course of business and will be used in the normal course of its operations in order to fund its exploration and development programs. There is no guarantee that the use of future drawdowns, if any, from the Credit Facility, will be successful in enhancing the Corporation's cash flows, asset value and/or liquidity.

Shareholders May Suffer Significant Dilution

If a shareholder does not exercise all of its Rights pursuant to the Basic Subscription Privilege, the shareholder's equity ownership in the Corporation will be diluted by the issuance of Common Shares upon the exercise of Rights by other shareholders, which dilution may be significant. See "*Insider Participation - If you do not exercise your Rights, by how much will your security holdings be diluted?*".

Even if a shareholder elects to sell its unexercised Rights or if its Rights are sold on its behalf, the consideration it receives may not be sufficient to compensate it fully for the dilution of its current equity ownership in the Corporation that will be caused as a result of the exercise of Rights by other shareholders.

In addition to the Rights Offering, the Corporation intends to complete the other portions of the Recapitalization Transaction, which in the aggregate will result in the issuance not more than 485,260,037 Common Shares. See "*Why are you reading this circular?*".

Significant Shareholders

Mr. Chernoff currently owns or controls, directly or indirectly, approximately 34.2% of the outstanding Common Shares and First Reserve currently owns 100% of the outstanding Special Voting Shares and 1.4% of the outstanding Common Shares (approximately 20.2% of the outstanding voting shares of PetroShale). By virtue of the Share Exchange and the First Reserve Private Placement, First Reserve's ownership percentage of Common Shares will increase. If all of the holders of Rights do not exercise their Rights in full then First Reserve's ownership percentage of Common Shares owned or controlled (directly or indirectly) will be higher than otherwise. Although Mr. Chernoff's ownership percentage of Common Shares is likely to decrease due to the Share Exchange, the Private Placement will result in him remaining a significant shareholder and his ownership percentage will be higher than otherwise if the holders of Rights do not exercise their Rights in full. For instance, each of Mr. Chernoff and First Reserve would own or control (directly or indirectly) approximately 31.6% and 45.1%, respectively, of the outstanding Common Shares following the completion of the Rights Offering, the Private Placements and the Share Exchange assuming no other holders of Rights exercise any Rights (the Chernoff Entities and First Reserve having waived their respective rights to participate in the Rights Offering in respect of all Common Shares owned directly or indirectly by them) and Mr. Chernoff purchases 100,000,000 Common Shares under the Chernoff Private Placement and First Reserves acquires 182,275,798 Common Shares under the Share Exchange (assuming the 2021 first quarter dividend payable on the Subsidiary Preferred Shares is settled in-kind prior to the exchange thereof) and purchases 50,000,000 Common Shares under the First Reserve Private Placement. Such persons exercise significant control over PetroShale, giving them the ability to, among other things affect the voting results with respect to the election of directors, the approval of significant corporate transactions and the ability to delay or prevent a change of control that could be otherwise beneficial to minority shareholders. Such persons will generally have the ability to influence the outcome of any matter submitted for the vote or consent of PetroShale's shareholders. In some cases, the interests of such persons may not be the same as those of PetroShale's other shareholders. The effect of such persons' rights and influence may impact the price that other investors are willing to pay for our securities.

As part of the Recapitalization Agreement, the Corporation, First Reserve and Chernoffco will enter into a new investor rights agreement ("**New Agreement**") which will supersede and replace the current investor rights agreement among PetroShale, PetroShale US and First Reserve. Pursuant to the New Agreement, each of First Reserve and Chernoffco will be provided, among other things, with the right to maintain their respective pro-rata ownership of Common Shares in connection with future financing transactions, subject to certain customary exclusions.

Trading Market for Rights

There is currently no market through which the Rights may be sold and purchasers may not be able to resell the Rights issued under this Rights Offering Circular. This may affect the pricing of the Rights in the secondary market, the transparency and availability of trading prices, the liquidity of the Rights, and the extent of issuer regulation. The listing of the Rights and the Common Shares issuable on the exercise of the Rights on the Exchange is subject to the approval of the Exchange. The Corporation expects that the Rights will be listed and posted for trading on the Exchange on an ex-Rights basis on or about March 10, 2021 and that the Rights will be posted for trading on the Exchange under the symbol "PSH.RT" until 12:00 p.m. (Toronto time) on the Expiry Date, at which time the Rights will cease trading. The Corporation cannot provide any assurance that the Rights will be so listed, an active or any trading market in the Rights will develop or that the Rights can be sold on the Exchange at any time.

Once the Rights have commenced trading on the Exchange, the Corporation will be required to proceed with the Rights Offering absent exceptional circumstances. However, if the Rights Offering were not to proceed for any reason, although any subscription payments paid in connection with the exercise of Rights would be returned promptly to subscribers by the Subscription Agent without interest or deduction, all outstanding Rights would cease to be exercisable for Common Shares and would lose all of their value. In such circumstances, any person who had purchased Rights in the market would lose the entire purchase price paid to acquire such Rights.

Exercise of Rights is Irrevocable

The exercise of Rights may not be revoked prior to the Expiry Time.

Rights holders are Responsible for Accuracy and Completeness of Subscriptions within Set Time Limits

Rights holders who wish to purchase Common Shares in the Rights Offering must act promptly to ensure that all required forms and payments are actually received by the Subscription Agent or the CDS Participant holding the subscriber's Rights prior to the Expiry Time on the Expiry Date. If a Rights holder fails to complete and sign the required subscription forms, sends an incorrect payment amount or otherwise fails to follow the subscription procedures that apply to the transaction in question, the Subscription Agent or the CDS Participant may, depending on the circumstances, reject a subscription or accept it to the extent of the payment received. None of the Corporation, the Subscription Agent or the CDS Participant undertakes to contact a Rights holder concerning, or attempt to correct, an incomplete or incorrect payment or subscription form. The Corporation has the sole discretion to determine whether a subscription properly follows subscription procedures.

Participation in the Rights Offering is not Assured; No Interest on Subscription Funds

If a shareholder exercises its Rights, it may not revoke the exercise for any reason, unless the Corporation amends the Rights Offering. If the Corporation terminates the Rights Offering, neither the Corporation nor the Subscription Agent will have any obligation with respect to the Rights, except to return, without interest, any subscription payments to Rights holders who have exercised Rights. The Subscription Agent will hold all funds received in payment for Common Shares subscribed for on exercise of Rights in a segregated account pending completion of the Recapitalization Transaction, failing which such funds will be returned (without interest) to the applicable subscriber or CDS Participants.

Offering may not be Completed

In accordance with the terms of the Recapitalization Agreement, the completion of the Rights Offering is conditional upon the concurrent completion of the Share Exchange and the Private Placements (and vice versa) and certain other conditions, including the completion of the Credit Facility Amendment. Although the Corporation, First Reserve and Chernoffco have entered into the Recapitalization Agreement pursuant to which the parties have agreed to complete the Recapitalization Transaction, the parties are entitled to terminate the Recapitalization Agreement and their respective commitments thereunder in certain circumstances. If the Recapitalization Agreement was terminated, the Rights Offering will not be completed. In that event, the Corporation would not satisfy the conditions in respect of the Credit Facility Amendment and may be required to seek alternative financing in order to manage its near term and long-term liquidity requirements, including making any payments required under the Credit Facility. If such alternative financing were not available or not available on acceptable terms (if consented to by the lenders under the Credit Facility), the Corporation may not be able to manage its liquidity, which may have an adverse effect on the Corporation, its business and operations. See "*Risk Factors - Credit Facility Risk*".

Credit Facility Risk

PetroShale is required to comply with non-financial covenants under the Credit Facility. As part of this, PetroShale is subject to ongoing borrowing base reviews by the lenders, which next review is currently scheduled for the second quarter of 2021. Given current market conditions, the Corporation does not expect continued support from its lenders for the status quo and, as such, in 2020 the Corporation began to explore potential solutions to its liquidity and capital position to avoid potential adverse consequence that may result from the Corporation's next scheduled borrowing base review, leading to the Recapitalization Transaction (as further described in this Rights Offering Circular and in the Corporation's public record). As at the date hereof, the Corporation has approximately US$174 million drawn under the Credit Facility. The Recapitalization Transaction is a comprehensive restructuring and recapitalization of the Corporation that is expected to improve the Corporation's balance sheet and prospects going forward, for the benefit of all stakeholders; however, after the Recapitalization Transaction (if completed) the Corporation still expects to have at least US$150.3 million drawn under the Credit Facility (assuming the Recapitalization Transaction results in gross proceeds of a minimum of $30 million which are applied to reduce borrowings under the Credit Facility and assuming C$1.00 = US$0.792). Although the Credit Facility Amendment is expected to provide the Corporation additional time in respect of when its borrowing base may be reviewed (and reduced) by the lenders, the Corporation will remain subject to the other terms and conditions of the Credit Facility, the breach of which may result in an event of default thereunder and result in a right of demand for repayment by the lenders. There is a risk that the Corporation may not satisfy the conditions to effect the Credit Facility Amendment (including the completion of the Recapitalization Transaction), or if the Credit Facility Amendment is completed, there is a risk that the Corporation may not be able to continue to comply with the terms thereof. If the Corporation's lenders require repayment of all or a portion of the amounts outstanding under the Credit Facility for any reason, including for a default of a covenant, or the reduction of a borrowing base thereunder (including if the Credit Facility Amendment is not completed), there is no certainty that the Corporation would be in a position to make such repayment. Even if the Corporation is able to obtain new financing in order to make any required repayment under the Credit Facility, it may not be on commercially reasonable terms, or terms that are acceptable to the Corporation. If the Corporation is unable to repay amounts owing under the Credit Facility, the lenders under the Credit Facility could proceed to foreclose or otherwise realize upon the collateral granted to them to secure the indebtedness, or otherwise result in the Corporation seeking creditor protection under applicable laws.

A Large Number of Common Shares May Be Issued and Subsequently Sold Upon the Exercise of the Rights

To the extent that subscribers that exercise Rights sell the Common Shares underlying such Rights, the market price of the Common Shares may decrease due to the additional selling pressure in the market. The risk of dilution from issuances of Common Shares underlying the Rights may cause shareholders to sell their Common Shares, which may have a material adverse impact on the Corporation and its share price. Sales by shareholders might also make it more difficult for the Corporation to sell equity securities at a time and price that it deems appropriate.

The Subscription Price is not Necessarily an Indication of Value

The Subscription Price of C$0.20 per share does not necessarily bear any relationship to the intrinsic value of the Corporation's assets, reserves, past operations, cash flows, losses, financial condition, net asset value or any other established criteria for value. Holders of Rights should not consider the Subscription Price to be an indication of the Corporation's value or of the Common Shares to be offered in the Rights Offering, and the Common Shares may trade at prices above or below the Subscription Price.

A Decline in the Market Price of the Common Shares may Occur

The trading price of the Common Shares in the future may decline below the Subscription Price. The Corporation can give no assurance that the Subscription Price will remain below any future trading price for the Common Shares. Future prices of the Common Shares may adjust positively or negatively depending on various factors, including the Corporation's future revenues, cash flows and operations and overall conditions affecting the Corporation's business, economic trends and the securities markets and changes in the estimated value and prospects for the Corporation's assets.

FORWARD-LOOKING STATEMENTS

This Rights Offering Circular contains forward-looking information. This information relates to future events or the Corporation's future performance. All information and statements contained herein that are not clearly historical in nature constitute forward-looking information, and the words "may", "will", "should", "could", "expect", "plan", "intend", "anticipate", "believe", "estimate", "propose", "predict", "potential", "continue", or the negative of these terms or other comparable terminology are generally intended to identify forward-looking information. Such information represents the Corporation's internal projections, estimates, expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. This information involves known or unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. PetroShale believes that the expectations reflected in this forward-looking information are reasonable; however, undue reliance should not be placed on this forward-looking information, as there can be no assurance that the plans, intentions or expectations upon which they are based will occur.

This Rights Offering Circular contains forward-looking information pertaining to, among other things, PetroShale's expectations with respect to the timing of the Rights Offering, including the Expiry Date, the date the Rights will be de-listed from the Exchange and the expected closing date of the Rights Offering and the other portions of the Recapitalization Transaction; benefits to be derived from the Recapitalization Transaction; the 2021 first quarter dividend will be settled in-kind and the number of Special Voting Shares to be issued thereunder; the increase to the stated value/liquidation preference of the Subsidiary Preferred Shares assuming the 2021 first quarter dividend is settled in-kind; the Corporation's expectation with respect to its lenders and the Credit Facility; amended terms of the Credit Facility; the impact of the Rights Offering on the shareholders of the Corporation, including Mr. Chernoff's and First Reserve's expected pro-forma ownership on completion of the Rights Offering, the Private Placements and the Share Exchange; the number of Common Shares to be issued pursuant to the Recapitalization Transaction; the use of proceeds from the Rights Offering; PetroShale's anticipated sources of additional and future funds (including the estimated amounts thereof) and other matters described under "*Use of Available Funds*"; anticipated number of months the Corporation will have sufficient available funds to satisfy its anticipated expenses; and insider participation levels in the Rights Offering. Readers are cautioned that such information, although considered reasonable by the Corporation, may prove to be incorrect. Actual future results may vary from the information provided in this Rights Offering Circular as a result of numerous known and unknown risks and uncertainties and other factors which are discussed in this Rights Offering Circular.

Some of the risks and other factors which could cause actual results to differ materially from those expressed in the forward-looking information contained in this Rights Offering Circular include, but are not limited to:

- volatility in market prices for oil, natural gas and natural gas liquids;
- recent oil price market events and COVID-19 impacts;

- operational risks and liabilities inherent in oil and natural gas operations;
- uncertainties associated with estimating oil and natural gas reserves;
- competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel and services;
- uncertainties in our plans and the plans of the operators of our oil and natural gas properties in regard to the timing of development programs;
- risks associated with acquisitions and dispositions, including the incorrect assessment of the value of acquisitions, and the failure to realize anticipated benefits of acquisitions and dispositions;
- geological, technical, drilling, completion and processing problems;
- access to pipelines and processing capacity and the costs thereof;
- fluctuation in foreign exchange or interest rates;
- stock market volatility;
- environmental risks;
- the inability to access sufficient capital from internal and external sources to develop reserves;
- changes in general economic, market and business conditions;
- the accuracy of oil and natural gas reserves estimates and estimated production levels as they are affected by exploration and development drilling and estimated decline rates;
- fluctuations in the costs of borrowing;
- political or economic developments;
- ability to obtain regulatory and other third party approvals;
- the occurrence of unexpected events;
- the results of litigation or regulatory proceedings that may be brought against us;
- changes in income tax laws or changes in tax laws and incentive programs relating to the oil and gas industry; and
- the other factors considered under "*Risk Factors*" in this Rights Offering Circular.

With respect to forward-looking information contained in this Rights Offering Circular, the Corporation has made assumptions regarding: the completion of the Rights Offering, the Private Placements and the Share Exchange in the manner (and in the timeframes) contemplated herein; the impact of increasing competition; the general stability of the economic and political environment in which the Corporation operates; the Corporation's current and future working capital levels; the Corporation's expected operational and capital expenditure levels, including budgeted and non-budgeted amounts; the timely receipt of anticipated additional sources of funds (and the amounts thereof); the timely receipt of any required regulatory approvals; the ability of the Corporation to obtain qualified staff, equipment and services in a timely and cost efficient manner; the costs of obtaining equipment and personnel to complete the Corporation's capital expenditure program; the ability of the operator of the projects which the Corporation has an interest in to operate the field in a safe, efficient and effective manner; future drilling results; the ability of the Corporation to obtain financing on acceptable terms when and if needed; future corporate production and decline rates; the ability to replace and expand oil and natural gas reserves through acquisition, development and exploration activities; the timing and costs of pipeline, storage and facility construction and expansion and the ability of the Corporation to secure adequate product transportation; future oil and natural gas prices; currency, exchange and interest rates; the regulatory framework regarding royalties, taxes and environmental matters in the jurisdictions in which the Corporation operates; and the ability of the Corporation to successfully market its oil and natural gas products. Management of PetroShale has included the above summary of assumptions and risks related to forward-looking information included in this Rights Offering Circular in order to provide readers with a more complete perspective on the Corporation's future operations. Readers are cautioned that this information may not be appropriate for other purposes.

Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward-looking information contained in this Rights Offering Circular are expressly qualified by this cautionary statement. This forward-looking information is made as of the date of this Rights Offering Circular and the Corporation disclaims any intent or obligation to update publicly any such forward-looking information, whether as a result of new information, future events or results or otherwise, other than as required by applicable Canadian securities laws.

CURRENCY AND EXCHANGE RATES

References to "**C$**" and **$** herein are to Canadian dollars. References to "**US$**" herein are to United States dollars.

The following table sets forth, for each of the periods indicated, the high and low rates of exchange of Canadian dollars into United States dollars, the average of the exchange rates during each such period and the end-of-period rate. Such rates are shown as, or are derived from, the reciprocals of the noon buying rates in New York City for cable transfers payable in Canadian dollars, as available on the Bank of Canada website. On March 3, 2021, the noon buying rate for one United States dollar in Canadian dollars as certified by the Bank of Canada was $1.2631.

	Year Ended December 31	
	2020	**2019**
Highest rate during the period	1.3600	1.4496
Lowest rate during the period	1.2988	1.2718
Average rate for the period	1.3269	1.3415
Rate at the end of the period	1.2988	1.2732

MATERIAL FACTS AND MATERIAL CHANGES

There is no material fact or material change about PetroShale Inc. that has not been generally disclosed.

PETROSHALE INC.

NOTICE TO SECURITYHOLDERS – MARCH 4, 2021

We currently have a working capital deficiency of approximately C$2.6 million. As further described in the Rights Offering Circular (as defined below), we require 0% of the Rights Offering to last 12 months.

1. Who can participate in the rights offering?

PetroShale Inc. ("**PetroShale**" or the "**Corporation**") is proceeding with a rights offering to provide current shareholders of the Corporation with the opportunity, as more particularly set out in the Corporation's rights offering circular dated March 4, 2021 ("**Rights Offering Circular**") and available for viewing on the Corporation's SEDAR profile at www.sedar.com, to acquire additional common shares in the capital of the Corporation ("**Common Shares**") by issuing to holders of the outstanding Common Shares of record at the close of business on March 11, 2021 (the "**Record Date**") rights (each, a "**Right**") to subscribe for additional Common Shares (the "**Rights Offering**"). The Rights expire at 5:00 p.m. (Toronto time) (the "**Expiry Time**") on April 7, 2021 (the "**Expiry Date**") after which time unexercised Rights will be void and of no value.

As further described in the Rights Offering Circular and as part of a recapitalization agreement described in the Rights Offering Circular, each of FR XIII PetroShale Holdings L.P. ("**First Reserve**") and PetroShale's Executive Chairman, Mr. M. Bruce Chernoff (including his affiliates), have agreed to participate in a private placement subscription for Common Shares and as a result, have waived their respective rights to participate in the Rights Offering in respect of all Common Shares held directly or indirectly by them as at the Record Date (representing an aggregate of 67,158,488 Common Shares (36% on a non-diluted basis)).

2. Who is eligible to receive rights?

The Rights Offering is being conducted and is available to shareholders of the Corporation resident in each of the provinces and territories of Canada (collectively, the "**Eligible Jurisdictions**"). The Rights and Common Shares issuable upon exercise of the Rights are not being offered, with limited exceptions, to persons who are or appear to be, or who the Corporation or TSX Trust Company (the "**Subscription Agent**") have reason to believe are, residents of jurisdictions other than the Eligible Jurisdictions (collectively, the "**Ineligible Shareholders**"), nor will the Corporation or Subscription Agent accept subscriptions from any Ineligible Shareholder or from any transferee of Rights who is or appears to be, or who the Corporation or the Subscription Agent have reason to believe is, a resident of any jurisdiction or place other than the Eligible Jurisdictions, unless such security holder or transferee satisfies the Corporation not less than 10 days before the Expiry Date (and if the 10th day prior to the Expiry Date is a Saturday, Sunday or statutory holiday in the City of Calgary, Province of Alberta, then such date shall be deemed to be the next business day following the 10th day prior to the Expiry Date) that such offering to and subscription by such security holder or transferee is lawful and in compliance with all securities and other laws applicable in the Eligible Jurisdictions and the jurisdiction where such security holder or transferee is resident and would not require the Corporation to file any documentation, make any application or make any payment of any nature whatsoever.

Commencing on the 10th day prior to the Expiry Date (and if the 10th day prior to the Expiry Date is a Saturday, Sunday or statutory holiday in the City of Calgary, Province of Alberta, then such date shall be deemed to be the next business day following the 10th day prior to the Expiry Date), the Subscription Agent will use its reasonable commercial efforts to sell Rights evidenced by such Rights Certificates on behalf of all such respective Ineligible Shareholders at such prices and otherwise in such manner as the Subscription Agent may determine, in its sole discretion.

3. How many rights are we offering?

The Corporation is offering a total of 188,528,453 Rights. One (1) Right is required to subscribe for one (1) Common Share.

4. How many rights will you receive?

Each registered holder of Common Shares ("**Registered Holder**") on the Record Date will receive one (1) Right for each one (1) Common Share held. Please see "*How does a security holder that is not a Registered Holder participate in the Rights Offering*?" in the Rights Offering Circular if you hold Common Shares through a securities broker, dealer, bank or trust company or other participant.

5. What does one right entitle you to receive?

One (1) Right plus the sum of C$0.20 (the "**Subscription Price**") is required to subscribe for one (1) Common Share (the "**Basic Subscription Privilege**"). Rights holders who exercise their Rights in full are also entitled to exercise additional Rights (the "**Additional Rights**") on a pro rata basis, if available, pursuant to an additional subscription privilege (the "**Additional Subscription Privilege**"). The number of Additional Rights available will be the difference, if any, between the total number of Rights that are issued pursuant to the Rights Offering and the total number of Rights exercised and paid for pursuant to the Basic Subscription Privilege at the Expiry Time on the Expiry Date. At a minimum, the number of Additional Rights will be 67,158,488 Rights as each of Mr. M. Bruce Chernoff (including his affiliates) and First Reserve have waived their respective rights to participate in the Rights Offering in respect of all Common Shares held directly or indirectly by them as at the Record Date.

6. How will you receive your rights?

Rights will be evidenced by transferable rights certificates (each, a "**Rights Certificate**"). Each Registered Holder of the Record Date, other than Ineligible Shareholders, will receive a Rights Certificate. Each registered shareholder of the Corporation (other than any Ineligible Shareholders) has been provided their applicable Rights Certificate along with this notice of rights offering ("**Notice of Rights Offering**").

Rights Certificates in respect of Rights issued to Ineligible Shareholders will not be issued and forwarded by the Corporation to Ineligible Shareholders. Ineligible Shareholders are being sent this Notice of Rights Offering for information purposes only together with a letter advising them that their Rights Certificates will be issued to and held by the Subscription Agent, which will hold such Rights as agent for the benefit of all Ineligible Shareholders. Instructions as to the sale, transfer or exercise of the Rights represented thereby will not be accepted from such shareholders (unless such shareholders satisfy the Corporation that the offer of Rights to, and subscriptions by, such shareholders is lawful and in compliance with all securities and other laws).

7. When and how can you exercise your rights?

In the case of a Registered Holder, such holder may exercise Rights to acquire Common Shares by delivering to the Subscription Agent at one of the offices set forth below its Rights Certificate, duly completed and exercised, together with the Subscription Price for each Right exercised (including pursuant to its Basic Subscription Privilege and, if applicable, its Additional Subscription Privilege) on or before the Expiry Time on the Expiry Date.

By Regular Mail, Courier or Registered Mail:

TSX Trust Company
301 – 100 Adelaide St. W
Toronto, ON M5H 4H1
Attention: Corporate Actions

In the case of a holder of Common Shares that holds Common Shares through a securities broker, dealer, bank or trust company or other participant (a "**CDS Participant**") in the book-based system administered by CDS Clearing and Depository Services Inc. (a "**Beneficial Rightsholder**"), such holder may exercise Rights by instructing the

CDS Participant holding its Rights sufficiently in advance of the Expiry Date to exercise all or a specified number of such Rights (including pursuant to its Basic Subscription Privilege and, if applicable, its Additional Subscription Privilege) and forwarding the Subscription Price for each Right exercised to such CDS Participant. Accordingly, Beneficial Rightsholders wishing to exercise Additional Rights should also contact the CDS Participant that holds such holder's Rights sufficiently in advance of the Expiry Date to arrange for such subscription for Additional Rights. Any excess funds will be returned by mail or, in the case of a Beneficial Rightsholder, credited to the holder's account with its CDS Participant, without interest or deduction. **CDS Participants will have an earlier deadline for receipt of instructions and payment than the Expiry Date**. Shareholders who are not Registered Holders should contact their particular CDS Participant for complete details on how to exercise their Basic Subscription Privilege and the Additional Subscription Privilege.

8. What are the next steps?

This document contains key information you should know about PetroShale. You can find more details in the issuer's Rights Offering Circular. To obtain a copy, visit PetroShale's profile on the SEDAR website, visit http://www.petroshaleinc.com/, ask your dealer representative for a copy or contact:

Jacob Roorda
President and Chief Executive Officer
Email: roorda@petroshaleinc.com

Scott Pittman
Chief Financial Officer
Email: pittman@petroshaleinc.com

You should read the Rights Offering Circular, along with PetroShale's continuous disclosure record, to make an informed decision.

Dated at Calgary, Alberta this 4th day of March, 2021.

PETROSHALE INC.

Per: (signed) "*Jacob Roorda*"
Jacob Roorda
President and Chief Executive Officer