

## **MATERIAL CHANGE REPORT**

**1. Name and Address of Company:**

PetroShale Inc. ("PetroShale" or the "Company")  
3900, 350 – 7<sup>th</sup> Avenue SW  
Calgary, Alberta  
T2P 3N9

**2. Date of Material Change:**

August 26, 2014

**3. News Release:**

On August 26, 2014, at Calgary, Alberta, a press release was issued and disseminated through the facilities of a recognized newswire service.

**4. Summary of Material Change:**

PetroShale announced increases to the Company's U.S. reserves.

**5. Full Description of Material Change:**

The reserves data in this report is based upon an evaluation by Netherland, Sewell & Associates, Inc. ("NSAI") with respect to PetroShale's assets in the United States, with an effective date of June 30, 2014. The reserves data summarizes PetroShale's crude oil and natural gas reserves in the United States and the net present values of future net revenue for these reserves using forecast prices and costs, not including the impact of any price risk management activities. The Reserve Report was prepared in accordance with the standards contained in the COGE Handbook and the reserve definitions contained in National Instrument 51-101 and CSA 51-324.

***U.S. Reserves Highlights***

- Proved plus probable reserves in the U.S. as at June 30, 2014 increased by 525% to 4,100 Mboe (3,223 Mboe net of royalty) compared to December 31, 2013;
- Total U.S. proved reserves increased 516% to 3,124 Mboe (2,452 Mboe net of royalty);
- Before tax net present value (discounted at 10%) ("NPV10") of the Company's U.S. proved plus probable reserves totaled U.S.\$63.5 million at June 30, 2014, an increase of 425% over the U.S.\$12.1 million NPV10 as at December 31, 2013; and
- The NPV10 of total proved reserves increased 376% from U.S. \$10.7 million to U.S.\$51.0 million.

### Gross Company Interest Reserves

UNITED STATES OIL & GAS ASSETS AS AT JUNE 30, 2014						
	RESERVES					
	OIL		NATURAL GAS		BOE	
	Gross	Net	Gross	Net	Gross	Net
RESERVES CATEGORY	(Mbbbls)	(Mbbbls)	(MMcf)	(MMcf)	(Mboe)	(Mboe)
PROVED:						
Developed Producing	378.3	291.8	369.6	284.6	439.9	339.2
Developed Non-Producing	20.0	15.3	23.6	18.0	23.9	18.3
Undeveloped	2,335.9	1,840.0	1,944.3	1,526.2	2,659.9	2,094.4
TOTAL PROVED	2,734.2	2,147.0	2,337.4	1,828.8	3,123.8	2,451.8
PROBABLE	848.8	670.8	762.8	600.4	975.9	770.9
TOTAL PROVED PLUS PROBABLE	3,583.0	2,817.8	3,100.3	2,429.2	4,099.7	3,222.7

Columns may not add due to rounding.

### Net Present Value of Future Net Revenue

UNITED STATES OIL & GAS ASSETS AS AT JUNE 30, 2014					
	BEFORE INCOME TAXES DISCOUNTED AT (%/year)				
	0%	5%	10%	15%	20%
RESERVES CATEGORY	(USD \$000s)	(USD \$000s)	(USD \$000s)	(USD \$000s)	(USD \$000s)
PROVED:					
Developed Producing	19,510.7	14,472.3	11,685.0	9,944.6	8,757.6
Developed Non-Producing	1,003.7	849.5	743.2	666.6	609.0
Undeveloped	93,254.2	57,811.4	38,538.4	26,688.7	18,736.6
TOTAL PROVED	113,768.6	73,133.2	50,966.5	37,299.9	28,103.1
PROBABLE	31,833.6	19,417.5	12,568.6	8,344.5	5,527.9
TOTAL PROVED PLUS PROBABLE	145,602.2	92,550.7	63,535.2	45,644.4	33,631.0

Columns may not add due to rounding.

### Pricing Assumptions – Forecast Prices and Costs:

Following are select crude oil and natural gas price and inflation rate assumptions used by NSAI as of June 30, 2014 in estimating the U.S. reserves data using forecast prices and costs.

NSAI Average		
	GAS U.S. Henry Hub Gas Price (\$US/MMBtu)	OIL WTI Crude Oil (\$US/bbl)
At June 30, 2014		
2014	\$ 3.960	\$ 94.75
2015	\$ 4.180	\$ 93.18
2016	\$ 4.550	\$ 91.92
2017	\$ 5.030	\$ 94.24
2018	\$ 5.460	\$ 95.96
2019	\$ 5.760	\$ 97.29
2020	\$ 5.920	\$ 98.88
2021	\$ 6.100	\$ 100.74
2022	\$ 6.260	\$ 102.61
2023	\$ 6.440	\$ 104.55
2024	\$ 6.730	\$ 106.44
2025	\$ 6.865	\$ 108.57
2026	\$ 7.002	\$ 110.74
2027	\$ 7.142	\$ 112.95
2028	\$ 7.285	\$ 115.21
Thereafter:	2% per year	2% per year

**6. Reliance on subsection 7.1(2) of National Instrument 51-102**

N/A

**7. Omitted Information:**

N/A

**8. Executive Officer:**

For further information, contact Mr. David Rain, Chief Financial Officer, by email at [info@petroshaleinc.com](mailto:info@petroshaleinc.com)

**9. Date of Report:**

September 19, 2014

### Note Regarding Forward-Looking Statements and Other Advisories

This report contains forward-looking statements and forward-looking information (collectively "forward-looking information") within the meaning of applicable securities laws relating to aspects of management focus, objectives, strategies and business opportunities. The forward-looking information is based on certain key expectations and assumptions made by the Company's management, including

expectations and assumptions concerning prevailing commodity prices, exchange rates, interest rates, applicable royalty rates and tax laws; future production rates and estimates of operating costs; performance of existing and future wells; reserve and resource volumes; labor and services; the impact of increasing competition; ability to market oil and natural gas successfully; and the Company's ability to access capital.

Statements relating to "reserves" are also deemed to be forward looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described exist in the quantities predicted or estimated and that the reserves can be profitably produced in the future.

Although the Company believes that the expectations and assumptions on which such forward-looking information is based are reasonable, undue reliance should not be placed on the forward-looking information because the Company can give no assurance that they will prove to be correct. Since forward-looking information addresses future events and conditions, by its very nature they involve inherent risks and uncertainties. The Company's actual results, performance or achievement could differ materially from those expressed in, or implied by, the forward-looking information and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking information will transpire or occur, or if any of them do so, what benefits the Company will derive therefrom. Management has included the above summary of assumptions and risks related to forward-looking information provided in this report in order to provide security holders with a more complete perspective on the Company's future operations and such information may not be appropriate for other purposes.

Readers are cautioned that the foregoing lists of factors are not exhaustive. Additional information on these and other factors that could affect our operations or financial results are included in reports on file with applicable securities regulatory authorities and may be accessed through the SEDAR website ([www.sedar.com](http://www.sedar.com)). These forward-looking statements are made as of the date of this report and the Company disclaims any intent or obligation to update publicly any forward-looking information, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.

*Advisories:*

Where amounts are expressed on a barrel of oil equivalent ("boe") basis, natural gas volumes have been converted to boe using a ratio of 6,000 cubic feet of natural gas to one barrel of oil (6 Mcf: 1 Bbl). **This boe conversion ratio is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6 Mcf: 1 Bbl, utilizing a conversion ratio at 6 Mcf: 1 Bbl may be misleading as an indication of value.** In this report, Mboe refers to thousands of barrels of oil equivalent, while Mbbls refers to thousands of barrels of oil, and Mmcf refers to millions of cubic feet of natural gas.

This report contains estimates of the net present value of the future net revenue from the Company's U.S. reserves. Such amounts do not represent the fair market value of such reserves. There is no assurance that the forecast prices and cost assumptions will be attained and variances could be material. The recovery and reserve estimates of the crude oil, natural gas liquids and natural gas reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual crude oil, natural gas and natural gas liquids reserves may be greater than or less than the estimates provided herein.

Company interest means, in relation to the Company's interest in production and reserves, the Company's working interest (operating and non-operating) before the deduction of royalties payable

and including such entity's royalty interest in production and reserves. Where volumes of reserves and production have been presented, they have been presented as company working interest, gross of royalties, except where otherwise noted. All operating netbacks referenced in this report are Company working interest, except where otherwise noted. All dollar figures included herein are presented in Canadian dollars, unless otherwise noted.