CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015

OIL FROM HERE.
BY PEOPLE FROM HERE.
FOR HERE.

INDEPENDENT AUDITORS' REPORT

To the shareholders of
Pétrolia Inc.

We have audited the accompanying consolidated financial statements of **Pétrolia Inc.** (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2015 and 2014 and the consolidated statements of income (loss) and comprehensive income (loss), changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

EY
A member firm of Ernst & Young Global Limited

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Pétrolia Inc.** as at December 31, 2015 and 2014, and of its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLP[1]

Québec City, Canada
March 31, 2016

[1] CPA auditor, CA, public accountancy permit No. A109180

EY
A member firm of Ernst & Young Global Limited

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

[in Canadian dollars]

As at December 31

	2015	**2014**
	$	$
ASSETS		
Current		
Cash and cash equivalents *[note 5]*	**3,321,697**	4,871,507
Cash and cash equivalents held for exploration *[note 5]*	**4,201,075**	368,004
Receivables *[note 6]*	**1,735,616**	1,074,645
Prepaid expenses	**94,676**	176,397
Inventories	**42,986**	857,579
Total current assets	**9,396,050**	7,348,132
Non-current		
Interests in associates *[note 7]*	**36,583,849**	36,564,660
Property, plant and equipment *[note 8]*	**446,417**	520,829
Exploration and evaluation assets *[note 9]*	**43,419,895**	39,749,764
Total non-current assets	**80,450,161**	76,835,253
	89,846,211	84,183,385
LIABILITIES AND EQUITY		
Current		
Trade and other payables *[note 10]*	**3,963,782**	5,280,847
Current portion of deferred lease inducements	**11,418**	27,400
Current portion of bank borrowings *[note 11]*	**6,609**	6,448
Partner advances for planned exploration work *[note 12]*	**1,881,112**	—
Liability related to flow-through shares *[note 13]*	**363,655**	64,942
Total current liabilities	**6,226,576**	5,379,637
Non-current		
Deferred lease inducements	**—**	11,418
Bank borrowings *[note 11]*	**20,243**	26,851
Provision for site restoration *[note 14]*	**1,373,060**	816,220
Deferred tax liabilities *[note 15]*	**7,879,371**	7,848,210
Total non-current liabilities	**9,272,674**	8,702,699
Total liabilities	**15,499,250**	14,082,336
Equity		
Share capital *[note 16]*	**64,829,868**	59,307,265
Contributed surplus	**5,756,445**	5,480,501
Retained earnings	**3,760,648**	5,313,283
Total equity	**74,346,961**	70,101,049
	89,846,211	84,183,385

Lease, commitments and contingencies *[notes 17, 23 and 24]*

See accompanying notes

On behalf of the Board

(signed) Myron Tétreault

On behalf of the Board

(signed) Charles Boulanger

CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

[in Canadian dollars]

Years ended December 31

	2015	**2014**
	$	$
Revenues		
Project management	**195,046**	313,983
Other income	**7,166**	52,226
Gain on transfer of certain licences *[note 7]*	**—**	28,059,532
	202,212	28,425,741
Expenses		
Administrative expenses *[Schedule A]*	**1,929,608**	3,531,419
Operating expenses *[Schedule B]*	**—**	—
Financial income and expenses *[Schedule C]*	**22,221**	197,885
Share of associates *[note 7]*	**143,995**	99,450
	2,095,824	3,828,754
Income (loss) before taxes	**(1,893,612)**	24,596,987
Deferred tax (recovery) *[note 15]*	**(340,977)**	7,015,215
Net income (loss) and comprehensive income (loss)	**(1,552,635)**	17,581,772
Basic net earnings (loss) per share *[note 19]*	**(0.019)**	0.237
Diluted net earnings (loss) per share *[note 19]*	**(0.019)**	0.237

See accompanying notes

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

[in Canadian dollars]

	Share capital *[note 16]* $	Contributed surplus $	Retained earnings (deficit) $	Total equity $
Balance as at December 31, 2013	54,546,758	4,824,472	(12,268,489)	47,102,741
Shares issued	5,064,526	—	—	5,064,526
Stock options exercised	7,500	—	—	7,500
Share-based compensation	—	656,029	—	656,029
Issuance costs	(426,158)	—	—	(426,158)
Deferred taxes related to issuance costs *[note 15]*	114,639	—	—	114,639
Net income and comprehensive income	—	—	17,581,772	17,581,772
	4,760,507	656,029	17,581,772	22,998,308
Balance as at December 31, 2014	59,307,265	5,480,501	5,313,283	70,101,049
Shares issued	**5,880,315**	**—**	**—**	**5,880,315**
Share-based compensation	**—**	**275,944**	**—**	**275,944**
Issuance costs	**(489,346)**	**—**	**—**	**(489,346)**
Deferred taxes related to issuance costs *[note 15]*	**131,634**	**—**	**—**	**131,634**
Net loss and comprehensive loss	**—**	**—**	**(1,552,635)**	**(1,552,635)**
	5,522,603	**275,944**	**(1,552,635)**	**4,245,912**
Balance as at December 31, 2015	**64,829,868**	**5,756,445**	**3,760,648**	**74,346,961**

See accompanying notes

CONSOLIDATED STATEMENTS OF CASH FLOWS

[in Canadian dollars]

Years ended December 31

	2015	**2014**
	$	$
OPERATING ACTIVITIES		
Net income (loss)	**(1,552,635)**	17,581,772
Items not affecting cash:		
Depreciation of property, plant and equipment	**25,268**	101,312
Amortization of financing costs	**—**	112,404
Deferred tax (recovery)	**(340,977)**	7,015,215
Share-based compensation	**172,799**	498,207
Amortization of deferred lease inducements	**(27,400)**	(27,400)
Gain on transfer of ownership of certain licences	**—**	(28,059,532)
Gain on disposal of property, plant and equipment	**(2,259)**	—
Accretion expense	**27,108**	24,263
Share of associates	**143,995**	99,450
	(1,554,101)	(2,654,309)
Net change in non-cash operating items *[note 25]*		
Accounts receivable	**(572,172)**	(648,770)
Prepaid expenses	**81,721**	(71,110)
Inventories	**814,593**	(857,579)
Trade and other payables	**(97,848)**	809,984
	226,294	(767,475)
Cash flows related to operating activities	**(1,327,807)**	(3,421,784)
INVESTING ACTIVITIES		
Acquisitions of interests in associates	**(43)**	(1,933,333)
Additions to property, plant and equipment	**(44,420)**	(29,330)
Acquisitions of oil and gas properties	**(161,272)**	(162,345)
Increase in deferred exploration costs, net of recovered amounts	**(4,609,510)**	3,872,776
Disposal of an investment	**—**	930,000
Proceeds from disposal of property, plant and equipment	**19,460**	—
Contributions to associates	**(133,384)**	(80,304)
Costs related to the acquisition of an interest in an associate	**—**	(1,013,144)
Cash flows related to investing activities	**(4,929,169)**	1,584,320
FINANCING ACTIVITIES		
Shares issued	**6,682,800**	5,514,424
Issuance costs	**(404,316)**	(426,158)
Partner advances for the Bourque project	**2,268,200**	—
Repayment of bank borrowings	**(6,447)**	(2,998,932)
Cash flows related to financing activities	**8,540,237**	2,089,334
Net increase in cash and cash equivalents	**2,283,261**	251,870
Cash and cash equivalents, beginning of period	**5,239,511**	4,987,641
Cash and cash equivalents, end of period *[note 25]*	**7,522,772**	5,239,511

See accompanying notes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2015 and 2014

1. INCORPORATION, NATURE OF OPERATIONS AND APPROVAL

Incorporation and nature of business

The Company, incorporated under Part IA of the *Québec Companies Act* and governed by the provisions of the *Québec Business Corporations Act*, is an oil and gas exploration company. Its stock has been listed on the TSX Venture Exchange since February 16, 2005 under the symbol PEA. Its head office is located at 305 Charest Blvd. E., 10th Floor, Québec City, Québec, Canada G1K 3H3.

Approval date

These consolidated financial statements were approved by the Board of Directors and authorized for issue on March 31, 2016.

2. SIGNFICANT ACCOUNTING POLICIES

The significant accounting policies used in preparing these consolidated financial statements are summarized below:

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and set out in the *CPA Canada Handbook*.

The consolidated financial statements have been prepared on a historical cost basis, except for cash and cash equivalents that have been measured at fair value. The Company has elected to present its consolidated statement of income (loss) by function.

2.2 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates [the "functional currency"]. The functional currency and presentation currency of the Company is the Canadian dollar.

2.3 Principles of consolidation

These consolidated financial statements include the accounts of the Company and the subsidiaries that it controls. The Company controls an entity when it has the power to direct the relevant activities and the ability to use its power to affect the amount of its returns. Subsidiaries are fully consolidated from the date the Company acquires control and are deconsolidated on the date control ends. Intercompany transactions and balances and unrealized gains and losses on transactions between these entities are eliminated.

These consolidated financial statements include the financial statements of the Company and the following subsidiaries as at December 31, 2015:

Subsidiary	Interest (as a %)	Location	Description
Pétrolia Anticosti Inc.	100	Canada	Appointed operator of Anticosti Hydrocarbons L.P.
Investissement PEA Inc.	100	Canada	Portfolio company holding the investments in Anticosti Hydrocarbons L.P. and Anticosti Hydrocarbons General Partner Inc.

2.4 Revenue recognition

Purchases and sales of investments are recognized on the transaction date. Interest income is earned with the passage of time and is recorded on an accrual basis. Revenue from project management is recognized as projects are realized. Other income is recognized when the services are provided.

2.5 Financial instruments

The Company categorizes its financial instruments by class based on their nature and characteristics. Management determines the classification on initial recognition, which is normally the date of the transaction.

All revenues and expenses associated with financial instruments are presented in financial income and expenses.

[a] Financial assets at fair value through profit or loss

Financial assets are classified at fair value through profit or loss when acquired principally for the purpose of selling in the near term, such as held-for-trading financial assets, or if so designated by management. The instruments in this category comprise cash and cash equivalents.

Financial instruments included in this category are initially and subsequently measured at fair value. Directly attributable transaction costs and changes in fair value are recognized in the consolidated statements of income (loss). Instruments in this category are presented in current assets.

[b] Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

The instruments in this category include accounts receivable excluding commodity taxes and tax credits receivable.

The financial instruments in this category are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost using the effective interest method.

At the end of each reporting period, the Company determines whether there is objective evidence of an impairment loss on a financial asset as a result of one or more events that occurred after the initial recognition of the financial asset affecting the asset's estimated future cash flows. Impairment losses are recognized under financial expenses in the consolidated statements of income (loss) and comprehensive income (loss).

[c] Other financial liabilities

Financial instruments in this category are initially measured at fair value, net of transaction costs, and subsequently at amortized cost. Any difference between the initial carrying amount of other financial liabilities and their redemption value is recognized through net income (loss) over the contractual term using the effective interest method. They are presented in current liabilities when they are payable within 12 months of the end of the period; otherwise, they are classified as non-current liabilities. Financing costs are amortized over the term of the financing using the effective interest method. This item includes trade and other payables, and bank borrowings.

[d] Fair value measurement

Fair value hierarchy

Financial instruments measured at fair value are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The fair value hierarchy has the following levels:

Level 1 – Quoted prices [unadjusted] in active markets for identical assets or liabilities: cash is categorized within this level;

Level 2 – Valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly [i.e. as prices] or indirectly [i.e. derived from prices]: cash equivalents and bank borrowings are categorized within this level;

Level 3 – Valuation techniques for which a significant input for the asset or liability is not based on observable market data [unobservable inputs].

Determination of fair value and the resulting hierarchy requires the use of observable market data whenever available. The classification of a financial instrument in the hierarchy is based upon the lowest level of input that is significant to the measurement of fair value.

2.6 Basic and diluted net earnings (loss) per share

Basic net earnings (loss) per share is calculated by dividing net income attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted net earnings (loss) per share is determined by adjusting the net income (loss) attributable to common shareholders of the Company and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares. Dilutive potential common shares are to be deemed to have been converted into common shares at the beginning of the period or, if later, the date of the issue of the potential common shares.

For the purpose of calculating diluted net earnings (loss) per share, the exercise of dilutive options and warrants of the entity is to be assumed.

2.7 Cash and cash equivalents

The Company's cash and cash equivalents consist of cash and short-term investments with maturities of three months or less from the date of acquisition or highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.8 Inventories

Inventories are measured at the lower of cost, determined using the average cost method, and net realizable value.

2.9 Property, plant and equipment

Property, plant and equipment are recorded at historical cost less any accumulated depreciation and accumulated impairment losses. Historical cost includes all costs directly attributable to the acquisition. Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management. Property, plant and equipment are depreciated over their expected useful lives using the following methods and period or annual rates:

	Method	**Rate and period**
Leasehold improvements	Straight-line	Lease term
IT, office and field equipment	Declining balance	20% and 30%
Automotive equipment	Declining balance	30%
Reserves	Declining balance	20%
Field offices	Declining balance	20%

Estimates of residual values, useful lives and depreciation methods are reviewed at each fiscal year-end, taking into account the nature of the assets, intended use and technology developments. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Depreciation expense for each period is recognized in income (loss), except for certain items of property, plant and equipment related to exploration activities whose depreciation expense is included in the carrying amount of an exploration asset when such items are used in specific exploration projects. Depreciation of an asset ceases when the asset is classified as held for sale or when the asset is derecognized. Therefore, depreciation does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated.

Property, plant and equipment are derecognized upon disposal or when no future economic benefits are expected from their use or disposal.

The gain or loss arising from the disposal of an item of property, plant and equipment is the difference between the disposal proceeds and the net carrying amount of the asset and is recognized in net income (loss) and presented separately in administrative expenses, unless the depreciation of an item of property, plant and equipment was capitalized in exploration and evaluation asset expenses, in which case the gain or loss is recognized as an increase or a decrease in the exploration and evaluation asset.

2.10 Exploration and evaluation assets

Exploration and evaluation assets include costs of acquiring oil and gas rights and the expenses related to the exploration and evaluation of oil and gas properties. These assets are recognized as intangible assets and carried at cost less any impairment losses, government assistance and partner contributions.

Costs incurred before the legal rights are acquired to undertake exploration and evaluation activities are recognized through net income (loss) when they are incurred. All costs of acquiring oil and gas rights and the expenses related to exploration and evaluation activities are capitalized on a property-by-property basis pending determination of the technical feasibility and commercial viability of extracting an oil or gas resource. No amortization is recognized during the exploration and evaluation phase. In particular, capitalized costs include topographical, geological, geochemical and geophysical studies, exploration drilling, trenching, sampling, activities related to the evaluation of the technical feasibility and the commercial viability of extracting an oil resource, and share-based payments related to exploration and evaluation assets.

Whenever a project is considered no longer viable or is abandoned, the capitalized amount is written down to its recoverable amount and the difference is then immediately recognized in net income (loss).

When the technical feasibility and commercial viability of extracting a resource are demonstrable, the exploration and evaluation assets related to the oil property are transferred to *Oil assets under construction*. Before the transfer, exploration and evaluation assets are tested for impairment, and any impairment loss is recognized through net income (loss) before reclassification.

Once exploration and evaluation assets are transferred to *Oil assets under construction*, all subsequent costs related to construction, installation and completion of equipment and facilities are capitalized in *Oil assets under construction*. Once the development phase is complete, all assets included in *Oil assets under construction* are transferred to *Oil assets* and depreciated over their useful lives. To date, the Company has not demonstrated any commercial viability of extracting oil and gas resources from its oil and gas properties.

2.11 Joint arrangements

A joint arrangement is defined as an arrangement in which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement.

The Company has entered into joint arrangements for the Bourque and Haldimand projects and the Matapédia property as described in note 9. The Company is designated as operator under operating contracts entered into with its partners. Accordingly, the Company incurs exploration expenses relating to each project or property and recognizes them on a gross basis in the consolidated financial statements. The exploration expenses are re-invoiced by the Company to its partners based on their respective ownership percentages in the exploration licences and partnership agreements, and partner contributions are recorded as a reduction of exploration expenses.

The amounts received from partners for the Bourque Project before the work is carried out are reported under *Partner advances for planned exploration work* in the consolidated statement of financial position and partner contributions are recorded as a reduction of exploration expenses for the Borque property when exploration expenses are incurred.

When interests are disposed of, the cash considerations received from the acquirer are credited against the carrying amount of the expenses previously capitalized, and any surplus is recognized as a gain on the disposal of exploration and evaluation assets in net income (loss).

2.12 Government assistance

Resource-related tax credits and subsidies for exploration expenses are recorded as a reduction of exploration expenses.

In the event of any differences between the amounts of government assistance claimed by the Company and the amounts granted by the tax authorities, the resulting gain or loss is recognized in the fiscal year in which the differences are determined.

2.13. Interest in associates

The Company owns 21.7% of the units of Anticosti Hydrocarbons L.P. as well as 21.7% of the shares of Anticosti Hydrocarbons General Partner Inc., and a Company representative serves on the board of directors of these entities and participates in financial and operating policy decisions. Management has concluded that it exercises significant influence over these associates and has accounted for its interest using the equity method in its consolidated financial statements.

The Company performs work on behalf of Anticosti Hydrocarbons L.P. and the re-invoiced expenses are applied against administrative and operating expenses under *Re-invoicing of expenses* in the schedules to the consolidated financial statements.

2.14 Impairment of non-financial assets

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows [cash-generating units]. Consequently, some assets, including the interests in associates, are tested for impairment individually while exploration and evaluation assets and property, plant and equipment are tested at the cash-generating unit level. Management assesses the impairment indicators of exploration and evaluation assets for each property or project that constitutes a cash-generating unit. All individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. In addition, if the technical feasibility and commercial viability of extracting an oil resource is demonstrable, the exploration and evaluation assets related to the corresponding oil and gas property must be tested for impairment before being transferred to *Oil assets*.

The interests in associates is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows from the interest that can be reliably estimated. Losses expected as a result of future events, no matter how likely, are not recognized. Objective evidence that the interests in associates is impaired includes observable data that comes to the attention of the Company about the following loss events:

[a] It becoming probable that the associates will enter bankruptcy or other financial reorganization;

[b] Observable data indicating that there is a measurable decrease in the estimated future cash flows from associates since the initial recognition of those interests, including national or local economic conditions that correlate with defaults on the assets of the associate such as declining crude oil or natural gas prices or adverse changes in industry conditions affecting the associates.

In addition to the types of events in the paragraph above, objective evidence of impairment for the interests in the associates includes information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the associates operates, and indicates that the cost of the investment in the equity instrument may not be recovered. A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost is also objective evidence of impairment.

Regarding the exploration and evaluation assets, management determines for each asset whether the facts and circumstances could indicate an impairment loss. Such facts and circumstances include, but are not limited to, the following:

[a] The period for which the Company has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;

[b] Substantive expenditures on further exploration for and evaluation of oil and gas resources in the specific area are neither budgeted nor planned;

[c] Exploration for and evaluation of oil and gas resources in the specific area have not led to the discovery of commercially viable quantities of oil and gas resources, and the Company has decided to discontinue such activities in the specific area;

[d] Sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

An impairment loss is recognized for the amount by which the carrying amount of an asset or cash-generating unit exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less cost to sell and its value in use. To determine value in use, management estimates expected future cash flows from each asset or cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows.

An impairment loss is recognized immediately in the statement of comprehensive income (loss) and is used to reduce the individual asset or allocated pro-rata to the assets of the cash-generating unit. All assets are subsequently reassessed to determine whether there is any indication that previously recognized impairment losses may no longer exist. An impairment loss is reversed if the recoverable amount of an asset or cash-generating unit exceeds its carrying value but must not exceed the carrying value that would have been determined, net of depreciation, if no impairment had been recorded.

2.15 Provision for site restoration

A provision for environmental restoration is recognized when:

[i] The Company has a present legal or constructive obligation as a result of past events;
[ii] It is more likely than not that an outflow of resources will be required to settle the obligation; and
[iii] The amount can be reliably estimated.

The Company recognizes the estimated value of a future obligation associated with the provision for site restoration related to oil and gas properties as a liability in the period in which it is incurred. The value is capitalized and amortized over the same period as the underlying asset. The Company estimates the liability based on the estimated cost to abandon and reclaim a site in relation to its net ownership interest in the wells and facilities, including the estimated schedule of costs that will be incurred for that purpose in future periods. This estimate is periodically reviewed and changes are recorded prospectively as an increase or decrease in the liability. Changes in the net present value of the future liability associated with site restoration are accounted for as an accretion expense on a time-proportionate basis and recognized in income (loss) for the year. Actual costs incurred upon settlement of the liability are charged to the liability up to the amount of the liability recognized.

2.16 Operating leases

Leases in which a significant portion of the risks and rewards are retained by the lessor are classified as operating leases. Payments made under operating leases are recognized as an expense on a straight-line basis over the lease term. Related costs, such as those relating to maintenance and insurance, are recognized as expenses as they are incurred.

Lease inducements obtained on signing a lease are recognized as a liability and amortized on a straight-line basis over the lease term.

2.17 Taxes

The Company follows the deferred tax asset and liability method of accounting for income taxes. Under this method, deferred income tax assets and liabilities are determined based on differences between the carrying amount and tax basis of assets and liabilities. Any change in the net amount of deferred income tax assets and liabilities is recognized in net income (loss), except for the income tax related to items included in equity, in which case it is recognized in equity.

Deferred tax assets and liabilities are measured using substantively enacted and enacted tax rates and laws expected to apply to taxable income in the years in which the differences are expected to be recovered or settled. Deferred income tax assets are recognized when it is probable that they will be realized. Deferred income tax assets and liabilities are not discounted.

Under tax legislation for flow-through investments, the Company is required to renounce deductions for exploration and evaluation expenses in favour of investors. When the Company incurs eligible expenses and renounces tax deductions, the renounced tax deductions are recognized in income (loss) as an increase in deferred tax and a deferred tax liability is recognized for the temporary difference between the carrying value of the eligible expenses capitalized as assets and its tax basis.

Current tax assets or liabilities are obligations or claims for current or prior periods to be paid to or recovered from tax authorities that are still outstanding at the end of the reporting period. Current tax is payable on taxable profit, which differs from net income (loss). It is calculated using tax rates and laws enacted at the end of the reporting period.

2.18 Equity

Share capital

Share capital is recorded at the subscribed value of the shares issued. Costs related to the issuance of shares, warrants or stock options are recognized in equity, net of taxes, as a deduction of the issuance proceeds in the year of transaction.

Contributed surplus

Contributed surplus includes expenses associated with stock options and broker warrants until the options are exercised. The consideration received from the sale of a share or a half a warrant taking place during fiscal 2015 *[note 16]* and classified in equity was allocated between the share capital component and the warrant component using the residual method. The total amount of issuance proceeds was attributed to share capital since the proceeds were equal to the fair value of shares as at the date of the transaction.

Issuance of flow-through shares

The Company finances the cost of some exploration and evaluation assets through the issuance of flow-through shares. The issuance of flow-through shares is accounted for as a compound financial instrument. The liability component represents the obligation to transfer tax deductions to investors. Proceeds from the issuance of shares by flow-through investments are allocated to flow-through shares issued and a liability using the residual method. Proceeds are first allocated to shares according to the quoted price of existing shares at the time of issuance and any residual amount is allocated to the liability, which is reversed through income (loss) under deferred tax recovery when the eligible expenses are incurred.

Retained earnings

Retained earnings (deficit) include all current and prior period retained profits and losses.

2.19 Share-based compensation

The Company has an equity-settled, share-based compensation plan for eligible directors, employees and consultants. The plan does not include a cash-settlement option. The Company occasionally issues broker warrants.

All goods and services received in exchange for share-based compensation awards are measured at fair value. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the equity instruments granted. The same method is used for transactions with consultants who receive share-based payments and provide services whose fair value cannot be reliably determined. The fair value is measured at the date of grant.

Share-based payments, except broker warrants, are ultimately expensed in income (loss) or capitalized as exploration and evaluation assets, depending on the nature of the payment, with a corresponding credit to contributed surplus within equity. Share-based payments to brokers, in connection with equity financing, are recognized as costs related to the issuance of equity instruments, with a corresponding credit to contributed surplus within equity.

Each tranche in an award with graded vesting is considered a separate grant with a different vesting date and fair value.

If vesting periods apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense in prior periods if share options ultimately exercised are different from that estimated on vesting.

When a share option or broker warrant is exercised, the proceeds received net of any directly attributable transaction costs are recorded in share capital. The accumulated expenses related to the share options and broker warrants recorded in contributed surplus are transferred to share capital.

2.20 Segmented information

Segmented information is reported in accordance with IFRS 8*, Operating Segments*, which requires the Company to present and disclose segmented information in accordance with the information that is regularly reviewed by the chief operating decision-makers, namely the President and the Board of Directors, to assess the Company’s performance.

The Company has determined that it has only one operating segment: the exploration and evaluation segment.

3. FUTURE CHANGES IN ACCOUNTING POLICIES

The standards issued by the IASB that were not applicable as at the date of issue of the Company’s consolidated financial statements are described below.

The Company will adopt those standards in forthcoming fiscal years.

IFRS 15, Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers*, which constitutes a single standard for the recognition of revenue from all contracts with customers, except for insurance contracts, lease contracts, financial instruments and certain non-monetary exchanges. This new standard sets out a single, five-step model for recognizing revenues. In July 2015, the IASB issued a decision to defer the effective date of this new standard from January 1, 2017 to January 1, 2018. The Company is currently assessing the impact of this standard on its consolidated financial statements.

IAS 16, Property, Plant and Equipment, and IAS 38, Intangible Assets

In May 2014, the IASB issued amendments to IAS 16, *Property, Plant and Equipment*, and IAS 38, *Intangible Assets*. This amendment entitled, “Clarification of Acceptable Methods of Depreciation and Amortisation,” clarifies that revenue-based methods should not be used to calculate depreciation and amortization. The depreciation and amortization of recognized assets must reflect a pattern of consumption of the assets rather than the economic benefits from the assets. The amendment will apply prospectively to financial statements for fiscal years beginning on or after January 1, 2016. Adoption of this amendment will have no impact on the Company’s consolidated financial statements.

IFRS 11, Joint Arrangements

In May 2014, the IASB issued an amendment to IFRS 11, *Joint Arrangements*, entitled “Accounting for Acquisitions of Interests in Joint Operations.” The amendment clarifies that an acquisition of an interest in a joint operation that is a business should be accounted for and disclosed as a business combination in accordance with IFRS 3, *Business Combinations*. The amendment will apply prospectively to financial statements for fiscal years beginning on or after January 1, 2016. The Company is currently assessing the impact of this amendment on its consolidated financial statements.

IFRS 9, Financial Instruments

In July 2014, the IASB issued IFRS 9, *Financial Instruments*, which makes the following changes to the recognition of financial instruments:

- The classification and measurement approach for financial assets must reflect the business model with which they are managed and their cash flow characteristics;
- Impairment is to be based on the expected credit loss model;
- Hedge accounting must take into account the entity’s risk management practices.

This standard will be applied retrospectively for fiscal years beginning on or after January 1, 2018. The Company is currently assessing the impact of this standard on its consolidated financial statements.

IAS 1 - Presentation of Financial Statements

In December 2014, the IASB issued an amendment to IAS 1, *Presentation of Financial statements.* This amendment provides further clarification on disclosures and the use of judgment in determining what information to disclose. The amendment will apply prospectively to financial statements for fiscal years beginning on or after January 1, 2016. Adoption of this amendment will have no impact on the Company's consolidated financial statements.

IFRS 16, Leases

In January 2016, the IASB issued IFRS 16, *Leases*. This standard provides a single model under which most leases will be recognized in the statement of financial position. Certain exemptions will apply for short-term leases and leases of low-value assets. IFRS 16 will be effective for fiscal years beginning on or after January 1, 2019. The Company is currently assessing the impact of this new standard on its consolidated financial statements.

Annual Improvements (2012–2014)

In September 2014, the IASB issued annual improvements to IFRSs 2012-2014 Cycle, which concern four standards. The improvements will be effective for fiscal years beginning on or after January 1, 2016. Adoption of these improvements will have no impact on the Company's consolidated financial statements.

4. JUDGMENTS, ESTIMATES AND ASSUMPTIONS

When preparing the consolidated financial statements, Management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, revenues and expenses. Actual results may differ from the estimates, assumptions and judgments made by Management, and will seldom equal the estimated results. Information about the significant judgments, estimates and assumptions that have the most impact on the recognition and measurement of assets, liabilities, revenues and expenses are discussed below.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4.1 Judgments

Going concern assumption

When preparing the consolidated financial statements, Management is required to make an assessment of the Company's ability to continue as a going concern. When Management is aware, in making this assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern, the Company shall disclose those uncertainties. In assessing whether the going concern assumption is appropriate, Management took into account all available information about the future, which is at least, but not limited to, twelve months from the statement of financial position date.

Management has concluded that there are no material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern for the next twelve months. However, significant judgement was involved in that assessment.

Since the Company is still at the exploration stage for all its oil and gas properties, including the investment in Hydrocarbon Anticosti L.P., it has yet to determine whether its oil and gas properties contain economically feasible reserves. As such, the Company does not expect to generate significant revenues from its properties in fiscal 2016. The Company's ability to continue as a going concern for the next twelve months hinges on its ability to obtain the necessary financing to pursue its exploration and evaluation activities, including existing and expected funding commitments from third parties, to defer exploration spending to a level that allows the Company to keep its exploration property and licences and reduce its operational spending while maintaining its capacity to fulfill its obligations during fiscal 2016.

In addition, Management is seeking opportunities to conclude partnership agreements with third parties to obtain financing and to share the risk associated with the exploration of its oil and gas properties. As disclosed in note 9 to the consolidated financial statements, the Company has entered into an agreement with Ressources Québec inc. and Tugliq Energy Corp. to share exploration cost and risk related to the Bourque project. Management is also contemplating the issuance of flow-through shares in fiscal 2016. Under the securityholders agreement signed in March 2014 by the Company and Ressources Québec, Corridor Ressources Inc. and Saint-Aubin E&P (Québec) Inc., the exploration costs to be incurred by Hydrocarbon Anticosti L.P. are entirely funded by third parties.

Impairment of interests in associates

The Company applies IAS 39 to assess whether there is evidence of impairment that could lead to the recognition of an impairment loss for its interest in associates. This assessment requires significant judgment to determine whether the decline in fair value is significant or prolonged, triggering an impairment loss. In making this judgment, the Company's Management assesses, among other factors, the partners' compliance with contractual commitments for the financing of exploration work, the results of exploration work to date, the exploration budgets adopted by the Board of Directors, and observable data such as the decline in oil prices that indicate measurable decreases in estimated future cash flows. Since Anticosti Hydrocarbons L.P. is a company at the exploration and evaluation stage whose sole project is the development of its oil and gas properties on Anticosti Island, Management also considered the impairment evidence set out in IFRS 6 specifically for companies involved in resource exploration and evaluation and described in note 2.14.

Management has determined that no impairment indicator requires impairment testing for the interests in associates.

Impairment of exploration and evaluation assets

Judgment is required to assess when impairment indicators exist. Management determines for each asset, whether the facts and circumstances could indicate an impairment loss or reversal. This assessment requires significant Management judgment given the current background of declining crude oil and natural gas prices which reduces the Company's ability to obtain the necessary financing to complete future development and future profitable production or to dispose the properties for proceeds exceeding their carrying amount. Given the uncertainty related to the economic viability of its oil and gas properties, Management's analysis is based primarily on qualitative factors *[note 2.14]*, particularly fluctuations in oil prices, its financing capacity for completing its exploration projects, the exploration budgets adopted by the Board of Directors of the Company and its partners, fluctuations in the Company's stock price and its capacity to obtain the required licences.

Management has determined that no impairment indicator requires impairment testing for the exploration and evaluation assets.

For the years ended December 31, 2015 and 2014

5. CASH AND CASH EQUIVALENTS

	2015 **$**	**2014** **$**
Cash	**3,850,530**	3,015,868
Guaranteed investment certificates (redeemable on demand)	**3,672,242**	2,223,643
	7,522,772	5,239,511
Less: Cash and cash equivalents held for exploration purposes		
Flow-through shares[1]	**2,041,067**	368,004
Bourque Project[2]	**2,160,008**	—
	4,201,075	368,004
Cash and cash equivalents	**3,321,697**	4,871,507

[1] Cash and cash equivalents held for exploration purposes related to flow-through shares represent the unexpended proceeds of financing related to flow-through shares. According to restrictions imposed under financing arrangements, the Company must allocate these funds to the exploration of oil and gas properties.

[2] Cash and cash equivalents earmarked for future exploration work on the Bourque Project *[note 9]* represent the remaining cash as at December 31, 2015 from partner advances which, under the agreements, must be spent on exploration work related to the Bourque Project.

As at December 31, 2015, cash and cash equivalents included guaranteed investment certificates bearing interest at 1.20% maturing on March 3, 2016. As at December 31, 2014, cash and cash equivalents included guaranteed investment certificates bearing interest at rates ranging from 1.25% to 1.30%, maturing from April 24 to December 3, 2015. These instruments are redeemable at any time without penalty.

6. RECEIVABLES

	2015 $	2014 $
Partners	**145,312**	179,336
Associates *[note 20]*	**944,309**	16,786
Commodity taxes	**156,562**	415,430
Tax credits receivable	**160,616**	133,865
Interest receivable	**3,622**	17,146
Other	**325,195**	312,082
	1,735,616	1,074,645

Tax credits receivable relate to claims that have not yet been reviewed by tax authorities.

All the amounts have short-term maturities.

7. INTERESTS IN ASSOCIATES

Anticosti property

Transaction details

On March 31, 2014, the Company completed a transaction that resulted in a partnership, Anticosti Hydrocarbons L.P., which owns and operates the licences held previously by Pétrolia and Corridor Resources Inc. The ownership interests of the partners are as follows:

Partners	Ownership interest
Ressources Québec	35%
Pétrolia Inc.	21.7%
Corridor Resources Inc.	21.7%
Saint-Aubin E&P (Québec) Inc.	21.7%

The partnership's Board of Directors is made up of a representative of each partner and an independent director.

The Board of Directors has set up an Operations Committee to supervise the partnership's work, as well as an advisory Technical Committee. Committees on health, safety and security, environment and social acceptability have also been created. These committees are made of an equal number of representatives from each partner.

The exploration licences were valued at $100 million for the purposes of the transaction. Ressources Québec and St-Aubin E&P (Québec) Inc. have undertaken to finance exploration work in an amount of up to $100 million broken down into two investment phases. Accordingly, Ressources Québec will invest up to $56.67 million in exchange for a 28.3% interest and St-Aubin E&P (Québec) Inc. will invest $43.33 million in exchange for a 21.7% interest. To ensure equal interests for the three public corporations and a 35% interest for Ressources Québec, Anticosti Hydrocarbons L.P. made a payment of $15.2 million to Corridor Resources. Following these transactions, the parties' interests in the partnership are as follows: Ressources Québec owns 35%, Pétrolia 21.7%, St-Aubin E&P (Québec) Inc. 21.7% and Corridor Resources Inc. (CDH-TO) 21.7%.

	Anticosti Hydrocarbons L.P. $	**Anticosti Hydrocarbons General Partner Inc.** $	**Total** $
Value of licences transferred to the partnership	41,400,000	—	41,400,000
Share of net loss for the year ended December 31, 2014	(99,450)	—	(99,450)
Contributions for the year ended December 31, 2014	80,304	—	80,304
Pétrolia's interest as stated in Anticosti Hydrocarbons L.P.'s financial statements as at December 31, 2014	41,380,854	—	41,380,854
Professional fees incurred to acquire the interest for the year ended December 31, 2014	1,013,144	—	1,013,144
Cash amount paid to acquire an interest totalling 21.7% in March 2014	1,933,333	—	1,933,333
	44,327,331	—	44,327,331
Elimination of Pétrolia's share [21.7%] in the non-cash gain on transfer of ownership of certain licences for the year ended December 31, 2014	(7,762,671)	—	(7,762,671)
Value of the interest as at December 31, 2014	36,564,660	—	36,564,660
Share of net loss for the year ended December 31, 2015	**(84,786)**	**(59,209)**	**(143,995)**
Contributions for the year ended December 31, 2015	**103,932**	**59,209**	**163,141**
Cash amount paid to acquire a 21.7% interest	—	**43**	**43**
Value of the interest as at December 31, 2015	**36,583,806**	**43**	**36,583,849**

As at December 31, 2014, the gain on the transfer of licences was calculated as follows:

	$
Value of licences transferred	**41,400,000**
Less:	
Carrying amount of exploration and evaluation assets	**5,577,797**
	35,822,203
Adjustment to eliminate Pétrolia's share [21.7%] in the non-cash gain on transfer of ownership of certain licences	**(7,762,671)**
Non-cash gain on the transfer of ownership of certain licences	**28,059,532**

Financial information

Key financial information for the interests held by Pétrolia in Anticosti Hydrocarbons L.P. and Anticosti Hydrocarbons General Partner Inc. [21.7% of units] through Investissement PEA inc. is as follows:

	2015 $	2014 $
Current assets	**2,435,899**	**3,076,560**
Non-current assets	**122,770,776**	**111,512,377**
Current liabilities	**1,286,069**	**330,401**
Non-current liabilities	**22,308**	**220,481**
Partners' equity	**123,898,298**	**114,038,055**
Revenues	—	—
Net loss and comprehensive loss	**(664,590)**	**(458,926)**
Share of Pétrolia [21.7%]	**(143,995)**	**(99,450)**

During the year, the partner contributions to Anticosti Hydrocarbons L.P. and Anticosti Hydrocarbons General Partner Inc. are as follows:

	2015 $	2014 $
Ressources Québec inc.	**5,727,187**	**8,208,582**
Saint-Aubin E&P (Québec) Inc.	**4,351,953**	**6,247,148**
Corridor Resources Inc.	**117,558**	**58,905,914**
Investissement PEA Inc.	**117,558**	**41,525,914**
	10,314,256	**114,887,558**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2015 and 2014

8. PROPERTY, PLANT AND EQUIPMENT

	Land $	Leasehold improvements $	IT, office and field equipment $	Automotive equipment $	Reserves $	Field offices $	Total $
Gross carrying amount							
Balance as at December 31, 2014	**75,434**	**585,928**	**320,865**	**231,366**	**322,881**	**186,107**	**1,722,581**
Additions	—	**43,812**	**1,500**	—	—	—	**45,312**
Disposals	—	**(286,691)**	**(7,839)**	**(144,988)**	—	—	**(439,518)**
Balance as at December 31, 2015	**75,434**	**343,049**	**314,526**	**86,378**	**322,881**	**186,107**	**1,328,375**
Accumulated depreciation							
Balance as at December 31, 2014	—	**585,928**	**214,805**	**173,423**	**148,984**	**78,612**	**1,201,752**
Disposals	—	**(286,691)**	**(4,616)**	**(128,822)**	—	—	**(420,129)**
Depreciation	—	**5,447**	**24,674**	**13,936**	**34,779**	**21,499**	**100,335**
Balance as at December 31, 2015	—	**304,684**	**234,863**	**58,537**	**183,763**	**100,111**	**881,958**
Net carrying amount as at December 31, 2015	**75,434**	**38,365**	**79,663**	**27,841**	**139,118**	**85,996**	**446,417**

	Land $	Leasehold improvements $	IT, office and field equipment $	Automotive equipment $	Reserves $	Field offices $	Total $
Gross carrying amount							
Balance as at December 31, 2013	75,434	577,484	300,494	197,552	322,881	186,107	1,659,952
Additions	—	8,444	20,371	33,814	—	—	62,629
Disposals	—	—	—	—	—	—	—
Balance as at December 31, 2014	75,434	585,928	320,865	231,366	322,881	186,107	1,722,581
Accumulated depreciation							
Balance as at December 31, 2013	—	422,487	183,630	160,669	105,510	51,738	924,034
Disposals	—	—	—	—	—	—	—
Depreciation	—	163,441	31,175	12,754	43,474	26,874	277,718
Balance as at December 31, 2014	—	585,928	214,805	173,423	148,984	78,612	1,201,752
Net carrying amount as at December 31, 2014	75,434	—	106,060	57,943	173,897	107,495	520,829

For the years ended December 31, 2015 and 2014

9. EXPLORATION AND EVALUATION ASSETS

Oil and gas properties

	December 31, 2014 $	Transfers $	Additions $	December 31, 2015 $
Québec				
Anticosti[1]	—	—	—	—
Gastonguay	742,103	—	**26,160**	**768,263**
Gaspésia – Edgar – Marcel-Tremblay	470,984	—	**22,238**	**493,222**
Gaspé[1]	3,429,509	—	**104,958**	**3,534,467**
Matapédia	169,830	—	**7,916**	**177,746**
Total oil and gas properties	4,812,426	—	**161,272**	**4,973,698**

Exploration expenses

	December 31, 2014 $	Transfers $	Additions $	December 31, 2015 $
Québec				
Anticosti	68,626	—	**162,678**	**231,304**
Gastonguay	76,823	—	**77**	**76,900**
Gaspésia – Edgar – Marcel-Tremblay	3,795,418	—	**332**	**3,795,750**
Gaspé	3,020,632	—	**408,473**	**3,429,105**
Bourque Project	21,888,692	—	**917,895**	**22,806,587**
Haldimand Project	22,971,437	—	**5,540,481**	**28,511,918**
Tar Point Project No. 1	5,213,259	—	**39,229**	**5,252,488**
Matapédia	1,205,258	—	**85**	**1,205,343**
	58,240,145	—	**7,069,250**	**65,309,395**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2015 and 2014

	December 31, 2014 $	Transfers $	Additions $	December 31, 2015 $
Deductions				
Exploration subsidies and partner contributions:				
Anticosti	5,542	—	**305**	**5,847**
Gastonguay	19,020	—	—	**19,020**
Gaspésia – Edgar – Marcel-Tremblay	428,708	—	**32**	**428,740**
Gaspé	704,459	—	**6,682**	**711,141**
Bourque Project	8,813,330	—	**321,797**	**9,135,127**
Haldimand Project	11,325,425	—	**3,200,957**	**14,526,382**
Tar Point Project No. 1	1,051,685	—	**209**	**1,051,894**
Matapédia	658,824	—	—	**658,824**
	23,006,993	—	**3,529,982**	**26,536,975**
Revenue from oil reserve evaluation:				
Gaspé				
Haldimand Project	295,814	—	**30,409**	**326,223**
Total exploration expenses	34,937,338	—	**3,508,859**	**38,446,197**

During the year ended December 31, 2015, the Company recorded a $160,616 tax credit related to resources [2014 – $0] as a reduction of exploration expenses for the property. Also, the Company reduced, by an amount of $163,267 [2014 – $0], the tax credits related to resources that had been recognized in previous years as reduction of exploration expenses.

Summary as at December 31, 2015

	December 31, 2014 $	Transfers $	Additions $	December 31, 2015 $
Properties	4,812,426	—	**161,272**	**4,973,698**
Exploration expenses	34,937,338	—	**3,508,859**	**38,446,197**
Exploration and evaluation assets	39,749,764	—	**3,670,131**	**43,419,895**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2015 and 2014

Oil and gas properties

	December 31, 2013 $	Transfers $	Additions $	December 31, 2014 $
Québec				
Anticosti[1] *[note 7]*	348,919	449,648	100,729	—
Gastonguay	716,201	—	25,902	742,103
Gaspésia – Edgar – Marcel-Tremblay	448,968	—	22,016	470,984
Gaspé[1]	3,416,924	—	12,585	3,429,509
Matapédia	168,717	—	1,113	169,830
Total oil and gas properties	5,099,729	449,648	162,345	4,812,426

Exploration expenses

	December 31, 2013 $	Transfers $	Additions $	December 31, 2014 $
Québec				
Anticosti *[note 7]*	9,313,657	9,554,893	309,862	68,626
Gastonguay	75,987	—	836	76,823
Gaspésia – Edgar – Marcel-Tremblay	3,792,414	—	3,004	3,795,418
Gaspé	2,879,906	—	140,726	3,020,632
Bourque Project	21,676,895	—	211,797	21,888,692
Haldimand Project	16,208,203	—	6,763,234	22,971,437
Tar Point Project No. 1	5,193,540	—	19,719	5,213,259
Matapédia	1,164,001	—	41,257	1,205,258
	60,304,603	9,554,893	7,490,435	58,240,145

For the years ended December 31, 2015 and 2014

	December 31, 2013 $	Transfers $	Additions $	December 31, 2014 $
Deductions				
Exploration subsidies and partner contributions:				
Anticosti *[note 7]*	3,878,682	4,426,744	553,604	5,542
Gastonguay	19,009	—	11	19,020
Gaspésia – Edgar – Marcel-Tremblay	428,663	—	45	428,708
Gaspé	693,961	—	10,498	704,459
Bourque Project	8,817,971	—	(4,641)	8,813,330
Haldimand Project	7,880,368	—	3,445,057	11,325,425
Tar Point Project No. 1	1,051,561	—	124	1,051,685
Matapédia	651,056	—	7,768	658,824
	23,421,271	4,426,744	4,012,466	23,006,993
Revenue from oil reserve evaluation:				
Gaspé				
Haldimand Project	295,814	—	—	295,814
Total exploration expenses	36,587,518	5,128,149	3,477,969	34,937,338

Summary as at December 31, 2014

	December 31, 2013 $	Write-offs $	Additions $	December 31, 2014 $
Properties	5,099,729	**449,648**	**162,345**	**4,812,426**
Exploration expenses	36,587,518	**5,128,149**	**3,477,969**	**34,937,338**
Exploration and evaluation assets	41,687,247	**5,577,797**	**3,640,314**	**39,749,764**

[1] These properties are subject to royalties should they become productive. To date, the Company has satisfied all required obligations, and only its future or potential obligations and special transactions during the year are described below.

Gaspé property

Haldimand Project

Exploration expenses incurred on the properties held in partnership with Québénergie are equally borne. Pétrolia and Québénergie have joint ownership of 13 licences for the Gaspé property including those for the Haldimand and Tar Point projects.

Bourque Project

On November 6, 2015, the Company entered into an agreement with Ressources Québec inc. and Tugliq Energy Corp. to share the exploration costs and risks related to the Bourque Project. For phase I of the project, which will take place during fiscal 2016, Ressources Québec inc. and Tugliq Energy Corp. have advanced to the Company amounts of $918,200 and $1,350,000, respectively, for a total amount of $2,268,200 to finance the exploration work, in exchange for interests of 4.8% and 5.29%, respectively, in the four licences related to the Bourque property.

Matapédia property

On July 19, 2013, the Company signed a partnership agreement with Saint-Aubin Énergie S.A.S., a subsidiary of Maurel & Prom, which proceeded with the joint acquisition of equal shares of 13 licences in the Gaspé Peninsula.

10. TRADE AND OTHER PAYABLES

	2015	**2014**
	$	**$**
Trade payables and accrued liabilities	**3,602,372**	4,478,660
Salaries, vacation pay and director fees	**300,264**	310,868
Guarantee deposit	**—**	232,500
Partners	**31,389**	—
Advance from an associate *[note 20]*	—	258,819
Contributions to associates *[note 20]*	**29,757**	—
	3,963,782	5,280,847

11. BANK BORROWINGS

	2015 $	2014 $
Ford Credit loan to acquire automotive equipment, repayable in $600 monthly payments of principal and interest at 2.5% and maturing on November 4, 2019.	**26,852**	33,299
Less current portion	**6,609**	6,448
	20,243	26,851

The minimum principal payments to be made over the next four years are as follows: 2016 – $6,609; 2017 – $6,776; 2018 – $6,946; and 2019 – $6,521.

12. PARTNER ADVANCES FOR PLANNED EXPLORATION WORK

The following table shows the reconciliation of partner advances for planned exploration work on the Bourque Project:

	2015 $	2014 $
Balance, beginning of year	**—**	—
Partner advances *[note 9]*	**2,268,200**	—
Partner contributions to work carried out during the year	**(387,088)**	—
Balance, end of year	**1,881,112**	—

13. LIABILITY RELATED TO FLOW-THROUGH SHARES

The following table shows the reconciliation of the liability related to flow-through shares:

	2015 **$**	**2014** **$**
Balance, beginning of year	**64,942**	212,416
Issuance of flow-through shares *[note 16]*	**802,485**	442,398
Reduction of the liability based on the work carried out in respect of which the Company has renounced the tax deductions *[note 15]*	**(503,772)**	(589,872)
Balance, end of year	**363,655**	64,942

14. PROVISION FOR SITE RESTORATION

Management calculates the total provision for future site restoration based on the Company's net share of the estimated costs of abandoning and restoring wells and facilities and the estimated timing of future costs to be incurred.

As at December 31, 2015, the total future estimated amount required to settle obligations related to site restoration, indexed at 2% [December 31, 2014 – 3.5%], stood at $1,373,060 [December 31, 2014 – $816,220]. The total future amount was discounted using a weighted average rate of 2.5% [December 31, 2014 – 5.25%] over a horizon ranging from 2 to 20 years [December 31, 2014 – 15-year horizon]. The total undiscounted amount of the estimated cash flows required to settle these obligations is $1,395,500 [December 31, 2014 – $922,375].

The following table presents the reconciliation of the provision for site restoration:

	2015 **$**	**2014** **$**
Balance, beginning of period	**816,220**	718,180
Liabilities incurred	**—**	73,777
Accretion expense	**27,108**	24,263
Change in accounting estimates	**529,732**	—
Amount used	**—**	—
Balance, end of period	**1,373,060**	816,220
Current portion of liability	**—**	—
	1,373,060	816,220

During the year, the Company reviewed the assumptions used in calculating the present value of the estimated future amount required to settle site restoration obligations. This change in accounting estimates resulted in a $529,732 increase in the provision for site restoration and exploration and evaluation assets and a $10,597 decrease in accretion expense for the year.

15. DEFERRED TAX

Significant components of tax expense

The significant components of the tax expense charged to net earnings (loss) and share capital are detailed as follows:

	2015 **$**	**2014** **$**
Deferred tax:		
Tax credit transferred to investors as part of flow-through financing *[note 13]*	**(503,772)**	(589,872)
Origination and reversal of temporary differences	**162,795**	7,605,087
Total deferred tax recognized in net earnings (loss)	**(340,977)**	7,015,215
Issuance costs *[note 16]*	**131,634**	114,639
Total deferred tax recognized in share capital	**131,634**	114,639

Reconciliation of tax expense

The relationship between the expected income tax expense calculated on the basis of the combined federal and provincial rate in Canada and the tax expense presented in net income (loss) is reconciled as follows:

	2015 **$**	**2014** **$**
Income (loss) before taxes	**(1,893,612)**	24,596,987
Income tax at combined statutory rate of 26.9% [2014 – 26.9%]	**(509,382)**	6,616,584
Adjustments for the following items:		
Impact of the exploration expenses renunciation	**548,689**	818,744
Share-based payments	**74,229**	176,472
Other non-deductible expenses	**24,755**	18,073
Issuance costs	—	(22,927)
Tax credit transferred to investors as part of flow-through financing	**(503,772)**	(589,872)
Other	**24,504**	(1,859)
Deferred tax expense recognized in net income (loss)	**(340,977)**	7,015,215

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2015 and 2014

Changes in deferred taxes recognized:

Changes in deferred taxes, by type, are presented as follows:

	December 31, 2014 $	**Recognized in equity** $	**Recognized in net income (loss)** $	**December 31, 2015** $
Deferred losses	(4,325,795)	—	(633,247)	(4,959,042)
Issuance costs	(208,024)	(131,634)	78,381	(261,277)
Measurement differences on assets and liabilities	(374,242)	—	(112,214)	(486,456)
Total deferred tax assets	(4,908,061)	(131,634)	(667,080)	(5,706,775)
Interest in an associate	9,207,215	—	36,381	9,243,596
Measurement differences on exploration and evaluation assets	3,549,056	—	793,494	4,342,550
Total deferred tax liabilities	12,756,271	—	829,875	13,586,146
Total net deferred tax liabilities	7,848,210	(131,634)	162,795	7,879,371

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2015 and 2014

	December 31, 2013 $	Recognized in equity $	Recognized in net income (loss) $	December 31, 2014 $
Deferred losses	(3,310,922)	—	(1,014,873)	(4,325,795)
Issuance costs	(185,617)	(114,639)	92,232	(208,024)
Measurement differences on assets and liabilities	(276,732)	—	(97,510)	(374,242)
Total deferred tax assets	(3,773,271)	(114,639)	(1,020,151)	(4,908,061)
Interest in an associate	—	—	9,207,215	9,207,215
Measurement differences on exploration and evaluation assets	4,131,033	—	(581,977)	3,549,056
Total deferred tax liabilities	4,131,033	—	8,625,238	12,756,271
Total net deferred tax liabilities	357,762	(114,639)	7,605,087	7,848,210

16. SHARE CAPITAL

Authorized

Unlimited number of common, participating, voting shares without par value.

	2015		2014	
	Number of shares	Amount $	Number of shares	Amount $
Issued				
Balance, beginning of period	77,616,695	59,307,265	70,652,372	54,546,758
Share issuance:				
Shares issued	14,803,500	5,880,315	6,949,323	5,064,526
Stock options exercised	—	—	15,000	7,500
Issuance costs		(489,346)		(426,158)
Deferred tax related to issuance costs *[note 15]*		131,634		114,639
Balance, end of year	92,420,195	64,829,868	77,616,695	59,307,265

During the year ended December 31, 2015, the Company issued 8,250,000 common shares for gross proceeds of $2,970,000 and 6,553,500 flow-through shares for gross proceeds of $3,712,800 under private placements, for total gross proceeds of $6,682,800. A liability related to flow-through shares in the amount of $802,485 was recognized in respect of these investments. Issuance costs of $489,346, of which $404,316 was paid in cash and $85,030 was included under trade and other payables as at December 31, 2015, were recognized as a reduction of the Company's share capital.

During the year ended December 31, 2014, the Company issued 4,000,000 common shares for gross proceeds of $3,000,000, 2,949,323 flow-through shares for gross proceeds of $2,506,924 under private placements and 15,000 common shares on the exercise of stock options, for total gross proceeds of $5,521,924. A liability related to flow-through shares in the amount of $442,398 was recognized in respect of these investments. Issuance costs of $426,158 were paid in cash and recognized as a reduction of the Company's share capital.

Share-based payments

On October 22, 2004, the Company adopted a stock option plan under which it can grant a maximum of 10% of the number of shares outstanding to its directors, officers, key employees and suppliers on a continuous basis. The exercise price of each option equals the market price on the day prior to the grant of the option. All options must be exercised no later than five years after the date of the grant. The options granted to directors vest immediately and for other participants, over a period of three years.

All share-based employee compensation will be settled in equity. The Company has no legal or constructive obligation to repurchase or settle the options.

The Company's stock options are detailed as follows for the reporting periods presented:

	2015		**2014**	
	Number of options	**Weighted average exercise price** $	**Number of options**	**Weighted average exercise price** $
Outstanding, beginning of period	**7,522,500**	**0.97**	6,432,500	1.07
Granted	**1,950,000**	**0.36**	1,435,000	0.54
Exercised	—	—	(15,000)	0.50
Forfeited	**(897,500)**	**0.65**	(330,000)	1.10
Outstanding, end of period	**8,575,000**	**0.87**	7,522,500	0.97
Exercisable	**6,867,500**	**0.97**	5,840,000	1.04

The following table provides summary information on the stock options issued and outstanding as at December 31, 2015:

	Outstanding options		**Excercisable options**	
Range of exercise prices	**Number**	**Weighted average years to expiry**	**Number**	**Weighted average exercise price**
$0.34 to $0.98	4,650,000	3.96	2,942,500	$0.60
$1.02 to $1.69	3,925,000	1.44	3,925,000	$1.26
$0.34 to $1.69	**8,575,000**	**2.81**	**6,867,500**	**$0.97**

For the years ended December 31, 2015 and 2014

The following table provides summary information on the stock options issued and outstanding as at December 31, 2014:

	Outstanding options		Excercisable options	
Range of exercise prices	**Number**	**Weighted average years to expiry**	**Number**	**Weighted average exercise price**
$0.49 to $0.98	3,472,500	3.57	2,338,750	$0.66
$1.02 to $1.69	4,050,000	2.44	3,501,250	$1.28
$0.49 to $1.69	**7,522,500**	**2.96**	**5,840,000**	**$1.04**

The weighted fair value of stock options granted during 2015 was $0.16 per option at the grant date [2014 – $0.33 per option].

The fair value of stock options granted to directors, officers and key employees was determined using the Black-Scholes option pricing model and the following weighted average assumptions:

	2015	**2014**
Exercise price	**$0.36**	$0.54
Risk-free interest rate	**0.76%**	1.41%
Average expected volatility	**62%**	82%
Expected life (years)	**3.75**	3.75
Expected dividend yield	**Nil**	Nil

The underlying expected volatility was determined by reference to historical data over a period comparable to the expected life of options.

For the years ended December 31, 2015 and 2014

Warrants

Outstanding warrants allow holders to subscribe to an equivalent number of common shares as follows:

	2015		2014	
	Number of warrants	Weighted average exercise price $	Number of warrants	Weighted average exercise price $
Balance, beginning of period	**6,360,062**	**1.68**	6,651,860	1.66
Issued	**4,125,000**	**0.54**	—	—
Exercised	—	—	—	—
Expired	**(5,645,776)**	**1.76**	(291,798)	1.37
Balance, end of period	**4,839,286**	**0.61**	6,360,062	1.68

The number of outstanding warrants that can be exercised for an equivalent number of common shares is established as follows:

	2015		2014	
Expiry date	**Number of warrants**	**Exercise price** $	**Number of warrants**	**Exercise price** $
May 15, 2015	—	—	5,545,776	1.78
July 10, 2015	—	—	100,000	0.70
July 10, 2016	**714,286**	**1.00**	714,286	1.00
November 6, 2018	**4,125,000**	**0.54**	—	—
	4,839,286	**0.61**	6,360,062	1.68

For the years ended December 31, 2015 and 2014

17. LEASES

	Minimum lease payments due			
	Less than 1 year	**1 to 5 years**	**More than 5 years**	**Total**
	$	$	$	$
December 31, 2015	178,111	764,254	704,318	1,646,683
December 31, 2014	312,894	115,666	—	425,560

The Company leases a house and offices under leases expiring in 2016 and 2026.

During the fiscal year, lease payments recognized as expenses, before amortization of deferred lease inducements, totalled $279,207 [2014 – $311,961], of which an amount of $158,973 [2014 - $159,656] was charged to exploration and evaluation assets. This amount represents minimum lease payments. A sublease payment of $6,987 [2014 – $21,432] was received and recognized under other revenues.

The Company's rental contracts do not contain any contingent rent clauses, restrictions on dividends, additional debt or further leasing.

18. EMPLOYEE BENEFITS EXPENSE

Expenses recognized for employee benefits are broken down below:

	2015	**2014**
	$	**$**
Salaries and employee benefits	**2,289,592**	2,607,916
Share-based compensation	**275,944**	656,029
	2,565,536	3,263,945
Less: amounts capitalized in exploration and evaluation assets	**880,901**	948,106
Employee benefits expense	**1,684,635**	2,315,839

Share-based compensation is broken down as follows:

	2015 $	2014 $
Consolidated statements of income (loss)	**172,799**	498,207
Exploration and evaluation assets	**103,145**	157,822
Issuance costs	—	—
Total	**275,944**	656,029

19. EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share is calculated by dividing net income (loss) for the fiscal year by the weighted average number of common shares outstanding during the period. In calculating diluted loss per share for the year ended December 31, 2015, potential common shares, such as certain options and warrants, were not included as they would have the effect of decreasing the loss per share, which would be antidilutive.

Both basic and diluted earnings (loss) per share have been calculated using net income (loss) for the period as the numerator, therefore no adjustment to income (loss) was necessary. The weighted average number of common shares outstanding is increased by the weighted average number of additional common shares that would have been outstanding had all the potentially dilutive shares been converted.

	2015	2014
Net income (loss)	**$(1,552,635)**	$17,581,772
Weighted average number of shares – basic	**81,625,024**	74,070,119
Dilutive effect of warrants and options	—	190,906
Weighted average number of diluted shares	**81,625,024**	74,261,115
Net earnings (loss) per share - basic	**$(0.019)**	$0.237
Net earnings (loss) per share - diluted	**$(0.019)**	$0.237

For the years ended December 31, 2015 and 2014

20. RELATED PARTY TRANSACTIONS

The Company's related parties include other related parties and key management personnel, as described below.

None of the transactions involve special terms or conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

Transactions with key management personnel

Key management personnel compensation includes the following expenses:

	2015 $	2014 $
Short-term employee benefits:		
Salaries and employee benefits	**735,243**	1,087,525
Director fees	**138,566**	122,500
Total short-term employee benefits	**873,809**	1,210,025
Fees	**120,238**	391,750
Share-based compensation	**170,261**	428,976
Total compensation	**1,164,308**	2,030,751

During the years ended December 31, 2015 and 2014, no options granted under the stock option plan were exercised by key management personnel.

Related companies and other parties

Transactions were carried out:

With a company in which a director is a majority shareholder:

	2015 $	2014 $
Comprehensive income (loss):		
Other expenses	**17,000**	30,000

With an associate:

	2015 $	2014 $
Comprehensive income (loss):		
Project management	**112,893**	**111,193**

As at December 31, 2015, an amount of $944,309 [December 31, 2014 – $0] was receivable from Anticosti Hydrocarbons L.P., while a nil amount [December 31, 2014 – $16,786] was receivable from Anticosti Hydrocarbons General Partner Inc.

In addition, as at December 31, 2015, a contribution of $19,637 [December 31, 2014 – $0] was payable to Anticosti Hydrocarbons L.P., while a contribution of $10,120 [December 31, 2014 – $0] was payable to Anticosti Hydrocarbons General Partner Inc.

As at December 31, 2014, Anticosti Hydrocarbons L.P. provided a non-interest bearing advance without repayment terms in the amount of $258,819 [December 31, 2014 – $0] to the Company. The funds advanced were used to finance exploration activities during the first three months of fiscal 2015.

These transactions were in the normal course of business and measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

21. CAPITAL MANAGEMENT

The Company's capital management objectives are to ensure the Company's ability to pursue its exploration activities. The Company's capital consists of share capital. Management regularly reviews its capital management policy on a going concern basis and believes that this is a reasonable approach considering the Company's size.

The Company's financial strategy is developed and adapted according to market conditions in order to maintain a flexible capital structure in compliance with the aforementioned objectives and to respond to the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the Company, as a junior exploration company, issues new shares.

There were no material changes to the Company's capital management policies during the year ended December 31, 2015.

22. FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are measured at fair value or amortized cost. The classification of financial instruments as well as their carrying amounts and fair values are presented in the table below:

	December 31, 2015			
	Fair value through profit or loss $	**Loans and receivables** $	**Other financial liabilities** $	**Total carrying amount** $
Financial asset				
Cash and cash equivalents[1]	7,522,772	—	—	7,522,772
Receivables[2]	—	1,418,438	—	1,418,438
	7,522,772	1,418,438	—	8,941,210
Financial liability				
Trade and other payables	—	—	3,963,782	3,963,782
Bank borrowings	—	—	26,852	26,852
	—	—	3,990,634	3,990,634

	December 31, 2014			
	Fair value through profit or loss $	**Loans and receivables** $	**Other financial liabilities** $	**Total carrying amount** $
Financial asset				
Cash and cash equivalents[1]	5,239,511	—	—	5,239,511
Receivables[2]	—	525,350	—	525,350
	5,239,511	525,350	—	5,764,861
Financial liability				
Trade and other payables	—	—	5,280,847	5,280,847
Bank borrowings	—	—	33,299	33,299
	—	—	5,314,146	5,314,146

1) Fair value of cash and cash equivalents is equal to the carrying amount.

2) Excluding tax credits and commodity taxes as these amounts do not represent a contractual right to receive an amount.

For the years ended December 31, 2015 and 2014

Risk management policy

The Company's financial assets and liabilities expose it to various risks. The following analysis provides an assessment of those risks as at the date of the consolidated statements of financial position, that is, December 31, 2015.

Credit risk

The financial instruments that give rise to potential credit risk exposure for the Company consist primarily of cash and cash equivalents and receivables. The Company's cash and cash equivalents are held with or are issued by established Canadian financial institutions. The receivables are mostly amounts due from partners and associates for exploration work carried out by the Company as the designated operator. Therefore, Management considers the risk of non-performance of these instruments to be remote.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due or can do so only at excessive cost. The Company finances its growth by issuing shares, selling interests in some of its oil assets and by obtaining short-term loans. One of Management's primary financial goals is to maintain an optimal level of liquidity through the active management of its exploration activities.

The tables below show the maturities of financial liabilities:

	December 31, 2015				
	Current portion $	**Due in 1 to 3 years** $	**Due in 4 to 5 years** $	**Due in more than 5 years** $	**Total** $
Trade and other payables	**3,963,782**	—	—	—	**3,963,782**
Bank borrowings	**6,609**	**20,243**	—	—	**26,852**
	3,970,391	**20,243**	—	—	**3,990,634**

	December 31, 2014				
	Current portion $	**Due in 1 to 3 years** $	**Due in 4 to 5 years** $	**Due in more than 5 years** $	**Total** $
Trade and other payables	5,280,847	—	—	—	5,280,847
Bank borrowings	6,448	20,330	6,521	—	33,299
	5,287,295	20,330	6,521	—	5,314,146

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market conditions. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Company is exposed to one of those risks, namely interest rate risk.

Interest rate risk

The Company is exposed to fair value risk through interest rate risk on its fixed- and variable-rate financial instruments.

23. COMMITMENTS

Under the terms of exploration licences granted by the Ministère des Ressources naturelles et de la Faune du Québec, the Company is committed to pay fees in the amount of $2,838,360 by 2024. The minimum payments required in the next five years are as follows:

2016 $	**2017** $	**2018** $	**2019** $	**2020** $
131,750	131,750	172,103	474,883	510,997

The adoption of Bill 18 in Québec suspends some of these statutory work obligations for up to three years while at the same time extending the validity of all the licences for the same period. In June 2014, this period was extended until an act on hydrocarbons is tabled. Pétrolia may, however, still continue its exploration activities despite the suspended obligation.

24. CONTINGENCIES

Financing

The Company is financed in part by the issue of flow-through shares. However, although it has taken all the necessary measures in this regard, there is no guarantee that the funds spent by the Company regarding these shares will be deemed eligible by tax authorities in the event of an audit. Refusal of certain expenses by the tax authorities would have a negative tax impact for investors. Exploration work commitments that are not respected are subject to a combined tax rate of 26.9% [Canada and Québec]. During the year ended December 31, 2015, the Company received an amount of $3,712,800 [December 31, 2014 – $2,506,924] following the issue of flow-through shares for which it waived the tax deductions. This amount must be incurred by December 31, 2016. As at December 31, 2015, the remaining eligible expenses to be incurred totalled $2,041,067 [December 31, 2014 – $368,004].

Environment

The Company's operations are regulated by governmental laws relating to environmental protection. Environmental consequences are difficult to predict, whether in terms of their outcomes, timing or impact. Currently, to the best of management's knowledge, the Company is operating in compliance with current legislation. The Company is currently in the process of renewing the guarantees provided to the ministère des Ressources naturelles to secure the completion of certain site closures. Letters of guarantee in the amount of $480,000 were issued by a financial institution on March 17, 2016 in favour of the ministère des Ressources naturelles to guarantee the completion of certain site closures.

Litigation

The Company is subject to certain legal disputes in the normal course of business. Management believes that the Company has set aside sufficient provisions to cover potential losses in relation to such litigation.

25. SUPPLEMENTAL CASH FLOW INFORMATION

Items not affecting cash and cash equivalents

	2015 $	2014 $
Receivables related to exploration and evaluation assets	**88,799**	4,207,404
Trade payables related to exploration and evaluation assets	**1,334,896**	(2,735,336)
Share-based compensation related to exploration and evaluation assets	**103,145**	157,822
Additions to property, plant and equipment included under trade payables	**892**	—
Additions to property, plant and equipment financed by bank borrowings	—	33,299
Share issuance costs included trade payables	**85,030**	—
Contributions to associates included under other payables	**29,757**	—
Other information		
Interest paid	**756**	112,498
Interest received	**50,705**	55,843

Cash and cash equivalents comprise:

	2015 $	2014 $
Cash	**3,850,530**	3,015,868
Guaranteed investment certificates (redeemable on demand)	**3,672,242**	2,223,643
	7,522,772	5,239,511

ADMINISTRATIVE AND OPERATING EXPENSES

Years ended December 31

Schedule A

	2015	2014
	$	$
Administrative expenses		
Share-based compensation	**172,799**	498,207
Salaries and employee benefits	**932,078**	1,257,193
Fees	**120,238**	391,750
Insurance	**39,755**	55,522
Maintenance and office supplies	**77,062**	120,869
Board of Directors fees	**193,517**	180,507
Shareholder reporting	**82,611**	95,766
Rent	**120,234**	152,305
Amortization of deferred lease inducements	**(27,400)**	(27,400)
Promotion and entertainment	**35,970**	138,172
Travel	**73,392**	189,805
Professional services	**329,378**	493,826
Telecommunications	**24,736**	20,838
Depreciation of property, plant and equipment	**25,268**	101,312
Gain on disposal of property, plant and equipment	**(2,259)**	—
Reversal of a provision	**(51,525)**	—
Other expenses	**21,169**	28,302
Total administrative expenses before re-invoicing of expenses	**2,167,023**	3,696,974
Re-invoicing of expenses	**(237,415)**	(165,555)
	1,929,608	3,531,419

Schedule B

	2015	2014
Operating expenses		
Share-based compensation	**103,145**	157,822
Salaries and employee benefits	**1,357,514**	1,350,723
Insurance	**1,794**	2,084
Maintenance and office supplies	**1,985**	42,269
Travel	**16,415**	51,974
Training	**12,744**	6,552
Rent	**158,973**	159,656
Professional services	**16,323**	18,650
Telecommunications	**4,093**	4,605
Depreciation of property, plant and equipment	**75,067**	176,406
Loss on disposal of property, plant and equipment	**2,188**	—
Other expenses	**3,834**	6,043
Total administrative expenses before re-invoicing of expenses and transfer to exploration and evaluation assets	**1,754,075**	1,976,784
Re-invoicing of expenses[1]	**(579,758)**	(560,439)
Transfer to exploration and evaluation assets	**(1,174,317)**	(1,416,345)
	—	—

[1] Re-invoiced expenses are mainly composed of salaries and employee benefits

FINANCIAL INCOME AND EXPENSES

Years ended December 31

	2015	2014
	$	$
Interest income	**(37,181)**	(55,843)
Bank charges	**3,346**	4,563
Interest on bank borrowings	**—**	112,498
Interest expense	**28,948**	—
Accretion expense	**27,108**	24,263
Amortization of financing costs	**—**	112,404
	22,221	197,885