PÉTROLIA

Quebec's Leader in Oil Exploration

Condensed Interim Consolidated Financial Statements (unaudited)

For the periods ended March 31, 2015 and 2014

NOTICE OF DISCLOSURE OF NON-AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIODS ENDED MARCH 31, 2015 AND 2014

Pursuant to National Instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators, if the independent auditors have not performed a review of the condensed interim consolidated financial statements [the "consolidated financial statements"], the consolidated financial statements must be accompanied by a notice indicating that they have not been reviewed by the auditors.

The accompanying consolidated financial statements of Pétrolia Inc. [the "Company"] for the periods ended March 31, 2015 and 2014 have been prepared in accordance with International Financial Reporting Standards and are the responsibility of management.

The Company's independent auditors, Ernst & Young LLP, have not performed a review of these consolidated financial statements in accordance with the standards established by CPA Canada for a review of financial statements by an entity's independent auditors.

May 27, 2015

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

[in Canadian dollars]

[unaudited]

	As at March 31, 2015 $	As at December 31, 2014 $
ASSETS		
Current		
Cash and cash equivalents *[Note 3]*	1,098,867	4,871,507
Cash and cash equivalents held for exploration *[Note 3]*	1,987,302	368,004
Accounts receivable *[Note 6]*	1,583,080	1,074,645
Prepaid expenses	175,985	176,397
Inventories	748,351	857,579
Total current assets	5,593,585	7,348,132
Non-current		
Investments in associates *[Note 5]*	36,583,848	36,564,660
Property, plant and equipment *[Note 6]*	496,238	520,829
Exploration and evaluation assets *[Note 7]*	41,304,088	39,749,764
Total non-current assets	78,384,174	76,835,253
	83,977,759	84,183,385
LIABILITIES AND EQUITY		
Current		
Trade and other payables *[Note 8]*	3,091,452	5,280,847
Current portion of deferred lease inducements	20,550	27,400
Current portion of bank borrowings *[Note 9]*	4,851	6,448
Liability related to flow-through shares	538,485	64,942
Total current liabilities	3,655,338	5,379,637
Non-current		
Deferred lease inducements	11,418	11,418
Bank borrowings *[Note 9]*	26,851	26,851
Provision for site restoration *[Note 10]*	1,110,770	816,220
Deferred income tax liabilities	7,764,010	7,848,210
Total non-current liabilities	8,913,049	8,702,699
Total liabilities	12,568,387	14,082,336
Equity		
Share capital *[Note 11]*	60,806,054	59,307,265
Contributed surplus	5,502,776	5,480,501
Retained earnings (deficit)	5,100,542	5,313,283
Total equity	71,409,372	70,101,049
	83,977,759	84,183,385

Going concern *[Note 1]*

Contingencies *[Note 15]*

The accompanying notes are an integral part of the condensed interim consolidated financial statements.

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]

[unaudited]

For the periods ended March 31

	2015 [3 months] $	2014 [3 months] $ [Restated *[Note 5]*]
Revenues		
Project management	**98,744**	189,459
Other income	**5,212**	2,994
Gain on transfer of certain permits *[Note 5]*	**—**	28,059,532
	103,956	28,251,985
Expenses		
Administrative expenses *[Schedule A]*	**414,721**	629,126
Operating expenses *[Schedule B]*	**—**	—
Financial income and expenses *[Schedule C]*	**1,773**	12,466
Share of associates *[Note 5]*	**42,989**	—
	459,483	641,592
Income (loss) before taxes	**(355,527)**	27,610,393
Deferred tax (recovery)	**(142,786)**	8,012,832
Net income (loss) and comprehensive income (loss)	**(212,741)**	19,597,561
Basic net earnings (loss) per share *[Note 12]*	**(0.003)**	0.290
Diluted net earnings (loss) per share *[Note 12]*	**(0.003)**	0.287

See accompanying notes

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

[in Canadian dollars]
[unaudited]

	Share capital $	Contributed surplus $	Retained earnings (deficit) $	Total equity $
Unaudited balance as at December 31, 2013	54,546,758	4,824,472	(12,268,489)	47,102,741
Stock options exercised	7,500	—	—	7,500
Share-based compensation	—	43,872	—	43,872
Issuance costs	(351)	—	—	(351)
Net income and comprehensive income	—	—	19,597,561	19,597,561
	7,149	43,872	19,597,561	19,648,582
Unaudited balance as at March 31, 2014 – [Restated *[Note 5]*]	54,553,907	4,868,344	7,329,072	66,751,323
Shares issued	5,064,526	—	—	5,064,526
Share-based compensation	—	612,157	—	612,157
Issuance costs	(425,807)	—	—	(425,807)
Deferred taxes related to issuance costs	114,639	—	—	114,639
Net loss and comprehensive loss	—	—	(2,015,789)	(2,015,789)
	4,753,358	612,157	(2,015,789)	3,349,726
Unaudited balance as at December 31, 2014	59,307,265	5,480,501	5,313,283	70,101,049
Shares issued	**1,609,815**	—	—	**1,609,815**
Share-based compensation	—	**22,275**	—	**22,275**
Issuance costs	**(151,882)**	—	—	**(151,882)**
Deferred taxes related to issuance costs	**40,856**	—	—	**40,856**
Net loss and comprehensive loss	—	—	**(212,741)**	**(212,741)**
	1,498,789	**22,275**	**(212,741)**	**1,308,323**
Unaudited balance as at March 31, 2015	**60,806,054**	**5,502,776**	**5,100,542**	**71,409,372**

See accompanying notes

CONSOLIDATED STATEMENTS OF CASH FLOWS

[in Canadian dollars]

[unaudited]

For the periods ended March 31

	2015 [3 months] $	2014 [3 months] $ [Restated *[Note 5]*]
OPERATING ACTIVITIES		
Net income (loss)	**(212,741)**	19,597,561
Items not affecting cash:		
Depreciation of property, plant and equipment	**6,150**	87,376
Amortization of financing costs	**—**	30,655
Deferred tax (recovery)	**(142,786)**	8,012,832
Share-based compensation	**22,275**	43,872
Amortization of deferred lease inducements	**(6,850)**	(6,850)
Non-cash gain on transfer of ownership of certain licences	**—**	(28,059,532)
Accretion expense	**8,269**	—
Share of associates	**42,989**	—
	(282,694)	(294,086)
Net change in non-cash operating items *[Note 16]*		
Accounts receivable	**(641,994)**	32,060
Prepaid expenses	**412**	37,160
Inventories	**109,228**	—
Trade and other payables	**118,236**	884,515
	(414,118)	953,735
Cash flows related to operating activities	**(696,812)**	659,649
INVESTING ACTIVITIES		
Acquisitions of investments in associates	**(43)**	(1,933,333)
Acquisitions of oil and gas properties	**(25,119)**	(47,918)
Decrease (increase) in exploration costs, net of recovered amounts	**(3,398,555)**	(772,614)
Contributions to associates	**(62,134)**	—
Costs related to the acquisition of an interest in an associate	**—**	(1,013,144)
Cash flows related to investing activities	**(3,485,851)**	(3,767,009)
FINANCING ACTIVITIES		
Shares issued	**2,182,800**	7,500
Share issuance costs	**(151,882)**	(351)
Repayment of bank borrowings	**(1,597)**	—
Cash flows related to financing activities	**2,029,321**	7,149
Net decrease in cash and cash equivalents	**(2,153,342)**	(3,100,211)
Cash and cash equivalents, beginning of period	**5,239,511**	4,987,641
Cash and cash equivalents, end of period *[Note 16]*	**3,086,169**	1,887,430

See accompanying notes

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the periods ended March 31, 2015 and 2014

1. INCORPORATION, NATURE OF OPERATIONS, GOING CONCERN UNCERTAINTY, AND CONDENSED FINANCIAL INFORMATION

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.

Going concern uncertainty

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business in the foreseeable future. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, 12 months from the period ended March 31, 2015. Management is aware, in making its assessment, of material uncertainties related to events and conditions that cast significant doubt upon the Company's ability to continue as a going concern. These consolidated financial statements do not include any adjustments to the carrying amounts of assets, liabilities, income and expenses and to classifications in the statement of financial position that would be necessary if the going concern assumption were not appropriate. Such adjustments could be material.

The Company has yet to determine whether its oil and gas properties contain economically feasible reserves. The Company's ability to generate revenue from its oil and gas properties hinges on its ability to economically operate its oil reserves, obtain the necessary financing to pursue property exploration, evaluation, development and construction, begin commercial production, or generate proceeds from the disposal of its exploration and evaluation assets.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the periods ended March 31, 2015 and 2014

In addition to ongoing working capital requirements, the Company must secure sufficient funding to meet its existing obligations and commitments under exploration and evaluation programs and pay general and administrative expenses. Management considers that those funds will not be sufficient to meet the Company's anticipated obligations and expenses through to March 31, 2016. Any shortfall could be met in a number of ways in the future, including but not limited to, the issuance of new debt or equity instruments, additional cost-cutting measures or the introduction of new partners, on which the Company is already working. If management is unable to secure new funding, the Company may be unable to continue its operations, and amounts realized for assets might be less than the amounts reflected in these financial statements.

Condensed interim consolidated financial information

The financial information as at March 31, 2015 and for the three-month periods ended March 31, 2015 and 2014 is unaudited. However, it is management's view that all adjustments required to present fairly the results for these periods have been made. The adjustments made were of a normal recurring nature. The interim consolidated operating results do not necessarily reflect the operating results anticipated for the full fiscal year.

2. BASIS FOR THE PREPARATION OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

These condensed interim consolidated financial statements were prepared in accordance with IAS 34, *Interim Financial Reporting*, published by the International Accounting Standards Board ("IASB") and set out in the *CPA Canada Handbook - Accounting*. The accounting policies applied in these condensed interim consolidated financial statements are the same as those in the most recent annual financial statements. The condensed interim consolidated financial statements should be read in conjunction with the audited annual financial statements for the fiscal year ended December 31, 2014, including the notes thereto.

All amounts are expressed in Canadian dollars.

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NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the periods ended March 31, 2015 and 2014

3. CASH AND CASH EQUIVALENTS

	As at March 31, 2015 $	As at December 31, 2014 $
Cash	**862,526**	3,015,868
Guaranteed investment certificates	**2,223,643**	2,223,643
	3,086,169	5,239,511
Less: Cash and cash equivalents held for exploration purposes[1]	**1,987,302**	368,004
Cash and cash equivalents	**1,098,867**	4,871,507

[1] Cash and cash equivalents held for exploration purposes 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.

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

4. RECEIVABLES

	As at March 31, 2015 $	As at December 31, 2014 $
Partners	**204,807**	179,336
Commodity taxes	**868,030**	415,430
Tax credits receivable	**160,616**	133,865
Interest receivable	**24,309**	17,146
Other	**325,318**	328,868
	1,583,080	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.

5. INVESTMENTS 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 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%. Pétrolia also entered into an agreement with Corridor Resources Inc. under which a maximum royalty credit of $1,200,000 and a cash amount of $800,000 were granted to Pétrolia as reimbursement for expenses entirely borne by Pétrolia in previous years. Under this agreement, Pétrolia undertakes to assume Corridor Resources Inc.'s share of royalties relating to the agreement entered into with Hydro-Québec on January 22, 2008.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the periods ended March 31, 2015 and 2014

	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 from March 20 to December 31, 2014	(99,450)	—	(99,450)
Contributions from March 20 to December 31, 2014	80,304	—	80,304
	41,380,854	—	41,380,854
Professional fees incurred to acquire the interest	1,013,144	—	1,013,144
Cash amount paid to acquire an interest totalling 21.7%	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	(7,762,671)	—	(7,762,671)
Value of the interest as at December 31, 2014	36,564,660	—	36,564,660
Share of the net loss from January 1 to March 31, 2015	**(15,661)**	**(27,328)**	**(42,989)**
Contributions from January 1 to March 31, 2015	**34,806**	**27,328**	**62,134**
Cash amount paid to acquire a 21.7% interest	—	**43**	**43**
Value of the interest as at March 31, 2015	**36,583,805**	**43**	**36,583,848**

The gain on the transfer of licences is 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**

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NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the periods ended March 31, 2015 and 2014

During the year ended December 31, 2014, the Company reviewed the calculation of the non-cash gain on transfer of ownership of certain licences ["gain"], adjusting it to $28,059,532 from $34,809,059 to reflect the elimination of its $7,762,671 share in the gain and account for the professional fees incurred for the acquisition of an investment amounting to $1,013,144 in the value of the investment in an associate rather than against the gain. Those adjustments resulted in a reduction in the investment in an associate and the gain amounting to $6,749,527, as well a reduction in deferred tax liabilities of $1,815,623 as at March 31, 2014. Those adjustments also resulted in a $4,933,904 reduction in net income and comprehensive income as well as retained earnings for the three-month period ended March 31, 2014 and a $0.073 reduction in net basic income per share and net diluted income per share for the three-month period ended March 31, 2014.

Financial information

Key financial information for the investments 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:

	As at March 31, 2015	**As at December 31, 2014**
	$	**$**
Current assets	**2,538,826**	3,076,560
Non-current assets	**111,969,177**	111,512,377
Current liabilities	**381,388**	330,401
Non-current liabilities	**—**	220,481
Partners' equity	**114,126,615**	114,038,055
Revenues	**—**	—
Net loss and comprehensive loss	**(198,406)**	(458,926)
Share of Pétrolia [21.7%]	**(42,989)**	(99,450)

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the periods ended March 31, 2015 and 2014

6. 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	—	—	—	—	—	—	—
Disposals	—	—	—	—	—	—	—
Balance as at March 31, 2015	**75,434**	**585,928**	**320,865**	**231,366**	**322,881**	**186,107**	**1,722,581**
Accumulated depreciation							
Balance as at December 31, 2014	—	**585,928**	**214,805**	**173,423**	**148,984**	**78,612**	**1,201,752**
Disposals	—	—	—	—	—	—	—
Depreciation	—	—	**6,176**	**4,346**	**8,694**	**5,375**	**24,591**
Balance as at March 31, 2015	—	**585,928**	**220,981**	**177,769**	**157,678**	**83,987**	**1,226,343**
Net carrying amount as at December 31, 2014	75,434	—	106,060	57,943	173,897	107,495	520,829
Net carrying amount as at March 31, 2015	**75,434**	—	**99,884**	**53,597**	**165,203**	**102,120**	**496,238**

7. EXPLORATION AND EVALUATION ASSETS

Oil and gas properties

	December 31, 2014 $	Transfers $	Additions $	March 31, 2015 $
Québec				
Anticosti [1]	—	—	—	—
Gastonguay	742,103	—	—	**742,103**
Gaspésia – Edgar – Marcel-Tremblay	470,984	—	—	**470,984**
Gaspé [1]	3,429,509	—	**25,119**	**3,454,628**
Matapédia	169,830	—	—	**169,830**
Total oil and gas properties	4,812,426	—	**25,119**	**4,837,545**

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the periods ended March 31, 2015 and 2014

Exploration expenses

	December 31, 2014 $	Transfers $	Additions $	March 31, 2015 $
Québec				
Anticosti	68,626	—	**39,578**	**108,204**
Gastonguay	76,823	—	**78**	**76,901**
Gaspésia – Edgar – Marcel-Tremblay	3,795,418	—	**332**	**3,795,750**
Gaspé	3,020,632	—	**291,890**	**3,312,522**
Bourque Project	21,888,692	—	**118,523**	**22,007,215**
Haldimand Project	22,971,437	—	**3,111,299**	**26,082,736**
Tar Point Project No. 1	5,213,259	—	**28,071**	**5,241,330**
Matapédia	1,205,258	—	**85**	**1,205,343**
	58,240,145	—	**3,589,856**	**61,830,001**

	December 31, 2014 $	Transfers $	Additions $	March 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	—	**33**	**428,741**
Gaspé	704,459	—	**5,447**	**709,906**
Bourque Project	8,813,330	—	**1,291**	**8,814,621**
Haldimand Project	11,325,425	—	**2,053,366**	**13,378,791**
Tar Point Project No. 1	1,051,685	—	**209**	**1,051,894**
Matapédia	658,824	—	—	**658,824**
	23,006,993	—	**2,060,651**	**25,067,644**
Revenue from oil reserve evaluation:				
Gaspé				
Haldimand Project	295,814	—	—	**295,814**
Total exploration expenses	34,937,338	—	**1,529,205**	**36,466,543**

During the period ended March 31, 2015, the Company recorded a $160,751 tax credit related to resources [December 31, 2014 – 0$] as a reduction of exploration expenses.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the periods ended March 31, 2015 and 2014

Summary as at March 31, 2015

	December 31, 2014 $	Write-offs $	Additions $	March 31, 2015 $
Properties	4,812,426	—	25,119	4,837,545
Exploration expenses	34,937,338	—	1,529,205	36,466,543
Exploration and evaluation assets	39,749,764	—	1,554,324	41,304,088

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 and Haldimand properties

As at December 31, 2014, Québénergie had complied with the initial agreement which consisted in investing an amount of $8,500,000 in exploration work. Exploration expenses incurred on the properties held in partnership with Québénergie are now equally borne.

Pétrolia and Québénergie have joint ownership of 13 licences including that for the Haldimand project.

Bourque Project

In May 2012, Pétrolia completed a private placement totalling $15,575,000, with most of the funds used for the drilling of two wells on the Bourque property. The Company is currently developing a work program for the purpose of identifying the production characteristics of the Forillon formation.

Matapédia property

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

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the periods ended March 31, 2015 and 2014

8. TRADE AND OTHER PAYABLES

	As at March 31, 2015 $	As at December 31, 2014 $
Trade payables and accrued liabilities	**2,405,327**	4,737,479
Salaries, vacation pay and director fees	**453,625**	310,868
Guarantee deposit	**232,500**	232,500
	3,091,452	5,280,847

9. BANK BORROWINGS

	As at March 31, 2015 $	As at December 31, 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.	**31,702**	33,299
Less current portion	**4,851**	6,448
	26,851	26,851

10. 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 March 31, 2015, the total future estimated amount required to settle obligations related to site restoration, indexed at 2.5% [December 31, 2014 – 3.5%], stood at $1,110,770 [December 31, 2014 – $816,220]. The total future amount was discounted using a weighted average rate of 3% [December 31, 2014 – 5.25%] over a 20-year horizon [December 31, 2014 – 15-year horizon]. The total undiscounted amount of the estimated cash flows required to settle these obligations is $1,134,875 [December 31, 2014 – $922,375].

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

	As at March 31, 2015 $	As at December 31, 2014 $
Balance, beginning of period	**816,220**	718,180
Liabilities incurred	**—**	73,777
Accretion expense	**8,269**	24,263
Change in accounting estimates	**286,281**	—
Amount used	**—**	—
Balance, end of period	**1,110,770**	816,220
Current portion of liability	**—**	—
	1,110,770	816,220

During the period ended March 31, 2015, 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 $286,281 increase in the provision for site restoration and exploration and evaluation assets and a $1,158 decrease in accretion expense for the period.

11. SHARE CAPITAL

Authorized

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

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the periods ended March 31, 2015 and 2014

	As at March 31, 2015 [3 months]		As at December 2, 2014 [12 months]	
	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	**2,728,500**	**1,609,815**	6,949,323	5,064,526
Stock options exercised	**—**	**—**	15,000	7,500
Issuance costs		**(151,882)**		(426,158)
Deferred tax related to issuance costs		**40,856**		114,639
Balance, end of period	**80,345,195**	**60,806,054**	77,616,695	59,307,265

During the period ended March 31, 2015, the Company issued 2,728,500 flow-through shares under private placements for gross proceeds of $2,182,800. Issuance costs of $151,882 were paid in cash and recognized as a reduction in 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.

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For the periods ended March 31, 2015 and 2014

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

	As at March 31, 2015 [3 months]		As at March 31, 2014 [3 months]	
	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	**75,000**	**0.57**	—	—
Exercised	—	—	(15,000)	0.50
Forfeited	**(265,000)**	**0.99**	(200,000)	1.00
Outstanding, end of period	**7,332,500**	**0.97**	6,217,500	1.08
Exercisable	**5,825,000**	**1.03**	4,343,250	1.09

The stock options issued and outstanding at March 31, 2015 are summarized as follows:

Outstanding options

Number of options	Exercise price $	Remaining life Years	Expiry date	Number of exercisable options
622,500	0.50	0.7	December 8, 2015	622,500
75,000	1.31	0.9	February 25, 2016	75,000
500,000	1.69	1.1	May 18, 2016	500,000
1,030,000	1.52	1.7	December 4, 2016	1,030,000
75,000	1.51	1.9	February 22, 2017	75,000
2,095,000	1.02	2.7	December 10, 2017	1,671,250
150,000	1.14	2.9	February 28, 2018	150,000
250,000	0.89	3.4	August 21, 2018	125,000
400,000	0.98	3.5	September 14, 2018	400,000
625,000	0.67	3.7	December 5, 2018	375,000
405,000	0.67	4.2	May 28, 2019	292,500
1,030,000	0.49	4.7	November 25, 2019	433,750
75,000	0.57	5.0	March 25, 2020	75,000
7,332,500	0.97	2.8		5,825,000

The weighted fair value of stock options granted during the period was $0.30 per option at the grant date.

The Company granted stock options to a director whose fair value was calculated using the Black-Scholes option pricing model based on the following assumptions:

	March 2015
Exercise price	$0.57
Risk-free interest rate	0.70%
Average expected volatility	72%
Expected life (years)	3.75
Expected dividend yield	Nil

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

Warrants

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

	As at March 31, 2015 [3 months]		As at March 31, 2014 [3 months]	
	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	—	—	—	—
Exercised	—	—	—	—
Expired	—	—	—	—
Balance, end of period	**6,360,062**	**1.68**	6,651,860	1.66

As at March 31, 2015, the number of outstanding warrants that can be exercised for an equivalent number of common shares is established as follows:

Expiry date	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
	6,360,062	1.66

12. 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 period ended March 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 have an antidilutive effect.

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.

	As at March 31, 2015 [3 months]	As at March 31, 2014 [3 months]
Net income (loss)	**$(212,741)**	$19,597,561
Weighted average number of shares – basic	**77,616,695**	67,680,723
Dilutive effect of warrants and options	—	491,707
Weighted average number of diluted shares	**77,616,695**	68,172,430
Net earnings (loss) per share - basic	**$(0.003)**	$0.290
Net earnings (loss) per share - diluted	**$(0.003)**	$0.287

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For the periods ended March 31, 2015 and 2014

13. 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:

	As at March 31, 2015 [3 months] $	As at March 31, 2014 [3 months] $
Short-term employee benefits:		
Salaries and employee benefits	**151,046**	187,085
Termination benefit	**220,500**	—
Director fees	**32,250**	28,842
Total short-term employee benefits	**403,796**	215,927
Fees	**29,150**	56,250
Share-based compensation	**22,275**	—
Total compensation	**455,221**	272,177

During the periods ended March 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 an entity owned by a director:

	As at March 31, 2015 [3 months] $	As at March 31, 2014 [3 months] $
Comprehensive income (loss):		
Other expenses	**5,300**	7,500

As at March 31, 2015 and December 31, 2014, an amount of $16,786 was due from Anticosti Hydrocarbons General Partner Inc. In addition, as at March 31, 2015, an amount of $34,806 [December 31, 2014 – nil] was payable to Anticosti Hydrocarbons L.P., while an amount of $27,328 [December 31, 2014 – nil] was payable to Anticosti Hydrocarbons General Partner Inc.

As at March 31, 2015, the Company had a non-interest bearing advance from Anticosti Hydrocarbons L.P. in the amount of $812,379 [December 31, 201 – $258,819].

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.

14. 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 income 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. Instruments in this category include 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 and held-to-maturity financial assets

Loans and receivables and held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented in current assets when they are recoverable within 12 months of the end of the period; otherwise, they are classified as non-current assets.

The instruments in this category include accounts receivable excluding sales 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).

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the periods ended March 31, 2015 and 2014

(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 and 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 or disclosed 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.

For bank borrowings, the carrying amount approximates fair value given the instrument's short-term maturity or that it bears interest at rates in line with market rates for similar financial instruments.

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NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the periods ended March 31, 2015 and 2014

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:

	March 31, 2015					
	Held to maturity $	**Fair value through profit or loss** $	**Loans and receivables** $	**Other financial liabilities** $	**Total carrying amount** $	**Total fair value** $
Financial asset						
Cash and cash equivalents	—	1,098,867	—	—	1,098,867	1,098,867
Financial liability						
Bank borrowings	—	—	—	31,702	31,702	31,702

	December 31, 2014					
	Held to maturity $	**Fair value through profit or loss** $	**Loans and receivables** $	**Other financial liabilities** $	**Total carrying amount** $	**Total fair value** $
Financial asset						
Cash and cash equivalents	—	4,871,507	—	—	4,871,507	4,871,507
Financial liability						
Bank borrowings	—	—	—	33,299	33,299	33,299

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the periods ended March 31, 2015 and 2014

15. 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 period ended March 31, 2015, the Company received an amount of $2,182,800 [December 31, 2014 – $2,506,924] following flow-through private placements for which it renounced the tax deductions. This amount must be incurred by December 31, 2016. As at March 31, 2015, the remaining eligible expenses to be incurred totalled $1,987,302 [December 31, 2014 – $368,004].

Environment and letters of guarantee

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. To secure the completion of certain site closures, the Company has provided the Ministère des Ressources naturelles with guarantees amounting to $930,000 as at March 31, 2015 and December 31, 2014.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the periods ended March 31, 2015 and 2014

16. SUPPLEMENTAL CASH FLOW INFORMATION

Items not affecting cash and cash equivalents

	2015 [3 months] $	2014 [3 months] $
Receivables related to exploration and evaluation assets	**(133,559)**	3,174,505
Trade payables related to exploration and evaluation assets	**2,307,631**	381,050
Other information		
Interest paid	**204**	29,731
Interest received	**7,717**	29,880

Cash and cash equivalents comprise:

	March 31, 2015 [3 months] $	March 31, 2014 [3 months] $
Cash	**862,526**	203,099
Guaranteed investment certificates (redeemable on demand)	**2,223,643**	1,684,331
	3,086,169	1,887,430

ADMINISTRATIVE AND OPERATING EXPENSES

For the periods ended March 31

Schedule A

	2015 [3 months] $	2014 [3 months] $
Administrative expenses		
Share-based compensation	22,275	43,872
Salaries and employee benefits	211,422	244,690
Fees	29,150	56,250
Insurance	12,888	13,800
Maintenance and office supplies	22,952	23,491
Board of Directors fees	41,231	39,828
Shareholder reporting	14,626	15,819
Rent	34,562	43,961
Amortization of deferred lease inducements	(6,850)	(6,850)
Promotion and entertainment	7,764	21,976
Travel	12,889	66,136
Professional services	24,912	23,043
Telecommunications	6,117	4,663
Depreciation of property, plant and equipment	6,150	32,689
Other expenses	5,177	5,758
Total administrative expenses before re-invoicing of expenses	445,265	629,126
Re-invoicing of expenses	(30,544)	—
	414,721	629,126

Schedule B

	2015 [3 months] $	2014 [3 months] $
Operating expenses		
Salaries and employee benefits	528,876	260,159
Insurance	446	438
Maintenance and office supplies	310	13,311
Travel	3,245	33,143
Training	12,132	605
Rent	39,498	41,192
Professional services	—	10,000
Telecommunications	1,042	1,156
Depreciation of property, plant and equipment	18,444	54,687
Other expenses	204	5,973
Total administrative expenses before re-invoicing of expenses and transfer to exploration and evaluation assets	604,197	420,664
Re-invoicing of expenses	(98,884)	—
Transfer to exploration and evaluation assets	(505,313)	(420,664)
	—	—

FINANCIAL INCOME AND EXPENSES

For the periods ended March 31

	2015 [3 months] $	2014 [3 months] $
Interest income	(7,716)	(18,260)
Bank charges	1,220	995
Interest on bank indebtedness	—	29,731
Accretion expense	8,269	—
	1,773	12,466